

A COMPARATIVE ANALYSIS OF THE ECONOMIC EFFECTS OF
REIMPOSING PERSONAL INCOME TAXES, REDUCING
PERMANENT FUND DIVIDENDS, OR REDUCING STATE SPENDING

prepared by

Oliver Scott Goldsmith
Institute of Social and Economic Research
University of Alaska, Anchorage
3211 Providence Drive
Anchorage, Alaska 99508

prepared for

Special Committee on Taxation
Alaska State Legislature
Representative John Sund, Co-Chair

May 1987

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES v

EXECUTIVE SUMMARY vi

INTRODUCTION 1

HOW DOES THE INCOME TAX AFFECT THE SIZE OF THE ALASKA ECONOMY 3

 Results of Analysis 3

 The Reduction of Private-Sector Purchasing Power from a Tax 39

 The Reduction in Purchasing Power from Permanent Fund Dividend Reduction 45

 The Increase in Purchasing Power Associated with Government Spending 47

 Comparison of Income and Employment Effects of Alternatives 51

WHAT ARE THE "SUPPLY SIDE" CONSEQUENCES OF THE INCOME TAX 53

 "Supply Side" Economics 53

 General Disincentive Effects of Taxes 53

 Labor Supply Effects 55

 Savings-Investment Effects 58

 Regional Distortion Effects 59

 Distortion Caused by the Dividend 60

HOW WOULD AN INCOME TAX AFFECT THE DISTRIBUTION OF INCOME 63

REFERENCES 75

LIST OF FIGURES, TABLES, AND OUTPUT

Figure 1. Take Personal Income to Fund Government Impact on Average Annual Jobs	ix
Figure 2. Take Personal Income to Fund Government Impact on Disposable Income	ix
Figure 3. Cut Government to Keep Personal Income Impact on Average Annual Jobs	xiii
Figure 4. Cut Government to Keep Personal Income Impact on Disposable Income	xiii
Table 1. Nonresident Wages in Alaska	42
Table 2. Consumer Expenditure Patterns	44
Table 3. Sample of Alaska Households with State Workers	49
Table 4. Per Capita Disposable Personal Income, Alaska and United States	61
Case I. Reimpose Income Tax--Maximize Public Job Retention	7
Case III. Reimpose Income Tax--Minimize Public Job Retention	11
Case V. Reimpose Income Tax--Across the Board Retention	15
Case VII. Reimpose Income Tax--No Public Spending	19
Case II. Reduce PF Dividend--Maximize Public Job Retention	23
Case IV. Reduce PF Dividend--Minimize Public Job Retention	27
Case VI. Reduce PF Dividend--Across the Board Retention	31
Case VI. Reduce PF Dividend--No Public Spending	35
Joint Return (2 Children)	67
Single Return (Child)	69
Joint Return (No Children)	71
Single Return (Adult)	73

EXECUTIVE SUMMARY

How would Alaska's economy be affected if the state government replaced some of its declining oil revenues by reimposing a personal income tax or by reducing the amount paid out in Permanent Fund dividends? Or what if state officials did neither and simply reduced state spending? Would one measure affect the economy more than the others?

The most important fiscal challenge the Alaska Legislature and Governor Cowper face is bringing state spending in line with revenues the state can sustain, while at the same time minimizing further loss of resident jobs and income. We looked at the effects on Alaska jobs and incomes of several proposed ways of balancing the state budget; there are, of course, many other considerations in taxing and spending policies.

In our examination of these selected fiscal issues, we found that either reimposing income taxes or reducing dividends would reduce purchasing power of Alaskans and, therefore, cost the economy jobs and income. But our analysis shows that a personal income tax at the level proposed by Governor Cowper would cost the state somewhat fewer jobs and less income than would a similar dollar reduction in Permanent Fund dividends. It also demonstrates that state spending of either taxes or dividend money could, if targeted toward certain kinds of expenditures, more than offset the number of jobs initially lost by creating additional public and private jobs.

Scope of Work

The Alaska Legislature's Joint Committee on Tax Policy asked the Institute of Social and Economic Research to analyze the overall economic effects between now and the end of 1989 of reimposing the personal income tax as Governor Cowper has proposed, of reducing the amount paid out in Permanent Fund dividends, and of reducing general fund spending. The governor's proposed tax plan would raise a combined total of \$467 million for 1988 and 1989. We looked at the economic effects of the government's collecting that amount in taxes, of reducing dividend payments by the same amount, and of reducing state spending by an amount equal to what would be collected through taxes or reduced dividends.

The economic effects of different methods of generating revenues and of spending those revenues are but one of many factors to be considered in determining appropriate levels of government activity and the best methods of collecting money to pay for those activities. We did not compare the effects of all the methods for funding government activities that are available to the state. For example, we did not consider the long-run economic implications of funding

current state costs with Permanent Fund earnings that would otherwise be re-invested in the Permanent Fund. We did not examine the issue of the appropriate size for the public sector in Alaska. Finally, we did not put a value on the employment and income figures we calculated. Please keep these limitations in mind when looking at the results of our analysis, summarized below.

Reimposition of the State Personal Income Tax

Reimposing a tax would cost the economy jobs and income because it would reduce Alaskans' purchasing power. But the state in turn would create jobs and income by spending the money it collected. The number of jobs and the amount of income re-injected into the economy would vary significantly, depending on how the state spent the additional revenues: in general, state spending for salaries and contract services produces more jobs and income than does spending for construction or equipment because more of the money ends up in the pockets of Alaskans. More specifically, the effects of a personal income tax would be as follows:

The Effects of Reduced Purchasing Power

- A state personal income tax as proposed by Governor Cowper would reduce Alaskans' disposable personal incomes by about \$340 million between now and the end of 1989. That figure represents about 2 percent of Alaskans' overall purchasing power. (The cost of the tax to Alaskans is less than the estimated \$467 million it would raise because some of the tax would be paid by nonresidents who work in Alaska, and because state income taxes would reduce Alaskans' federal income tax payments.)
- The reduction in Alaskans' purchasing power would reduce business activity and cost the state's private support industries (trade, finance, and services) about 2,000 jobs annually. (See Figure 1.) That represents less than one percent of the annual average employment in Alaska.
- The drop in employment would reduce disposable personal income in Alaska by an additional \$110 million---for a total loss in disposable personal income of about \$450 million as a result of the tax and subsequent job loss. (See Figure 2.) That loss represents about 3 percent of disposable income of Alaskans.

Figure 1

TAKE PERSONAL INCOME TO FUND GOVERNMENT

IMPACT ON AVERAGE ANNUAL JOBS

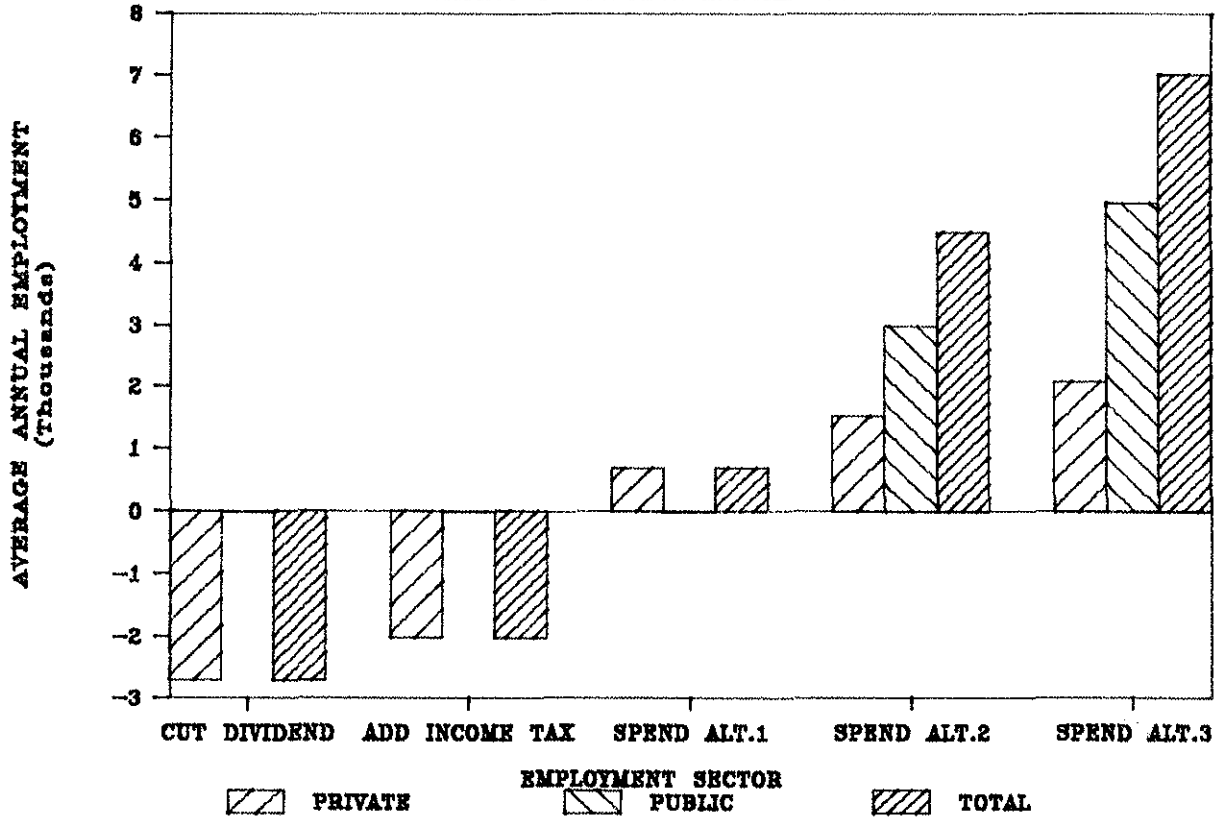
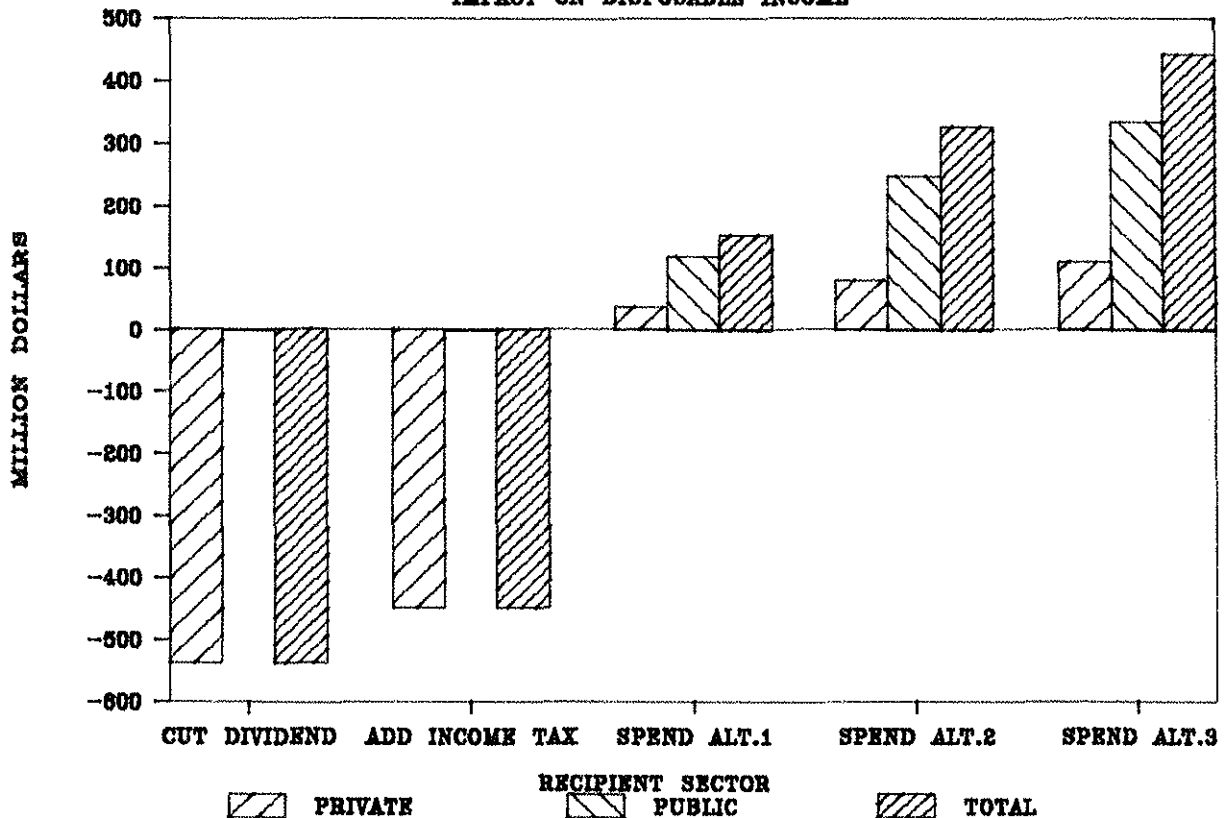


Figure 2

TAKE PERSONAL INCOME TO FUND GOVERNMENT

IMPACT ON DISPOSABLE INCOME



The Effects of State Spending of Income Taxes

- If the state spent its income tax revenues for some combination of capital projects, supplies, or transfers to individuals and businesses so that only 25 cents on the dollar went into Alaskans' incomes, about 700 private industry jobs annually and about \$150 million in disposable personal income would be created. (See Spending Alternative 1 in Figures 1 and 2.) If we weigh those numbers against what creation of the tax would cost the economy--2,000 jobs annually and \$450 million in income--we see that this kind of combination of tax collection and spending would cost Alaska about 1,300 private jobs and \$300 million in disposable personal income.
- If the state spent its tax revenues for a combination of expenses similar to current spending patterns, about 60 percent would go for supporting public jobs. That kind of spending would create about 1,500 private jobs, support 3,000 existing public jobs, and add \$320 million in disposable personal income. (See Spending Alternative 2 in Figures 1 and 2.) Measuring those gains against losses created by imposition of the tax, we see that overall private industry would lose 500 jobs; the public sector would gain 3,000 jobs; and the economy would experience a net loss of \$130 million in disposable income.
- If the state spent all the \$467 million in tax revenues to keep the public workforce at its current level, it could maintain over 4,900 public jobs and create about 2,050 private jobs. (See Spending Alternative 3 in Figure 1.) If we compare the number of private jobs that the tax would cost the state--2,000--with the number it would create, we see that the overall employment effect of the tax would be to create 50 new jobs in private industry and 4,900 public-supported jobs.
- Using all the tax revenues for public workers' salaries would create roughly the same amount of disposable personal income as imposing the tax cost--about \$450 million. (See Spending Alternative 3, Figure 2). So if the state spent personal income taxes this way, the net effect on disposable personal income in the state would be zero--the amount lost through the tax would be essentially regained through the spending. The difference would be in how that income was distributed.

The report also examines some other potential economic effects of an income tax, aside from loss or creation of jobs and income--such as the possible effects of the tax on business investment in the state and on Alaska's labor supply. It finds, among other things, that the tax would not be high enough to drive businesses or workers out of the state; that it might make working in Alaska less attractive to nonresidents; and that it would be unlikely to push wages up.

Effects of Reducing Permanent Fund Dividends

Reducing the amount paid Alaskans in Permanent Fund dividends would cost the economy jobs and income, because that measure would also reduce purchasing power of Alaskans. Reducing dividends to produce the same amount of revenues as would the proposed income tax would actually cost Alaska more jobs and income than would re-imposing an income tax, although the differences are not large. The economic effects of reducing the dividends would be somewhat greater because Alaskans are more likely to spend Permanent Fund dividends than they are taxable income; almost all the dividend money is paid to persons actually living in Alaska; and Permanent Fund dividends are generally taxed at a lower rate under the federal tax schedule than are wages. Again, state spending of the dividend money would create different numbers of jobs and amounts of income, depending on how it was spent.

- Reducing Permanent Fund dividends by \$467 million between now and the end of 1989 would cost the state \$400 million in disposable personal income and 2,700 private industry jobs annually. The loss in jobs would further reduce income by \$140 million, for a total loss of about \$540 million in disposable personal income. (Figures 1 and 2.)
- State spending of this Permanent Fund money in the various amounts and combinations we discussed above would create the same numbers of jobs annually and total amounts of income we described under the income tax discussion; these effects are illustrated in the three spending alternatives in Figures 1 and 2.
- Overall, weighing jobs and income lost and created by the reduction in the dividends and state spending of that money, the state would lose more private jobs and more disposable income by reducing dividends than by imposing a personal income tax--about 700 more jobs and about \$90 million in disposable income. These differences in jobs lost and income created amount to less than one-third of one percent of the Alaska workforce and 0.2 percent of disposable personal income.

Effects of Cutting State Spending

Another option open to the state is, of course, to cut spending rather than to establish an income tax or reduce dividends or take any other revenue-raising measure. We discuss this option last because we are going to specifically compare the net economic effects of cutting the budget while at the same time leaving in the economy the amount of personal income that would be lost if an income tax were imposed or dividends reduced. There are other possible comparisons that we do not make here. Figures 3 and 4 show the employment and personal income effects of cutting spending by \$467 million between now and the end of 1989, and of not imposing an income tax or reducing dividends (assuming that personal income that would otherwise be lost through those measures would stay in the economy).

Figures 3 and 4 are simply reversals of Figures 1 and 2. If you do not impose an income tax and do not reduce dividends, you leave in the economy the same numbers of jobs and amounts of personal income that you take out by imposing the tax or reducing dividends. The three alternatives for cutting spending have the same effects on jobs and income as do the three spending alternatives--but in this instance jobs and income are lost instead of gained.

Effects of Retained Personal Income

- Not imposing a personal income tax at the level proposed by Governor Cowper would leave roughly 2,000 private jobs annually and \$450 million in total disposable personal income in the economy over the next two years.
- Not reducing Permanent Fund dividends by an equivalent amount would leave 2,700 private jobs annually and \$540 million in total disposable personal income in the economy.
- Cutting state spending by cutting spending for capital projects, supplies, and transfers to individuals and businesses would cost the state 700 private jobs and about \$150 million in disposable personal income. (Cut Alternative 1, Figures 3 and 4.) Balancing those figures against jobs and income that would remain in the economy without an income tax, we see that the economy would come out ahead by about 1,300 jobs and \$300 million in personal income. Without a reduction in dividends, the economy would maintain more jobs and more income.
- If the state cut its spending by reducing costs for all the kinds of expenditures that are represented in current state spending--a mixture of salaries, capital projects, transfers, and others--about 3,000 public and

Figure 3

CUT GOVERNMENT TO KEEP PERSONAL INCOME

IMPACT ON AVERAGE ANNUAL JOBS

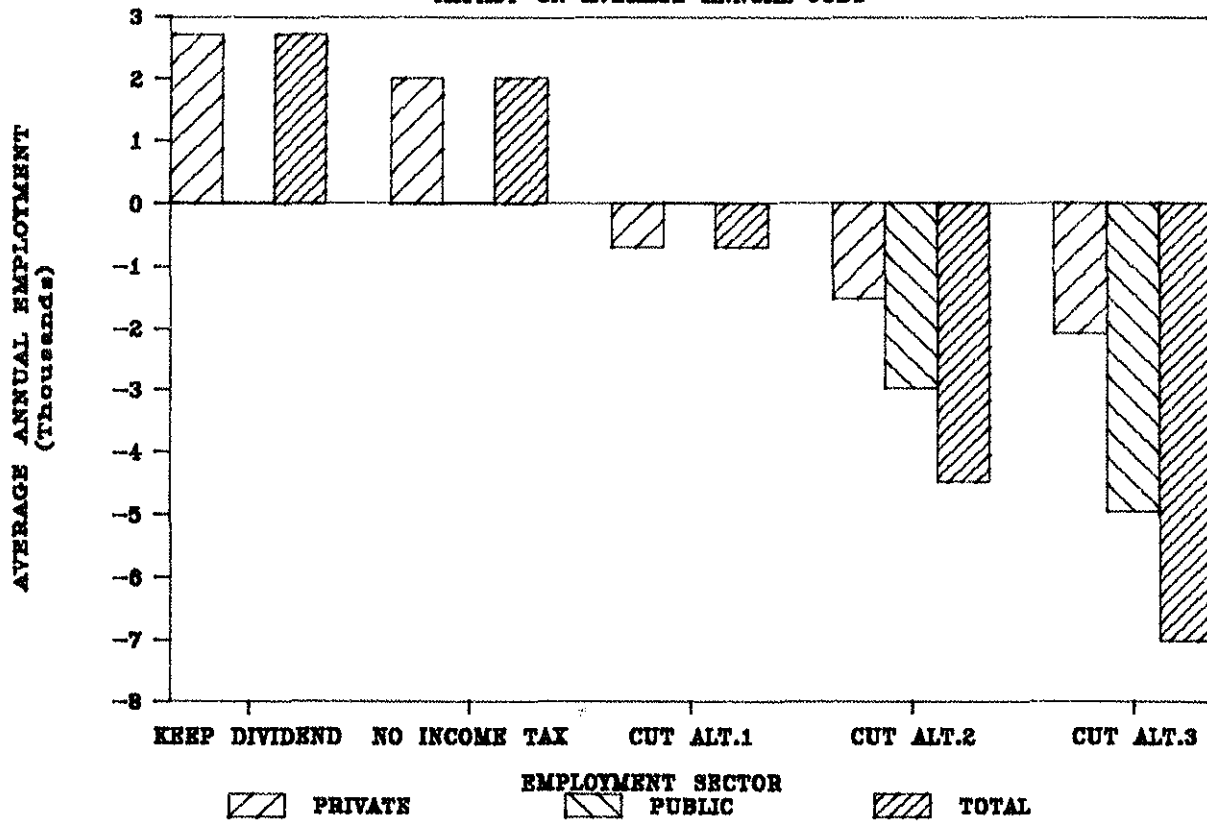
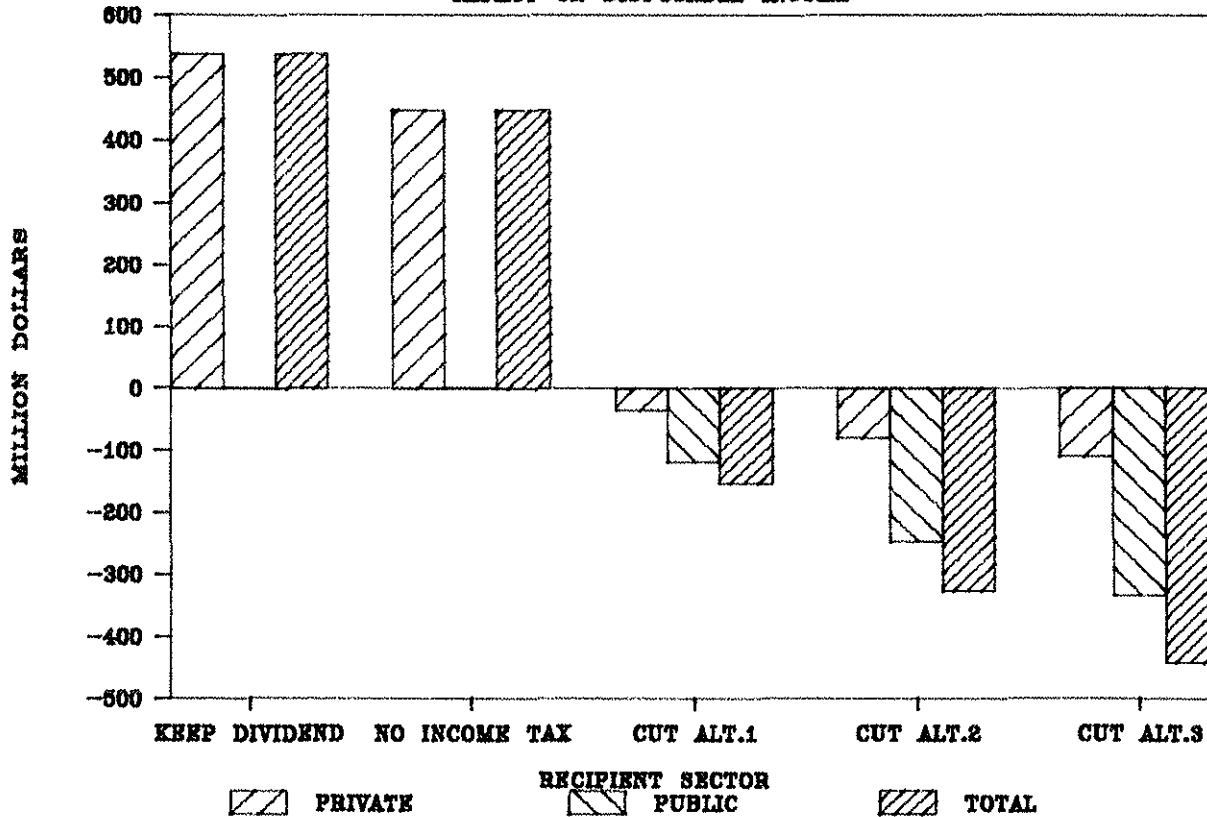


Figure 4

CUT GOVERNMENT TO KEEP PERSONAL INCOME

IMPACT ON DISPOSABLE INCOME



1,500 private jobs and about \$320 in disposable personal income would be lost. (Cut Alternative 2, Figures 3 and 4.) That loss of 4,500 jobs would substantially exceed the 2,000 jobs the economy would retain in the absence of an income tax and the 2,700 jobs that would exist if Permanent Fund dividends were not reduced.

- If the state made all its budget cuts by cutting salaries and state worker jobs, the economy would lose 4,900 public jobs and 2,050 private jobs and roughly \$440 million in disposable personal income. (Cut Alternative 3, Figures 3 and 4.) That loss of more than 6,950 jobs would significantly exceed the number of jobs the economy would maintain if no income tax were imposed and dividends were not reduced.

I. INTRODUCTION

The purpose of this study is to examine some of the economic consequences of the reimposition of the state personal income tax as proposed by the Governor in early 1987.¹ Specifically the study examines three types of effect: aggregate demand, supply, and distributional. The study is not meant to be a comprehensive analysis of either these effects or the tax itself. Time and budgetary limitations prevented this. However, the results of this analysis should provide valuable information to policy makers as they consider the question of how to redesign the state fiscal structure in an efficient and equitable manner as we enter the era of falling public income.

The information provided here is more useful in the design of a tax which is efficient and equitable than in the determination of whether a tax should or should not be reimposed. Whether a tax should be imposed depends first upon a comparison of the value of the public goods and services a tax would buy with the value of the private goods taxpayers would forego and second upon a comparison of alternative revenue-generating methods.

The aggregate demand effect of the tax arises from the fact that a tax on personal income which is used to fund public programs can be viewed as a transfer of purchasing power from one group of consumers in the economy to another group. If the consumption habits of the two groups differ, then the aggregate level of economic activity in the state--as measured by personal income, employment, or other macroeconomic variables--will change, either increasing or decreasing.

The supply effect of the tax arises from the fact that the tax decreases the return to labor in the state and decreases the return to other factors owned by Alaskan residents. As a consequence of the lower after-tax wage, the supply of labor in Alaska might contract. As a consequence of the lower return to other factors, there might be less saving and investment by Alaskans.

The distributional effect of the tax arises from the fact that the income of different individuals will be affected by the tax in different amounts and in different proportions. If the proportion of income which is paid as taxes increases with income, the tax is said to be progressive. If the proportion of income which is paid as taxes decreases with income, the tax is said to be regressive. A proportional tax is one in which the proportion of income paid as taxes does not vary with income.

¹HB 154 and SB 148.

II. HOW DOES THE INCOME TAX AFFECT THE SIZE OF THE ALASKA ECONOMY

One of the economic effects of an income tax is that it transfers income, and with it purchasing power, away from taxpayers to the government. It is important to remember that the proceeds of the tax collection process re-enter the economy as government spending. The government uses its income either to purchase public goods and services or to provide additional purchasing power to certain groups within the economy through income transfer programs. A reduction in the Permanent Fund dividend would have the same type of effect on purchasing power but would impact different groups.

This process of transferring purchasing power from one group in the economy to another group through the collection of taxes or dividend reduction and the dissemination of the proceeds can have either an expansionary or a contractionary effect on income and employment, depending upon how aggregate demand is affected. For example, if the government collected an income tax and distributed the proceeds back to individuals according to the amount they had paid in taxes, then total purchasing power, aggregate demand, disposable income, and employment would be unaffected by the fact that the money had passed through the government (except for the cost of administration of the program of collection and distribution).

It is easy to envision cases both in which total purchasing power in the economy is increased and in which total purchasing power is decreased as a result of the imposition of a tax. Thus, it is not possible to assert that the tax will necessarily be either stimulative or contractionary. Rather it is a function of a few important relationships in the economy and in the composition of government expenditures.

II.a. Results of Analysis

The economic effects of five alternative fiscal policies were analyzed using a simple model of economic impact.² The five policies were as follows:

- Reimpose the personal income tax as proposed by Governor Cowper and embodied in HB-154 and SB-148 with collections beginning at the start of the 1988 calendar year.
- Reduce the Permanent Fund dividend by an equivalent amount on a fiscal year basis.

²FIMPMOD, a fiscal impact model, in a Lotus 1-2-3 spreadsheet.

- Fund state spending by an equivalent amount through the hiring of additional personnel at the average wage of existing employees.
- Fund state spending by an equivalent amount on non-personnel type expenditures.
- Fund state spending by an equivalent amount on a mix of expenditures similar to the existing budget.

Each policy change is separable and symmetric; that is, each revenue-generating policy and each spending policy can be analyzed individually or in combination with any other policy, and in addition, the effect of not adopting a policy can be viewed as having the opposite effect of adopting the policy. For example, the effect of not imposing a tax is the retention of a certain amount of disposable personal income in the hands of the private sector and the maintenance of a certain number of private sector jobs, and the effect of not funding state spending is the loss of a certain amount of disposable personal income and a certain number of jobs.

Each policy is examined in terms of its effect on the number of jobs created or eliminated in the economy (average annual equivalent), the amount of disposable personal income created or eliminated, and the amount of personal income and discretionary spending produced or eliminated. Job creation and disposable personal income are more comprehensive measures of economic well-being for an economy, and the discussion concentrates on these measures. Disposable personal income, for example, measures the income of resident Alaskans after they have paid their federal and state income taxes and, thus, represents their purchasing power.

Discretionary spending is less useful as a measure of economic well-being (although perhaps better as a measure of consumer demand) because it measures noncontractual spending (mortgage payments, for example, are excluded) but includes spending financed by expansion of consumer debt. This is a difficult concept to measure with any accuracy. Other measures of economic impact such as transactions or total sales are inferior to disposable income as a measure of economic well-being to residents because the relation between income and transactions is not consistent. The level of economic transactions can increase at the same time that the disposable income of Alaskans is decreasing.

Finally, disposable personal income is the primary component of value added--the most comprehensive measure of the well-being of an economy. Value added includes not only personal income but the income of government and retained earnings of business as well.

Eight combinations of the five listed alternatives have been examined in detail. The result of each case as well as the specific assumptions used in the calculations of each case are presented in the accompanying tables labeled as CASE I through CASE VIII. In addition, the effects of each have been measured against the background of the total Alaska economy. Finally, a series of sensitivity analyses have been done on the parameter values used in the analyses. The general conclusions of the analyses follow:

Reimposition of the income tax or reduction of the Permanent Fund dividend would reduce private sector purchasing power by reducing the income of most residents by a small percentage. The reduction in purchasing power would lead to a reduction of jobs in the support sector of the economy, and the loss of these jobs would further erode the level of income in the economy. The magnitude of these effects is identifiable within a relatively narrow range and is most sensitive to the proportion of income which "leaks" out of the economy and the economic multiplier. The relative magnitude of the effects is determined by the relative size of the "leaks" out of spending. In general, the leaks from the tax exceed those of the dividend, so the economic effects of the dividend are larger than of the tax.

State spending impacts the aggregate economy by increasing disposable personal income of residents and by creating public and private sector jobs. These effects are amplified by the spending within the economy of the income thus created. This multiplier effect results in the generation of additional income and jobs in the private support sector of the economy. The size of the economic effect of state spending depends upon what the state buys. The impact on jobs and disposable income is maximized if the state spends on personnel expenditures. The impact is at a minimum if the states spends on commodities, debt service, and income transfer programs which have a large element of "leakage" outside of the state. The size of the impact is very sensitive to how the money is spent, and because every government program is different, it is impossible to generalize about impacts of government spending on the economy without knowing the program funded.

Taking money away from the private sector through taxes or reductions of the dividend will reduce private sector purchasing power and jobs, but the net impact of these policies depends upon how the public sector spends the proceeds. If spending is targeted to maximize job and income creation, then the contractionary effects of revenue generation can be offset by the expansionary effects of public spending. Total jobs in the economy can be increased and the level of disposable personal income essentially unchanged. If the state chooses to spend on public employees, the number of public sector jobs will increase and the number of private sector jobs will be about the same as without either policy change. Alternatively, the state could choose to spend on private job creation through, for example, the privatization of government-provided services. In that case, the level of private-sector jobs can increase.

In contrast, if public spending is reduced and this allows more disposable income to remain in the hands of residents because the reimposition of the income tax or a reduction of the Permanent Fund dividend is avoided, the net effect of this policy combination depends again upon what government spending is reduced. If non-personnel expenditures are reduced, the net effect is that income and jobs are greater than with revenue augmentation and spending. If the expenditure reductions are concentrated on personnel expenditures, the net effect will be contractionary in comparison to more taxes and public spending.

The effect of each combination of revenue augmentation and expenditure policy was measured against two scenarios of aggregate economic activity through the end of 1989. The first case assumed a continued economic contraction throughout this period, with personal income dropping to \$8.3 billion and nonagricultural wage and salary employment falling to 199 thousand by the second half of the year. The other scenario assumed that the current economic decline would reach a nadir in 1988 and recovery would begin in mid-1989. The percent change in the level of Alaska disposable personal income and the level of employment associated with each combination is extremely insensitive to the scenario chosen.³ The relative impact of the effects generated by these policies never exceeds about 2 percent of aggregate disposable personal income or 4 percent of nonagricultural wage and salary employment.

The economic effects depend upon the assumptions made concerning not only how government spends its money but also upon how much money "leaks" out of the economy during the process of private-sector spending. Although there is a range of uncertainty for the parameters used to measure these effects, the results are robust for a broad range of plausible values for marginal and average tax rates, nonresident shares of income and dividends, marginal propensities to consume, and economic multiplier values.

³We assume that the amount of taxes generated or dividends paid is insensitive to the economic scenario. There would be small but insignificant differences.

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
****SUMMARY*****													
PRIVATE SECTOR		(\$551.0)	\$124.9	(\$426.0)	(\$446.8)	\$106.2	(\$340.6)	(\$357.5)	\$85.0	(\$272.5)	-2009	2069	60
PUBLIC SECTOR		\$0.0	\$467.0	\$467.0	\$0.0	\$325.4	\$325.4	\$0.0	\$260.3	\$260.3	0	4939	4939
TOTAL		(\$551.0)	\$591.9	\$41.0	(\$446.8)	\$431.6	(\$15.3)	(\$357.5)	\$345.3	(\$12.2)	-2009	7009	4999
TOTAL 87:3-4		\$0.0	\$35.5	\$35.5	\$0.0	\$25.9	\$25.9	\$0.0	\$20.7	\$20.7	0	2101	2101
EFFECT 88:1-2		(\$97.9)	\$69.7	(\$28.2)	(\$79.4)	\$50.8	(\$28.6)	(\$63.5)	\$40.7	(\$22.9)	-1786	4127	2342
88:3-4		(\$151.0)	\$162.2	\$11.2	(\$122.5)	\$118.3	(\$4.2)	(\$98.0)	\$94.6	(\$3.3)	-2754	9605	6851
89:1-2		(\$151.0)	\$162.2	\$11.2	(\$122.5)	\$118.3	(\$4.2)	(\$98.0)	\$94.6	(\$3.3)	-2754	9605	6851
89:3-4		(\$151.0)	\$162.2	\$11.2	(\$122.5)	\$118.3	(\$4.2)	(\$98.0)	\$94.6	(\$3.3)	-2754	9605	6851
PRIVATE SECTOR IMPACT 87:3-4		\$0.0	\$7.5	\$7.5	\$0.0	\$6.4	\$6.4	\$0.0	\$5.1	\$5.1	0	620	620
88:1-2		(\$97.9)	\$14.7	(\$83.2)	(\$79.4)	\$12.5	(\$66.9)	(\$63.5)	\$10.0	(\$53.5)	-1786	1219	-567
88:3-4		(\$151.0)	\$34.2	(\$116.8)	(\$122.5)	\$29.1	(\$93.4)	(\$98.0)	\$23.3	(\$74.7)	-2754	2836	82
89:1-2		(\$151.0)	\$34.2	(\$116.8)	(\$122.5)	\$29.1	(\$93.4)	(\$98.0)	\$23.3	(\$74.7)	-2754	2836	82
89:3-4		(\$151.0)	\$34.2	(\$116.8)	(\$122.5)	\$29.1	(\$93.4)	(\$98.0)	\$23.3	(\$74.7)	-2754	2836	82
PUBLIC SECTOR IMPACT 87:3-4		\$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
88:1-2		\$0.0	\$55.0	\$55.0	\$0.0	\$38.3	\$38.3	\$0.0	\$30.7	\$30.7	0	2909	2909
88:3-4		\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
89:1-2		\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
89:3-4		\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769

****ASSUMPTIONS*****DANGER!!!!!!!!*****

A. PRIVATE EFFECTS*****

*	0.2	OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME
*	0.08	LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS
*	1.3	MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME
	0.85	DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME
	0.021	WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)
	0.15	COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE
	0.8	MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT
	0.8	MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE

C. DIRECT INCOME CHANGES*****

	PRIVATE	PUBLIC
	0	28
	83	55
	128	128
	128	128
	128	128
TOTAL	467	467

B. PUBLIC EFFECTS*****

*	0.15	OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE	1	POR1	PORTION OF \$
*	1.3	MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME			SPENT ON
	0.031	WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)			PUBLIC JOBS
	0.22	COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25	DPI1	PORTION OF
	0.8	MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE			NON-JOB
	0.4	BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS			EXPENDITURES

****CASE 1, *****PAGE 2,
 REIMPOSE INCOME TAX--MAXIMIZE PUBLIC JOB RETENTION

*****CASE 1,
 REIMPOSE INCOME TAX--MAXIMIZE PUBLIC JOB RETENTION

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
87:3-4												
DIRECT EFFECT												
Private Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Public Sector	\$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
Total	\$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
INDIRECT EFFECT												
Private Sector	\$0.0	\$7.5	\$7.5	\$0.0	\$6.4	\$6.4	\$0.0	\$5.1	\$5.1	0	620	620
TOTAL EFFECT												
Private Sector	\$0.0	\$7.5	\$7.5	\$0.0	\$6.4	\$6.4	\$0.0	\$5.1	\$5.1	0	620	620
Public Sector	\$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
Total	\$0.0	\$35.5	\$35.5	\$0.0	\$25.9	\$25.9	\$0.0	\$20.7	\$20.7	0	2101	2101
88:1-2												
DIRECT EFFECT												
Private Sector	(\$76.4)	\$0.0	(\$76.4)	(\$61.1)	\$0.0	(\$61.1)	(\$48.9)	\$0.0	(\$48.9)	0	0	0
Public Sector	\$0.0	\$55.0	\$55.0	\$0.0	\$38.3	\$38.3	\$0.0	\$30.7	\$30.7	0	2909	2909
Total	(\$76.4)	\$55.0	(\$21.4)	(\$61.1)	\$38.3	(\$22.8)	(\$48.9)	\$30.7	(\$18.2)	0	2909	2909
INDIRECT EFFECT												
Private Sector	(\$21.6)	\$14.7	(\$6.8)	(\$18.3)	\$12.5	(\$5.8)	(\$14.7)	\$10.0	(\$4.7)	-1786	1219	-567
TOTAL EFFECT												
Private Sector	(\$97.9)	\$14.7	(\$83.2)	(\$79.4)	\$12.5	(\$66.9)	(\$63.5)	\$10.0	(\$53.5)	-1786	1219	-567
Public Sector	\$0.0	\$55.0	\$55.0	\$0.0	\$38.3	\$38.3	\$0.0	\$30.7	\$30.7	0	2909	2909
Total	(\$97.9)	\$69.7	(\$28.2)	(\$79.4)	\$50.8	(\$28.6)	(\$63.5)	\$40.7	(\$22.9)	-1786	4127	2342
88:3-4												
DIRECT EFFECT												
Private Sector	(\$117.8)	\$0.0	(\$117.8)	(\$94.2)	\$0.0	(\$94.2)	(\$75.4)	\$0.0	(\$75.4)	0	0	0
Public Sector	\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
Total	(\$117.8)	\$128.0	\$10.2	(\$94.2)	\$89.2	(\$5.0)	(\$75.4)	\$71.3	(\$4.0)	0	6769	6769
INDIRECT EFFECT												
Private Sector	(\$33.2)	\$34.2	\$1.0	(\$28.3)	\$29.1	\$0.8	(\$22.6)	\$23.3	\$0.7	-2754	2836	82
TOTAL EFFECT												
Private Sector	(\$151.0)	\$34.2	(\$116.8)	(\$122.5)	\$29.1	(\$93.4)	(\$98.0)	\$23.3	(\$74.7)	-2754	2836	82
Public Sector	\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
Total	(\$151.0)	\$162.2	\$11.2	(\$122.5)	\$118.3	(\$4.2)	(\$98.0)	\$94.6	(\$3.3)	-2754	9605	6851

=====

SENSITIVITY ANALYSIS

=====

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%	5%	(\$116)	(\$88)	(\$59)	(\$30)	(\$1)
TAX	10%	(\$88)	(\$60)	(\$33)	(\$6)	\$22
EXPORTING	15%	(\$59)	(\$33)	(\$7)	\$19	\$45
(C38)	20%	(\$30)	(\$6)	\$19	\$43	\$67

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
	5%	4545	4674	4804	4934	5063
	10%	4674	4797	4920	5043	5166
	15%	4804	4920	5036	5152	5268
	20%	4934	5043	5152	5261	5371

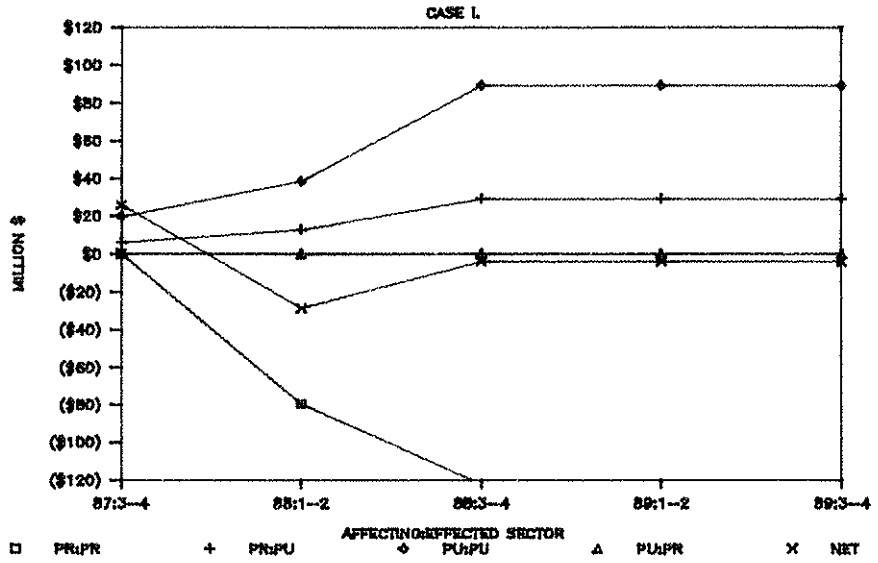
	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE	1.1	\$53	\$53	\$53	\$53	\$53
MULTI-	1.15	\$36	\$36	\$36	\$36	\$36
PLIER	1.2	\$19	\$19	\$19	\$19	\$19
(C39)	1.25	\$2	\$2	\$2	\$2	\$2
	1.3	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)

	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
	1.1	1539	1533	1527	1522	1517
	1.15	1204	1198	1192	1187	1183
	1.2	869	863	858	852	848
	1.25	534	528	523	518	513
	1.3	199	193	188	183	178

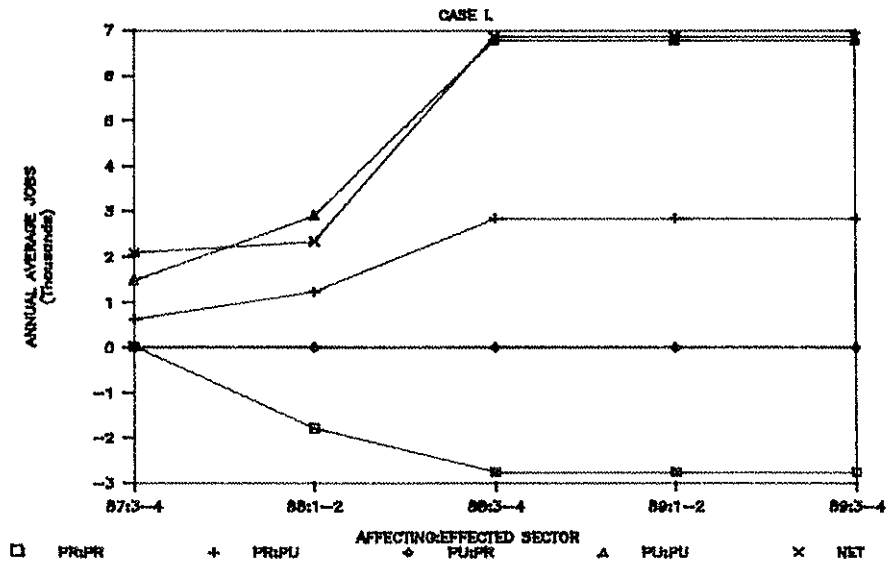
	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC	0	\$53	\$19	(\$15)	(\$50)	(\$84)
DPI	0.1	\$53	\$19	(\$15)	(\$50)	(\$84)
CREATE	0.2	\$53	\$19	(\$15)	(\$50)	(\$84)
(M51)	0.3	\$53	\$19	(\$15)	(\$50)	(\$84)
	0.4	\$53	\$19	(\$15)	(\$50)	(\$84)
	0.5	\$53	\$19	(\$15)	(\$50)	(\$84)
	0.6	\$53	\$19	(\$15)	(\$50)	(\$84)
	0.7	\$53	\$19	(\$15)	(\$50)	(\$84)
	0.8	\$53	\$19	(\$15)	(\$50)	(\$84)
	0.9	\$53	\$19	(\$15)	(\$50)	(\$84)
	1	\$53	\$19	(\$15)	(\$50)	(\$84)

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	0	6339	5669	4999	4330	3660
	0.1	6339	5669	4999	4330	3660
	0.2	6339	5669	4999	4330	3660
	0.3	6339	5669	4999	4330	3660
	0.4	6339	5669	4999	4330	3660
	0.5	6339	5669	4999	4330	3660
	0.6	6339	5669	4999	4330	3660
	0.7	6339	5669	4999	4330	3660
	0.8	6339	5669	4999	4330	3660
	0.9	6339	5669	4999	4330	3660
	1	6339	5669	4999	4330	3660

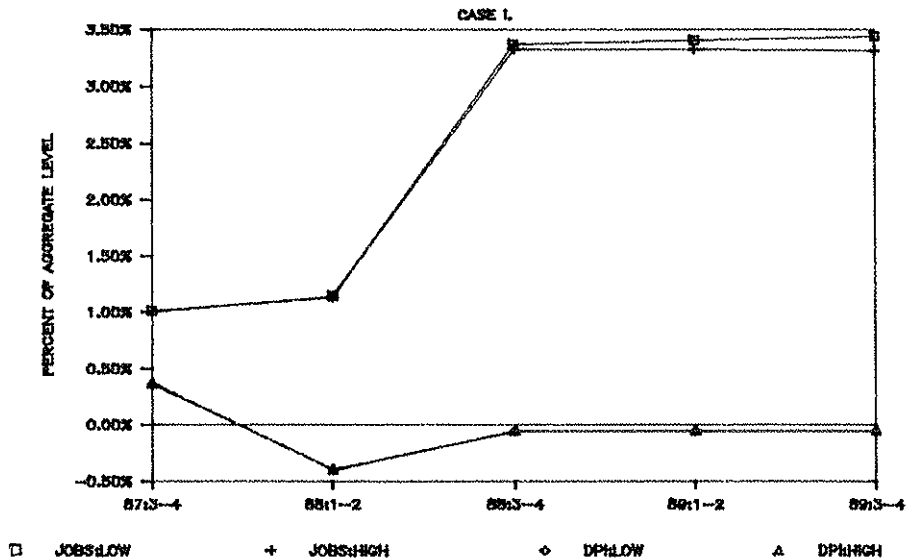
DISPOSABLE PERSONAL INCOME EFFECT



EMPLOYMENT EFFECT



PERCENT IMPACT ON AGGREGATE MEASURES



****CASE III,*****PAGE 1.
 REIMPOSE INCOME TAX--MINIMUM PUBLIC JOB RETENTION

*****CASE III.
 REIMPOSE INCOME TAX--MINIMUM PUBLIC JOB RETENTION

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
****SUMMARY*****		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
PRIVATE SECTOR		(\$509.7)	\$0.0	(\$509.7)	(\$411.8)	\$0.0	(\$411.8)	(\$329.4)	\$0.0	(\$329.4)	-1327	0	-1327
PUBLIC SECTOR		\$0.0	\$467.0	\$467.0	\$116.8	\$0.0	\$116.8	\$93.4	\$0.0	\$93.4	0	0	0
TOTAL		(\$509.7)	\$467.0	(\$42.7)	(\$295.1)	\$0.0	(\$295.1)	(\$236.0)	\$0.0	(\$236.0)	-1327	0	-1327
TOTAL	87:3-4	\$2.5	\$28.0	\$30.5	\$9.1	\$0.0	\$9.1	\$7.3	\$0.0	\$7.3	205	0	205
EFFECT	88:1-2	(\$93.1)	\$55.0	(\$38.1)	(\$61.5)	\$0.0	(\$61.5)	(\$49.2)	\$0.0	(\$49.2)	-1384	0	-1384
	88:3-4	(\$139.7)	\$128.0	(\$11.7)	(\$80.9)	\$0.0	(\$80.9)	(\$64.7)	\$0.0	(\$64.7)	-1818	0	-1818
	89:1-2	(\$139.7)	\$128.0	(\$11.7)	(\$80.9)	\$0.0	(\$80.9)	(\$64.7)	\$0.0	(\$64.7)	-1818	0	-1818
	89:3-4	(\$139.7)	\$128.0	(\$11.7)	(\$80.9)	\$0.0	(\$80.9)	(\$64.7)	\$0.0	(\$64.7)	-1818	0	-1818
PRIVATE	87:3-4	\$2.5	\$0.0	\$2.5	\$2.1	\$0.0	\$2.1	\$1.7	\$0.0	\$1.7	205	0	205
SECTOR	88:1-2	(\$93.1)	\$0.0	(\$93.1)	(\$75.3)	\$0.0	(\$75.3)	(\$60.2)	\$0.0	(\$60.2)	-1384	0	-1384
IMPACT	88:3-4	(\$139.7)	\$0.0	(\$139.7)	(\$112.9)	\$0.0	(\$112.9)	(\$90.3)	\$0.0	(\$90.3)	-1818	0	-1818
	89:1-2	(\$139.7)	\$0.0	(\$139.7)	(\$112.9)	\$0.0	(\$112.9)	(\$90.3)	\$0.0	(\$90.3)	-1818	0	-1818
	89:3-4	(\$139.7)	\$0.0	(\$139.7)	(\$112.9)	\$0.0	(\$112.9)	(\$90.3)	\$0.0	(\$90.3)	-1818	0	-1818
PUBLIC	87:3-4	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$5.6	\$0.0	\$5.6	0	0	0
SECTOR	88:1-2	\$0.0	\$55.0	\$55.0	\$13.8	\$0.0	\$13.8	\$11.0	\$0.0	\$11.0	0	0	0
IMPACT	88:3-4	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$25.6	\$0.0	\$25.6	0	0	0
	89:1-2	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$25.6	\$0.0	\$25.6	0	0	0
	89:3-4	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$25.6	\$0.0	\$25.6	0	0	0

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

*	0.2 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME											
*	0.08 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS											
*	1.3 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME											
	0.85 DPRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME											
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)											
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE											
	0.8 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT											
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE											
											TOTAL	467	467

B. PUBLIC EFFECTS*****

*	0.15 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE									0 POR1		PORTION OF \$
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME											SPENT ON
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)											PUBLIC JOBS
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE									0.25 DPI1		PORTION OF
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE											NON-JOB
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS											EXPENDITURES

****CASE III,*****PAGE 2.
 REIMPOSE INCOME TAX--MINIMUM PUBLIC JOB RETENTION

*****CASE III.
 REIMPOSE INCOME TAX--MINIMUM PUBLIC JOB RETENTION

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL

87:3-4												
DIRECT EFFECT												
Private Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Public Sector	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$5.6	\$0.0	\$5.6	0	0	0
Total	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$5.6	\$0.0	\$5.6	0	0	0
INDIRECT EFFECT												
Private Sector	\$2.5	\$0.0	\$2.5	\$2.1	\$0.0	\$2.1	\$1.7	\$0.0	\$1.7	205	0	205
TOTAL EFFECT												
Private Sector	\$2.5	\$0.0	\$2.5	\$2.1	\$0.0	\$2.1	\$1.7	\$0.0	\$1.7	205	0	205
Public Sector	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$5.6	\$0.0	\$5.6	0	0	0
Total	\$2.5	\$28.0	\$30.5	\$9.1	\$0.0	\$9.1	\$7.3	\$0.0	\$7.3	205	0	205

88:1-2												
DIRECT EFFECT												
Private Sector	(\$76.4)	\$0.0	(\$76.4)	(\$61.1)	\$0.0	(\$61.1)	(\$48.9)	\$0.0	(\$48.9)	0	0	0
Public Sector	\$0.0	\$55.0	\$55.0	\$13.8	\$0.0	\$13.8	\$11.0	\$0.0	\$11.0	0	0	0
Total	(\$76.4)	\$55.0	(\$21.4)	(\$47.3)	\$0.0	(\$47.3)	(\$37.9)	\$0.0	(\$37.9)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$16.7)	\$0.0	(\$16.7)	(\$14.2)	\$0.0	(\$14.2)	(\$11.4)	\$0.0	(\$11.4)	-1384	0	-1384
TOTAL EFFECT												
Private Sector	(\$93.1)	\$0.0	(\$93.1)	(\$75.3)	\$0.0	(\$75.3)	(\$60.2)	\$0.0	(\$60.2)	-1384	0	-1384
Public Sector	\$0.0	\$55.0	\$55.0	\$13.8	\$0.0	\$13.8	\$11.0	\$0.0	\$11.0	0	0	0
Total	(\$93.1)	\$55.0	(\$38.1)	(\$61.5)	\$0.0	(\$61.5)	(\$49.2)	\$0.0	(\$49.2)	-1384	0	-1384

88:3-4												
DIRECT EFFECT												
Private Sector	(\$117.8)	\$0.0	(\$117.8)	(\$94.2)	\$0.0	(\$94.2)	(\$75.4)	\$0.0	(\$75.4)	0	0	0
Public Sector	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$25.6	\$0.0	\$25.6	0	0	0
Total	(\$117.8)	\$128.0	\$10.2	(\$62.2)	\$0.0	(\$62.2)	(\$49.8)	\$0.0	(\$49.8)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$22.0)	\$0.0	(\$22.0)	(\$18.7)	\$0.0	(\$18.7)	(\$14.9)	\$0.0	(\$14.9)	-1818	0	-1818
TOTAL EFFECT												
Private Sector	(\$139.7)	\$0.0	(\$139.7)	(\$112.9)	\$0.0	(\$112.9)	(\$90.3)	\$0.0	(\$90.3)	-1818	0	-1818
Public Sector	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$25.6	\$0.0	\$25.6	0	0	0
Total	(\$139.7)	\$128.0	(\$11.7)	(\$80.9)	\$0.0	(\$80.9)	(\$64.7)	\$0.0	(\$64.7)	-1818	0	-1818

CASE III.PAGE 6.
 REIMPOSE INCOME TAX--MINIMUM PUBLIC JOB RETENTION

=====

SENSITIVITY ANALYSIS

=====

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%		5% (\$396)	(\$367)	(\$338)	(\$310)	(\$281)
TAX		10% (\$367)	(\$340)	(\$313)	(\$285)	(\$258)
EXPORTING		15% (\$338)	(\$313)	(\$287)	(\$261)	(\$235)
(C38)		20% (\$310)	(\$285)	(\$261)	(\$237)	(\$212)

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
		5% -1781	-1652	-1522	-1392	-1263
		10% -1652	-1529	-1406	-1283	-1160
		15% -1522	-1406	-1290	-1174	-1058
		20% -1392	-1283	-1174	-1065	-955

	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE		1.1 (\$250)	(\$250)	(\$250)	(\$250)	(\$250)
MULTI-		1.15 (\$261)	(\$261)	(\$261)	(\$261)	(\$261)
PLIER		1.2 (\$272)	(\$272)	(\$272)	(\$272)	(\$272)
(C39)		1.25 (\$284)	(\$284)	(\$284)	(\$284)	(\$284)
		1.3 (\$295)	(\$295)	(\$295)	(\$295)	(\$295)

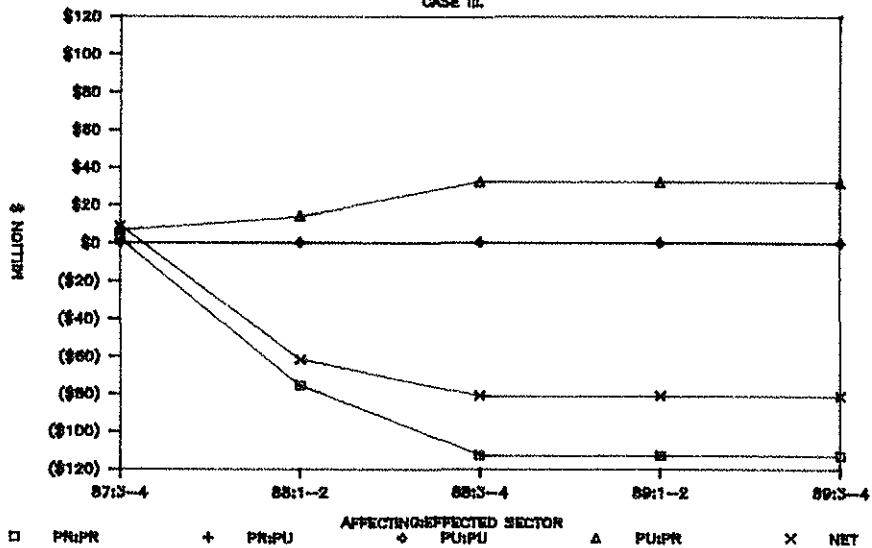
	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
		1.1 -442	-442	-442	-442	-442
		1.15 -663	-663	-663	-663	-663
		1.2 -885	-885	-885	-885	-885
		1.25 -1106	-1106	-1106	-1106	-1106
		1.3 -1327	-1327	-1327	-1327	-1327

	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC		0 (\$378)	(\$412)	(\$447)	(\$481)	(\$516)
DPI		0.1 (\$327)	(\$356)	(\$386)	(\$416)	(\$446)
CREATE		0.2 (\$275)	(\$300)	(\$325)	(\$350)	(\$375)
(M51)		0.3 (\$224)	(\$244)	(\$265)	(\$285)	(\$305)
		0.4 (\$173)	(\$188)	(\$204)	(\$220)	(\$235)
		0.5 (\$121)	(\$132)	(\$143)	(\$154)	(\$165)
		0.6 (\$70)	(\$76)	(\$83)	(\$89)	(\$95)
		0.7 (\$18)	(\$20)	(\$22)	(\$24)	(\$25)
		0.8 \$33	\$36	\$39	\$42	\$45
		0.9 \$84	\$92	\$100	\$107	\$115
		1 \$136	\$148	\$160	\$173	\$185

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
		0 -670	-1340	-2009	-2679	-3349
		0.1 -579	-1158	-1736	-2315	-2894
		0.2 -488	-976	-1463	-1951	-2439
		0.3 -397	-794	-1190	-1587	-1984
		0.4 -306	-612	-917	-1223	-1529
		0.5 -215	-430	-644	-859	-1074
		0.6 -124	-248	-371	-495	-619
		0.7 -33	-66	-98	-131	-164
		0.8 58	116	175	233	291
		0.9 149	298	448	597	746
		1 240	480	721	961	1201

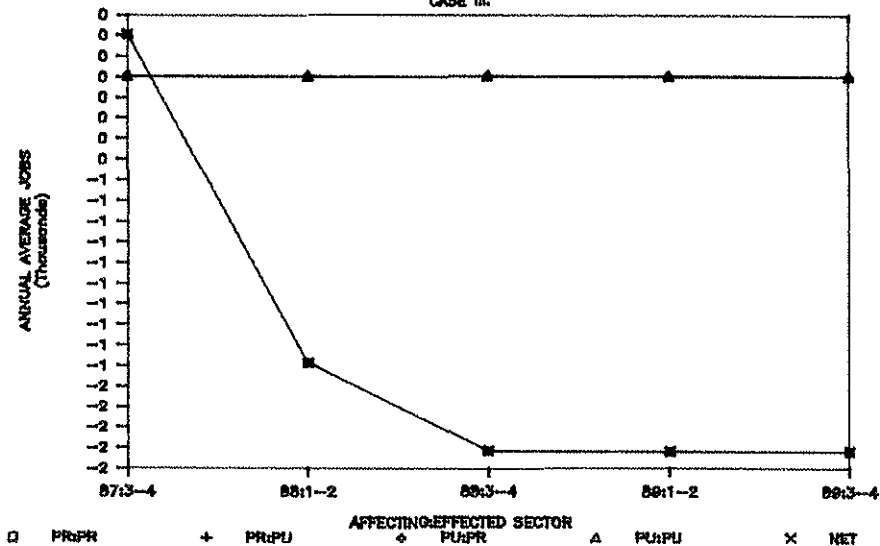
DISPOSABLE PERSONAL INCOME EFFECT

CASE II.



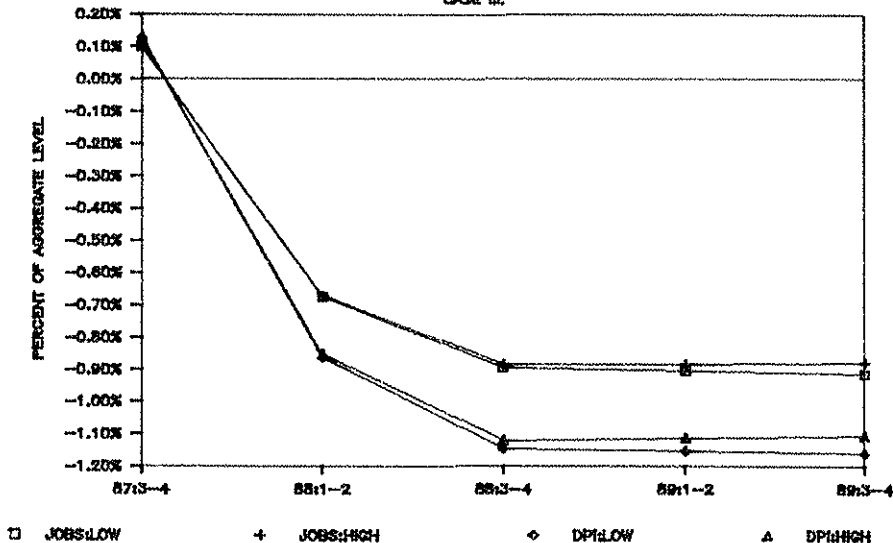
EMPLOYMENT EFFECT

CASE II.



PERCENT IMPACT ON AGGREGATE MEASURES

CASE II.



****CASE V, *****PAGE 1,
 REIMPOSE INCOME TAX--ACROSS THE BOARD RETENTION

*****CASE V,
 REIMPOSE INCOME TAX--ACROSS THE BOARD RETENTION

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
SUMMARY													
PRIVATE SECTOR		(\$534.5)	\$75.0	(\$459.5)	(\$432.8)	\$63.7	(\$369.1)	(\$346.3)	\$51.0	(\$295.3)	-1736	1242	-495
PUBLIC SECTOR		\$0.0	\$467.0	\$467.0	\$46.7	\$195.2	\$241.9	\$37.4	\$156.2	\$193.5	0	2964	2964
TOTAL		(\$534.5)	\$542.0	\$7.5	(\$386.1)	\$258.9	(\$127.2)	(\$308.9)	\$207.2	(\$101.7)	-1736	4205	2469
TOTAL EFFECT		\$1.0	\$32.5	\$33.5	\$3.6	\$15.5	\$19.2	\$2.9	\$12.4	\$15.3	82	1261	1342
87:3-4													
88:1-2		(\$96.0)	\$63.8	(\$32.2)	(\$72.3)	\$30.5	(\$41.8)	(\$57.8)	\$24.4	(\$33.4)	-1625	2476	851
88:3-4		(\$146.5)	\$148.5	\$2.1	(\$105.8)	\$71.0	(\$34.9)	(\$84.7)	\$56.8	(\$27.9)	-2379	5763	3383
89:1-2		(\$146.5)	\$148.5	\$2.1	(\$105.8)	\$71.0	(\$34.9)	(\$84.7)	\$56.8	(\$27.9)	-2379	5763	3383
89:3-4		(\$146.5)	\$148.5	\$2.1	(\$105.8)	\$71.0	(\$34.9)	(\$84.7)	\$56.8	(\$27.9)	-2379	5763	3383
PRIVATE SECTOR IMPACT		\$1.0	\$4.5	\$5.5	\$0.8	\$3.8	\$4.7	\$0.7	\$3.1	\$3.7	82	372	454
87:3-4													
88:1-2		(\$96.0)	\$8.8	(\$87.2)	(\$77.8)	\$7.5	(\$70.3)	(\$62.2)	\$6.0	(\$56.2)	-1625	731	-894
88:3-4		(\$146.5)	\$20.5	(\$125.9)	(\$118.6)	\$17.5	(\$101.2)	(\$94.9)	\$14.0	(\$80.9)	-2379	1702	-678
89:1-2		(\$146.5)	\$20.5	(\$125.9)	(\$118.6)	\$17.5	(\$101.2)	(\$94.9)	\$14.0	(\$80.9)	-2379	1702	-678
89:3-4		(\$146.5)	\$20.5	(\$125.9)	(\$118.6)	\$17.5	(\$101.2)	(\$94.9)	\$14.0	(\$80.9)	-2379	1702	-678
PUBLIC SECTOR IMPACT		\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.2	\$9.4	\$11.6	0	888	888
87:3-4													
88:1-2		\$0.0	\$55.0	\$55.0	\$5.5	\$23.0	\$28.5	\$4.4	\$18.4	\$22.8	0	1745	1745
88:3-4		\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$10.2	\$42.8	\$53.0	0	4061	4061
89:1-2		\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$10.2	\$42.8	\$53.0	0	4061	4061
89:3-4		\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$10.2	\$42.8	\$53.0	0	4061	4061

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

*				PRIVATE	PUBLIC
*	0.2 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME			
*	0.08 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS			
*	1.3 MULTI	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME	87:3-4	0	28
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME	88:1-2	83	55
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)	88:3-4	128	128
	0.15 COMP2	SUPPRT SECTOR BENEFITS AS % OF WAGE	89:1-2	128	128
	0.8 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT	89:3-4	128	128
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE			
			TOTAL	467	467

B. PUBLIC EFFECTS*****

*					
*	0.15 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE	0.6 POR1	PORTION OF \$	
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME		SPENT ON	
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)		PUBLIC JOBS	
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 DPI1	PORTION OF	
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE		NDN-JOB	
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS		EXPENDITURES	

****CASE V, *****PAGE 2.
 REIMPOSE INCOME TAX--ACROSS THE BOARD RETENTION

*****CASE V,
 REIMPOSE INCOME TAX--ACROSS THE BOARD RETENTION

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
87:3-4												
DIRECT EFFECT												
Private Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Public Sector	\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.2	\$9.4	\$11.6	0	888	888
Total	\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.2	\$9.4	\$11.6	0	888	888
INDIRECT EFFECT												
Private Sector	\$1.0	\$4.5	\$5.5	\$0.8	\$3.8	\$4.7	\$0.7	\$3.1	\$3.7	82	372	454
TOTAL EFFECT												
Private Sector	\$1.0	\$4.5	\$5.5	\$0.8	\$3.8	\$4.7	\$0.7	\$3.1	\$3.7	82	372	454
Public Sector	\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.2	\$9.4	\$11.6	0	888	888
Total	\$1.0	\$32.5	\$33.5	\$3.6	\$15.5	\$19.2	\$2.9	\$12.4	\$15.3	82	1261	1342
88:1-2												
DIRECT EFFECT												
Private Sector	(\$76.4)	\$0.0	(\$76.4)	(\$61.1)	\$0.0	(\$61.1)	(\$48.9)	\$0.0	(\$48.9)	0	0	0
Public Sector	\$0.0	\$55.0	\$55.0	\$5.5	\$23.0	\$28.5	\$4.4	\$18.4	\$22.8	0	1745	1745
Total	(\$76.4)	\$55.0	(\$21.4)	(\$55.6)	\$23.0	(\$32.6)	(\$44.5)	\$18.4	(\$26.1)	0	1745	1745
INDIRECT EFFECT												
Private Sector	(\$19.6)	\$8.8	(\$10.8)	(\$16.7)	\$7.5	(\$9.2)	(\$13.3)	\$6.0	(\$7.3)	-1625	731	-894
TOTAL EFFECT												
Private Sector	(\$96.0)	\$8.8	(\$87.2)	(\$77.8)	\$7.5	(\$70.3)	(\$62.2)	\$6.0	(\$56.2)	-1625	731	-894
Public Sector	\$0.0	\$55.0	\$55.0	\$5.5	\$23.0	\$28.5	\$4.4	\$18.4	\$22.8	0	1745	1745
Total	(\$96.0)	\$63.8	(\$32.2)	(\$72.3)	\$30.5	(\$41.8)	(\$57.8)	\$24.4	(\$33.4)	-1625	2476	851
88:3-4												
DIRECT EFFECT												
Private Sector	(\$117.8)	\$0.0	(\$117.8)	(\$94.2)	\$0.0	(\$94.2)	(\$75.4)	\$0.0	(\$75.4)	0	0	0
Public Sector	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$10.2	\$42.8	\$53.0	0	4061	4061
Total	(\$117.8)	\$128.0	\$10.2	(\$81.4)	\$53.5	(\$27.9)	(\$65.1)	\$42.8	(\$22.3)	0	4061	4061
INDIRECT EFFECT												
Private Sector	(\$28.7)	\$20.5	(\$8.2)	(\$24.4)	\$17.5	(\$7.0)	(\$19.5)	\$14.0	(\$5.6)	-2379	1702	-678
TOTAL EFFECT												
Private Sector	(\$146.5)	\$20.5	(\$125.9)	(\$118.6)	\$17.5	(\$101.2)	(\$94.9)	\$14.0	(\$80.9)	-2379	1702	-678
Public Sector	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$10.2	\$42.8	\$53.0	0	4061	4061
Total	(\$146.5)	\$148.5	\$2.1	(\$105.8)	\$71.0	(\$34.9)	(\$84.7)	\$56.8	(\$27.9)	-2379	5763	3383

=====

SENSITIVITY ANALYSIS

=====

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%	5%	(\$228)	(\$199)	(\$171)	(\$142)	(\$113)
TAX	10%	(\$199)	(\$172)	(\$145)	(\$117)	(\$90)
EXPORTING	15%	(\$171)	(\$145)	(\$119)	(\$93)	(\$67)
(C38)	20%	(\$142)	(\$117)	(\$93)	(\$69)	(\$45)

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
	5%	2014	2144	2274	2403	2533
	10%	2144	2267	2390	2513	2635
	15%	2274	2390	2506	2622	2738
	20%	2403	2513	2622	2731	2840

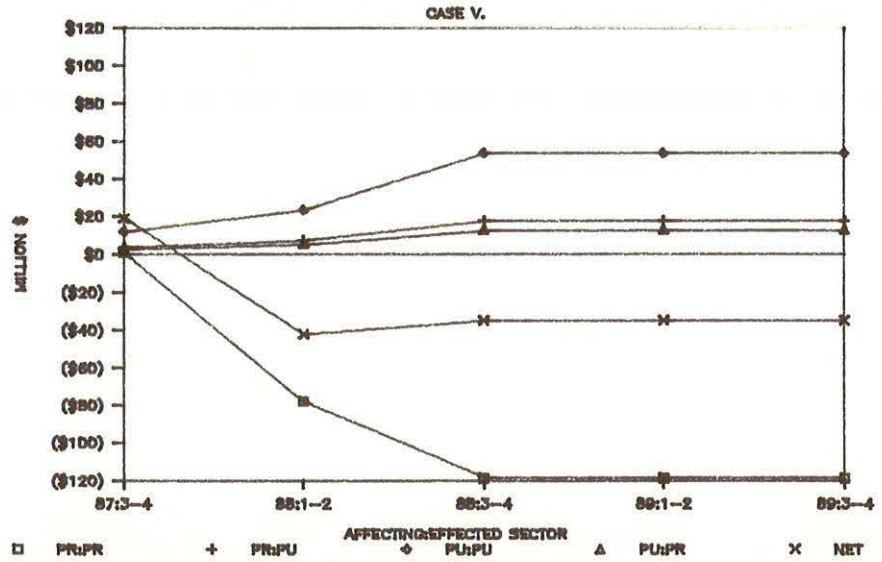
	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE	1.1	(\$68)	(\$68)	(\$68)	(\$68)	(\$68)
MULTI-	1.15	(\$83)	(\$83)	(\$83)	(\$83)	(\$83)
PLIER	1.2	(\$97)	(\$97)	(\$97)	(\$97)	(\$97)
(C39)	1.25	(\$112)	(\$112)	(\$112)	(\$112)	(\$112)
	1.3	(\$127)	(\$127)	(\$127)	(\$127)	(\$127)

	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
	1.1	746	743	739	736	734
	1.15	457	453	450	447	444
	1.2	168	164	161	158	155
	1.25	-122	-125	-129	-132	-135
	1.3	-411	-415	-418	-421	-424

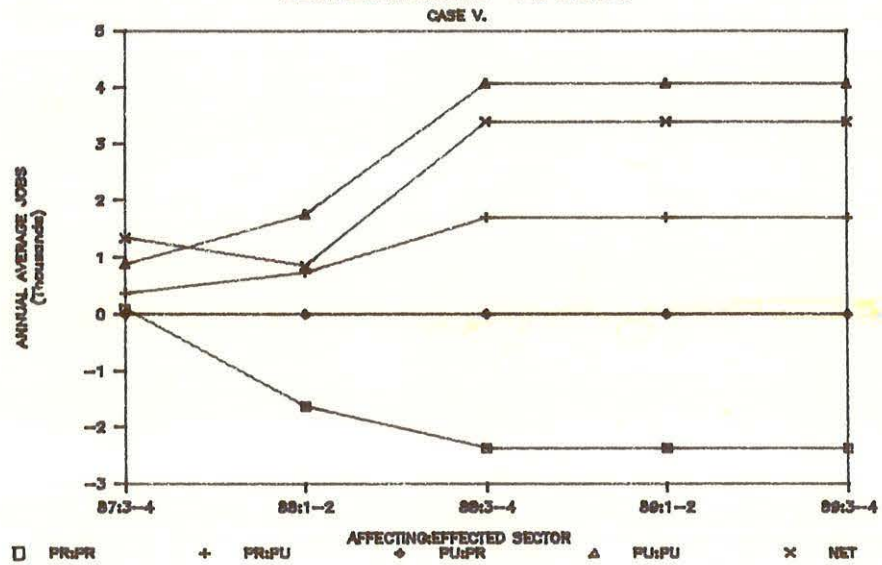
	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC	0	(\$119)	(\$154)	(\$188)	(\$222)	(\$257)
DPI	0.1	(\$99)	(\$131)	(\$164)	(\$196)	(\$229)
CREATE	0.2	(\$78)	(\$109)	(\$139)	(\$170)	(\$201)
(M51)	0.3	(\$57)	(\$86)	(\$115)	(\$144)	(\$173)
	0.4	(\$37)	(\$64)	(\$91)	(\$118)	(\$145)
	0.5	(\$16)	(\$41)	(\$66)	(\$91)	(\$117)
	0.6	\$4	(\$19)	(\$42)	(\$65)	(\$89)
	0.7	\$25	\$3	(\$18)	(\$39)	(\$60)
	0.8	\$45	\$26	\$6	(\$13)	(\$32)
	0.9	\$66	\$48	\$31	\$13	(\$4)
	1	\$86	\$71	\$55	\$39	\$24

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	0	3535	2866	2196	1526	856
	0.1	3572	2938	2305	1672	1038
	0.2	3608	3011	2414	1817	1220
	0.3	3645	3084	2523	1963	1402
	0.4	3681	3157	2633	2109	1584
	0.5	3717	3230	2742	2254	1766
	0.6	3754	3302	2851	2400	1948
	0.7	3790	3375	2960	2545	2130
	0.8	3827	3448	3069	2691	2312
	0.9	3863	3521	3179	2837	2494
	1	3899	3594	3288	2982	2676

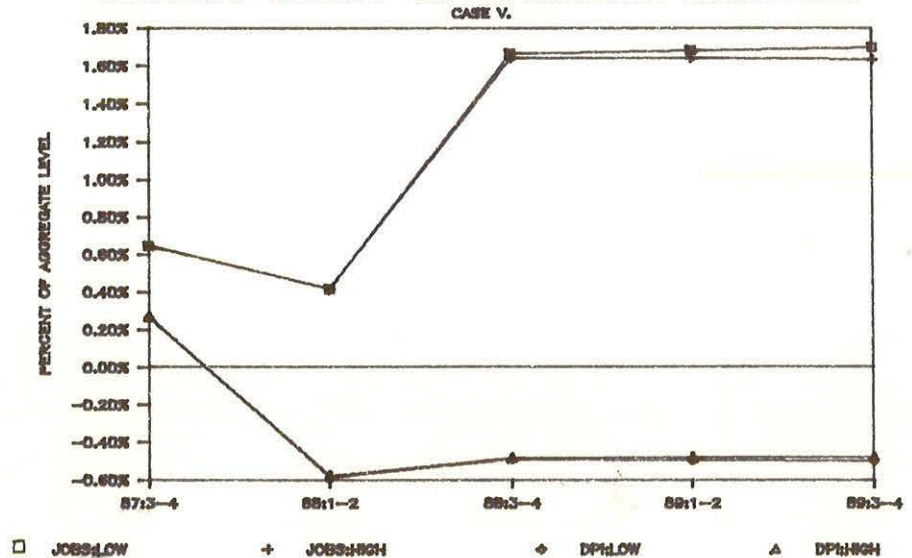
DISPOSABLE PERSONAL INCOME EFFECT



EMPLOYMENT EFFECT



PERCENT IMPACT ON AGGREGATE MEASURES



****CASE VII.*****PAGE 1.
 REIMPOSE INCOME TAX**NO PUBLIC SPENDING

*****CASE VII.
 REIMPOSE INCOME TAX**NO PUBLIC SPENDING

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
SUMMARY**													
PRIVATE SECTOR		(\$551.0)	\$0.0	(\$551.0)	(\$446.8)	\$0.0	(\$446.8)	(\$357.5)	\$0.0	(\$357.5)	-2009	0	-2009
PUBLIC SECTOR		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
TOTAL		(\$551.0)	\$0.0	(\$551.0)	(\$446.8)	\$0.0	(\$446.8)	(\$357.5)	\$0.0	(\$357.5)	-2009	0	-2009
TOTAL EFFECT		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
87:3-4		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
88:1-2		(\$97.9)	\$0.0	(\$97.9)	(\$79.4)	\$0.0	(\$79.4)	(\$63.5)	\$0.0	(\$63.5)	-1786	0	-1786
88:3-4		(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
89:1-2		(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
89:3-4		(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
PRIVATE SECTOR IMPACT		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
87:3-4		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
88:1-2		(\$97.9)	\$0.0	(\$97.9)	(\$79.4)	\$0.0	(\$79.4)	(\$63.5)	\$0.0	(\$63.5)	-1786	0	-1786
88:3-4		(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
89:1-2		(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
89:3-4		(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
PUBLIC SECTOR IMPACT		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
87:3-4		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
88:1-2		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
88:3-4		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
89:1-2		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
89:3-4		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0

*****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

*				PRIVATE	PUBLIC
*	0.2 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME			
*	0.08 LEAK1	TAX EXPDRTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS			
*	1.3 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME	87:3-4	0	0
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME	88:1-2	83	0
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)	88:3-4	128	0
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE	89:1-2	128	0
	0.8 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT	89:3-4	128	0
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE			
			TOTAL	467	0

B. PUBLIC EFFECTS*****

*				1 POR1	PORTION OF \$ SPENT ON PUBLIC JOBS
*	1 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE			
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME			
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)			
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 DPI1		PORTION OF NON-JOB EXPENDITURES
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE			
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS			

CASE VII.**PAGE 2.
 REIMPOSE INCOME TAX**NO PUBLIC SPENDING

*****CASE VII.
 REIMPOSE INCOME TAX**NO PUBLIC SPENDING

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL

87:3-4												
DIRECT EFFECT												
Private Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
INDIRECT EFFECT												
Private Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
TOTAL EFFECT												
Private Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0

88:1-2												
DIRECT EFFECT												
Private Sector	(\$76.4)	\$0.0	(\$76.4)	(\$61.1)	\$0.0	(\$61.1)	(\$48.9)	\$0.0	(\$48.9)	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$76.4)	\$0.0	(\$76.4)	(\$61.1)	\$0.0	(\$61.1)	(\$48.9)	\$0.0	(\$48.9)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$21.6)	\$0.0	(\$21.6)	(\$18.3)	\$0.0	(\$18.3)	(\$14.7)	\$0.0	(\$14.7)	-1786	0	-1786
TOTAL EFFECT												
Private Sector	(\$97.9)	\$0.0	(\$97.9)	(\$79.4)	\$0.0	(\$79.4)	(\$63.5)	\$0.0	(\$63.5)	-1786	0	-1786
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$97.9)	\$0.0	(\$97.9)	(\$79.4)	\$0.0	(\$79.4)	(\$63.5)	\$0.0	(\$63.5)	-1786	0	-1786

88:3-4												
DIRECT EFFECT												
Private Sector	(\$117.8)	\$0.0	(\$117.8)	(\$94.2)	\$0.0	(\$94.2)	(\$75.4)	\$0.0	(\$75.4)	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$117.8)	\$0.0	(\$117.8)	(\$94.2)	\$0.0	(\$94.2)	(\$75.4)	\$0.0	(\$75.4)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$33.2)	\$0.0	(\$33.2)	(\$28.3)	\$0.0	(\$28.3)	(\$22.6)	\$0.0	(\$22.6)	-2754	0	-2754
TOTAL EFFECT												
Private Sector	(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$151.0)	\$0.0	(\$151.0)	(\$122.5)	\$0.0	(\$122.5)	(\$98.0)	\$0.0	(\$98.0)	-2754	0	-2754

CASE VII.PAGE 6.
 REIMPOSE INCOME TAX**NO PUBLIC SPENDING

SENSITIVITY ANALYSIS

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%		(\$548)	(\$519)	(\$490)	(\$461)	(\$433)
TAX		(\$519)	(\$492)	(\$464)	(\$437)	(\$410)
EXPORTING		(\$490)	(\$464)	(\$439)	(\$413)	(\$387)
(C38)		(\$461)	(\$437)	(\$413)	(\$389)	(\$364)

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
		-2464	-2334	-2204	-2075	-1945
		-2334	-2211	-2088	-1966	-1843
		-2204	-2088	-1972	-1856	-1740
		-2075	-1966	-1856	-1747	-1638

	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE		(\$378)	(\$378)	(\$378)	(\$378)	(\$378)
MULTI-		(\$395)	(\$395)	(\$395)	(\$395)	(\$395)
PLIER		(\$412)	(\$412)	(\$412)	(\$412)	(\$412)
(C39)		(\$430)	(\$430)	(\$430)	(\$430)	(\$430)
		(\$447)	(\$447)	(\$447)	(\$447)	(\$447)

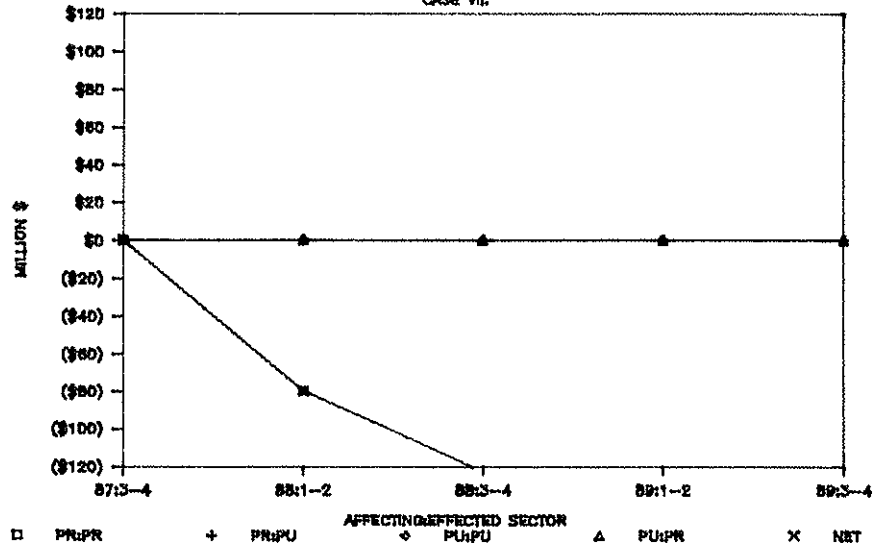
	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
		-670	-670	-670	-670	-670
		-1005	-1005	-1005	-1005	-1005
		-1340	-1340	-1340	-1340	-1340
		-1674	-1674	-1674	-1674	-1674
		-2009	-2009	-2009	-2009	-2009

	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC	0	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
DPI	0.1	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
CREATE	0.2	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
(M51)	0.3	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	0.4	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	0.5	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	0.6	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	0.7	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	0.8	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	0.9	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)
	1	(\$378)	(\$412)	(\$447)	(\$481)	(\$516)

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	0	-670	-1340	-2009	-2679	-3349
	0.1	-670	-1340	-2009	-2679	-3349
	0.2	-670	-1340	-2009	-2679	-3349
	0.3	-670	-1340	-2009	-2679	-3349
	0.4	-670	-1340	-2009	-2679	-3349
	0.5	-670	-1340	-2009	-2679	-3349
	0.6	-670	-1340	-2009	-2679	-3349
	0.7	-670	-1340	-2009	-2679	-3349
	0.8	-670	-1340	-2009	-2679	-3349
	0.9	-670	-1340	-2009	-2679	-3349
	1	-670	-1340	-2009	-2679	-3349

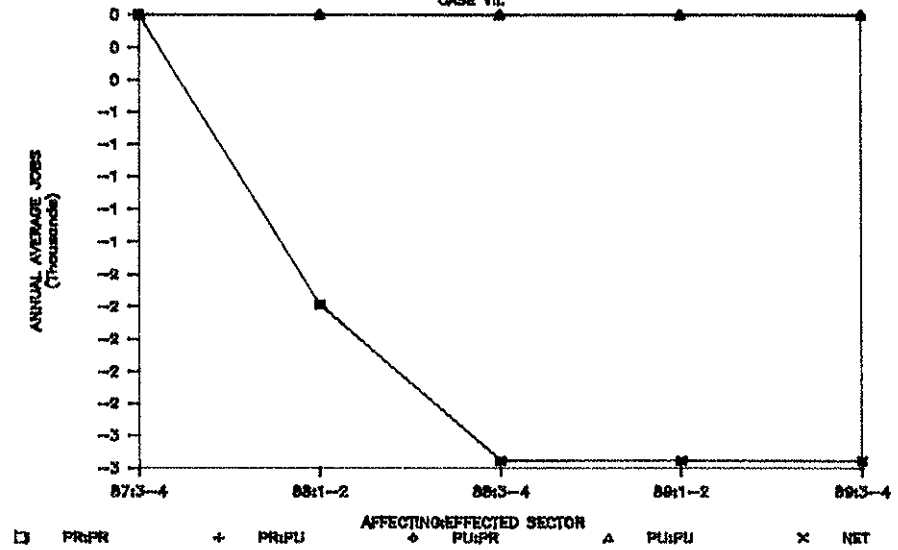
DISPOSABLE PERSONAL INCOME EFFECT

CASE VII.



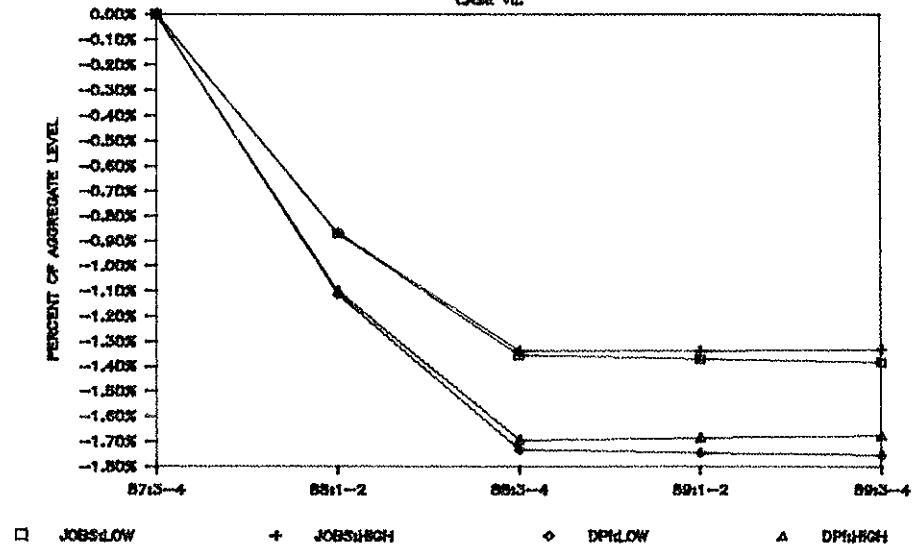
EMPLOYMENT EFFECT

CASE VII.



PERCENT IMPACT ON AGGREGATE MEASURES

CASE VII.



****CASE II. *****PAGE 1.
 REDUCE PF DIVIDEND--MAXIMIZE PUBLIC JOB RETENTION

*****CASE II.
 REDUCE PF DIVIDEND--MAXIMIZE PUBLIC JOB RETENTION

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
****SUMMARY*****													
PRIVATE SECTOR		(\$626.0)	\$124.9	(\$501.1)	(\$536.8)	\$106.2	(\$430.6)	(\$469.2)	\$85.0	(\$384.2)	-2712	2069	-642
PUBLIC SECTOR		\$0.0	\$467.0	\$467.0	\$0.0	\$325.4	\$325.4	\$0.0	\$260.3	\$260.3	0	4939	4939
TOTAL		(\$626.0)	\$591.9	(\$34.1)	(\$536.8)	\$431.6	(\$105.2)	(\$469.2)	\$345.3	(\$123.9)	-2712	7009	4297
TOTAL EFFECT		87:3-4 (\$73.7)	\$35.5	(\$38.2)	(\$63.2)	\$25.9	(\$37.3)	(\$55.3)	\$20.7	(\$34.6)	-1597	2101	504
88:1-2		(\$37.5)	\$69.7	\$32.2	(\$32.2)	\$50.8	\$18.6	(\$28.1)	\$40.7	\$12.5	-813	4127	3314
88:3-4		(\$229.2)	\$162.2	(\$67.0)	(\$196.5)	\$118.3	(\$78.3)	(\$171.8)	\$94.6	(\$77.2)	-4965	9605	4640
89:1-2		(\$113.9)	\$162.2	\$48.3	(\$97.7)	\$118.3	\$20.6	(\$85.4)	\$94.6	\$9.2	-2468	9605	7137
89:3-4		(\$171.6)	\$162.2	(\$9.3)	(\$147.1)	\$118.3	(\$28.8)	(\$128.6)	\$94.6	(\$34.0)	-3716	9605	5889
PRIVATE SECTOR IMPACT		87:3-4 (\$73.7)	\$7.5	(\$66.2)	(\$63.2)	\$6.4	(\$56.8)	(\$55.3)	\$5.1	(\$50.2)	-1597	620	-976
88:1-2		(\$37.5)	\$14.7	(\$22.8)	(\$32.2)	\$12.5	(\$19.7)	(\$28.1)	\$10.0	(\$18.1)	-813	1219	406
88:3-4		(\$229.2)	\$34.2	(\$195.0)	(\$196.5)	\$29.1	(\$167.4)	(\$171.8)	\$23.3	(\$148.5)	-4965	2836	-2129
89:1-2		(\$113.9)	\$34.2	(\$79.7)	(\$97.7)	\$29.1	(\$68.6)	(\$85.4)	\$23.3	(\$62.1)	-2468	2836	368
89:3-4		(\$171.6)	\$34.2	(\$137.3)	(\$147.1)	\$29.1	(\$118.0)	(\$128.6)	\$23.3	(\$105.3)	-3716	2836	-880
PUBLIC SECTOR IMPACT		87:3-4 \$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
88:1-2		\$0.0	\$55.0	\$55.0	\$0.0	\$38.3	\$38.3	\$0.0	\$30.7	\$30.7	0	2909	2909
88:3-4		\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
89:1-2		\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
89:3-4		\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

*	PARAMETER	DESCRIPTION		PRIVATE	PUBLIC
*	0.14 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME			
*	0.01 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS			
*	1.35 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME	87:3-4	55	28
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME	88:1-2	28	55
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)	88:3-4	171	128
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE	89:1-2	85	128
	0.9 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT	89:3-4	128	128
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE			
			TOTAL	467	467

B. PUBLIC EFFECTS*****

*	PARAMETER	DESCRIPTION		1 PORT	PORTION OF \$ SPENT ON PUBLIC JOBS
*	0.15 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE			
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME			
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)			
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 OPI1		PORTION OF NON-JOB EXPENDITURES
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE			
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS			

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
87:3-4												
DIRECT EFFECT												
Private Sector	(\$54.5)	\$0.0	(\$54.5)	(\$46.8)	\$0.0	(\$46.8)	(\$42.1)	\$0.0	(\$42.1)	0	0	0
Public Sector	\$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
Total	(\$54.5)	\$28.0	(\$26.5)	(\$46.8)	\$19.5	(\$27.3)	(\$42.1)	\$15.6	(\$26.5)	0	1481	1481
INDIRECT EFFECT												
Private Sector	(\$19.3)	\$7.5	(\$11.8)	(\$16.4)	\$6.4	(\$10.0)	(\$13.1)	\$5.1	(\$8.0)	-1597	620	-976
TOTAL EFFECT												
Private Sector	(\$73.7)	\$7.5	(\$66.2)	(\$63.2)	\$6.4	(\$56.8)	(\$55.3)	\$5.1	(\$50.2)	-1597	620	-976
Public Sector	\$0.0	\$28.0	\$28.0	\$0.0	\$19.5	\$19.5	\$0.0	\$15.6	\$15.6	0	1481	1481
Total	(\$73.7)	\$35.5	(\$38.2)	(\$63.2)	\$25.9	(\$37.3)	(\$55.3)	\$20.7	(\$34.6)	-1597	2101	504
88:1-2												
DIRECT EFFECT												
Private Sector	(\$27.7)	\$0.0	(\$27.7)	(\$23.8)	\$0.0	(\$23.8)	(\$21.5)	\$0.0	(\$21.5)	0	0	0
Public Sector	\$0.0	\$55.0	\$55.0	\$0.0	\$38.3	\$38.3	\$0.0	\$30.7	\$30.7	0	2909	2909
Total	(\$27.7)	\$55.0	\$27.3	(\$23.8)	\$38.3	\$14.5	(\$21.5)	\$30.7	\$9.2	0	2909	2909
INDIRECT EFFECT												
Private Sector	(\$9.8)	\$14.7	\$4.9	(\$8.3)	\$12.5	\$4.2	(\$6.7)	\$10.0	\$3.3	-813	1219	406
TOTAL EFFECT												
Private Sector	(\$37.5)	\$14.7	(\$22.8)	(\$32.2)	\$12.5	(\$19.7)	(\$28.1)	\$10.0	(\$18.1)	-813	1219	406
Public Sector	\$0.0	\$55.0	\$55.0	\$0.0	\$38.3	\$38.3	\$0.0	\$30.7	\$30.7	0	2909	2909
Total	(\$37.5)	\$69.7	\$32.2	(\$32.2)	\$50.8	\$18.6	(\$28.1)	\$40.7	\$12.5	-813	4127	3314
88:3-4												
DIRECT EFFECT												
Private Sector	(\$169.3)	\$0.0	(\$169.3)	(\$145.6)	\$0.0	(\$145.6)	(\$131.0)	\$0.0	(\$131.0)	0	0	0
Public Sector	\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
Total	(\$169.3)	\$128.0	(\$41.3)	(\$145.6)	\$89.2	(\$56.4)	(\$131.0)	\$71.3	(\$59.7)	0	6769	6769
INDIRECT EFFECT												
Private Sector	(\$59.9)	\$34.2	(\$25.7)	(\$51.0)	\$29.1	(\$21.8)	(\$40.8)	\$23.3	(\$17.5)	-4965	2836	-2129
TOTAL EFFECT												
Private Sector	(\$229.2)	\$34.2	(\$195.0)	(\$196.5)	\$29.1	(\$167.4)	(\$171.8)	\$23.3	(\$148.5)	-4965	2836	-2129
Public Sector	\$0.0	\$128.0	\$128.0	\$0.0	\$89.2	\$89.2	\$0.0	\$71.3	\$71.3	0	6769	6769
Total	(\$229.2)	\$162.2	(\$67.0)	(\$196.5)	\$118.3	(\$78.3)	(\$171.8)	\$94.6	(\$77.2)	-4965	9605	4640

=====

SENSITIVITY ANALYSIS

=====

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	% FEDERAL OFFSET (C37)					
	+J12	5%	10%	15%	20%	25%
%	5%	(\$137)	(\$107)	(\$78)	(\$48)	(\$18)
TAX	10%	(\$107)	(\$79)	(\$51)	(\$22)	\$6
EXPORTING	15%	(\$78)	(\$51)	(\$24)	\$3	\$30
(C38)	20%	(\$48)	(\$22)	\$3	\$28	\$53

	% FEDERAL OFFSET					
	+P12	5%	10%	15%	20%	25%
	5%	4134	4285	4437	4588	4739
	10%	4285	4429	4572	4715	4859
	15%	4437	4572	4707	4843	4978
	20%	4588	4715	4843	4970	5098

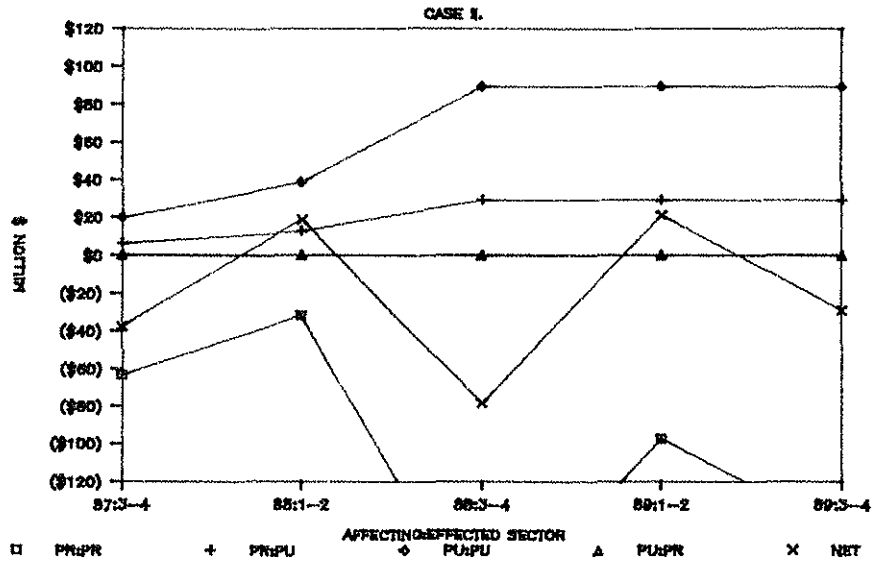
	PUBLIC MULTIPLIER (C50)					
	+J12	1.1	1.15	1.2	1.25	1.3
PRIVATE	1.1	(\$6)	(\$6)	(\$6)	(\$6)	(\$6)
MULTI-	1.15	(\$26)	(\$26)	(\$26)	(\$26)	(\$26)
PLIER	1.2	(\$46)	(\$46)	(\$46)	(\$46)	(\$46)
(C39)	1.25	(\$65)	(\$65)	(\$65)	(\$65)	(\$65)
	1.3	(\$85)	(\$85)	(\$85)	(\$85)	(\$85)

	PUBLIC MULTIPLIER (C50)					
	+P12	1.1	1.15	1.2	1.25	1.3
	1.1	1434	1428	1422	1417	1412
	1.15	1046	1040	1035	1030	1025
	1.2	659	653	647	642	638
	1.25	272	266	260	255	250
	1.3	-116	-122	-127	-132	-137

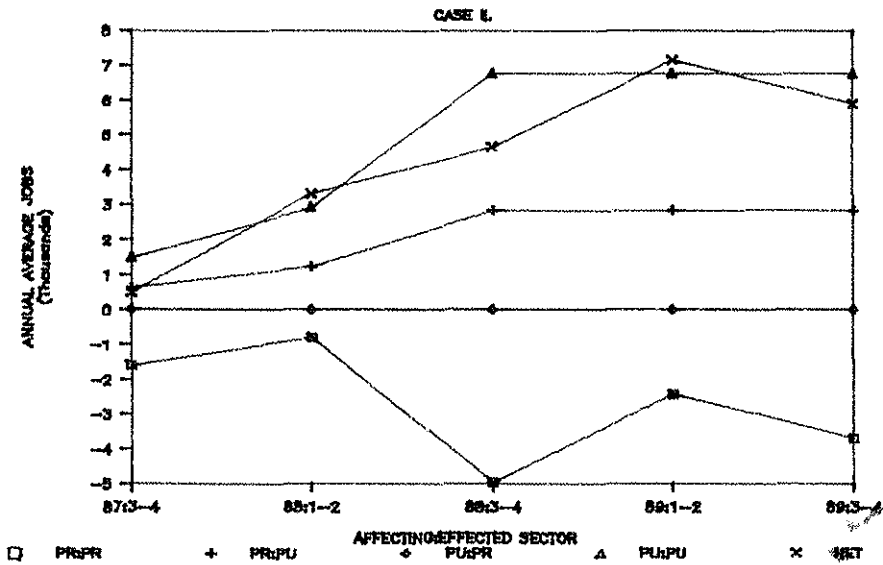
	PRIVATE MULTIPLIER (C39)					
	+J12	1.1	1.2	1.3	1.4	1.5
PUBLIC	0	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
DPI	0.1	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
CREATE	0.2	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
(M51)	0.3	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	0.4	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	0.5	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	0.6	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	0.7	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	0.8	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	0.9	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)
	1	(\$6)	(\$46)	(\$85)	(\$125)	(\$165)

	PRIVATE MULTIPLIER (C39)					
	+P12	1.1	1.2	1.3	1.4	1.5
	0	6234	5459	4684	3910	3135
	0.1	6234	5459	4684	3910	3135
	0.2	6234	5459	4684	3910	3135
	0.3	6234	5459	4684	3910	3135
	0.4	6234	5459	4684	3910	3135
	0.5	6234	5459	4684	3910	3135
	0.6	6234	5459	4684	3910	3135
	0.7	6234	5459	4684	3910	3135
	0.8	6234	5459	4684	3910	3135
	0.9	6234	5459	4684	3910	3135
	1	6234	5459	4684	3910	3135

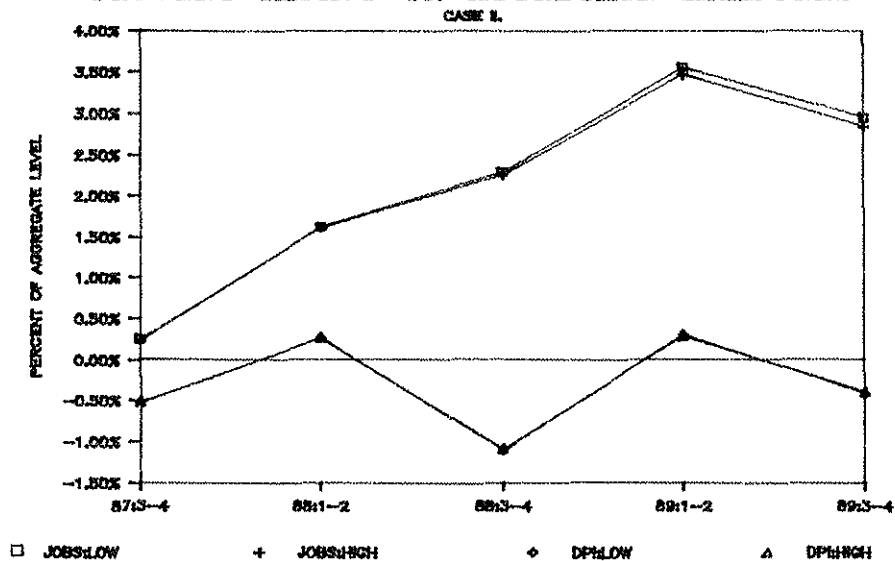
DISPOSABLE PERSONAL INCOME EFFECT



EMPLOYMENT EFFECT



PERCENT IMPACT ON AGGREGATE MEASURES



READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)			
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL	
****SUMMARY*****														
PRIVATE SECTOR		(\$578.0)	\$0.0	(\$578.0)	(\$495.9)	\$0.0	(\$495.9)	(\$436.5)	\$0.0	(\$436.5)	-1915	0	-1915	
PUBLIC SECTOR		\$0.0	\$467.0	\$467.0	\$116.8	\$0.0	\$116.8	\$105.1	\$0.0	\$105.1	0	0	0	
TOTAL		(\$578.0)	\$467.0	(\$111.0)	(\$379.2)	\$0.0	(\$379.2)	(\$331.4)	\$0.0	(\$331.4)	-1915	0	-1915	
TOTAL		87:3-4	(\$70.8)	\$28.0	(\$42.8)	(\$53.8)	\$0.0	(\$53.8)	(\$47.0)	\$0.0	(\$47.0)	-1358	0	-1358
EFFECT		88:1-2	(\$31.9)	\$55.0	\$23.1	(\$13.6)	\$0.0	(\$13.6)	(\$11.9)	\$0.0	(\$11.9)	-344	0	-344
		88:3-4	(\$216.1)	\$128.0	(\$88.1)	(\$153.3)	\$0.0	(\$153.3)	(\$134.0)	\$0.0	(\$134.0)	-3873	0	-3873
		89:1-2	(\$100.8)	\$128.0	\$27.2	(\$54.5)	\$0.0	(\$54.5)	(\$47.6)	\$0.0	(\$47.6)	-1377	0	-1377
		89:3-4	(\$158.4)	\$128.0	(\$30.4)	(\$103.9)	\$0.0	(\$103.9)	(\$90.8)	\$0.0	(\$90.8)	-2625	0	-2625
PRIVATE SECTOR IMPACT		87:3-4	(\$70.8)	\$0.0	(\$70.8)	(\$60.8)	\$0.0	(\$60.8)	(\$53.3)	\$0.0	(\$53.3)	-1358	0	-1358
		88:1-2	(\$31.9)	\$0.0	(\$31.9)	(\$27.4)	\$0.0	(\$27.4)	(\$24.3)	\$0.0	(\$24.3)	-344	0	-344
		88:3-4	(\$216.1)	\$0.0	(\$216.1)	(\$185.3)	\$0.0	(\$185.3)	(\$162.8)	\$0.0	(\$162.8)	-3873	0	-3873
		89:1-2	(\$100.8)	\$0.0	(\$100.8)	(\$86.5)	\$0.0	(\$86.5)	(\$76.4)	\$0.0	(\$76.4)	-1377	0	-1377
		89:3-4	(\$158.4)	\$0.0	(\$158.4)	(\$135.9)	\$0.0	(\$135.9)	(\$119.6)	\$0.0	(\$119.6)	-2625	0	-2625
PUBLIC SECTOR IMPACT		87:3-4	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$6.3	\$0.0	\$6.3	0	0	0
		88:1-2	\$0.0	\$55.0	\$55.0	\$13.8	\$0.0	\$13.8	\$12.4	\$0.0	\$12.4	0	0	0
		88:3-4	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$28.8	\$0.0	\$28.8	0	0	0
		89:1-2	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$28.8	\$0.0	\$28.8	0	0	0
		89:3-4	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$28.8	\$0.0	\$28.8	0	0	0

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

*				PRIVATE	PUBLIC
*	0.14 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME			
*	0.01 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS			
*	1.35 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME	87:3-4	55	28
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME	88:1-2	28	55
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)	88:3-4	171	128
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE	89:1-2	85	128
	0.9 NPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT	89:3-4	128	128
	0.8 NPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE			
			TOTAL	467	467

B. PUBLIC EFFECTS*****

*			0 POR1	PORTION OF \$
*	0.15 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE		SPENT ON
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME		PUBLIC JOBS
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)		PORTION OF
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 DPI1	NON-JOB
	0.8 NPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE		EXPENDITURES
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS		

****CASE IV, *****PAGE 2.
 REDUCE PF DIVIDEND--MINIMIZE PUBLIC JOB RETENTION

*****CASE IV,
 REDUCE PF DIVIDEND--MINIMIZE PUBLIC JOB RETENTION

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL

87:3-4												
DIRECT EFFECT												
Private Sector	(\$54.5)	\$0.0	(\$54.5)	(\$46.8)	\$0.0	(\$46.8)	(\$42.1)	\$0.0	(\$42.1)	0	0	0
Public Sector	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$6.3	\$0.0	\$6.3	0	0	0
Total	(\$54.5)	\$28.0	(\$26.5)	(\$39.8)	\$0.0	(\$39.8)	(\$35.8)	\$0.0	(\$35.8)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$16.4)	\$0.0	(\$16.4)	(\$13.9)	\$0.0	(\$13.9)	(\$11.2)	\$0.0	(\$11.2)	-1358	0	-1358
TOTAL EFFECT												
Private Sector	(\$70.8)	\$0.0	(\$70.8)	(\$60.8)	\$0.0	(\$60.8)	(\$53.3)	\$0.0	(\$53.3)	-1358	0	-1358
Public Sector	\$0.0	\$28.0	\$28.0	\$7.0	\$0.0	\$7.0	\$6.3	\$0.0	\$6.3	0	0	0
Total	(\$70.8)	\$28.0	(\$42.8)	(\$53.8)	\$0.0	(\$53.8)	(\$47.0)	\$0.0	(\$47.0)	-1358	0	-1358

88:1-2												
DIRECT EFFECT												
Private Sector	(\$27.7)	\$0.0	(\$27.7)	(\$23.8)	\$0.0	(\$23.8)	(\$21.5)	\$0.0	(\$21.5)	0	0	0
Public Sector	\$0.0	\$55.0	\$55.0	\$13.8	\$0.0	\$13.8	\$12.4	\$0.0	\$12.4	0	0	0
Total	(\$27.7)	\$55.0	\$27.3	(\$10.1)	\$0.0	(\$10.1)	(\$9.1)	\$0.0	(\$9.1)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$4.2)	\$0.0	(\$4.2)	(\$3.5)	\$0.0	(\$3.5)	(\$2.8)	\$0.0	(\$2.8)	-344	0	-344
TOTAL EFFECT												
Private Sector	(\$31.9)	\$0.0	(\$31.9)	(\$27.4)	\$0.0	(\$27.4)	(\$24.3)	\$0.0	(\$24.3)	-344	0	-344
Public Sector	\$0.0	\$55.0	\$55.0	\$13.8	\$0.0	\$13.8	\$12.4	\$0.0	\$12.4	0	0	0
Total	(\$31.9)	\$55.0	\$23.1	(\$13.6)	\$0.0	(\$13.6)	(\$11.9)	\$0.0	(\$11.9)	-344	0	-344

88:3-4												
DIRECT EFFECT												
Private Sector	(\$169.3)	\$0.0	(\$169.3)	(\$145.6)	\$0.0	(\$145.6)	(\$131.0)	\$0.0	(\$131.0)	0	0	0
Public Sector	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$28.8	\$0.0	\$28.8	0	0	0
Total	(\$169.3)	\$128.0	(\$41.3)	(\$113.6)	\$0.0	(\$113.6)	(\$102.2)	\$0.0	(\$102.2)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$46.8)	\$0.0	(\$46.8)	(\$39.8)	\$0.0	(\$39.8)	(\$31.8)	\$0.0	(\$31.8)	-3873	0	-3873
TOTAL EFFECT												
Private Sector	(\$216.1)	\$0.0	(\$216.1)	(\$185.3)	\$0.0	(\$185.3)	(\$162.8)	\$0.0	(\$162.8)	-3873	0	-3873
Public Sector	\$0.0	\$128.0	\$128.0	\$32.0	\$0.0	\$32.0	\$28.8	\$0.0	\$28.8	0	0	0
Total	(\$216.1)	\$128.0	(\$88.1)	(\$153.3)	\$0.0	(\$153.3)	(\$134.0)	\$0.0	(\$134.0)	-3873	0	-3873

REDUCE PF DIVIDEND--MINIMIZE PUBLIC JOB RETENTION

SENSITIVITY ANALYSIS

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	% FEDERAL OFFSET (C37)					
	+J12	5%	10%	15%	20%	25%
	% TAX EXPORTING (C38)	5% (\$411)	(\$381)	(\$351)	(\$322)	(\$292)
	10%	(\$381)	(\$353)	(\$325)	(\$296)	(\$268)
	15%	(\$351)	(\$325)	(\$298)	(\$271)	(\$244)
	20%	(\$322)	(\$296)	(\$271)	(\$246)	(\$221)

	% FEDERAL OFFSET					
	+P12	5%	10%	15%	20%	25%
		5%	-2078	-1927	-1776	-1624
	10%	-1927	-1784	-1640	-1497	-1354
	15%	-1776	-1640	-1505	-1370	-1234
	20%	-1624	-1497	-1370	-1242	-1115

	PUBLIC MULTIPLIER (C50)					
	+J12	1.1	1.15	1.2	1.25	1.3
	PRIVATE MULTIPLIER (C39)	1.1	(\$309)	(\$309)	(\$309)	(\$309)
	1.15	(\$323)	(\$323)	(\$323)	(\$323)	(\$323)
	1.2	(\$337)	(\$337)	(\$337)	(\$337)	(\$337)
	1.25	(\$351)	(\$351)	(\$351)	(\$351)	(\$351)
	1.3	(\$365)	(\$365)	(\$365)	(\$365)	(\$365)

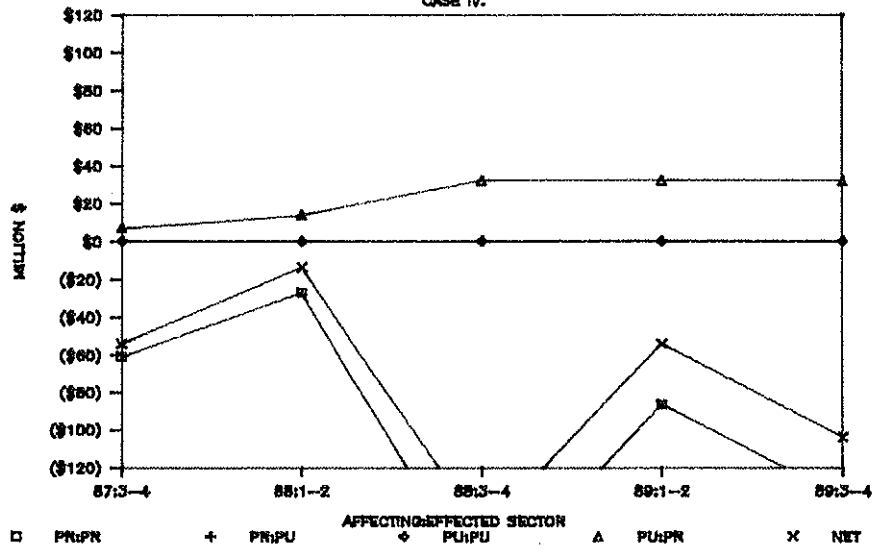
	PUBLIC MULTIPLIER (C50)					
	+P12	1.1	1.15	1.2	1.25	1.3
		1.1	-547	-547	-547	-547
	1.15	-821	-821	-821	-821	-821
	1.2	-1095	-1095	-1095	-1095	-1095
	1.25	-1368	-1368	-1368	-1368	-1368
	1.3	-1642	-1642	-1642	-1642	-1642

	PRIVATE MULTIPLIER (C39)					
	+J12	1.1	1.2	1.3	1.4	1.5
	PUBLIC DPI CREATE (M51)	0	(\$437)	(\$477)	(\$517)	(\$557)
	0.1	(\$386)	(\$421)	(\$456)	(\$491)	(\$526)
	0.2	(\$335)	(\$365)	(\$395)	(\$426)	(\$456)
	0.3	(\$283)	(\$309)	(\$335)	(\$361)	(\$386)
	0.4	(\$232)	(\$253)	(\$274)	(\$295)	(\$316)
	0.5	(\$181)	(\$197)	(\$213)	(\$230)	(\$246)
	0.6	(\$129)	(\$141)	(\$153)	(\$164)	(\$176)
	0.7	(\$78)	(\$85)	(\$92)	(\$99)	(\$106)
	0.8	(\$26)	(\$29)	(\$31)	(\$34)	(\$36)
	0.9	\$25	\$27	\$30	\$32	\$34
	1	\$76	\$83	\$90	\$97	\$104

	PRIVATE MULTIPLIER (C39)					
	+P12	1.1	1.2	1.3	1.4	1.5
		0	-775	-1550	-2324	-3099
	0.1	-684	-1368	-2051	-2735	-3419
	0.2	-593	-1186	-1778	-2371	-2964
	0.3	-502	-1004	-1505	-2007	-2509
	0.4	-411	-822	-1232	-1643	-2054
	0.5	-320	-640	-959	-1279	-1599
	0.6	-229	-456	-686	-915	-1144
	0.7	-138	-276	-413	-551	-689
	0.8	-47	-94	-140	-187	-234
	0.9	44	88	133	177	221
	1	135	270	406	541	676

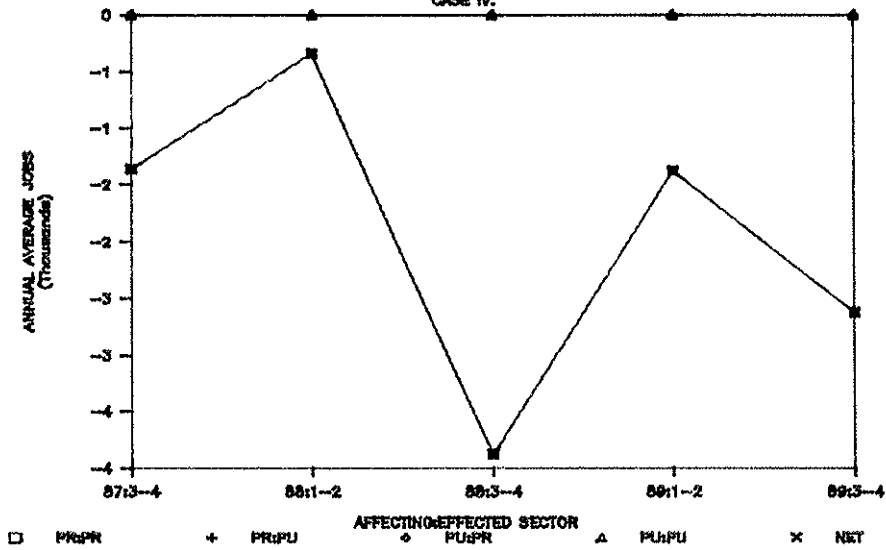
DISPOSABLE PERSONAL INCOME EFFECT

CASE IV.



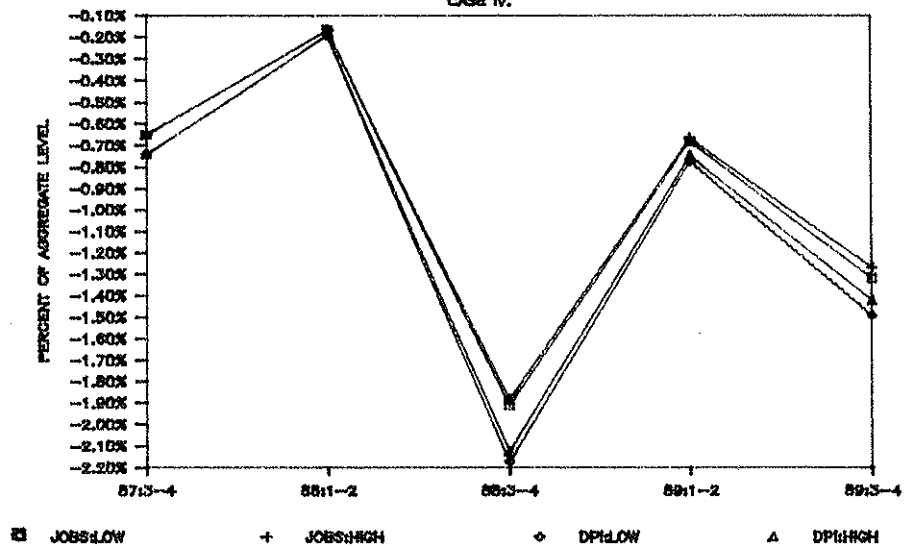
EMPLOYMENT EFFECT

CASE IV.



PERCENT IMPACT ON AGGREGATE MEASURES

CASE IV.



****CASE VI. *****PAGE 1.
 REDUCE PF DIVIDEND--ACROSS THE BOARD RETENTION

*****CASE VI.
 REDUCE PF DIVIDEND--ACROSS THE BOARD RETENTION

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
*****SUMMARY*****													
PRIVATE SECTOR		(\$606.8)	\$75.0	(\$531.9)	(\$520.4)	\$63.7	(\$456.7)	(\$456.1)	\$51.0	(\$405.1)	-2393	1242	-1152
PUBLIC SECTOR		\$0.0	\$467.0	\$467.0	\$46.7	\$195.2	\$241.9	\$42.0	\$156.2	\$198.2	0	2964	2964
TOTAL		(\$606.8)	\$542.0	(\$64.9)	(\$473.7)	\$258.9	(\$214.8)	(\$414.1)	\$207.2	(\$206.9)	-2393	4205	1812
TOTAL	87:3-4	(\$72.6)	\$32.5	(\$40.1)	(\$59.4)	\$15.5	(\$43.9)	(\$52.0)	\$12.4	(\$39.5)	-1501	1261	-241
EFFECT	88:1-2	(\$35.3)	\$63.8	\$28.6	(\$24.8)	\$30.5	\$5.7	(\$21.6)	\$24.4	\$2.8	-625	2476	1851
	88:3-4	(\$224.0)	\$148.5	(\$75.4)	(\$179.3)	\$71.0	(\$108.3)	(\$156.7)	\$56.8	(\$99.9)	-4528	5763	1235
	89:1-2	(\$108.7)	\$148.5	\$39.9	(\$80.4)	\$71.0	(\$9.4)	(\$70.3)	\$56.8	(\$13.5)	-2031	5763	3732
	89:3-4	(\$166.3)	\$148.5	(\$17.8)	(\$129.8)	\$71.0	(\$58.9)	(\$113.5)	\$56.8	(\$56.7)	-3280	5763	2483
PRIVATE SECTOR IMPACT	87:3-4	(\$72.6)	\$4.5	(\$68.1)	(\$62.2)	\$3.8	(\$58.4)	(\$54.5)	\$3.1	(\$51.4)	-1501	372	-1129
	88:1-2	(\$35.3)	\$8.8	(\$26.4)	(\$30.3)	\$7.5	(\$22.8)	(\$26.6)	\$6.0	(\$20.6)	-625	731	106
	88:3-4	(\$224.0)	\$20.5	(\$203.4)	(\$192.1)	\$17.5	(\$174.6)	(\$168.2)	\$14.0	(\$154.2)	-4528	1702	-2627
	89:1-2	(\$108.7)	\$20.5	(\$88.1)	(\$93.2)	\$17.5	(\$75.8)	(\$81.8)	\$14.0	(\$67.8)	-2031	1702	-330
	89:3-4	(\$166.3)	\$20.5	(\$145.8)	(\$142.6)	\$17.5	(\$125.2)	(\$125.0)	\$14.0	(\$111.0)	-3280	1702	-1578
PUBLIC SECTOR IMPACT	87:3-4	\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.5	\$9.4	\$11.9	0	888	888
	88:1-2	\$0.0	\$55.0	\$55.0	\$5.5	\$23.0	\$28.5	\$5.0	\$18.4	\$23.3	0	1745	1745
	88:3-4	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$11.5	\$42.8	\$54.3	0	4061	4061
	89:1-2	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$11.5	\$42.8	\$54.3	0	4061	4061
	89:3-4	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$11.5	\$42.8	\$54.3	0	4061	4061

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

				PRIVATE	PUBLIC
*	0.14 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME			
*	0.01 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS			
*	1.35 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME	87:3-4	55	28
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME	88:1-2	28	55
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)	88:3-4	171	128
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE	89:1-2	85	128
	0.9 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT	89:3-4	128	128
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE			
			TOTAL	467	467

B. PUBLIC EFFECTS*****

*	0.15 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE	0.6 POR1	PORTION OF \$
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME		SPENT ON
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)		PUBLIC JOBS
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 DP11	PORTION OF
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE		NON-JOB
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS		EXPENDITURES

****CASE VI, *****PAGE 2.
 REDUCE PF DIVIDEND--ACROSS THE BOARD RETENTION

*****CASE VI,
 REDUCE PF DIVIDEND--ACROSS THE BOARD RETENTION

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
87:3-4												
DIRECT EFFECT												
Private Sector	(\$54.5)	\$0.0	(\$54.5)	(\$46.8)	\$0.0	(\$46.8)	(\$42.1)	\$0.0	(\$42.1)	0	0	0
Public Sector	\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.5	\$9.4	\$11.9	0	888	888
Total	(\$54.5)	\$28.0	(\$26.5)	(\$44.0)	\$11.7	(\$32.3)	(\$39.6)	\$9.4	(\$30.3)	0	888	888
INDIRECT EFFECT												
Private Sector	(\$18.1)	\$4.5	(\$13.6)	(\$15.4)	\$3.8	(\$11.6)	(\$12.3)	\$3.1	(\$9.3)	-1501	372	-1129
TOTAL EFFECT												
Private Sector	(\$72.6)	\$4.5	(\$68.1)	(\$62.2)	\$3.8	(\$58.4)	(\$54.5)	\$3.1	(\$51.4)	-1501	372	-1129
Public Sector	\$0.0	\$28.0	\$28.0	\$2.8	\$11.7	\$14.5	\$2.5	\$9.4	\$11.9	0	888	888
Total	(\$72.6)	\$32.5	(\$40.1)	(\$59.4)	\$15.5	(\$43.9)	(\$52.0)	\$12.4	(\$39.5)	-1501	1261	-241
88:1-2												
DIRECT EFFECT												
Private Sector	(\$27.7)	\$0.0	(\$27.7)	(\$23.8)	\$0.0	(\$23.8)	(\$21.5)	\$0.0	(\$21.5)	0	0	0
Public Sector	\$0.0	\$55.0	\$55.0	\$5.5	\$23.0	\$28.5	\$5.0	\$18.4	\$23.3	0	1745	1745
Total	(\$27.7)	\$55.0	\$27.3	(\$18.3)	\$23.0	\$4.7	(\$16.5)	\$18.4	\$1.9	0	1745	1745
INDIRECT EFFECT												
Private Sector	(\$7.6)	\$8.8	\$1.3	(\$6.4)	\$7.5	\$1.1	(\$5.1)	\$6.0	\$0.9	-625	731	106
TOTAL EFFECT												
Private Sector	(\$35.3)	\$8.8	(\$26.4)	(\$30.3)	\$7.5	(\$22.8)	(\$26.6)	\$6.0	(\$20.6)	-625	731	106
Public Sector	\$0.0	\$55.0	\$55.0	\$5.5	\$23.0	\$28.5	\$5.0	\$18.4	\$23.3	0	1745	1745
Total	(\$35.3)	\$63.8	\$28.6	(\$24.8)	\$30.5	\$5.7	(\$21.6)	\$24.4	\$2.8	-625	2476	1851
88:3-4												
DIRECT EFFECT												
Private Sector	(\$169.3)	\$0.0	(\$169.3)	(\$145.6)	\$0.0	(\$145.6)	(\$131.0)	\$0.0	(\$131.0)	0	0	0
Public Sector	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$11.5	\$42.8	\$54.3	0	4061	4061
Total	(\$169.3)	\$128.0	(\$41.3)	(\$132.8)	\$53.5	(\$79.3)	(\$119.5)	\$42.8	(\$76.7)	0	4061	4061
INDIRECT EFFECT												
Private Sector	(\$54.7)	\$20.5	(\$34.1)	(\$46.5)	\$17.5	(\$29.0)	(\$37.2)	\$14.0	(\$23.2)	-4528	1702	-2827
TOTAL EFFECT												
Private Sector	(\$224.0)	\$20.5	(\$203.4)	(\$192.1)	\$17.5	(\$174.6)	(\$168.2)	\$14.0	(\$154.2)	-4528	1702	-2827
Public Sector	\$0.0	\$128.0	\$128.0	\$12.8	\$53.5	\$66.3	\$11.5	\$42.8	\$54.3	0	4061	4061
Total	(\$224.0)	\$148.5	(\$75.4)	(\$179.3)	\$71.0	(\$108.3)	(\$156.7)	\$56.8	(\$99.9)	-4528	5763	1235

SENSITIVITY ANALYSIS

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%	5%	(\$247)	(\$217)	(\$187)	(\$157)	(\$127)
TAX	10%	(\$217)	(\$189)	(\$160)	(\$132)	(\$104)
EXPORTING	15%	(\$187)	(\$160)	(\$134)	(\$107)	(\$80)
(C38)	20%	(\$157)	(\$132)	(\$107)	(\$82)	(\$56)

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
	5%	1649	1800	1952	2103	2254
	10%	1800	1944	2087	2230	2374
	15%	1952	2087	2223	2358	2493
	20%	2103	2230	2358	2485	2613

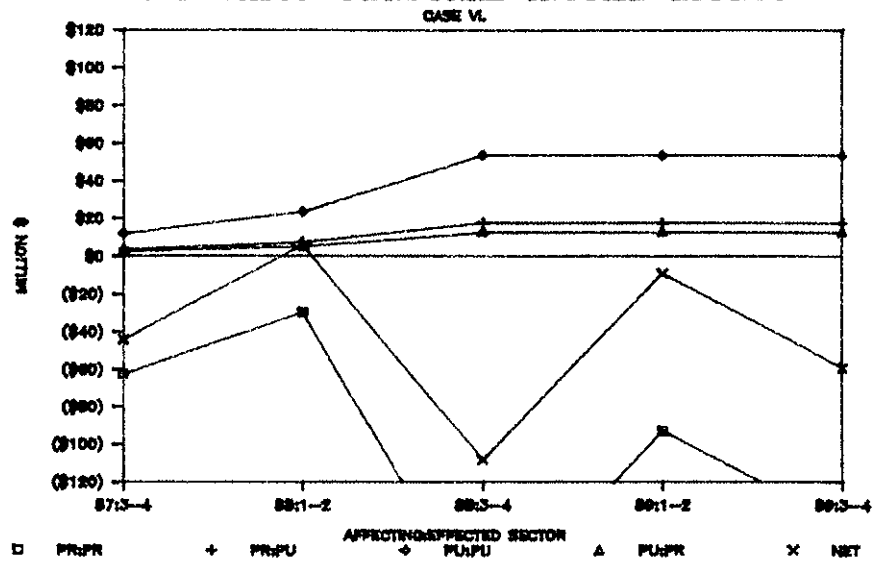
	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE	1.1	(\$127)	(\$127)	(\$127)	(\$127)	(\$127)
MULTI-	1.15	(\$145)	(\$145)	(\$145)	(\$145)	(\$145)
PLIER	1.2	(\$162)	(\$162)	(\$162)	(\$162)	(\$162)
(C39)	1.25	(\$180)	(\$180)	(\$180)	(\$180)	(\$180)
	1.3	(\$197)	(\$197)	(\$197)	(\$197)	(\$197)

	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
	1.1	641	638	634	631	629
	1.15	300	296	293	289	287
	1.2	-42	-46	-49	-52	-55
	1.25	-384	-388	-391	-394	-397
	1.3	-726	-730	-733	-736	-739

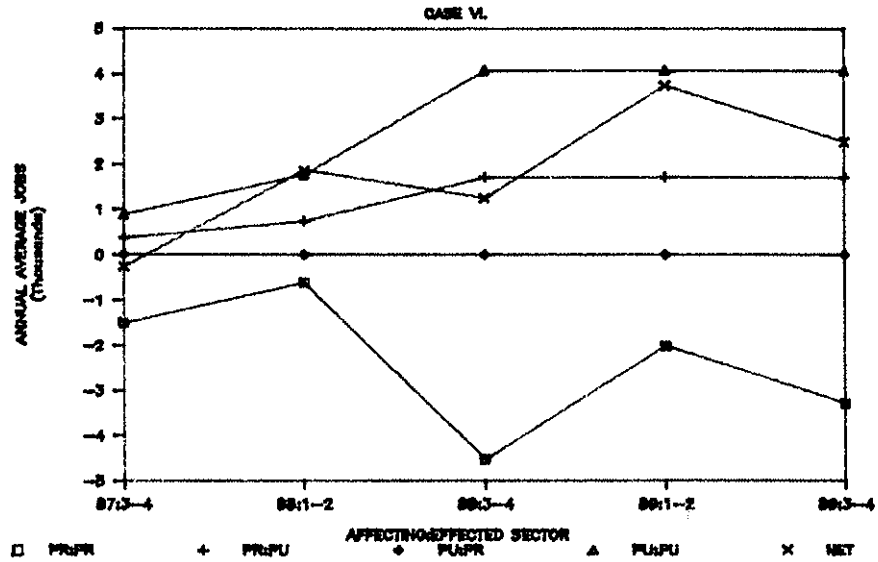
	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC	0	(\$178)	(\$218)	(\$258)	(\$298)	(\$337)
DPI	0.1	(\$158)	(\$196)	(\$234)	(\$272)	(\$309)
CREATE	0.2	(\$137)	(\$173)	(\$209)	(\$245)	(\$281)
(M51)	0.3	(\$117)	(\$151)	(\$185)	(\$219)	(\$253)
	0.4	(\$96)	(\$129)	(\$161)	(\$193)	(\$225)
	0.5	(\$76)	(\$106)	(\$137)	(\$167)	(\$197)
	0.6	(\$55)	(\$84)	(\$112)	(\$141)	(\$169)
	0.7	(\$35)	(\$61)	(\$88)	(\$115)	(\$141)
	0.8	(\$14)	(\$39)	(\$64)	(\$88)	(\$113)
	0.9	\$7	(\$16)	(\$39)	(\$62)	(\$85)
	1	\$27	\$6	(\$15)	(\$36)	(\$57)

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	0	3430	2656	1881	1106	331
	0.1	3467	2728	1990	1252	513
	0.2	3503	2801	2099	1397	695
	0.3	3540	2874	2208	1543	877
	0.4	3576	2947	2318	1688	1059
	0.5	3612	3020	2427	1834	1241
	0.6	3649	3092	2536	1980	1423
	0.7	3685	3165	2645	2125	1605
	0.8	3722	3238	2754	2271	1787
	0.9	3758	3311	2864	2416	1969
	1	3794	3384	2973	2562	2151

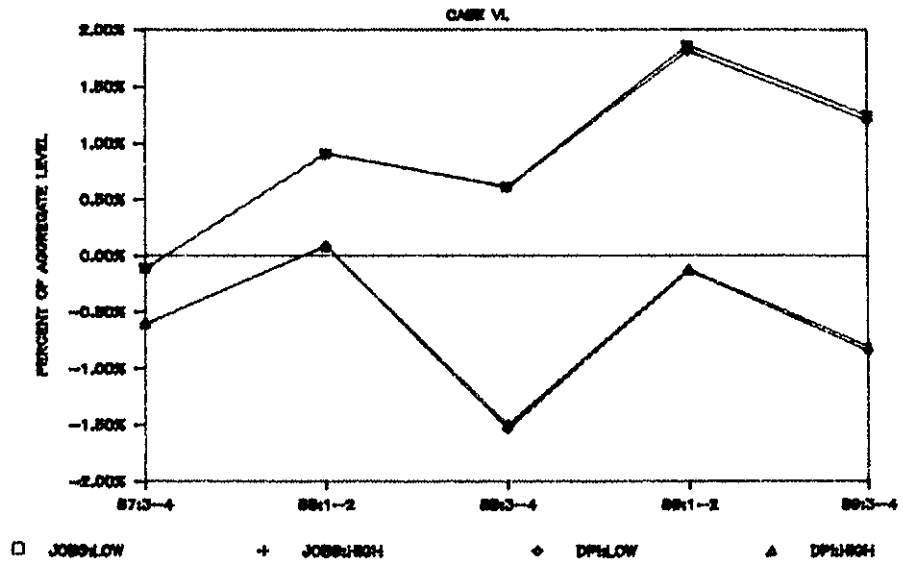
DISPOSABLE PERSONAL INCOME EFFECT



EMPLOYMENT EFFECT



PERCENT IMPACT ON AGGREGATE MEASURES



CASE VIII**PAGE 1.
 REDUCE PERMANENT FUND DIVIDEND**NO PUBLIC SPENDING

*****CASE VIII.
 REDUCE PERMANENT FUND DIVIDEND**NO PUBLIC SPENDING

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)			
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL	
****SUMMARY*****													
PRIVATE SECTOR	(\$626.0)	\$0.0	(\$626.0)	(\$536.8)	\$0.0	(\$536.8)	(\$429.4)	\$0.0	(\$429.4)	-2712	0	-2712	
PUBLIC SECTOR	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0	
TOTAL	(\$626.0)	\$0.0	(\$626.0)	(\$536.8)	\$0.0	(\$536.8)	(\$429.4)	\$0.0	(\$429.4)	-2712	0	-2712	
TOTAL	87:3-4	(\$73.7)	\$0.0	(\$73.7)	(\$63.2)	\$0.0	(\$63.2)	(\$50.6)	\$0.0	(\$50.6)	-1597	0	-1597
EFFECT	88:1-2	(\$37.5)	\$0.0	(\$37.5)	(\$32.2)	\$0.0	(\$32.2)	(\$25.7)	\$0.0	(\$25.7)	-813	0	-813
	88:3-4	(\$229.2)	\$0.0	(\$229.2)	(\$196.5)	\$0.0	(\$196.5)	(\$157.2)	\$0.0	(\$157.2)	-4965	0	-4965
	89:1-2	(\$113.9)	\$0.0	(\$113.9)	(\$97.7)	\$0.0	(\$97.7)	(\$78.2)	\$0.0	(\$78.2)	-2468	0	-2468
	89:3-4	(\$171.6)	\$0.0	(\$171.6)	(\$147.1)	\$0.0	(\$147.1)	(\$117.7)	\$0.0	(\$117.7)	-3716	0	-3716
PRIVATE SECTOR	87:3-4	(\$73.7)	\$0.0	(\$73.7)	(\$63.2)	\$0.0	(\$63.2)	(\$50.6)	\$0.0	(\$50.6)	-1597	0	-1597
IMPACT	88:1-2	(\$37.5)	\$0.0	(\$37.5)	(\$32.2)	\$0.0	(\$32.2)	(\$25.7)	\$0.0	(\$25.7)	-813	0	-813
	88:3-4	(\$229.2)	\$0.0	(\$229.2)	(\$196.5)	\$0.0	(\$196.5)	(\$157.2)	\$0.0	(\$157.2)	-4965	0	-4965
	89:1-2	(\$113.9)	\$0.0	(\$113.9)	(\$97.7)	\$0.0	(\$97.7)	(\$78.2)	\$0.0	(\$78.2)	-2468	0	-2468
	89:3-4	(\$171.6)	\$0.0	(\$171.6)	(\$147.1)	\$0.0	(\$147.1)	(\$117.7)	\$0.0	(\$117.7)	-3716	0	-3716
PUBLIC SECTOR	87:3-4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
IMPACT	88:1-2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	88:3-4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	89:1-2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	89:3-4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

C. DIRECT INCOME CHANGES*****

				PRIVATE	PUBLIC
*	0.14 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME			
*	0.01 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS			
*	1.35 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME	87:3-4	55	0
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME	88:1-2	28	0
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)	88:3-4	171	0
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE	89:1-2	85	0
	0.8 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT	89:3-4	128	0
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE			
			TOTAL	467	0

B. PUBLIC EFFECTS*****

*	1 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE	1 POR1	PORTION OF \$	
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME		SPENT ON	
	0.031 WAGEGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)		PUBLIC JOBS	
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 DPI1	PORTION OF	
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE		NON-JOB	
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS		EXPENDITURES	

	ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL

87:3-4												
DIRECT EFFECT												
Private Sector	(\$54.5)	\$0.0	(\$54.5)	(\$46.8)	\$0.0	(\$46.8)	(\$37.5)	\$0.0	(\$37.5)	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$54.5)	\$0.0	(\$54.5)	(\$46.8)	\$0.0	(\$46.8)	(\$37.5)	\$0.0	(\$37.5)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$19.3)	\$0.0	(\$19.3)	(\$16.4)	\$0.0	(\$16.4)	(\$13.1)	\$0.0	(\$13.1)	-1597	0	-1597
TOTAL EFFECT												
Private Sector	(\$73.7)	\$0.0	(\$73.7)	(\$63.2)	\$0.0	(\$63.2)	(\$50.6)	\$0.0	(\$50.6)	-1597	0	-1597
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$73.7)	\$0.0	(\$73.7)	(\$63.2)	\$0.0	(\$63.2)	(\$50.6)	\$0.0	(\$50.6)	-1597	0	-1597

88:1-2												
DIRECT EFFECT												
Private Sector	(\$27.7)	\$0.0	(\$27.7)	(\$23.8)	\$0.0	(\$23.8)	(\$19.1)	\$0.0	(\$19.1)	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$27.7)	\$0.0	(\$27.7)	(\$23.8)	\$0.0	(\$23.8)	(\$19.1)	\$0.0	(\$19.1)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$9.8)	\$0.0	(\$9.8)	(\$8.3)	\$0.0	(\$8.3)	(\$6.7)	\$0.0	(\$6.7)	-813	0	-813
TOTAL EFFECT												
Private Sector	(\$37.5)	\$0.0	(\$37.5)	(\$32.2)	\$0.0	(\$32.2)	(\$25.7)	\$0.0	(\$25.7)	-813	0	-813
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$37.5)	\$0.0	(\$37.5)	(\$32.2)	\$0.0	(\$32.2)	(\$25.7)	\$0.0	(\$25.7)	-813	0	-813

88:3-4												
DIRECT EFFECT												
Private Sector	(\$169.3)	\$0.0	(\$169.3)	(\$145.6)	\$0.0	(\$145.6)	(\$116.5)	\$0.0	(\$116.5)	0	0	0
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$169.3)	\$0.0	(\$169.3)	(\$145.6)	\$0.0	(\$145.6)	(\$116.5)	\$0.0	(\$116.5)	0	0	0
INDIRECT EFFECT												
Private Sector	(\$59.9)	\$0.0	(\$59.9)	(\$51.0)	\$0.0	(\$51.0)	(\$40.8)	\$0.0	(\$40.8)	-4965	0	-4965
TOTAL EFFECT												
Private Sector	(\$229.2)	\$0.0	(\$229.2)	(\$196.5)	\$0.0	(\$196.5)	(\$157.2)	\$0.0	(\$157.2)	-4965	0	-4965
Public Sector	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
Total	(\$229.2)	\$0.0	(\$229.2)	(\$196.5)	\$0.0	(\$196.5)	(\$157.2)	\$0.0	(\$157.2)	-4965	0	-4965

=====

SENSITIVITY ANALYSIS

=====

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%		(\$569)	(\$539)	(\$509)	(\$479)	(\$449)
TAX		(\$539)	(\$511)	(\$482)	(\$454)	(\$426)
EXPORTING		(\$509)	(\$482)	(\$456)	(\$429)	(\$402)
(C38)		(\$479)	(\$454)	(\$429)	(\$403)	(\$378)

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
		-2874	-2723	-2572	-2421	-2269
		-2723	-2580	-2437	-2293	-2150
		-2572	-2437	-2301	-2166	-2030
		-2421	-2293	-2166	-2038	-1911

	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE		(\$437)	(\$437)	(\$437)	(\$437)	(\$437)
MULTI-		(\$457)	(\$457)	(\$457)	(\$457)	(\$457)
PLIER		(\$477)	(\$477)	(\$477)	(\$477)	(\$477)
(C39)		(\$497)	(\$497)	(\$497)	(\$497)	(\$497)
		(\$517)	(\$517)	(\$517)	(\$517)	(\$517)

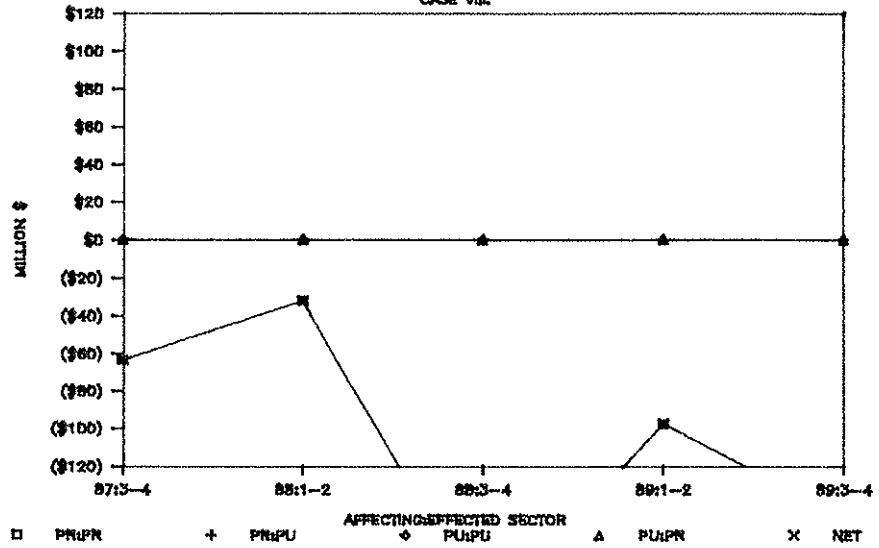
	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
		-775	-775	-775	-775	-775
		-1162	-1162	-1162	-1162	-1162
		-1550	-1550	-1550	-1550	-1550
		-1937	-1937	-1937	-1937	-1937
		-2324	-2324	-2324	-2324	-2324

	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
DPI		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
CREATE		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
(M51)		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)
		(\$437)	(\$477)	(\$517)	(\$557)	(\$596)

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874
		-775	-1550	-2324	-3099	-3874

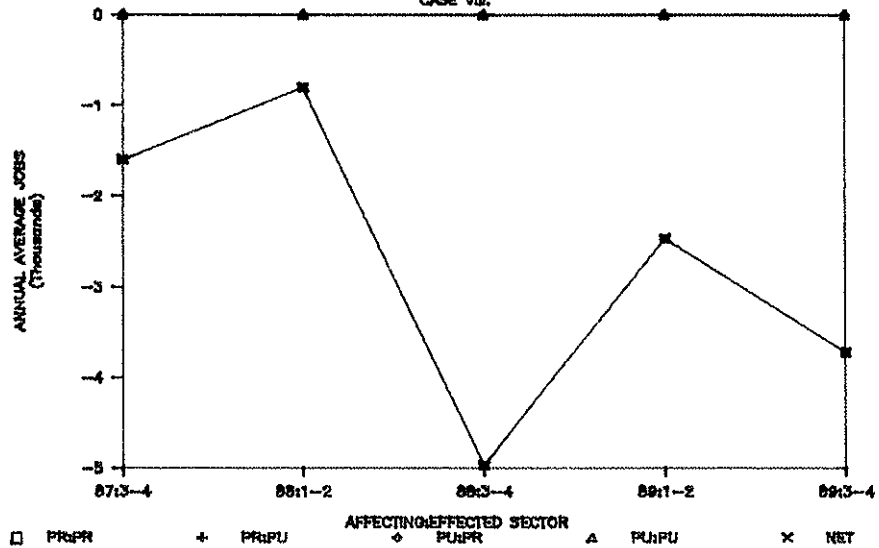
DISPOSABLE PERSONAL INCOME EFFECT

CASE VII.



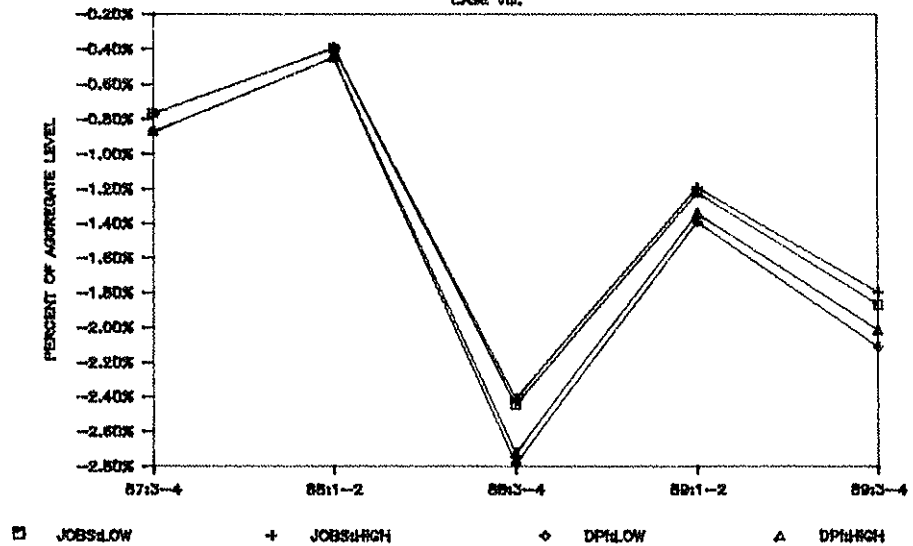
EMPLOYMENT EFFECT

CASE VII.



PERCENT IMPACT ON AGGREGATE MEASURES

CASE VII.



II.b. The Reduction of Private-Sector Purchasing Power from A Tax

The percentage of a dollar of tax proceeds which represents a reduction of resident private-sector purchasing power depends upon the following three factors:

- the federal tax "offset"
- "tax exporting"
- the marginal propensity to consume of the resident tax-paying population

The higher the federal "offset" and "tax exporting," the smaller the percentage reduction in the disposable personal income of Alaskans. The lower the marginal propensity to consume of the resident taxpaying population, the smaller the percentage reduction in purchasing power associated with a given reduction in disposable income.

The federal "offset" arises because taxpayers who itemize on their federal return may claim state income tax payments as a deduction against their federal adjusted gross income. Consequently, the additional liability they incur from the imposition of a state income tax is their state tax payment minus the reduction in their federal liability. The "offset" is calculated as their marginal federal tax rate multiplied by their state tax payment.

For those taxpayers who currently itemize on their federal return in the absence of the state income tax, the "offset" is complete. For those taxpayers who would only itemize on their federal return because the state income tax deduction brings their itemized deduction total over the standard deduction, the benefit is limited to their marginal tax rate times the amount of the excess deduction. The excess deduction is that portion of itemized deductions above the standard deduction.

The Alaska Department of Revenue recently estimated that the federal "offset" for three hypothetical state tax schedules would vary between 20 percent and 23 percent, partially dependent upon the size of the tax base—aggregate income.⁴ This large "offset" results from the combination of high nominal income levels in the state combined with the progressivity of the federal tax. This makes the tax saving from itemizing deductions more attractive to a typical Alaskan than a typical resident of lower-cost states. Thus, in 1979, for example, about 64 percent of adjusted gross income in Alaska was reported on itemized returns, compared to 54 percent for

⁴Vincent Wright et al., Revenue Alternatives: Individual Income Tax, Alaska Department of Revenue, December 1986.

the nation as a whole.⁵ The higher "offset" may be viewed as partial compensation for the fact that Alaskan federal tax liability is a larger percentage of income than the national average due to the fact that the federal rates are applied progressively to nominal rather than real income levels.

An estimate of a 20 percent federal tax "offset" is reasonable in this analysis because of the proportionality of the proposed state tax, which would distribute the burden over all income groups rather than concentrating it at the upper end of the income distribution. As a result, a somewhat higher proportion than under former tax schedules would fall into categories where most returns are not itemized and would thus not benefit from the "offset." The "offset" is a weighted average of the federal tax rates, which in 1988 will be 0 percent, 15 percent, and 28 percent for the vast majority of taxpayers. The breakpoint between the lower and higher rates occurs in the range of \$45 thousand adjusted gross income (AGI). This is also about the level which divides Alaska adjusted gross income, with about half reported on returns with AGI above \$50 thousand and half on returns reporting AGI below that level.⁶

"Tax exporting" is the payment of the Alaska personal income tax by nonresidents who work but do not live in the state. The percentage of such payments depends upon the importance of wages in the tax base of the state, the percentage of wages earned by nonresidents, and the tax rate applicable to nonresident earnings. In these respects, Alaska ranks high as a state with a large potential for "tax exporting." Not only is the personal income tax base in Alaska heavily weighted toward wages and salaries relative to other types of income such as interest, dividend, rents, and retirement benefits but also the nonresident component of wages paid in Alaska is the highest of any state. Other types of tax exporting occur due to nonresident ownership of other factors of production, but labor is the most important and the only one considered here.

Information is available on "tax exporting" from three sources: the federal government personal income statistics for Alaska, the Alaska Department of Revenue analyses of income tax returns from past years, and the Alaska Department of Labor analyses of wage payments by residency by industry for 1984 and 1985. These sources suggest that nonresident wages paid have varied from about 5 percent to 30 percent of total wages dependent upon the size of the economy, the stage of the business cycle, and the definition of a nonresident. Nonresident wage payments are concentrated in certain industries, primarily construction, manufacturing, and petroleum, so the

⁵Individual Income Tax Returns, 1979, Statistics of Income, U.S. Department of Treasury, Internal Revenue Service.

⁶Alaska Department of Revenue, Federal Income Taxpayer Profile: 1978, 1981, 1982, March 1985.

proportion of nonresident payments fluctuates with the importance of those sectors in the economy. As the support and government sectors of the economy have grown, the nonresident component of wages has trended downward. On the other hand, during periods of economic boom, when typically the construction industry is at a cyclical peak, the proportion of nonresident wages has increased and remained high after the peak has passed. This pattern is observable in the data shown in Table 1.

Information from Alaska tax returns in prior years is more accurate but less timely because state tax payments ended in the late 1970s. It suggests a pattern similar to that in the resident adjustment data, although it includes part-year residents as well as nonresidents.

The Department of Labor information also includes part-year residents. Part-year residents are those individuals who moved either into or out of the state during the year. In a stable economy some turnover of the labor force would naturally occur through migration, thus accounting for a part-year resident population even if the economy is not growing. In Alaska there have been few periods of stable economic activity, but Census and other information suggests that the turnover of the population is relatively high even when the net change in employment is low. This is particularly true in certain occupations such as the military. The Alaska income of part-year residents should be considered resident income, because the individual is a resident while the Alaska income is being earned.

The economy is expected to contract this year and next and then resume growth at a slower rate than in the past. This suggests that the trend toward a lower nonresident portion of wages will continue as those industries with high resident components grow relative to the total. During the contractionary phase of the business cycle, the nonresident portion will also contract as the construction industry gets smaller.

We estimate the nonresident portion of wages to be 8 percent for the purpose of this analysis. This does not include part-year residents who we count as Alaskan residents. This is a conservative (low) estimate which takes account of the fact that an income tax which included withholding would draw purchasing power from the Alaska economy from nonresident workers as well as residents. This is because nonresident workers spend some of their income in the Alaska economy during the time they are in the state working. A tax on their income would reduce their in-state purchases. In addition, an income tax would reduce the incentive for nonresidents to work in Alaska. We also assume that the average tax rate applicable to nonresident income will be the same as that for residents.

TABLE 1. NONRESIDENT WAGES IN ALASKA
(million \$)

Year	Income	Wages	Residence Adjustment	Residence Adjustment as Percent of Income	Residence Adjustment as Percent of Wages	Percent of State Income Tax Paid by Nonresidents	Percent of Wages Paid to Nonresidents
1969	1330.8	1127.2	-68.7	5.2	6.1		
1970	1517.5	1266.6	-73.1	4.8	5.8		
1971	1670.7	1381.6	-71.4	4.3	5.2		
1972	1831.6	1507.8	-70.2	3.8	4.7		
1973	2160.1	1663.1	-80.6	3.7	4.8		
1974	2631.9	2226.1	-226.8	8.6	10.2		
1975	3754.6	3562.1	-644.5	17.2	18.1		
1976	4520.5	4403.4	-932.4	20.6	21.2	31	
1977	4674.4	3940.4	-484.4	10.4	12.3	18	
1978	4804.8	3731.4	-315.5	6.6	8.5	12	
1979	5017.4	3874.5	-288.9	5.8	7.5	11	
1980	5585.9	4387.9	-327.3	5.9	7.5		
1981	6421.4	5242.0	-427.0	6.6	8.1		
1982	7701.7	6078.6	-538.8	7.0	8.9		
1983	8690.2	6667.2	-583.7	6.7	8.8		
1984	9079.7	6991.8	-564.3	6.2	8.1		13
1985	9476.3	7129.4	-561.3	5.9	7.9		12

SOURCES: Income, Wages, and Residence Adjustment from U.S. Bureau of Economic Analysis. Personal Income by Major Source and Earnings by Industry. Microfiche dated August 1986.

Alaska Department of Revenue, telephone conversation, 5/11/87, based on zipcode of filer.

Alaska Department of Labor, Non-Residents Working in Alaska in 1985, January 1987.

The reduction in aggregate demand from the tax depends upon how much consumer spending is reduced by a reduction of disposable personal income--a relationship economists call the "marginal propensity to consume." At issue are two factors: the proportion of marginal income that goes into saving and is, therefore, not spent, and the proportion of income that is spent on goods and services provided outside the Alaska economy. Both of these factors represent "leaks" out of the spending stream and reduce the impact from a change in disposable personal income. These factors in turn depend upon the structure of the economy and the income of the consumer.

Of the purchases of goods and services that a consumer makes, the local component will largely depend on what locally available choices are. Generally the smaller the market size the larger the proportion of goods and services purchased outside the market either through the direct importation of goods and services or by going outside the region for purchasing goods and services. This is partially determined by access to large markets due to income and proximity.

The marginal propensity to consume declines as consumer income increases. This means that at higher incomes, consumers will purchase more goods and services but that a disproportionate share of additions to income will be saved. Consequently, a reduction in the disposable personal income of a high-income individual will cause spending to decline by a smaller amount than if the reduction were from a low-income individual. Current savings would be reduced more by cutting the income of a high-income person than of a low-income person. This relationship is seen by referring to Table 2, which shows the relationship between income and consumer spending in 1981 for the U.S. population divided into five income categories. Spending as a percentage of income falls as income rises. At the lower end of the scale, spending considerably exceeds current income. Consumers in this low-income category are drawing down accumulated assets to maintain spending at a level in excess of current income. Consumers in the highest income category are accumulating assets through current saving.

The usual explanation of this behavior is the "life-cycle hypothesis" of consumption. The idea is that the consumption level of an individual is based upon his expected lifetime income rather than current income. Thus, the young and old will consume in excess of current income, which is low relative to lifetime earnings; and middle-aged consumers, who have income high in relation to lifetime earnings, will save.

Because the income tax is somewhat biased toward reduction of the income of higher-income individuals, one would expect the lost consumption from the tax to be somewhat less than the average for the population. Beyond this general statement, it is impossible to be specific quantitatively because a detailed analysis of Alaska consumer expenditure behavior has never been done.

TABLE 2. CONSUMER EXPENDITURE PATTERNS

	Income Range					Average of All Households
	Lowest 20% of Households	20-40	40-60	60-80	Highest 20% of Households	
Income	\$3,473	\$9,791	\$16,809	\$25,128	\$44,616	\$19,989
Taxes	125	590	1,668	3,356	6,768	2,505
Disposable Income	3,248	9,201	15,141	21,772	37,848	17,484
Expenditures	7,852	11,570	15,736	20,714	30,563	17,301
Average Propensity to Consume [Expenditures/ Disposable Income]	2.4	1.26	1.04	.95	.81	.99

SOURCE: U.S. Department of Labor, BLS Consumer Expenditure Survey: Interview Survey, 1980-81, Bulletin 2225, April 1985, Table 1.

The consumption lost because of the tax also depends upon the particular types of purchases made by those whose income is reduced. The issue here is whether consumers in different income groups allocate different proportions of their spending to local compared to nonlocal expenditures. There are two factors which are important in this determination--location of direct purchases and the input composition of local direct purchases.

A consumer can purchase goods and services within the community or from outside either through direct importing or through trips outside the community. Specific information about out-of-region purchases by income are not available from the recent consumer expenditure survey. It is logical that out-of-region trips would be a function of income, however, since tourism is clearly an income-related phenomenon.

Different consumption patterns may also imply different levels of locally purchased inputs even if the purchases are physically made within the region. The local economic impact of \$20 spent on a

haircut will be greater than that of \$20 spent on the purchase of a book, even though both are purchased locally. The haircut is a service with a high local value-added, or income producing, component with little of the purchase price used to pay for inputs purchased from outside the community. The book purchase is low in local value-added (unless the book was written and produced in the community) because the manufacture of the book took place outside of the region.

We are aware of no systematic analysis of the local component of purchases by consumers in different income categories. On the one hand, as income rises the opportunity cost of doing certain tasks like cleaning, accounting, etc. rises, and it becomes more likely that a person with a high income will purchase those types of services rather than provide them himself. On the other hand, as income rises the demand for goods and services which are not available within the local market would increase.

In the absence of actual data on this topic, it is not possible to generalize, so we assume that the local input component of local purchases is not functionally related to income. Because of the absence of specific data on marginal propensities to consume locally by income class, we assume no distinction between marginally taxed income and general income.

II.c. The Reduction in Purchasing Power from Permanent Fund Dividend Reduction

The reduction in consumption caused by a reduction or elimination of the Permanent Fund dividend can be analyzed in the same way as that of reimposing the income tax: first, by how much is Alaska personal income reduced and, second, by how much is Alaska spending out of that income reduced.

Dividend payments go only to residents, but a small portion, which we estimate at 1 percent, goes to "functional nonresidents" who are away at school or who leave the state after receipt of the dividend. The reduction in Federal income tax payments with a reduction of the dividend amount is the marginal federal tax rate multiplied by the dividend reduction. This federal tax leakage was estimated for 1982 by the Alaska Department of Revenue to be 20.2 percent, but because the estimate is based upon the federal income tax before the Tax Reform Act of 1986, it is no longer valid.⁴

⁴"1982 Federal Tax Leakage Associated with the Permanent Fund Dividend Program," Alaska Department of Revenue, July 1983.

The federal tax leakage associated with the dividend must be smaller than the federal "offset" of the income tax for three reasons. First, the dividend is received by some individuals who have no taxable income and thus have a marginal tax rate which is zero. Second, the distribution of the dividend is proportional over the entire population whereas the distribution of taxable income is not. Because the new federal tax code has two tax rates, a larger percentage of taxable income will be taxed at the higher rate than the percentage of dividend income which will be taxed at the higher rate. Third, for most children receiving dividends, the first \$500 will be nontaxable because they have no other unearned income.

We calculate the federal tax leakage associated with a reduction of the Permanent Fund dividend of the magnitude considered in this analysis to be 14 percent. This estimate is based on the following reasoning. We assume 29 percent of the dividends are paid to children, the percentage in 1982.⁸ We assume the marginal tax rate on that income to be 5 percent because, although the lower federal tax bracket in 1988 will be 15 percent, the standard deduction on unearned income of \$500 for children will shield most of this income from taxation. Of the 71 percent of dividends paid to adults, we assume two-thirds go to individuals who face the lower federal tax rate at the margin--15 percent--while one-third pay the higher tax rate--28 percent--at the margin. The higher marginal rate begins to become effective more frequently above a level of \$40 thousand adjusted gross income. About two-thirds of tax returns from Alaska will be below and one-third above this level. Different assumptions will give slightly different results, but the percentage will necessarily be below the federal tax "offset" for the three reasons given above.

The reduction in consumption associated with a dividend reduction is affected by the fact that the reduction occurs proportionally across the population. It falls more heavily on lower-income individuals than the income tax, and consequently the marginal propensity to consume out of dividend income will be higher than out of income lost to the income tax. With these factors in mind, we assume an economic multiplier of 1.35 for dividend income, compared to 1.3 for other income.⁹

⁸Ibid.

⁹This assumption was tested using sensitivity analyses to determine the magnitude of multiplier associated with the dividend which would yield a drop in disposable personal income (dpi) of the same amount as an income tax with a multiplier of 1.3. The result was 1.12. This means that if the "leaks" associated with the alternatives have been measured accurately, then the Dividend impact on dpi would be less than that of the tax only if the multiplier associated with the dividend was less than half that associated with the tax (1.12 vs. 1.3).

This assumption could be modified by two factors. First, part of the dividend is paid to children. Their consumption habits are not well-documented, although in many instances, particularly for younger children, the parents determine the disposition of the dividend. Allocation to savings out of this income would likely be related not to the income of the children, but rather to that of their parents. Second, to the extent that the dividend is perceived to be a one-time windfall rather than a permanent change in annual income, the portion of the dividend saved, or invested in a durable good, would be higher. This reasoning could be applied to the original distribution of \$1,000 but is less convincing for the subsequent distributions, except to the extent people anticipate that the dividend will be terminated in the near future.

Finally, the impact depends upon the marginal propensity of that income to be spent locally and the local component of the goods and services actually purchased in the region. As mentioned above, there is no convincing evidence that the marginal propensity to consume locally significantly declines at higher income levels.

II.d. The Increase In Purchasing Power Associated with Government Spending

Government spending puts money into the economy just as private spending does and differs from it only in the composition of purchases made and jobs created. Thus, the state might cause a reduction in expenditures on eating in restaurants by imposing an income tax and use the proceeds to purchase automobiles for the state troopers. In this example, demand is transferred from restaurants to automobiles by the fiscal actions of state government. Obviously, what government spends money on determines the size of its impact on the regional economy.

The state government spends a large part of its budget on personnel costs--wages and benefits of employees. In addition, large parts of the budget are transfer payments to local government and nonprofit organizations which spend most of their budgets on personnel costs. Thus, a large part of government purchasing power is personnel cost.

State government need pay no taxes to the federal government nor spend out of the state, so a dollar of appropriations for personnel expenditures can nearly all become income to Alaskans. For the purposes of this study, we assume wages remain constant, so personnel expenditure cuts occur through "across the board" layoffs.¹⁰ On average, about 78 percent of a personnel expenditure becomes personal income of Alaskans while the remaining 22 percent is

¹⁰A companion ISER study to this one is investigating the differential economic effects of wage reduction compared to layoffs.

allocated to benefits, of which retirement and medical insurance are the most important. A portion of benefits payments creates an economic impact because it represents the current purchase of goods and services within the region. Purchases for medical or dental services funded by insurance is the most obvious example. The administration of retirement and life insurance programs is another. The effect of retirement contributions on current spending is small, but this does represent a potential increase in local purchasing power in the future. The timing and location of the spending is impossible to estimate and so we ignore it. We estimate about 40 percent of benefits is spent locally when allocated.

The nonresident portion of wages and salaries paid in government is very small based upon the Department of Labor studies, and we choose to ignore it. The federal tax leak is substantial. It is a function of the average tax rate of the state employees.

Since the federal tax schedule is progressive and involves both exemptions and deductions which shield some income from taxation, the average tax rate for an individual will always be below the marginal tax rate. One of effects of the Tax Reform Act of 1986 has been to reduce the progressivity of the tax system, and as a consequence, the marginal and average tax rates are much closer to one another than previously. Still, it appears that the average tax rate will be less than half the marginal rate for broad categories of taxpayers--based on the pro forma analysis in Part IV of this report. For example, a family of four living in their own home and filing a joint return would pay an average rate less than half the marginal rate up to about \$60 thousand of adjusted gross income.

The average tax rate for government employees will be above the average tax rate for the community as a whole to the extent that the average wage in state government is above that of the total economy, to the extent government workers are in two-wage-earner families in excess of the community average, and to the extent that government workers have significant nonwage income. The average tax rate will be less to the extent that state employees are homeowners in excess of the community average for comparable income levels.

Some information is available on the household income characteristics of government employees from the U.S. Census. We present it in Table 3 as a source which shows the household income characteristics of full-time state employees. Based upon the table and the pro forma tax analysis of Part IV, we estimate an average federal tax rate for government employees of 15 percent.

The consumption of government employees depends upon what they do with their disposable personal income. Here we are concerned with the average propensity to consume because the analysis considers layoffs, the location of consumption, and the locally produced portion of items purchased locally. As Table 2 suggests, the average propensity to consume is larger than the marginal propensity

TABLE 3. SAMPLE OF ALASKA HOUSEHOLDS WITH STATE WORKERS

Family Households With at Least 1 State Worker

Income (thousands of 1987\$)	More than 1 Full-Time Employed						Nonfamily Households With at Least 1 State Worker	
	1 Employed, 1 State Worker		1 State Worker		2 or More State Workers		No. of Households	Average Wage (1987\$)
	No. of Families	Average Wage (1987\$)	No. of Families	Average Wage (1987\$)	No. of Families	Average Wage (1987\$)		
0 to 10	5	9,017	0	0	0	0	18	6,242
10 to 20	17	15,200	9	11,354	1	8,258	29	14,129
20 to 30	36	19,667	6	12,732	2	12,383	49	25,713
30 to 40	29	27,522	20	21,098	4	17,106	29	34,380
40 to 50	48	36,483	21	21,812	5	20,762	21	41,195
50 to 60	40	44,549	36	29,126	4	25,973	15	54,761
60 to 70	21	43,112	29	28,157	12	32,471	5	53,795
70 to 80	19	49,833	33	39,671	8	33,093	2	67,200
80 to 90	7	63,044	17	47,285	12	41,471	0	0
90 to 100	2	65,198	14	39,236	5	33,983	0	0
100 and over	11	72,338	33	49,457	7	55,641	1	60,008
Number of State Workers	266	36,435	232	33,110	135	33,675	192	29,166

NOTE: Actual 1979 wage converted to 1987 using the Anchorage CPI.

SOURCE: 1980 U.S. Census for Alaska, Public Use Sample

to consume. Since government employee income is above the average, however, their average propensity to consume is below that of the population in general. We assume equality between the average propensity to consume of state workers and the marginal propensity to consume out of taxable income.

A final question is whether government employees have expenditure patterns significantly different from other consumers in similar income groups. There is no evidence that this is the case.¹¹

Government appropriations fund many different activities in addition to the hiring of employees. Each has a different impact on the economy in terms of disposable income created in the community as well as employment generated. Previous studies have discussed and calculated the impacts of different types of government expenditures.¹² Only some general comments are included here.

Transfers to local governments, transfers to nonprofit organizations which use most of their budgets for personnel expenditures, and the private contracting of service delivery have the same general types of impact as direct government hiring of people. A larger percentage of jobs created may be in the private sector, but the total amount will be about the same.

A common misconception exists that government capital expenditures generate larger amounts of economic activity than other types of spending. Using employment and income as indicators of activity, construction spending ranks well below personnel spending. The income which flows to residents from construction is a portion of the wages paid and portions of overhead and profits. Large portions of each dollar of construction money go directly outside the economy to pay for materials fabricated outside the state or to pay the salaries of nonresident workers. This money may appear as transactions of Alaska businesses, particularly through construction firms and wholesale firms, but it does not represent income of Alaskans which directly contributes to their well-being. After construction, these projects may stimulate additional income and employment in an economy, but whether that is, in fact, the case depends upon the characteristics of each individual project.

The purchase of goods by government produces Alaska income to the extent the purchases are made within the state and the value added associated with those in-state purchases is large. Income and

¹¹For a discussion of this point, see the companion ISER study referenced in footnote 10.

¹²Goldsmith, "How State Spending Reductions Affect Economic Activity," ISER Working Paper 86.2.

employment generation is primarily in the trade and transportation sectors since very few goods are manufactured in Alaska.

The repayment of debt does not impact personal income or employment even if the debt is held by Alaska residents. In the absence of Alaska state government debt, these individuals would be holding debt and receiving income from some other source.

The provision of income transfers, either directly or through loan subsidies, and of goods and services at below-market price is the other primary activity of state government in Alaska. The personal income per dollar of program cost which accrues to Alaska residents varies with each program. For example, a student loan which allows a student to travel outside the state to pursue his education can have an absolutely negative economic impact since it reduces the amount of income spent in Alaska. On the other hand, a student loan which provides extra income which is spent within the state has a positive economic impact on income. A transfer which allows an individual to remain in the state can have a very large economic impact if that individual has significant other income. This may be the case for some recipients of the longevity bonus program. Loan subsidies have two types of effect on the economy--one through a transfer of income to the subsidized loan recipient, and the other through the stimulation of new demand for the activity which is subsidized. The economic effects of these programs must also be analyzed individually.

For this analysis, we assume that on average Alaska disposable personal income of 25 cents is created for each dollar of government spending on nonpersonnel expenditures. Because of the wide range of impact among programs, this is a general estimate. Sensitivity analysis suggests that, although the size of the impact of these activities depends upon this assumption, the direction of change of disposable personal income and employment are not sensitive to this assumption.

II.e. Comparison of Income and Employment Effects of Alternatives

Reducing disposable personal incomes using a tax or by reducing the dividend does not directly eliminate private sector jobs. These policies eliminate private sector jobs when the reduction of purchasing power shrinks the support sector--trade and services. In contrast, government spending on personnel directly increases employment if the funds are used to hire employees--either government workers or private workers under contract. Private support jobs are created when these workers spend their income.

III. WHAT ARE THE "SUPPLY SIDE" CONSEQUENCES OF THE INCOME TAX

III.a. "Supply Side" Economics

In recent years, the idea of "supply side" economics has been central in discussions of tax policy, particularly at the federal level. It was a major rationale for the tax cuts during the first Reagan administration and was influential in the Tax Reform Act of 1986. The idea is that high tax rates on personal income are both a disincentive to work and also a disincentive to saving and investment. As a consequence, the economy is unable to utilize the full productive potential of its resources. The most ardent proponents of "supply side" economics argued that the general tax cut of 1982 would actually increase tax receipts because of the additional taxes which would be collected from the new jobs and investment created in the more favorable tax environment.

There is little evidence that the dramatic changes promised by the "supply siders" as a result of the the 1982 tax cut have occurred. The personal savings rate is at an all-time low. Private investment more often takes the form of buying existing competitors than investing in new productive capacity. The federal budget deficit is now larger than at any time in history. The huge federal deficit is in direct competition for investable funds with private industry. Only employment has shown robust growth, but this is primarily because the economy has been recovering from the 1982 recession since the tax cut, and employment always grows during an expansion.¹³

The poor results for the economy of the "supply side" federal personal income tax cut suggest that the issues of supply side economics are not as simple as some of its proponents argue. On the other hand, it is necessary to keep in mind that Alaska is a small open economy within a federal system. Thus, interregional shifting could occur in response to tax changes at the state level which would not be a consideration in calculating supply effects at the federal level.

III. b. General Disincentive Effects of Taxes

When a tax is imposed on a commodity, the nominal incidence of the tax is said to fall on those individuals who buy that commodity. These individuals will naturally seek to avoid the tax by changing their behavior. They will try in this way to shift the burden of the tax to someone else who ultimately pays the tax and is said to bear

¹³Uwe Reinhardt, "Enjoy the Party--for Tommorrow Somebody Will Have to Pay," Princeton Alumni Weekly 87, February 25, 1987.

the real incidence of the tax. The shifting of the burden can be forward or backward.

For example, consider a firm faced with an excise tax on one of its inputs. The firm would try to pass this cost of doing business on to someone else. If the firm raised its prices to cover the cost of the tax and its volume of sales was not affected, then the firm would have successfully shifted the payment of the tax forward to consumers. If the firm reduced the wages of its employees by the cost of the tax and there was no change in the quality of work, then the firm would have successfully shifted the cost of the tax backward. On the other hand, if the cost could neither be passed on to consumers or back onto other inputs, then the firm would have to bear the cost in the form of reduced profits to the owners or shareholders.

In general, the real incidence of a tax will not correspond to its nominal incidence but will be shared as a result of partial forward and backward shifting. Thus, the firm may raise its price a little, reduce wage levels a little, and take a little less of a profit; and in this way, the actual payment of the tax will fall on all three groups in proportion to their sensitivity to price changes. For example, if a firm would lose all its customers if it raised its price, then it would not be able to shift any of the burden of the tax forward.

When taxpayers change their behavior in order to minimize the taxes they pay, a dead weight loss which economists call an excess burden is created. This is basically a measure of the loss in value to society over and above the actual amount of the tax paid. The extra loss arises because prices in the economy no longer reflect true costs. If the firm can totally pass the cost of its tax on to consumers in the form of a higher price for its product, some consumers will pay the tax, but others will shift to other products which they would not prefer if prices reflected the real cost of production.

For example, if a tax were placed on one brand of beer, raising its price from \$1 to \$2 a can (the tax is shifted forward to consumers), those who continue to consume the \$2 beer will bear the real incidence of the tax. There will be some people who preferred the beer at \$1 and would, in fact, be willing to pay \$1.50 for a can but at the higher price shift to an untaxed brand costing \$1. The \$.50 premium over the pretax price they would be willing to pay for the taxed brand of beer is the loss to society over and above the taxes actually paid.

A tax is neutral if it has no distorting effects caused by shifting for the purpose of avoidance. Since in practice there are no such taxes, the question of distortion is one of degree, and in choosing a tax, its distortions must be considered along with its other features, such as equity.

The notions of incidence and excess burden, in general, are greatly complicated by the fact that these calculations are always a "compared to what" analysis. That is, the shifting and excess burden depend upon the existing taxes, government expenditures, and whether the economy is at full employment when the new tax is put in place.

Analysis of the potential distortions or shifting of the personal income tax are further complicated by the fact that income is not a commodity such as we have been using in our example. The tax potentially distorts the allocation of time between work and leisure for individuals and the allocation of spending between savings (investment) and consumption. In addition, a regional distortion might be introduced into an economy from the introduction of taxes at a regional level. Resources might be allocated away from a region with higher taxes toward a region with lower taxes.

III.c. Labor Supply Effects

The nominal incidence of an income tax is primarily on wage and salary income which, in Alaska, is about 88 percent of adjusted gross income¹⁴ Three types of distortion can result from attempts by labor to shift the incidence of the tax--change in the amount of labor supplied by residents to the Alaska market, a shift of labor out of the Alaska market, and an increase in the price of labor to Alaska businesses. Of these possible distortions, the change in the amount of labor supplied by Alaska residents is potentially the most significant.

A reduction in the wage rate caused by an increase in the personal income tax will affect the behavior of workers in two opposite directions. First, the monetary return from working falls so that the "cost" associated with not working, or leisure, goes down. The effect of this is unequivocally to reduce the supply of labor. Second the income of the worker falls and, with it, his ability to consume all types of goods--including the good called leisure. As a consequence, his consumption of all goods including leisure will fall, and if leisure consumption falls, the amount of time spent working will rise. Thus, on net the change in the amount of labor supplied to the market when a tax is imposed on labor will depend on which of these two effects predominates.¹⁵

An example will clarify this. Consider a laborer who receives a raise. He now has both a higher income and a higher hourly wage rate than before. He must decide whether to work more or fewer hours than he did at the lower wage and income. His choice will

¹⁴Alaska Department of Revenue, Federal Income Taxpayer Profile: 1978, 1981, 1982, March 1985.

¹⁵Economists call these the substitution and income effects.

depend upon how he values leisure time relative to other goods. If he values leisure very highly, then he may choose to use some of his additional income to purchase more leisure time, and consequently he will work fewer hours. On the other hand, he may choose to take advantage of the higher hourly wage to work more hours than before. Total hours worked--the supply of labor--could decrease or increase. The answer depends upon the preference of the individual worker.

For a cut in the wage rate, the same reasoning would apply in the opposite direction. An employee might work fewer hours because of the lower hourly wage, or he might work more hours in order to recoup lost income. Again, the answer depends upon individual preference.

Economists who have studied labor market responses to changes in tax rates and other sources of income have not reached a general consensus as to the sensitivity of labor supply to taxes, but some general agreement has arisen out of the studies on a number of issues which make it possible to approximate the magnitude of effect of the state tax on the supply of labor by residents.¹⁶ These analyses have all been based upon the federal tax schedule, which has much higher average and marginal rates than the state tax, and consequently any effect observed from the federal tax would be proportionately less important for a proportionately smaller state tax.

First, there is agreement that, to the extent there is shifting, it is in the direction of a reduction in labor supply. Workers do not shift the burden of the tax forward onto business. There does not seem to be any evidence, for example, that wage rates fell when the state income tax was eliminated in the late 1970s.

Second, there is general agreement that the distortion varies by the component of the labor force. In particular, young people and married women who are employed part time as the second wage earner in a family are more sensitive to the rate at which income is taxed than are full-time employed married men who are the primary wage earner in the family.

¹⁶The range of disagreement about the direction and magnitude of distortion is relatively small, however, in comparison to the property tax and the corporate income tax, about which the opinion ranges from a complete forward shifting to a complete backward shifting. The issues surrounding this analysis are quite complex and involve such basic questions as what the labor supply is and how the social security tax is viewed by workers. For example, a lower wage might result in people working less hours in a year but postponing their retirement, or it might result in less investment in education to increase skills. If the social security tax is viewed as forced savings, then it will not be viewed as a tax by the individual and will not distort his behavior.

Third, there is general agreement that the distortion is a function of the marginal rather than the average tax rate. This potentially impacts very high- and very low-income wage earners. For high wage earners the marginal tax rate is very high compared to the average rate. A person in those circumstances is more likely to decrease his work effort if additional (marginal) income is taxed at a very high rate. For low-income individuals, various government transfer payments such as social security, unemployment insurance, and Medicare provide a safety net which is gradually removed when they begin to have income from employment. Because these programs reduce the income differential between working and not working at low levels of income, they in effect impose a high marginal tax rate on wage income. For example, if a person has a choice between collecting unemployment insurance at \$100 per week or working for a wage of \$200 per week, the marginal return from working even in the absence of a tax would only be 50 cents out of each \$1 because 50 cents would substitute for the unemployment insurance benefit.

Disagreement among economists arises as to the magnitude of the distortion. Initial studies found that there was no shifting of the tax due to a significant reduction in work effort. More recently, however, studies have found that the supply of labor is reduced because of the personal income tax. The results arise partly because of the increasing importance of part-time employment and partly because of increases in marginal tax rates and government transfers at lower income levels. In addition, more recent studies employ more sophisticated statistical analyses.

The study which reports the largest effect concluded that the combination of the federal and state income taxes and the payroll tax based on information in 1975 resulted in a reduction of labor supplied by 8 percent. An important additional finding of the study was that this was largely the result of the progressivity of the tax rates rather than the taxes themselves. Consequently, a proportional tax schedule was estimated to reduce the distortion in labor supply to 1 percent.¹⁷

¹⁷This result followed from the fact that the substitution and income effects were both found to be significant but largely offsetting under the existing tax rate schedule. A more proportional tax schedule would reduce the importance of the substitution effect relative to the income effect. In other words, if the tax were proportional, people would respond by increasing their work effort to regain lost income just about as much as they would reduce their work effort because of its lower return. (Jerry Hausman, "Labor Supply," in Henry J. Aaron and Joseph A. Pechman, ed., How Taxes Affect Economic Behavior, Washington, D.C.: The Brookings Institution, 1981.

If we were to estimate the maximum size of a potential labor supply distortion for an Alaska income tax on the basis of this study, we would need to recognize first that the federal income tax rate schedule has both declined and become less progressive since 1975. Second, the Alaska tax rate is a small increment to the federal tax. If the distortion of the new federal tax is as high as 4 percent, that of the Alaska tax would still be less than 1 percent, because the Alaska average and marginal tax rate is about one-sixth of the federal rate.

III.d. Savings--Investment Effects

The second potential distortion of the income tax involves a misallocation between saving (investment) and consumption. If there is a tax on income from saving, then there will be a disincentive to save because the return after taxes will be below the nominal return. Consequently, there will be more current consumption, the rate of accumulation of capital will be reduced, and economic growth will be reduced. However, like a tax on income from wages, there is a second effect which works in the opposite direction. This effect arises because investment undertaken for the purpose of saving is for future consumption. When the rate of return on personal savings falls because of a tax on earnings, the future income of the investor falls relative to current income. In response, a person may well decide to save more in the current period in order to spread his consumption more evenly between the present and the future.

For example, a young and old person might have opposite reactions to an increase in the rate of interest on savings. The young person might choose to defer current consumption by increasing his savings because, by doing so, his lifetime income could be greatly enhanced. For a person nearing retirement age, an increase in the rate of interest on savings might result in a reduction in savings and a corresponding increase in the rate of consumption. Such a decision might be based on a preference for enjoying a portion of his increased income in the present period.

Economists have investigated the relationship between the rate of interest and the rate of savings for a long time, and the general consensus is that the amount of total savings out of current income is not very sensitive to variations in the rate of interest. There are a number of possible explanations for this insensitivity, and clearly people with high incomes save more than people with low incomes, but for the economy in total, personal savings is not very sensitive to the interest rate. Thus, there is likely to be little distortion of the savings--consumption choice from a state income tax.

Even if a distortion could be identified, the economic effect is ambiguous. Alaskans can do two different things with that portion of their income which is not spent on consumption goods. They can

save it in the form of a financial asset like a savings account or a mutual fund, or they can invest it in a business venture. If they buy a financial asset, the effect on the Alaska economy will be small because the financial market is a national market. The purchase may occur through the services of a local broker, but the net savings will enter a national market and may be used for investment anywhere in the United States or anywhere in the world. On the other hand, if the investment is in an Alaskan business, there will be an impact via the multiplier on income and employment in the region. It is not obvious, however, whether the local economic impact from the investment expenditure is of a greater or lesser magnitude than an equivalent amount spent on consumption. It would be the case if the investment were a stimulus to further growth of the economy. Thus, even if a tax were to result in a reduction in the level of savings or investment and an increase in consumption, the economic effect could be positive on the economy in terms of employment and income.

The reduction in investment in the Alaska business sector from a personal income tax would be a function of the types of businesses in the community and, in particular, in their ability to shift any reduction in return on investment either forward to their customers in the form of higher prices or backward onto their factors of production. In general, businesses with a locational advantage will be able to shift the burden most successfully. For example, a barbershop would likely be able to raise its price for a haircut to offset the decline in the return on its investment. In contrast, a coal mine producing for export would not be able to pass on higher costs because of the competition it faced from other producers outside the region.

In Alaska, the vast majority of businesses are not in direct competition with firms outside the region through exports. Furthermore, a significant portion of the earnings of the firms involved in basic industries either are corporations or are not Alaska owned. Neither would be liable for the personal income tax.

III.e. Regional Distortion Effects

A final potential distortion arises because the income tax affects earnings within a limited region. People may try to avoid the tax by moving out of the region to a location with lower tax rates or may shift investments out of the region to avoid the tax.

The decision to move or relocate investments is based on the difference in expected income minus the costs of moving. Expected labor income will be determined by the average tax rate. For incomes below \$100 thousand, the average rate for a family would not exceed 3 percent and for a single person would not exceed

4 percent.¹⁸ This is in contrast to the federal average rate which rises to 20 percent for a family and 27 percent for an individual. Thus, the state tax rate is about 15 percent of the federal rate, a relatively small increment to tax liability.

Even so, there are individuals who, in the absence of the tax, are just indifferent to continuing to live in Alaska and moving to some other location. The addition of an income tax would reduce their income to the point where a move would be preferable. Based upon past experience with wage differentials between Alaska and the rest of the nation, this would not be a significant effect. For example, during the current business cycle in Alaska, the per capita income gap between Alaska and the rest of the nation has widened considerably due to a number of factors including the payment of the Permanent Fund dividend, the elimination of the personal income tax, and the increase in average wage rates. Table 4 shows the difference in the after-tax per capita income figures for Alaska and the United States. The real per capita income figures are also presented, correcting for the higher cost of living in Alaska. If the Alaska personal income level were in equilibrium with the rest of the nation, the real per capita income levels would be about the same. In fact, there is a significant real positive differential for Alaska, indicating that people have not moved into the state in sufficient numbers to eliminate the differential by bidding down wages and increasing the unemployment rate. The apparent insensitivity of population movements to this differential suggests there would be little response to the small changes which a state income tax would produce.

Finally, there would be no impact on Alaska investment from the tax. Alaska residents would be liable for the tax no matter where their investment income was earned. Nonresidents investing in the state would incur no liability.

III.f. Distortions Caused by the Dividend

The dividend is a pure income transfer and, as such, reduces the supply of labor and increases consumption. The size of the labor supply reduction effect is related to income and would be most important in low-income groups who are not labor supply constrained. Thus, children and residents of rural areas with few employment opportunities would not be affected. The dividend is a stimulus to in-migration just as the tax is a stimulus to out-migration and, as such, would increase the supply of labor. Thus, on net the supply of labor effect would be quite small.

¹⁸See the next section.

TABLE 4. PER CAPITA DISPOSABLE PERSONAL INCOME
ALASKA AND UNITED STATES

(dollars)

	Alaska	United States	Ratios		Alaska Cost of Living Adjustment
			Real Alaska	Nominal	
1969	\$3,767	\$3,234	.85	1.16	1.37
1970	4,251	3,484	.91	1.22	1.34
1971	4,526	3,731	.91	1.21	1.33
1972	4,727	3,988	.90	1.19	1.32
1973	5,568	4,465	.97	1.25	1.29
1974	6,369	4,841	1.02	1.32	1.29
1975	8,404	5,279	1.18	1.59	1.35
1976	9,546	5,736	1.21	1.66	1.37
1977	9,784	6,254	1.14	1.56	1.37
1978	10,079	6,960	1.06	1.45	1.37
1979	10,250	7,671	.99	1.34	1.35
1980	11,539	8,415	1.05	1.37	1.30
1981	12,569	9,232	1.07	1.36	1.27
1982	14,366	9,710	1.17	1.48	1.26
1983	15,067	10,345	1.19	1.46	1.23
1984	15,320	11,259	1.10	1.36	1.24
1985	15,419	11,834	1.06	1.30	1.23

SOURCES: DPI: Bureau of Economic Analysis. Table SA51. Disposable Personal Income for States and Regions. Microfiche, dated August 1986. Figures reflect results of 1985 revision of national estimates.

Cost of Living Adjustment: ISER database.

IV. HOW WOULD AN INCOME TAX AFFECT THE DISTRIBUTION OF INCOME

The proposed state income tax has only two rates---3 percent and 5.6 percent--and applies to a very broad definition of income. A standard deduction reduces taxable income, but in general there are no deductions from income before the tax is calculated. The effect is to make the tax very broad based and mildly progressive. This means that little income avoids the tax and that the proportion of income paid as tax increases with income.

The progressivity of the tax is less than might be expected because of the federal "offset" which increases in value and as a percentage of income as income increases. Thus, a family with two children with a gross income of \$100 thousand would likely pay less than 3 percent of their income in state taxes in spite of the broad base of the tax and the marginal rate of 5.6 percent on taxable income in excess of \$30 thousand.

In calculating the progressivity of the tax and its effect on the distribution of income, it is necessary to have an appropriate definition of income. Unfortunately, we are unable to develop a picture of the effect of the tax on the distribution of true income because we only have information on the distribution of adjusted gross income (AGI) but not on total personal income. The difference is quite large and is an indication that a large portion of personal income, even by the broad definition of taxable income adopted for the proposed income tax, misses a large portion of income. For example, in 1983 AGI reported to the IRS was only 69 percent as large as personal income earned in that year.¹⁹ The difference represents not only income that does not fall within the IRS definition of AGI, such as certain types of transfer payments, but also the income of people not required to file a return and tax evasion. It is not obvious what the distribution of income not included in AGI is, and so it is not possible to adjust the AGI figures for consistency with personal income by income level.

Potential tax liability has been calculated for several typical types of households--a family with two children, a family with no children, a single individual, and a child. The incidence of the tax as income increases is slightly different for each type of household. In addition, the relative value of the Permanent Fund dividend compared to the liability of the state personal income tax has been calculated based upon a dividend of \$700. The dividend plus the tax is preferable to the case of no dividend and no tax for lower-income households while the opposite is preferred by higher-income households. Here there is no attempt to make the comparison

¹⁹Thae Park, "Relationship Between Personal Income and Adjusted Gross Income: Revised Estimates, 1947-83," Survey of Current Business 66, May 1986.

revenue "neutral," which would be the case if the revenue generated by the income tax just equaled the revenue distributed as dividends. In fact, a dividend of \$700 distributed to 500 thousand Alaskans would require about \$350 million, compared to the \$268 million estimated to be collected by the state income tax.

For a four-person family living in their own home, the tax liability goes from \$0 for an income of \$10 thousand to \$256 at \$20 thousand, \$576 at \$30 thousand, \$762 at \$40 thousand, and \$1,020 at \$50 thousand. (See accompanying figures and tables.) The federal "offset" becomes effective in the \$30 thousand range and reduces the progressivity of the tax as income increases from that level. At \$50 thousand of household income, the household is only paying about 2 percent of income as taxes after the "offset" is calculated, and this rises to less than 3 percent at \$100 thousand of family income. As a proportion of combined federal and state income tax, the state tax falls slightly from about one-sixth to one-seventh of the total burden. The value of the Permanent Fund dividend falls as income rises because of the progressivity of the federal tax. For households with income over \$50 thousand, the after-tax value of two \$700 dividends is only \$930. Since at about that level of income the state tax liability is about \$900 to \$1,000, households at that income level would be indifferent to the loss of the dividend and the reimposition of the income tax except for the fact that their children also receive the dividend and, although children's dividends are now partially taxable under the new federal tax law, there is still a net gain for the family.

For the children, if the dividend is their only source of non-earned income, a federal liability of \$30 would be incurred, so the family would still be \$1,340 better off by continuation of the dividend plus the income tax rather than eliminating the dividend and not imposing the tax. If the dividend of the children were taxable at the state level at the same rates as other income, the net gain would be reduced by about \$100. The income level at which the option of no dividend and no taxes were preferred for this type of family would be at about \$80 thousand of income. Above this level, the tax liability clearly exceeds the value of the dividends.

For a family without children, the pattern is similar, except that such a family would not benefit from exemptions for children and would not include children's dividends in their calculation of benefit. Consequently, their federal "offset" has slightly less value and they prefer the no tax/no dividend option at lower income levels than families with children.

Persons filing single returns generally have a higher liability at each income level, but they generally have lower incomes than family households. At an income level of \$10 thousand, the state tax is \$224. The liability rises to \$544 at \$20 thousand, \$864 at \$30 thousand, \$1,359 at \$40 thousand, and \$1,929 at \$50 thousand.

Unless the individual has substantial federal deductions, the value of the federal "offset" is negligible until about \$60 thousand of income. After that level, the tax is essentially proportional at about 4 percent of income. The value of the dividend falls rapidly as income increases for single individuals. At between \$20 and \$25 thousand, the individual would pay more in tax than he would receive back as a dividend.

In general, the incidence of the tax appears to fall more heavily on single individuals than on families even though most single returns report substantially lower income than joint returns. For example, at \$10 thousand a single return has a liability of \$224, which is 2.24 percent. A family of four filing a joint return does not pay at that rate until income reaches \$55 thousand. The federal tax schedule has the same bias although it is not as pronounced as the proposed state schedule.

*****JOINT RETURN**HOMEDOWNER**NO IRA**2 CHILDREN**PF DIV ON CHILDRENS' RETURN*****

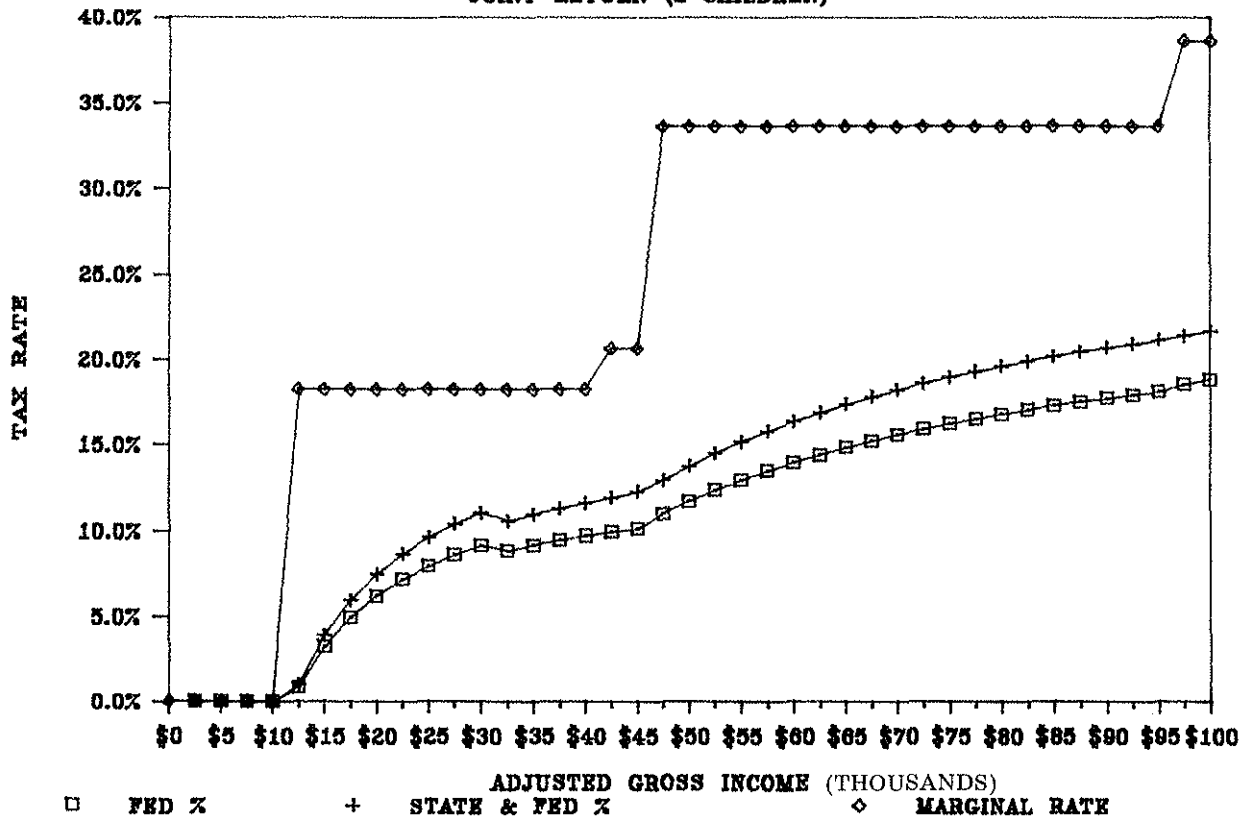
INCOME	TAXES DUE				*****STATE*****			COMBINED	AFTER TAX		FEDERAL	
	FEDERAL TOTAL	===STATE TAX===		STATE	MARGINAL	FEDERAL	PERMANENT	INCOME	FEDERAL	OFFSET		
		TAXPAYER PAYS	STATE COLLECTS								BEFORE OFFSET	AFTER OFFSET
0	0	0	0	0	ERR	ERR	ERR	0.00%	ERR	\$1,400	\$1,400	ERR
\$2,500	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$5,000	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$7,500	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$10,000	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$12,500	\$105	\$121	\$16	\$16	0.13%	0.13%	0.97%	18.20%	0.84%	\$1,145	\$1,129	0.00%
\$15,000	\$480	\$576	\$96	\$96	0.64%	0.64%	3.84%	18.20%	3.20%	\$1,145	\$1,049	0.00%
\$17,500	\$855	\$1,031	\$176	\$176	1.01%	1.01%	5.89%	18.20%	4.89%	\$1,145	\$969	0.00%
\$20,000	\$1,230	\$1,486	\$256	\$256	1.28%	1.28%	7.43%	18.20%	6.15%	\$1,145	\$889	0.00%
\$22,500	\$1,605	\$1,941	\$336	\$336	1.49%	1.49%	8.63%	18.20%	7.13%	\$1,145	\$809	0.00%
\$25,000	\$1,980	\$2,396	\$416	\$416	1.66%	1.66%	9.58%	18.20%	7.92%	\$1,145	\$729	0.00%
\$27,500	\$2,355	\$2,851	\$496	\$496	1.80%	1.80%	10.37%	18.20%	8.56%	\$1,145	\$649	0.00%
\$30,000	\$2,730	\$3,306	\$576	\$576	1.92%	1.92%	11.02%	18.20%	9.10%	\$1,145	\$569	0.00%
\$32,500	\$2,858	\$3,415	\$558	\$656	2.02%	1.72%	10.51%	18.20%	8.79%	\$1,145	\$588	15.00%
\$35,000	\$3,195	\$3,821	\$626	\$736	2.10%	1.79%	10.92%	18.20%	9.13%	\$1,145	\$520	15.00%
\$37,500	\$3,533	\$4,226	\$694	\$816	2.18%	1.85%	11.27%	18.20%	9.42%	\$1,145	\$452	15.00%
\$40,000	\$3,870	\$4,632	\$762	\$896	2.24%	1.90%	11.58%	18.20%	9.68%	\$1,145	\$384	15.00%
\$42,500	\$4,208	\$5,048	\$840	\$989	2.33%	1.98%	11.88%	20.60%	9.90%	\$1,112	\$271	15.00%
\$45,000	\$4,545	\$5,506	\$961	\$1,131	2.51%	2.14%	12.24%	20.60%	10.10%	\$1,112	\$150	15.00%
\$47,500	\$5,214	\$6,131	\$917	\$1,274	2.68%	1.93%	12.91%	33.60%	10.98%	\$930	\$13	28.00%
\$50,000	\$5,844	\$6,864	\$1,020	\$1,416	2.83%	2.04%	13.73%	33.60%	11.69%	\$930	(\$90)	28.00%
\$52,500	\$6,474	\$7,596	\$1,122	\$1,559	2.97%	2.14%	14.47%	33.60%	12.33%	\$930	(\$193)	28.00%
\$55,000	\$7,104	\$8,329	\$1,225	\$1,701	3.09%	2.23%	15.14%	33.60%	12.92%	\$930	(\$295)	28.00%
\$57,500	\$7,734	\$9,061	\$1,327	\$1,844	3.21%	2.31%	15.76%	33.60%	13.45%	\$930	(\$398)	28.00%
\$60,000	\$8,364	\$9,794	\$1,430	\$1,986	3.31%	2.38%	16.32%	33.60%	13.94%	\$930	(\$500)	28.00%
\$62,500	\$8,994	\$10,527	\$1,533	\$2,129	3.41%	2.45%	16.84%	33.60%	14.39%	\$930	(\$603)	28.00%
\$65,000	\$9,624	\$11,259	\$1,635	\$2,271	3.49%	2.52%	17.32%	33.60%	14.81%	\$930	(\$706)	28.00%
\$67,500	\$10,254	\$11,992	\$1,738	\$2,414	3.58%	2.57%	17.77%	33.60%	15.19%	\$930	(\$808)	28.00%
\$70,000	\$10,884	\$12,724	\$1,840	\$2,556	3.65%	2.63%	18.18%	33.60%	15.55%	\$930	(\$911)	28.00%
\$72,500	\$11,514	\$13,457	\$1,943	\$2,699	3.72%	2.68%	18.56%	33.60%	15.88%	\$930	(\$1,013)	28.00%
\$75,000	\$12,144	\$14,190	\$2,046	\$2,841	3.79%	2.73%	18.92%	33.60%	16.19%	\$930	(\$1,116)	28.00%
\$77,500	\$12,774	\$14,922	\$2,148	\$2,984	3.85%	2.77%	19.25%	33.60%	16.48%	\$930	(\$1,219)	28.00%
\$80,000	\$13,404	\$15,655	\$2,251	\$3,126	3.91%	2.81%	19.57%	33.60%	16.76%	\$930	(\$1,321)	28.00%
\$82,500	\$14,034	\$16,387	\$2,353	\$3,269	3.96%	2.85%	19.86%	33.60%	17.01%	\$930	(\$1,424)	28.00%
\$85,000	\$14,664	\$17,120	\$2,456	\$3,411	4.01%	2.89%	20.14%	33.60%	17.25%	\$930	(\$1,526)	28.00%
\$87,500	\$15,294	\$17,853	\$2,559	\$3,554	4.06%	2.92%	20.40%	33.60%	17.48%	\$930	(\$1,629)	28.00%
\$90,000	\$15,924	\$18,585	\$2,661	\$3,696	4.11%	2.96%	20.65%	33.60%	17.69%	\$930	(\$1,732)	28.00%
\$92,500	\$16,554	\$19,318	\$2,764	\$3,839	4.15%	2.99%	20.88%	33.60%	17.90%	\$930	(\$1,834)	28.00%
\$95,000	\$17,184	\$20,050	\$2,866	\$3,981	4.19%	3.02%	21.11%	33.60%	18.09%	\$930	(\$1,937)	28.00%
\$97,500	\$18,042	\$20,804	\$2,763	\$4,124	4.23%	2.83%	21.34%	38.60%	18.50%	\$860	(\$1,903)	33.00%
\$100,000	\$18,784	\$21,642	\$2,858	\$4,266	4.27%	2.86%	21.64%	38.60%	18.78%	\$860	(\$1,999)	33.00%

NOTE: THE INCOME LOSS MEASURE IN THE LAST COLUMN IS THE DIFFERENCE IN DISPOSABLE INCOME BETWEEN THE FOLLOWING:
 1. IMPOSE INCOME TAX AND PAY DIVIDEND, AND 2. NEITHER IMPOSE TAX NOR PAY DIVIDEND.

PF DIVIDEND \$700 LOW TAX RATE TO FEDERAL \$30,000 STATE \$30,000
 STANDARD DEDUCTION \$3,800 HIGHEST RATE AFTER \$73,000
 EXEMPTIONS 4 EXEMPTION \$2,000 \$3,000
 FEDERAL TAX REFORM ACT OF 1986, HB-154 AND SB-148

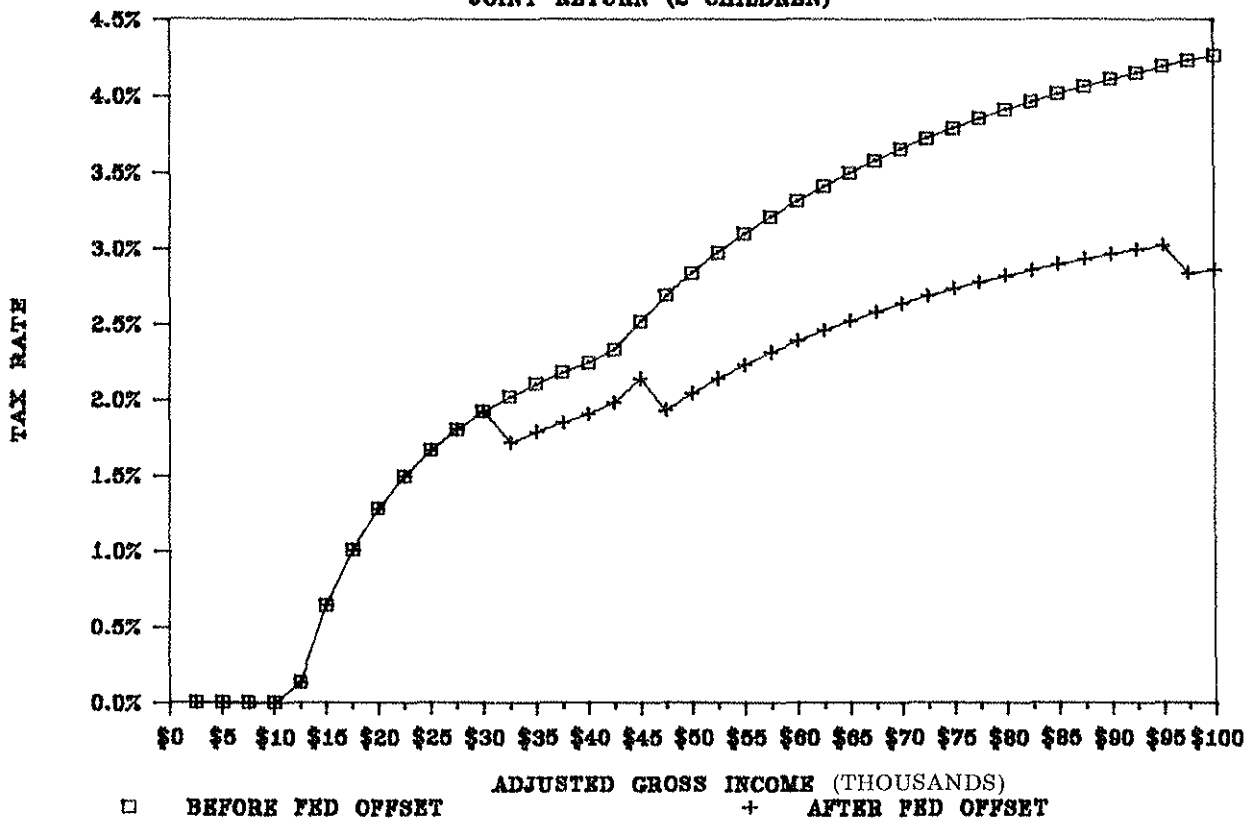
TOTAL TAXES AS PERCENTAGE OF INCOME

JOINT RETURN (2 CHILDREN)



STATE TAXES AS PERCENTAGE OF INCOME

JOINT RETURN (2 CHILDREN)



*****CHILD'S SINGLE RETURN (UNEARNED INCOME LESS THAN \$1000)

UNEARNED INCOME	TAXES DUE		STATE TAX		TAXES PAID/INCOME			COMBINED	AFTER TAX		FEDERAL	
	FEDERAL	TOTAL	TAXPAYER PAYS	STATE COLLECTS	*****STATE***** BEFORE OFFSET	AFTER OFFSET	STATE PLUS FEDERAL	MARGINAL TAX RATE	FEDERAL AVERAGE RATE	PERMANENT FUND DIV VALUE	INCOME LOSS (DIV-TAX)	OFFSET PERCENT
0	0	0	0	0	ERR	ERR	ERR	0.00%	ERR	\$700	\$700	ERR
\$25	\$0	\$1	\$1	\$1	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$677	0.00%
\$50	\$0	\$2	\$2	\$2	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$676	0.00%
\$75	\$0	\$2	\$2	\$2	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$675	0.00%
\$100	\$0	\$3	\$3	\$3	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$674	0.00%
\$125	\$0	\$4	\$4	\$4	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$674	0.00%
\$150	\$0	\$5	\$5	\$5	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$673	0.00%
\$175	\$0	\$6	\$6	\$6	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$672	0.00%
\$200	\$0	\$6	\$6	\$6	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$671	0.00%
\$225	\$0	\$7	\$7	\$7	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$670	0.00%
\$250	\$0	\$8	\$8	\$8	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$670	0.00%
\$275	\$0	\$9	\$9	\$9	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$669	0.00%
\$300	\$0	\$10	\$10	\$10	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$668	0.00%
\$325	\$0	\$10	\$10	\$10	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$667	0.00%
\$350	\$0	\$11	\$11	\$11	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$666	0.00%
\$375	\$0	\$12	\$12	\$12	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$666	0.00%
\$400	\$0	\$13	\$13	\$13	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$665	0.00%
\$425	\$0	\$14	\$14	\$14	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$664	0.00%
\$450	\$0	\$14	\$14	\$14	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$663	0.00%
\$475	\$0	\$15	\$15	\$15	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$662	0.00%
\$500	\$0	\$16	\$16	\$16	3.20%	3.20%	3.20%	3.20%	0.00%	\$678	\$662	0.00%
\$525	\$4	\$21	\$17	\$17	3.20%	3.20%	3.91%	18.20%	0.71%	\$573	\$556	0.00%
\$550	\$8	\$25	\$18	\$18	3.20%	3.20%	4.56%	18.20%	1.36%	\$573	\$555	0.00%
\$575	\$11	\$30	\$18	\$18	3.20%	3.20%	5.16%	18.20%	1.96%	\$573	\$554	0.00%
\$600	\$15	\$34	\$19	\$19	3.20%	3.20%	5.70%	18.20%	2.50%	\$573	\$553	0.00%
\$625	\$19	\$39	\$20	\$20	3.20%	3.20%	6.20%	18.20%	3.00%	\$573	\$553	0.00%
\$650	\$23	\$43	\$21	\$21	3.20%	3.20%	6.66%	18.20%	3.46%	\$573	\$552	0.00%
\$675	\$26	\$48	\$22	\$22	3.20%	3.20%	7.09%	18.20%	3.89%	\$573	\$551	0.00%
\$700	\$30	\$52	\$22	\$22	3.20%	3.20%	7.49%	18.20%	4.29%	\$573	\$550	0.00%
\$725	\$34	\$57	\$23	\$23	3.20%	3.20%	7.86%	18.20%	4.66%	\$573	\$549	0.00%
\$750	\$38	\$62	\$24	\$24	3.20%	3.20%	8.20%	18.20%	5.00%	\$573	\$549	0.00%
\$775	\$41	\$66	\$25	\$25	3.20%	3.20%	8.52%	18.20%	5.32%	\$573	\$548	0.00%
\$800	\$45	\$71	\$26	\$26	3.20%	3.20%	8.83%	18.20%	5.63%	\$573	\$547	0.00%
\$825	\$49	\$75	\$26	\$26	3.20%	3.20%	9.11%	18.20%	5.91%	\$573	\$546	0.00%
\$850	\$53	\$80	\$27	\$27	3.20%	3.20%	9.38%	18.20%	6.18%	\$573	\$545	0.00%
\$875	\$56	\$84	\$28	\$28	3.20%	3.20%	9.63%	18.20%	6.43%	\$573	\$545	0.00%
\$900	\$60	\$89	\$29	\$29	3.20%	3.20%	9.87%	18.20%	6.67%	\$573	\$544	0.00%
\$925	\$64	\$93	\$30	\$30	3.20%	3.20%	10.09%	18.20%	6.89%	\$573	\$543	0.00%
\$950	\$68	\$98	\$30	\$30	3.20%	3.20%	10.31%	18.20%	7.11%	\$573	\$542	0.00%
\$975	\$71	\$102	\$31	\$31	3.20%	3.20%	10.51%	18.20%	7.31%	\$573	\$541	0.00%
\$1,000	\$75	\$107	\$32	\$32	3.20%	3.20%	10.70%	18.20%	7.50%	\$573	\$541	0.00%

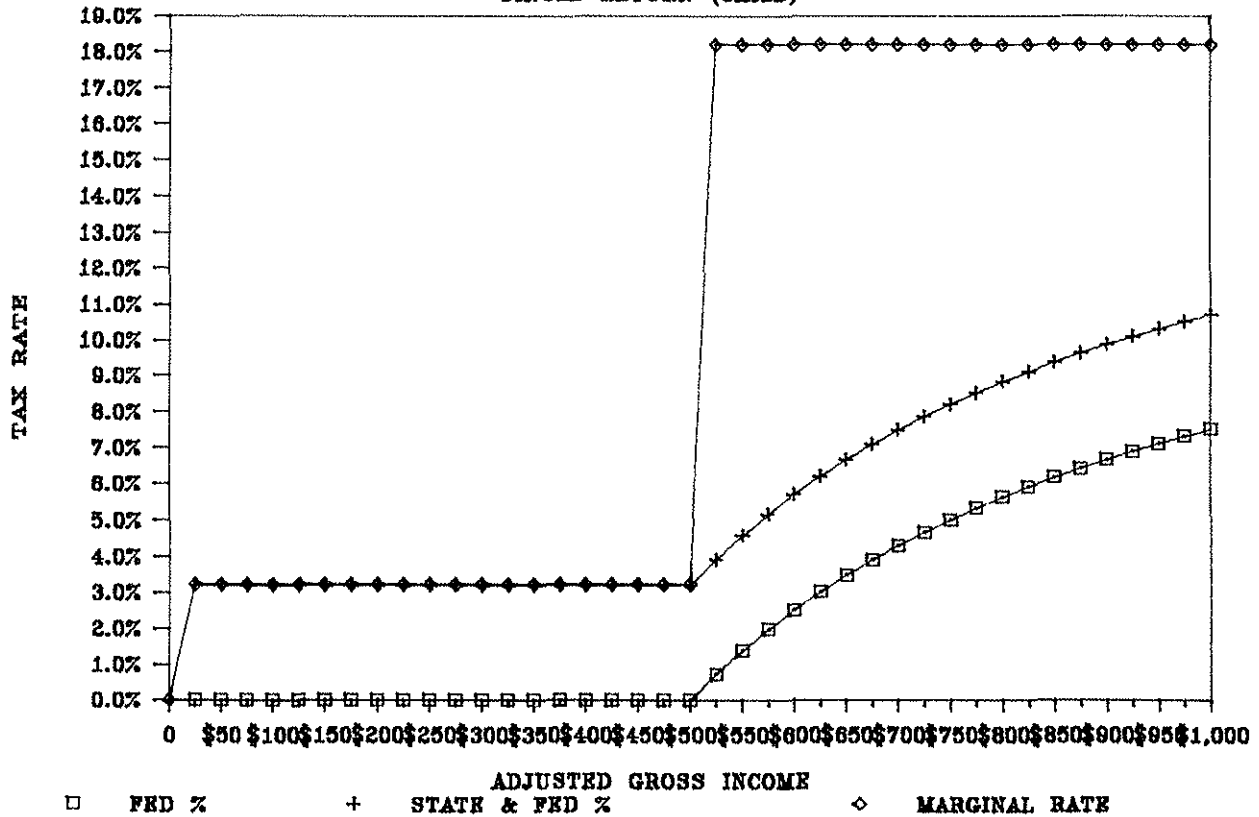
NOTE: THE INCOME LOSS MEASURE IN THE LAST COLUMN IS THE DIFFERENCE IN DISPOSABLE INCOME BETWEEN THE FOLLOWING:
 1. IMPOSE INCOME TAX AND PAY DIVIDEND; AND 2. NEITHER IMPOSE TAX NOR PAY DIVIDEND.

	FEDERAL	STATE
PF DIVIDEND	\$700	LOW TAX RATE TO \$17,900
STANDARD DEDUCTION	\$2,600	HIGHEST RATE AFTER \$30,000
EXEMPTIONS	0	EXEMPTION \$2,000

****FEDERAL TAX REFORM ACT OF 1986, HB-154 AND SB-148****

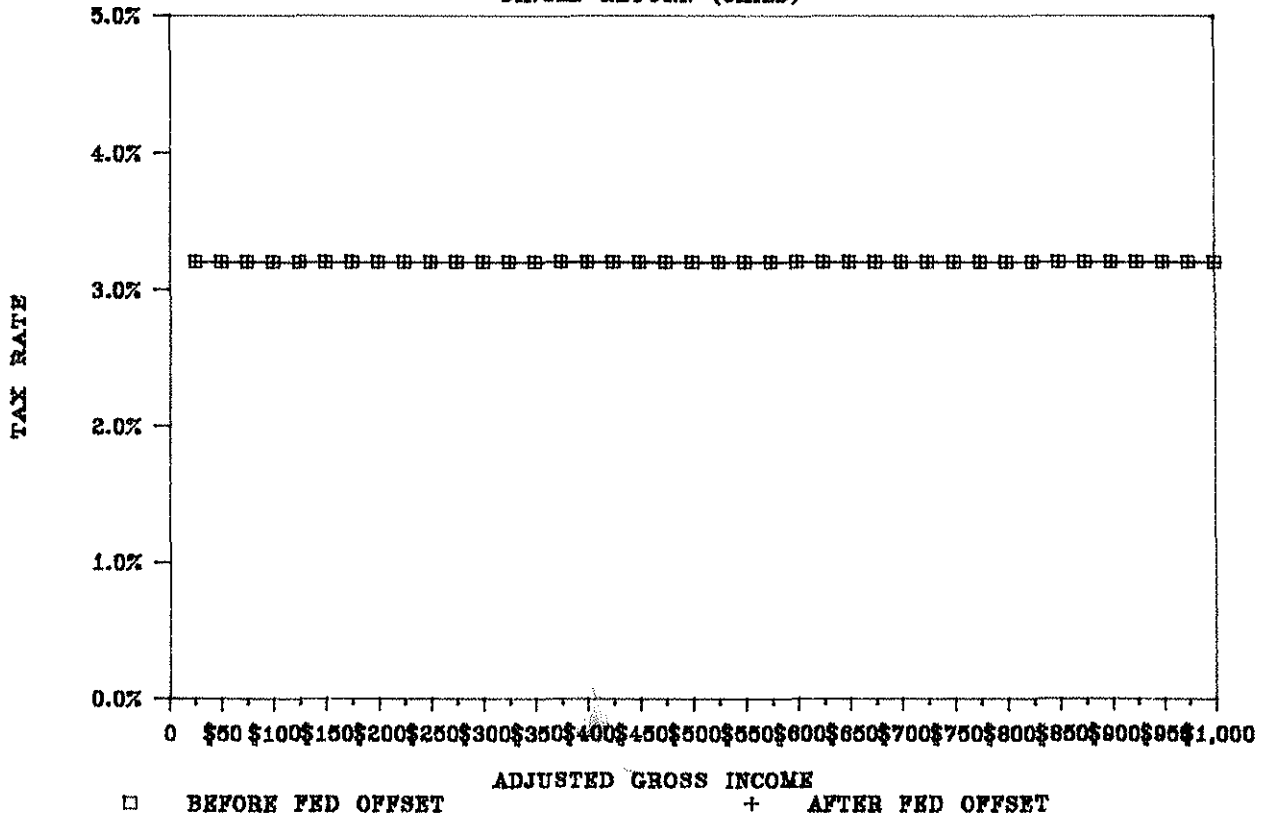
TOTAL TAXES AS PERCENTAGE OF INCOME

SINGLE RETURN (CHILD)



STATE TAXES AS PERCENTAGE OF INCOME

SINGLE RETURN (CHILD)



INCOME	TAXES DUE		STATE TAX		TAXES PAID/INCOME			COMBINED MARGINAL TAX RATE	AFTER TAX			FEDERAL OFFSET PERCENT
	FEDERAL	TOTAL	TAXPAYER PAYS	STATE COLLECTS	*****STATE*****		FEDERAL PLUS		FEDERAL AVERAGE RATE	PERMANENT FUND DIV VALUE	INCOME LOSS (DIV-TAX)	
					BEFORE OFFSET	AFTER OFFSET						
0	0	0	0	0	ERR	ERR	ERR	0.00%	ERR	\$1,400	\$1,400	ERR
\$2,500	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$5,000	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$7,500	\$0	\$48	\$48	\$48	0.64%	0.64%	0.64%	3.20%	0.00%	\$1,355	\$1,307	0.00%
\$10,000	\$330	\$458	\$128	\$128	1.28%	1.28%	4.58%	18.20%	3.30%	\$1,145	\$1,017	0.00%
\$12,500	\$705	\$913	\$208	\$208	1.66%	1.66%	7.30%	18.20%	5.64%	\$1,145	\$937	0.00%
\$15,000	\$1,080	\$1,368	\$288	\$288	1.92%	1.92%	9.12%	18.20%	7.20%	\$1,145	\$857	0.00%
\$17,500	\$1,455	\$1,823	\$368	\$368	2.10%	2.10%	10.42%	18.20%	8.31%	\$1,145	\$777	0.00%
\$20,000	\$1,830	\$2,278	\$448	\$448	2.24%	2.24%	11.39%	18.20%	9.15%	\$1,145	\$697	0.00%
\$22,500	\$2,205	\$2,733	\$528	\$528	2.35%	2.35%	12.15%	18.20%	9.80%	\$1,145	\$617	0.00%
\$25,000	\$2,580	\$3,188	\$608	\$608	2.43%	2.43%	12.75%	18.20%	10.32%	\$1,145	\$537	0.00%
\$27,500	\$2,955	\$3,643	\$688	\$688	2.50%	2.50%	13.25%	18.20%	10.75%	\$1,145	\$457	0.00%
\$30,000	\$3,330	\$4,098	\$768	\$768	2.56%	2.56%	13.66%	18.20%	11.10%	\$1,145	\$377	0.00%
\$32,500	\$3,705	\$4,553	\$848	\$848	2.61%	2.22%	12.86%	18.20%	10.64%	\$1,145	\$297	15.00%
\$35,000	\$4,080	\$5,008	\$928	\$928	2.65%	2.25%	13.10%	18.20%	10.84%	\$1,145	\$217	15.00%
\$37,500	\$4,455	\$5,463	\$1,008	\$1,008	2.79%	2.37%	13.39%	20.60%	11.02%	\$1,112	\$137	15.00%
\$40,000	\$4,830	\$5,918	\$1,088	\$1,088	2.97%	2.52%	13.70%	20.60%	11.18%	\$1,112	\$57	15.00%
\$42,500	\$5,205	\$6,373	\$1,168	\$1,168	3.13%	2.25%	14.19%	33.60%	11.94%	\$930	(\$28)	28.00%
\$45,000	\$5,580	\$6,828	\$1,248	\$1,248	3.27%	2.36%	15.03%	33.60%	12.68%	\$930	(\$131)	28.00%
\$47,500	\$5,955	\$7,283	\$1,328	\$1,328	3.40%	2.45%	15.78%	33.60%	13.33%	\$930	(\$234)	28.00%
\$50,000	\$6,330	\$7,738	\$1,408	\$1,408	3.52%	2.53%	16.46%	33.60%	13.93%	\$930	(\$336)	28.00%
\$52,500	\$6,705	\$8,193	\$1,488	\$1,488	3.62%	2.61%	17.07%	33.60%	14.46%	\$930	(\$439)	28.00%
\$55,000	\$7,080	\$8,648	\$1,568	\$1,568	3.71%	2.67%	17.63%	33.60%	14.95%	\$930	(\$541)	28.00%
\$57,500	\$7,455	\$9,103	\$1,648	\$1,648	3.80%	2.74%	18.13%	33.60%	15.40%	\$930	(\$644)	28.00%
\$60,000	\$7,830	\$9,558	\$1,728	\$1,728	3.88%	2.79%	18.60%	33.60%	15.81%	\$930	(\$747)	28.00%
\$62,500	\$8,205	\$10,013	\$1,808	\$1,808	3.95%	2.85%	19.03%	33.60%	16.18%	\$930	(\$849)	28.00%
\$65,000	\$8,580	\$10,468	\$1,888	\$1,888	4.02%	2.89%	19.42%	33.60%	16.53%	\$930	(\$952)	28.00%
\$67,500	\$8,955	\$10,923	\$1,968	\$1,968	4.08%	2.94%	19.79%	33.60%	16.85%	\$930	(\$1,054)	28.00%
\$70,000	\$9,330	\$11,378	\$2,048	\$2,048	4.14%	2.98%	20.13%	33.60%	17.15%	\$930	(\$1,157)	28.00%
\$72,500	\$9,705	\$11,833	\$2,128	\$2,128	4.19%	3.02%	20.45%	33.60%	17.43%	\$930	(\$1,260)	28.00%
\$75,000	\$10,080	\$12,288	\$2,208	\$2,208	4.24%	3.06%	20.74%	33.60%	17.69%	\$930	(\$1,362)	28.00%
\$77,500	\$10,455	\$12,743	\$2,288	\$2,288	4.29%	3.09%	21.02%	33.60%	17.93%	\$930	(\$1,465)	28.00%
\$80,000	\$10,830	\$13,198	\$2,368	\$2,368	4.34%	3.12%	21.28%	33.60%	18.16%	\$930	(\$1,567)	28.00%
\$82,500	\$11,205	\$13,653	\$2,448	\$2,448	4.38%	3.15%	21.52%	33.60%	18.37%	\$930	(\$1,670)	28.00%
\$85,000	\$11,580	\$14,108	\$2,528	\$2,528	4.42%	3.18%	21.75%	33.60%	18.57%	\$930	(\$1,773)	28.00%
\$87,500	\$11,955	\$14,563	\$2,608	\$2,608	4.45%	3.21%	21.96%	33.60%	18.76%	\$930	(\$1,875)	28.00%
\$90,000	\$12,330	\$15,018	\$2,688	\$2,688	4.49%	3.23%	22.17%	33.60%	18.94%	\$930	(\$1,978)	28.00%
\$92,500	\$12,705	\$15,473	\$2,768	\$2,768	4.52%	3.25%	22.36%	33.60%	19.11%	\$930	(\$2,080)	28.00%
\$95,000	\$13,080	\$15,928	\$2,848	\$2,848	4.55%	3.05%	22.65%	38.60%	19.60%	\$860	(\$2,037)	33.00%
\$97,500	\$13,455	\$16,383	\$2,928	\$2,928	4.58%	3.07%	22.93%	38.60%	19.86%	\$860	(\$2,132)	33.00%
\$100,000	\$13,830	\$16,838	\$3,008	\$3,008	4.61%	3.09%	23.19%	38.60%	20.10%	\$860	(\$2,228)	33.00%

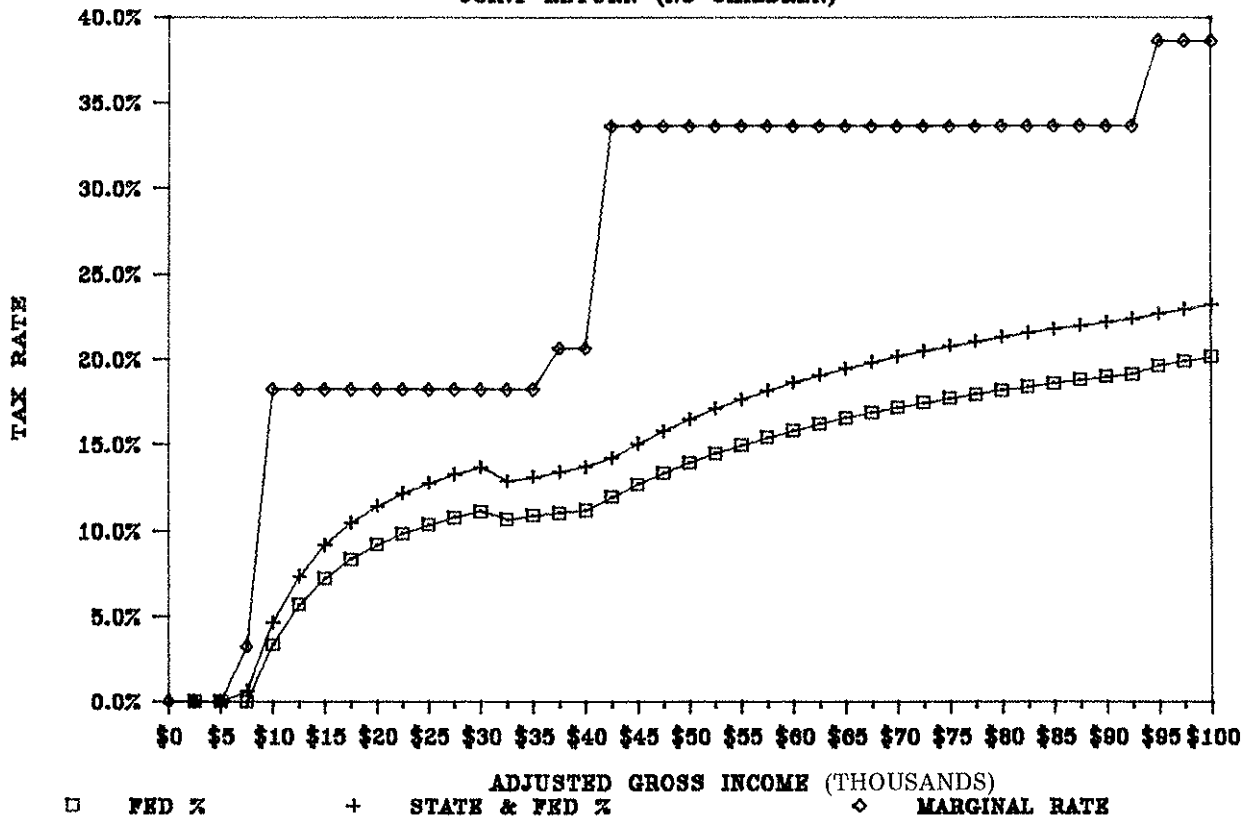
NOTE: THE INCOME LOSS MEASURE IN THE LAST COLUMN IS THE DIFFERENCE IN DISPOSABLE INCOME BETWEEN THE FOLLOWING:
 1. IMPOSE INCOME TAX AND PAY DIVIDEND, AND 2. NEITHER IMPOSE TAX NOR PAY DIVIDEND.

PF DIVIDEND	\$700	LOW TAX RATE TO	FEDERAL \$30,000	STATE \$30,000
STANDARD DEDUCTION	\$3,800	HIGHEST RATE AFTER	\$73,000	
EXEMPTIONS	2	EXEMPTION	\$2,000	\$3,000

FEDERAL TAX REFORM ACT OF 1986, HB-154 AND SB-148

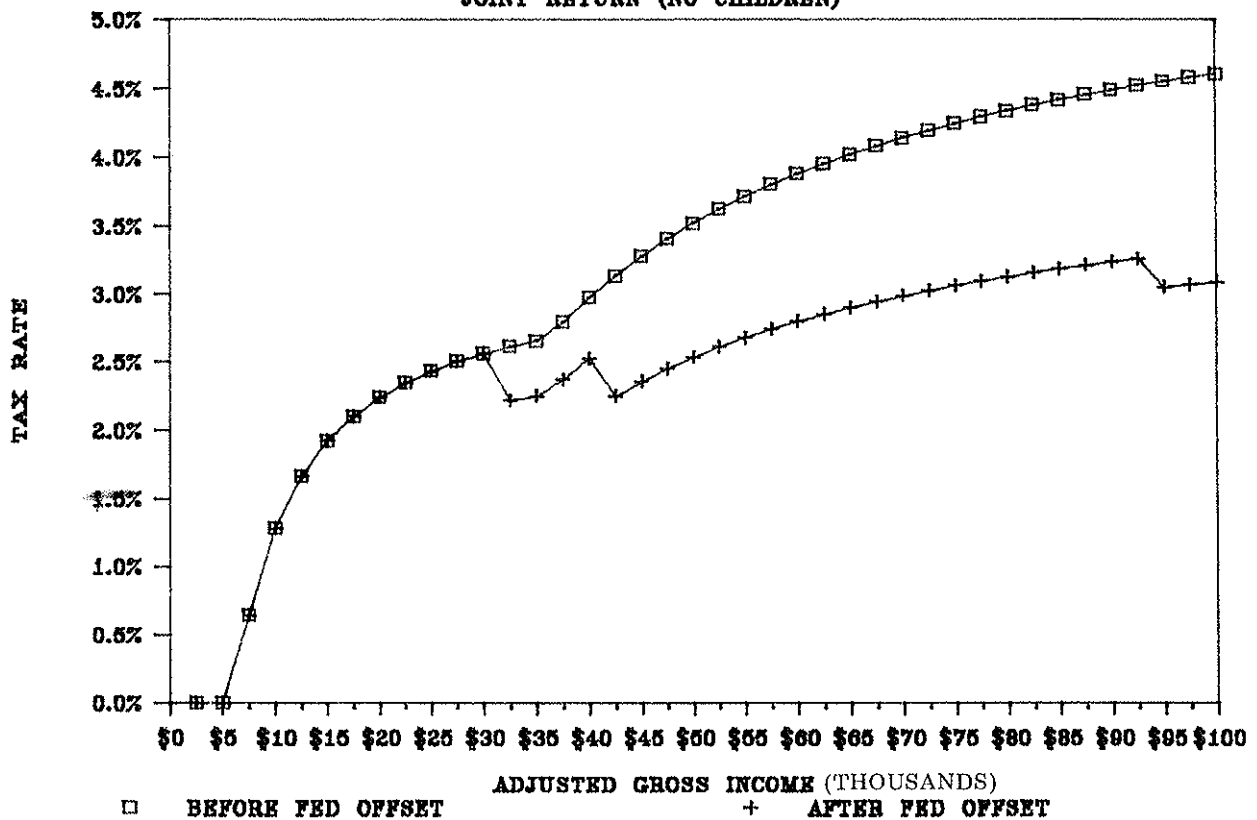
TOTAL TAXES AS PERCENTAGE OF INCOME

JOINT RETURN (NO CHILDREN)



STATE TAXES AS PERCENTAGE OF INCOME

JOINT RETURN (NO CHILDREN)



*****SINGLE RETURN (NOT A CHILD CLAIMED ON RETURN OF PARENT)*RENTER*NO IRA***

=====

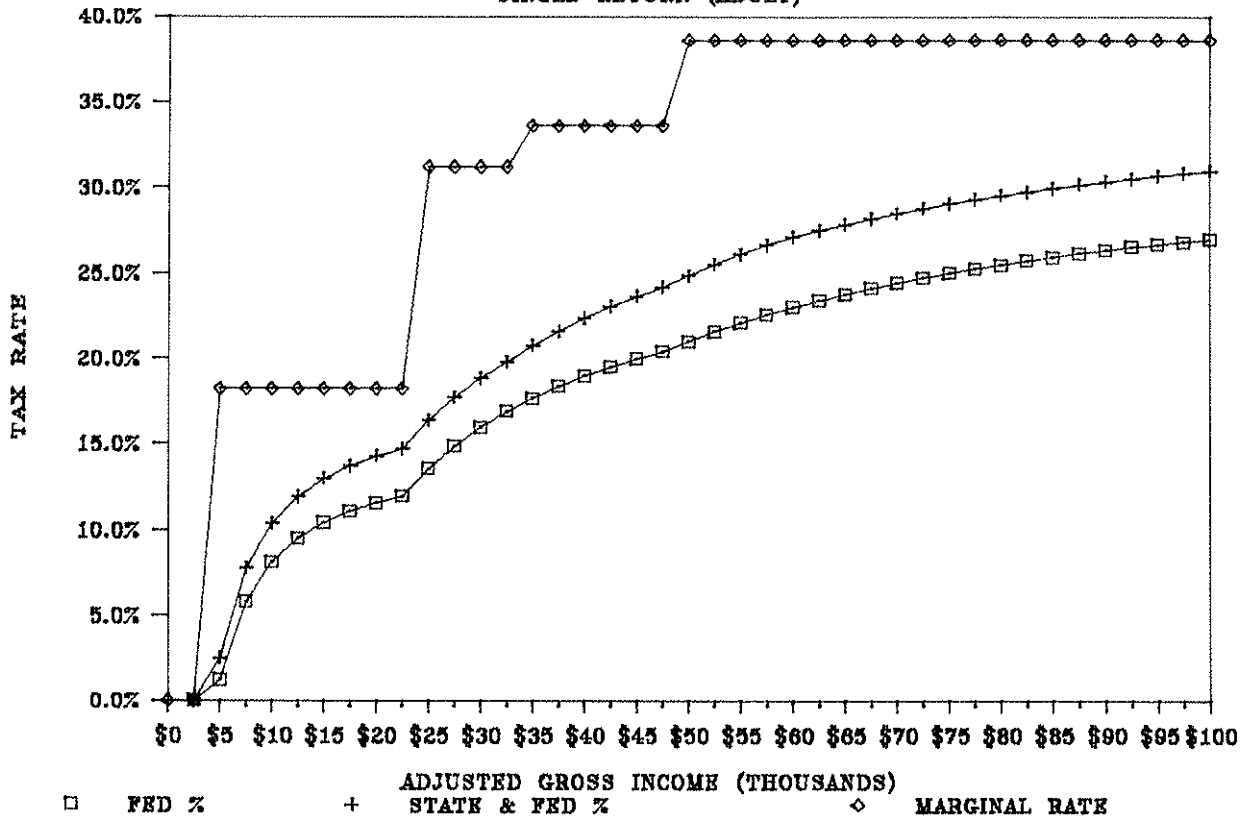
INCOME	TAXES DUE		===STATE TAX===		*****TAXES PAID/INCOME****			COMBINED	AFTER TAX		FEDERAL	
	-----TAXPAYER		STATE	*****STATE*****	STATE	MARGINAL	FEDERAL	PERMANENT	INCOME	OFFSET		
	FEDERAL	TOTAL	PAYS	COLLECTS	BEFORE	AFTER	PLUS	TAX	AVERAGE	FUND DIV	LOSS	PERCENT
				ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$700	\$700	ERR
\$2,500	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$700	\$700	ERR
\$5,000	\$60	\$124	\$64	\$64	1.28%	1.28%	2.48%	18.20%	1.20%	\$573	\$509	0.00%
\$7,500	\$435	\$579	\$144	\$144	1.92%	1.92%	7.72%	18.20%	5.80%	\$573	\$429	0.00%
\$10,000	\$810	\$1,034	\$224	\$224	2.24%	2.24%	10.34%	18.20%	8.10%	\$573	\$349	0.00%
\$12,500	\$1,185	\$1,489	\$304	\$304	2.43%	2.43%	11.91%	18.20%	9.48%	\$573	\$269	0.00%
\$15,000	\$1,560	\$1,944	\$384	\$384	2.56%	2.56%	12.96%	18.20%	10.40%	\$573	\$189	0.00%
\$17,500	\$1,935	\$2,399	\$464	\$464	2.65%	2.65%	13.71%	18.20%	11.06%	\$573	\$109	0.00%
\$20,000	\$2,310	\$2,854	\$544	\$544	2.72%	2.72%	14.27%	18.20%	11.55%	\$573	\$29	0.00%
\$22,500	\$2,685	\$3,309	\$624	\$624	2.77%	2.77%	14.71%	18.20%	11.93%	\$573	(\$51)	0.00%
\$25,000	\$3,385	\$4,089	\$704	\$704	2.82%	2.82%	16.36%	31.20%	13.54%	\$482	(\$222)	0.00%
\$27,500	\$4,085	\$4,869	\$784	\$784	2.85%	2.85%	17.71%	31.20%	14.85%	\$482	(\$302)	0.00%
\$30,000	\$4,785	\$5,649	\$864	\$864	2.88%	2.88%	18.83%	31.20%	15.95%	\$482	(\$382)	0.00%
\$32,500	\$5,485	\$6,429	\$944	\$944	2.90%	2.90%	19.78%	31.20%	16.88%	\$482	(\$462)	0.00%
\$35,000	\$6,185	\$7,259	\$1,074	\$1,074	3.07%	3.07%	20.74%	33.60%	17.67%	\$465	(\$609)	0.00%
\$37,500	\$6,885	\$8,102	\$1,217	\$1,217	3.24%	3.24%	21.60%	33.60%	18.36%	\$465	(\$752)	0.00%
\$40,000	\$7,585	\$8,944	\$1,359	\$1,359	3.40%	3.40%	22.36%	33.60%	18.96%	\$465	(\$894)	0.00%
\$42,500	\$8,285	\$9,787	\$1,502	\$1,502	3.53%	3.53%	23.03%	33.60%	19.49%	\$465	(\$1,037)	0.00%
\$45,000	\$8,985	\$10,629	\$1,644	\$1,644	3.65%	3.65%	23.62%	33.60%	19.97%	\$465	(\$1,179)	0.00%
\$47,500	\$9,685	\$11,472	\$1,787	\$1,787	3.76%	3.76%	24.15%	33.60%	20.39%	\$465	(\$1,322)	0.00%
\$50,000	\$10,495	\$12,424	\$1,929	\$1,929	3.86%	3.86%	24.85%	38.60%	20.99%	\$430	(\$1,499)	0.00%
\$52,500	\$11,320	\$13,392	\$2,072	\$2,072	3.95%	3.95%	25.51%	38.60%	21.56%	\$430	(\$1,642)	0.00%
\$55,000	\$12,145	\$14,359	\$2,214	\$2,214	4.03%	4.03%	26.11%	38.60%	22.08%	\$430	(\$1,784)	0.00%
\$57,500	\$12,970	\$15,327	\$2,357	\$2,357	4.10%	4.10%	26.65%	38.60%	22.56%	\$430	(\$1,927)	0.00%
\$60,000	\$13,795	\$16,261	\$2,466	\$2,499	4.17%	4.11%	27.10%	38.60%	22.99%	\$430	(\$2,037)	1.31%
\$62,500	\$14,620	\$17,182	\$2,562	\$2,642	4.23%	4.10%	27.49%	38.60%	23.39%	\$430	(\$2,132)	3.02%
\$65,000	\$15,445	\$18,102	\$2,657	\$2,784	4.28%	4.09%	27.95%	38.60%	23.76%	\$430	(\$2,227)	4.55%
\$67,500	\$16,270	\$19,023	\$2,753	\$2,927	4.34%	4.08%	28.18%	38.60%	24.10%	\$430	(\$2,323)	5.94%
\$70,000	\$17,095	\$19,943	\$2,848	\$3,069	4.38%	4.07%	28.49%	38.60%	24.42%	\$430	(\$2,418)	7.19%
\$72,500	\$17,920	\$20,864	\$2,944	\$3,212	4.43%	4.06%	28.78%	38.60%	24.72%	\$430	(\$2,514)	8.34%
\$75,000	\$18,745	\$21,784	\$3,039	\$3,354	4.47%	4.05%	29.05%	38.60%	24.99%	\$430	(\$2,609)	9.39%
\$77,500	\$19,570	\$22,705	\$3,135	\$3,497	4.51%	4.04%	29.30%	38.60%	25.25%	\$430	(\$2,705)	10.35%
\$80,000	\$20,395	\$23,625	\$3,230	\$3,639	4.55%	4.04%	29.53%	38.60%	25.49%	\$430	(\$2,800)	11.24%
\$82,500	\$21,220	\$24,546	\$3,326	\$3,782	4.58%	4.03%	29.75%	38.60%	25.72%	\$430	(\$2,896)	12.06%
\$85,000	\$22,045	\$25,466	\$3,421	\$3,924	4.62%	4.02%	29.96%	38.60%	25.94%	\$430	(\$2,991)	12.82%
\$87,500	\$22,870	\$26,387	\$3,517	\$4,067	4.65%	4.02%	30.16%	38.60%	26.14%	\$430	(\$3,087)	13.52%
\$90,000	\$23,695	\$27,307	\$3,612	\$4,209	4.68%	4.01%	30.34%	38.60%	26.33%	\$430	(\$3,182)	14.18%
\$92,500	\$24,520	\$28,228	\$3,708	\$4,352	4.70%	4.01%	30.52%	38.60%	26.51%	\$430	(\$3,278)	14.80%
\$95,000	\$25,345	\$29,148	\$3,803	\$4,494	4.73%	4.00%	30.68%	38.60%	26.68%	\$430	(\$3,373)	15.38%
\$97,500	\$26,170	\$30,068	\$3,898	\$4,637	4.76%	4.00%	30.84%	38.60%	26.84%	\$430	(\$3,469)	15.92%
\$100,000	\$26,995	\$30,989	\$3,994	\$4,779	4.78%	3.99%	30.99%	38.60%	27.00%	\$430	(\$3,564)	16.43%

NOTE: THE INCOME LOSS MEASURE IN THE LAST COLUMN IS THE DIFFERENCE IN DISPOSABLE INCOME BETWEEN THE FOLLOWING:
 1. IMPOSE INCOME TAX AND PAY DIVIDEND, AND 2. NEITHER IMPOSE TAX NOR PAY DIVIDEND.

PF DIVIDEND	\$700	LOW TAX RATE TO	FEDERAL \$17,900	STATE \$30,000
STANDARD DEDUCTION	\$2,600	HIGHEST RATE AFTER	\$43,200	
EXEMPTIONS	1	EXEMPTION	\$2,000	\$3,000
FEDERAL TAX REFORM ACT OF 1986, HB-154 AND SB-148				

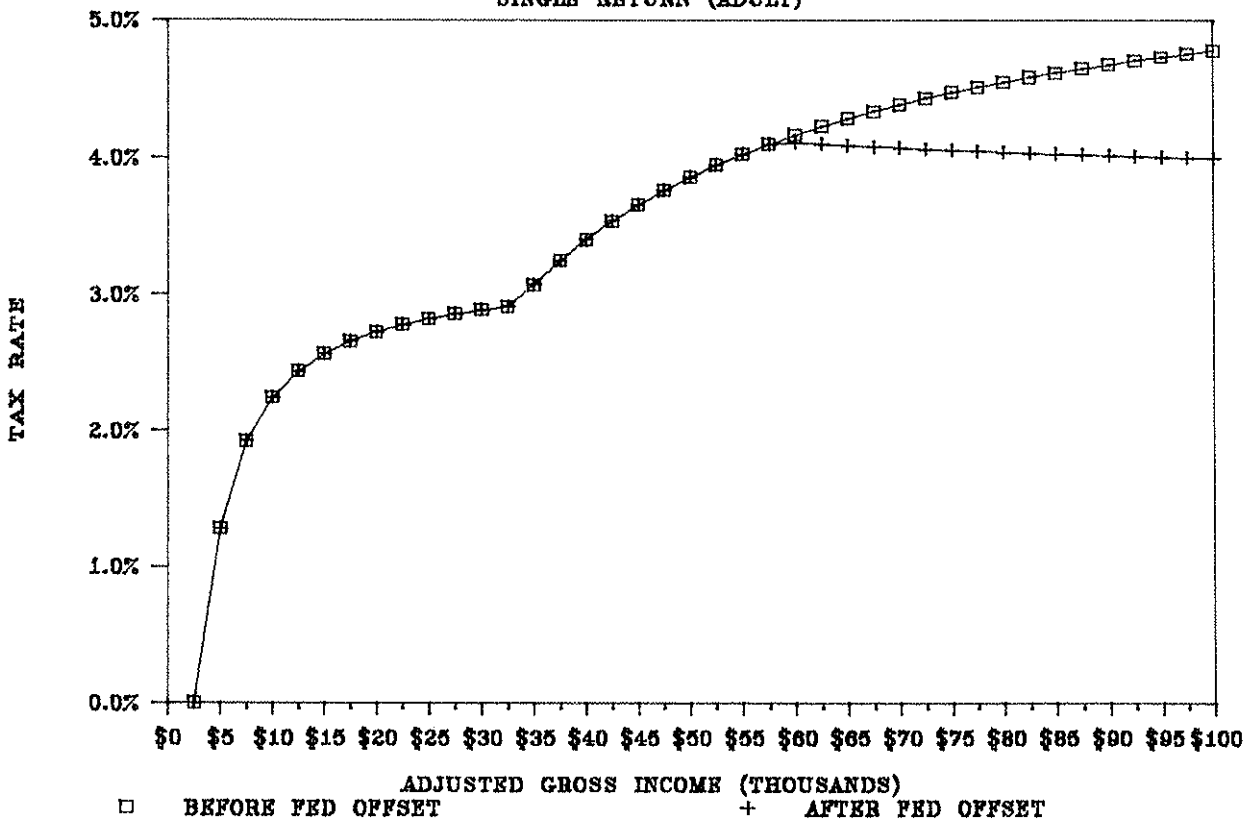
TOTAL TAXES AS PERCENTAGE OF INCOME

SINGLE RETURN (ADULT)



STATE TAXES AS PERCENTAGE OF INCOME

SINGLE RETURN (ADULT)



REFERENCES

- Aaron, Henry J., and Joseph A. Pechman, ed. How Taxes Affect Economic Behavior. Washington, D.C.: The Brookings Institution, 1981.
- Alaska Department of Labor. Nonresidents Working in Alaska in 1985, January 1987.
- Alaska Department of Revenue. Federal Income Taxpayer Profile 1978, 1981, 1982 by Alaska Community and Income Level and Filing Status, n.d.
- _____. "Revenue Alternatives: Individual Income Tax." Report prepared by Mary Ellen Frank, Dave Tonkovich, and Al Zangri, December 1986.
- _____. 1982 Federal Tax Leakage Associated with the Permanent Fund Dividend Program. Report prepared by P.S. Dhillon and Mary Ellen Frank, July 1983.
- Alaska Public Employees Association. Alaska Cost of Living Study. Vol. 2., Juneau, 1986.
- Bosworth, Barry P. Tax Incentives and Economic Growth. Washington, D.C.: The Brookings Institution, 1984.
- Bradford, David F. Untangling the Income Tax. Cambridge, Mass.: Harvard University Press, 1986.
- Ebel, Robert D., and Robert M. Kamins. Who Pays Hawaii's Taxes? Monoa: University of Hawaii, Social Sciences & Linguistics Institute, 1975.
- Ehrlich, Morton. Discretionary Spending. New York: National Industrial Conference Board, Inc., 1966.
- Frank, Mary Ellen. Personal communication on the historical and projected figures for the percent of personal income tax paid by nonresidents. May 11, 1987.
- Fried, Neal. The Economic Impact of the University of Alaska on Fairbanks. Fairbanks North Star Borough, Community Research Center, Special Report No. 8, 1980.
- Goldsmith, O. Scott. "A Cursory Analysis of The Economic Impact of Different Categories of State Government Expenditures." Memorandum to Dona Lehr, Alaska Division of Policy Development and Planning, March 11, 1982.
- _____. "How State Spending Reductions Affect Economic Activity." Anchorage: University of Alaska, Institute of Social and Economic Research, Working Paper 86.2, March 5, 1986.

- _____. "Simulations of State Government Fiscal Policy: The Balanced Budget Multiplier." The Annals of Regional Science 18 (March 1984): 57-65.
- _____. "A State Personal Income Tax Simulation Model." The Annals of Regional Science 13 (March 1979): 44-53.
- Goldsmith, O. Scott, Teresa Hull, and Stephen Colt. "Monitoring the Performance of the Alaska Economy: The 1986 ISER MAP Economic Database." Anchorage: University of Alaska, Institute of Social and Economic Research, Working Paper 86.5, June 1986.
- Hirsch, Werner Z. The Economics of State and Local Government. New York: McGraw Hill, 1970.
- Joint Income Tax Working Group, "Briefing Documents: Proposed Alaska Individual Income Tax, HB-15 and SB-148," March 15, 1987.
- Knapp, Gunnar et al., The Alaska Permanent Fund Dividend Program: Economic Effects and Public Attitudes. Report prepared for the Alaska Permanent Fund Corporation. Anchorage: University of Alaska, Institute of Social and Economic Research, 1984.
- Laird, Paul. "Raising Revenues or Stimulating Growth," Alaska Business Monthly, April 1987, pp. 18-26.
- The McDowell Group and Alaska Attitudes, Inc. Alaska Geographic Differential Study. 2 vols. Prepared for Alaska Department of Administration, 1985.
- Park, Thae S. "Relationship Between Personal Income and Adjusted Gross Income: Revised Estimates, 1947-83." Survey of Current Business 66 (May 1986): 34-40.
- Pechman, Joseph A., and Benjamin A. Okner. Who Bears the Tax Burden? Washington, D.C.: The Brookings Institution, 1974.
- Phares, Donald. Who Pays State and Local Taxes? Cambridge, Mass.: Oelgeschlager, Gunn and Hain, Publishers, 1980.
- Pierce, Brad. "State Employee Spending Patterns." Memorandum to Representative Don Clocksin, Alaska State Legislature, House of Representatives, March 25, 1986.
- Reinhardt, Uwe E. "Enjoy the Party--For Tomorrow Somebody Will Have to Pay." Princeton Alumni Weekly 87 (February 25, 1987): 13-19.
- Tourtellot, Lisa Marie. Personal communication on state employee benefits, May 1987.

U.S. Department of Commerce, Bureau of the Census, 1980 U.S. Census Public Use Sample.

U.S. Department of Labor, Bureau of Labor Statistics. Consumer Expenditure Survey: Diary Survey, 1980-81. Bulletin 2173, 1983.

_____. Consumer Expenditure Survey, 1980-81: Interview Survey, 1980-81. Bulletin 2225, 1985.

U.S. Department of the Treasury, Internal Revenue Service. Individual Income Tax Returns. Washington, D.C.: Government Printing Office, various years.

_____. Internal Revenue Service. Highlights of 1986 Tax Changes (including the Tax Reform Act of 1986), Publication 553.

Walkush, Jerry. Personal communication of state employee benefits, May 1987.

Zangri, Alfred. Personal communication on adjusted gross income for 1982 for Alaska census areas or communities, May 1, 1987.

A COMPARATIVE ANALYSIS OF THE ECONOMIC EFFECTS OF
REIMPOSING PERSONAL INCOME TAXES, REDUCING
PERMANENT FUND DIVIDENDS, OR REDUCING STATE SPENDING

prepared by

Oliver Scott Goldsmith
Institute of Social and Economic Research
University of Alaska, Anchorage
3211 Providence Drive
Anchorage, Alaska 99508

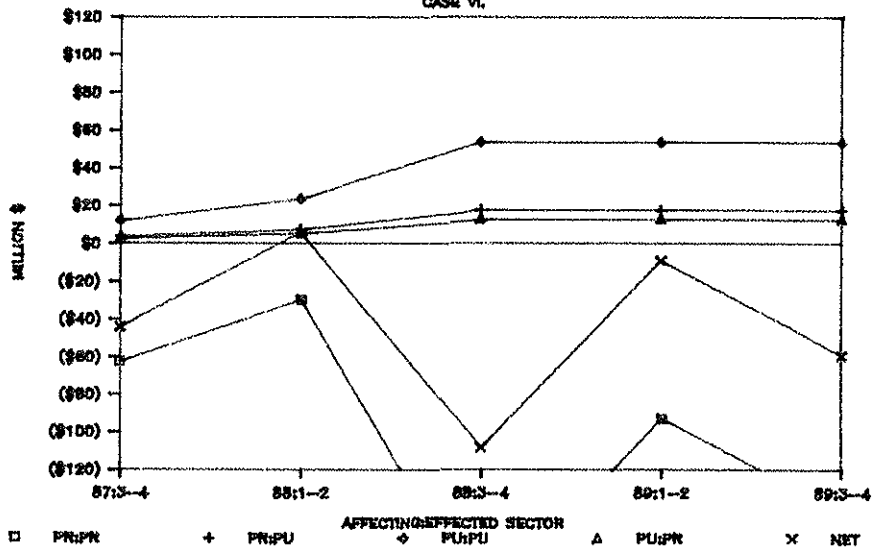
prepared for

Special Committee on Taxation
Alaska State Legislature
Representative John Sund, Co-Chair

May 1987

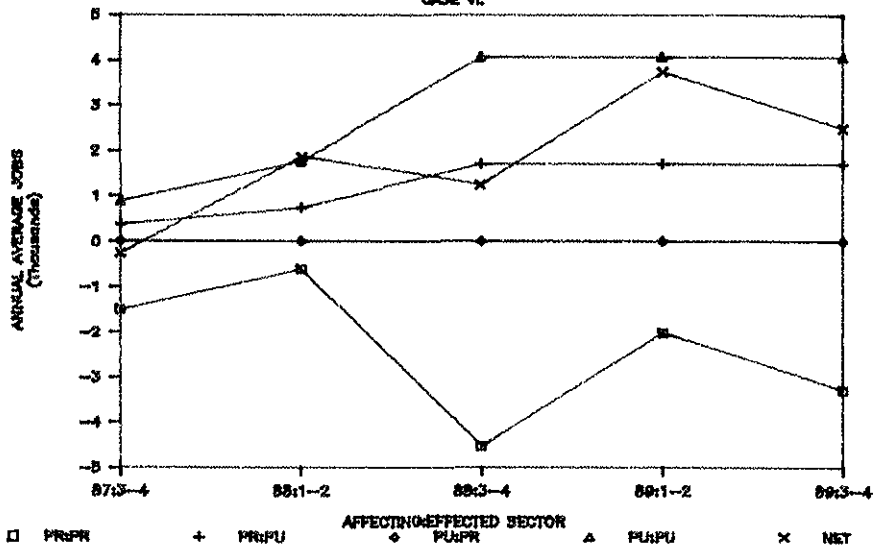
DISPOSABLE PERSONAL INCOME EFFECT

CASE VI.



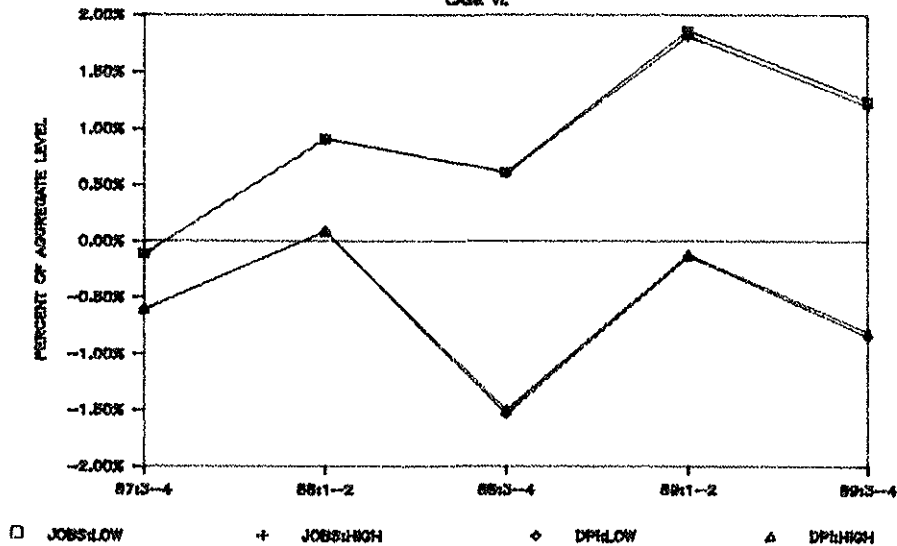
EMPLOYMENT EFFECT

CASE VI.



PERCENT IMPACT ON AGGREGATE MEASURES

CASE VI.



SENSITIVITY ANALYSIS

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

		% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
	+J12					
		5% (\$247)	(\$217)	(\$187)	(\$157)	(\$127)
%		10% (\$217)	(\$189)	(\$160)	(\$132)	(\$104)
TAX		15% (\$187)	(\$160)	(\$134)	(\$107)	(\$80)
EXPORTING		20% (\$157)	(\$132)	(\$107)	(\$82)	(\$56)
(C38)						

		% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
	+P12					
		5% 1649	1800	1952	2103	2254
		10% 1800	1944	2087	2230	2374
		15% 1952	2087	2223	2358	2493
		20% 2103	2230	2358	2485	2613

		PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
	+J12					
		1.1 (\$127)	(\$127)	(\$127)	(\$127)	(\$127)
PRIVATE		1.15 (\$145)	(\$145)	(\$145)	(\$145)	(\$145)
MULTI-		1.2 (\$162)	(\$162)	(\$162)	(\$162)	(\$162)
PLIER		1.25 (\$180)	(\$180)	(\$180)	(\$180)	(\$180)
(C39)		1.3 (\$197)	(\$197)	(\$197)	(\$197)	(\$197)

		PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
	+P12					
		1.1 641	638	634	631	629
		1.15 300	296	293	289	287
		1.2 -42	-46	-49	-52	-55
		1.25 -384	-388	-391	-394	-397
		1.3 -726	-730	-733	-736	-739

		PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	+J12					
		0 (\$178)	(\$218)	(\$258)	(\$298)	(\$337)
PUBLIC		0.1 (\$158)	(\$196)	(\$234)	(\$272)	(\$309)
DPI		0.2 (\$137)	(\$173)	(\$209)	(\$245)	(\$281)
CREATE		0.3 (\$117)	(\$151)	(\$185)	(\$219)	(\$253)
(M51)		0.4 (\$96)	(\$129)	(\$161)	(\$193)	(\$225)
		0.5 (\$76)	(\$106)	(\$137)	(\$167)	(\$197)
		0.6 (\$55)	(\$84)	(\$112)	(\$141)	(\$169)
		0.7 (\$35)	(\$61)	(\$88)	(\$115)	(\$141)
		0.8 (\$14)	(\$39)	(\$64)	(\$88)	(\$113)
		0.9 \$7	(\$16)	(\$39)	(\$62)	(\$85)
		1 \$27	\$6	(\$15)	(\$36)	(\$57)

		PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	+P12					
		0 3430	2656	1881	1106	331
		0.1 3467	2728	1990	1252	513
		0.2 3503	2801	2099	1397	695
		0.3 3540	2874	2208	1543	877
		0.4 3576	2947	2318	1688	1059
		0.5 3612	3020	2427	1834	1241
		0.6 3649	3092	2536	1980	1423
		0.7 3685	3165	2645	2125	1605
		0.8 3722	3238	2754	2271	1787
		0.9 3758	3311	2864	2416	1969
		1 3794	3384	2973	2562	2151

****CASE VIII*****PAGE 1.
 REDUCE PERMANENT FUND DIVIDEND**NO PUBLIC SPENDING

*****CASE VIII.
 REDUCE PERMANENT FUND DIVIDEND**NO PUBLIC SPENDING

READ IMPACT SOURCE ACROSS AND LOCATION DOWN*****		ALASKA INCOME (MILL \$)			DISPOSABLE INCOME (MILL \$)			DISCRETIONARY SPENDING (MILL \$)			EMPLOYMENT (ANNUAL AVERAGE)		
		PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIVATE	PUBLIC	TOTAL	PRIV	PUBLIC	TOTAL
****SUMMARY*****													
	PRIVATE SECTOR	(\$626.0)	\$0.0	(\$626.0)	(\$536.8)	\$0.0	(\$536.8)	(\$429.4)	\$0.0	(\$429.4)	-2712	0	-2712
	PUBLIC SECTOR	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	TOTAL	(\$626.0)	\$0.0	(\$626.0)	(\$536.8)	\$0.0	(\$536.8)	(\$429.4)	\$0.0	(\$429.4)	-2712	0	-2712
	TOTAL 87:3-4	(\$73.7)	\$0.0	(\$73.7)	(\$63.2)	\$0.0	(\$63.2)	(\$50.6)	\$0.0	(\$50.6)	-1597	0	-1597
	EFFECT 88:1-2	(\$37.5)	\$0.0	(\$37.5)	(\$32.2)	\$0.0	(\$32.2)	(\$25.7)	\$0.0	(\$25.7)	-813	0	-813
	88:3-4	(\$229.2)	\$0.0	(\$229.2)	(\$196.5)	\$0.0	(\$196.5)	(\$157.2)	\$0.0	(\$157.2)	-4965	0	-4965
	89:1-2	(\$113.9)	\$0.0	(\$113.9)	(\$97.7)	\$0.0	(\$97.7)	(\$78.2)	\$0.0	(\$78.2)	-2468	0	-2468
	89:3-4	(\$171.6)	\$0.0	(\$171.6)	(\$147.1)	\$0.0	(\$147.1)	(\$117.7)	\$0.0	(\$117.7)	-3716	0	-3716
	PRIVATE SECTOR IMPACT 87:3-4	(\$73.7)	\$0.0	(\$73.7)	(\$63.2)	\$0.0	(\$63.2)	(\$50.6)	\$0.0	(\$50.6)	-1597	0	-1597
	88:1-2	(\$37.5)	\$0.0	(\$37.5)	(\$32.2)	\$0.0	(\$32.2)	(\$25.7)	\$0.0	(\$25.7)	-813	0	-813
	88:3-4	(\$229.2)	\$0.0	(\$229.2)	(\$196.5)	\$0.0	(\$196.5)	(\$157.2)	\$0.0	(\$157.2)	-4965	0	-4965
	89:1-2	(\$113.9)	\$0.0	(\$113.9)	(\$97.7)	\$0.0	(\$97.7)	(\$78.2)	\$0.0	(\$78.2)	-2468	0	-2468
	89:3-4	(\$171.6)	\$0.0	(\$171.6)	(\$147.1)	\$0.0	(\$147.1)	(\$117.7)	\$0.0	(\$117.7)	-3716	0	-3716
	PUBLIC SECTOR IMPACT 87:3-4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	88:1-2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	88:3-4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	89:1-2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0
	89:3-4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0	0	0

****ASSUMPTIONS*****DANGER!!!!!!*****

A. PRIVATE EFFECTS*****

*	0.14 OFFSET1	FEDERAL OFFSET: MARGINAL FEDERAL TAX RATE ON ALASKA INCOME
*	0.01 LEAK1	TAX EXPORTING: PORTION OF INCOME TAX PAID BY NON-RESIDENTS
*	1.35 MULT1	ECONOMIC MULTIPLIER ON RESIDENT DISPOSABLE PERSONAL INCOME
	0.85 DPIRATE	RATIO OF DPI/PI FOR SUPPORT SECTOR INCOME
	0.021 WAGESUP1	AVERAGE SUPPORT SECTOR WAGE (MILLION \$)
	0.15 COMP2	SUPPORT SECTOR BENEFITS AS % OF WAGE
	0.8 MPC1	MARGINAL PROPENSITY TO CONSUME OF TAXPAYER OR PF DIV RECIPIENT
	0.8 MPC3	MARGINAL PROPENSITY TO CONSUME OF SUPPORT SECTOR EMPLOYEE

C. DIRECT INCOME CHANGES*****

	PRIVATE	PUBLIC
87:3-4	55	0
88:1-2	28	0
88:3-4	171	0
89:1-2	85	0
89:3-4	128	0
TOTAL	467	0

B. PUBLIC EFFECTS*****

*	1 OFFSET2	FEDERAL OFFSET: AVERAGE FEDERAL TAX RATE FOR STATE EMPLOYEE	1 POR1	PORTION OF \$
*	1.3 MULT2	ECONOMIC MULTIPLIER ON STATE EMPLOYEE DISPOSABLE PERSONAL INCOME		SPENT ON
	0.031 WAGESGOV1	AVERAGE STATE/LOCAL WAGE (MILLION \$)		PUBLIC JOBS
	0.22 COMP1	STATE GOVERNMENT BENEFITS AS % OF WAGE	0.25 DPI1	PORTION OF
	0.8 MPC2	MARGINAL PROPENSITY TO CONSUME OF GOVT EMPLOYEE		NON-JOB
	0.4 BEN1	LOCALLY SPENT PORTION OF PUBLIC EMPLOYEE BENEFITS		EXPENDITURES

CASE VI. **PAGE 6.
 REDUCE PF DIVIDEND--ACROSS THE BOARD RETENTION

=====

SENSITIVITY ANALYSIS

=====

DISPOSABLE PERSONAL INCOME

EMPLOYMENT

	+J12	% FEDERAL OFFSET (C37)				
		5%	10%	15%	20%	25%
%	5%	(\$247)	(\$217)	(\$187)	(\$157)	(\$127)
TAX	10%	(\$217)	(\$189)	(\$160)	(\$132)	(\$104)
EXPORTING	15%	(\$187)	(\$160)	(\$134)	(\$107)	(\$80)
(C38)	20%	(\$157)	(\$132)	(\$107)	(\$82)	(\$56)

	+P12	% FEDERAL OFFSET				
		5%	10%	15%	20%	25%
	5%	1649	1800	1952	2103	2254
	10%	1800	1944	2087	2230	2374
	15%	1952	2087	2223	2358	2493
	20%	2103	2230	2358	2485	2613

	+J12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
PRIVATE	1.1	(\$127)	(\$127)	(\$127)	(\$127)	(\$127)
MULTI-	1.15	(\$145)	(\$145)	(\$145)	(\$145)	(\$145)
PLIER	1.2	(\$162)	(\$162)	(\$162)	(\$162)	(\$162)
(C39)	1.25	(\$180)	(\$180)	(\$180)	(\$180)	(\$180)
	1.3	(\$197)	(\$197)	(\$197)	(\$197)	(\$197)

	+P12	PUBLIC MULTIPLIER (C50)				
		1.1	1.15	1.2	1.25	1.3
	1.1	641	638	634	631	629
	1.15	300	296	293	289	287
	1.2	-42	-46	-49	-52	-55
	1.25	-384	-388	-391	-394	-397
	1.3	-726	-730	-733	-736	-739

	+J12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
PUBLIC	0	(\$178)	(\$218)	(\$258)	(\$298)	(\$337)
OPI	0.1	(\$158)	(\$196)	(\$234)	(\$272)	(\$309)
CREATE	0.2	(\$137)	(\$173)	(\$209)	(\$245)	(\$281)
(M51)	0.3	(\$117)	(\$151)	(\$185)	(\$219)	(\$253)
	0.4	(\$96)	(\$129)	(\$161)	(\$193)	(\$225)
	0.5	(\$76)	(\$106)	(\$137)	(\$167)	(\$197)
	0.6	(\$55)	(\$84)	(\$112)	(\$141)	(\$169)
	0.7	(\$35)	(\$61)	(\$88)	(\$115)	(\$141)
	0.8	(\$14)	(\$39)	(\$64)	(\$88)	(\$113)
	0.9	\$7	(\$16)	(\$39)	(\$62)	(\$85)
	1	\$27	\$6	(\$15)	(\$36)	(\$57)

	+P12	PRIVATE MULTIPLIER (C39)				
		1.1	1.2	1.3	1.4	1.5
	0	3430	2656	1881	1106	331
	0.1	3467	2728	1990	1252	513
	0.2	3503	2801	2099	1397	695
	0.3	3540	2874	2208	1543	877
	0.4	3576	2947	2318	1688	1059
	0.5	3612	3020	2427	1834	1241
	0.6	3649	3092	2536	1980	1423
	0.7	3685	3165	2645	2125	1605
	0.8	3722	3238	2754	2271	1787
	0.9	3758	3311	2864	2416	1969
	1	3794	3384	2973	2562	2151

*****JOINT RETURN**HOMEOOWNER**NO IRA**2 CHILDREN**PF DIV ON CHILDRENS' RETURN*****

INCOME	TAXES DUE		STATE TAX		STATE			COMBINED	AFTER TAX		FEDERAL	
	FEDERAL	TOTAL	TAXPAYER PAYS	STATE COLLECTS	BEFORE OFFSET	STATE AFTER OFFSET	PLUS FEDERAL	MARGINAL TAX RATE	FEDERAL AVERAGE RATE	PERMANENT FUND DIV VALUE	INCOME LOSS (DIV-TAX)	OFFSET PERCENT
0	0	0	0	0	ERR	ERR	ERR	0.00%	ERR	\$1,400	\$1,400	ERR
\$2,500	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$5,000	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$7,500	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$10,000	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	\$1,400	\$1,400	ERR
\$12,500	\$105	\$121	\$16	\$16	0.13%	0.13%	0.97%	18.20%	0.84%	\$1,145	\$1,129	0.00%
\$15,000	\$480	\$576	\$96	\$96	0.64%	0.64%	3.84%	18.20%	3.20%	\$1,145	\$1,049	0.00%
\$17,500	\$855	\$1,031	\$176	\$176	1.01%	1.01%	5.89%	18.20%	4.89%	\$1,145	\$969	0.00%
\$20,000	\$1,230	\$1,486	\$256	\$256	1.28%	1.28%	7.43%	18.20%	6.15%	\$1,145	\$889	0.00%
\$22,500	\$1,605	\$1,941	\$336	\$336	1.49%	1.49%	8.63%	18.20%	7.13%	\$1,145	\$809	0.00%
\$25,000	\$1,980	\$2,396	\$416	\$416	1.66%	1.66%	9.58%	18.20%	7.92%	\$1,145	\$729	0.00%
\$27,500	\$2,355	\$2,851	\$496	\$496	1.80%	1.80%	10.37%	18.20%	8.56%	\$1,145	\$649	0.00%
\$30,000	\$2,730	\$3,306	\$576	\$576	1.92%	1.92%	11.02%	18.20%	9.10%	\$1,145	\$569	0.00%
\$32,500	\$2,858	\$3,415	\$558	\$656	2.02%	1.72%	10.51%	18.20%	8.79%	\$1,145	\$588	15.00%
\$35,000	\$3,195	\$3,821	\$626	\$736	2.10%	1.79%	10.92%	18.20%	9.13%	\$1,145	\$520	15.00%
\$37,500	\$3,533	\$4,226	\$694	\$816	2.18%	1.85%	11.27%	18.20%	9.42%	\$1,145	\$452	15.00%
\$40,000	\$3,870	\$4,632	\$762	\$896	2.24%	1.90%	11.58%	18.20%	9.68%	\$1,145	\$384	15.00%
\$42,500	\$4,208	\$5,048	\$840	\$989	2.33%	1.98%	11.88%	20.60%	9.90%	\$1,112	\$271	15.00%
\$45,000	\$4,545	\$5,506	\$961	\$1,131	2.51%	2.14%	12.24%	20.60%	10.10%	\$1,112	\$150	15.00%
\$47,500	\$5,214	\$6,131	\$917	\$1,274	2.68%	1.93%	12.91%	33.60%	10.98%	\$930	\$13	28.00%
\$50,000	\$5,844	\$6,864	\$1,020	\$1,416	2.83%	2.04%	13.73%	33.60%	11.69%	\$930	(\$90)	28.00%
\$52,500	\$6,474	\$7,596	\$1,122	\$1,559	2.97%	2.14%	14.47%	33.60%	12.33%	\$930	(\$193)	28.00%
\$55,000	\$7,104	\$8,329	\$1,225	\$1,701	3.09%	2.23%	15.14%	33.60%	12.92%	\$930	(\$295)	28.00%
\$57,500	\$7,734	\$9,061	\$1,327	\$1,844	3.21%	2.31%	15.76%	33.60%	13.45%	\$930	(\$398)	28.00%
\$60,000	\$8,364	\$9,794	\$1,430	\$1,986	3.31%	2.38%	16.32%	33.60%	13.94%	\$930	(\$500)	28.00%
\$62,500	\$8,994	\$10,527	\$1,533	\$2,129	3.41%	2.45%	16.84%	33.60%	14.39%	\$930	(\$603)	28.00%
\$65,000	\$9,624	\$11,259	\$1,635	\$2,271	3.49%	2.52%	17.32%	33.60%	14.81%	\$930	(\$706)	28.00%
\$67,500	\$10,254	\$11,992	\$1,738	\$2,414	3.58%	2.57%	17.77%	33.60%	15.19%	\$930	(\$808)	28.00%
\$70,000	\$10,884	\$12,724	\$1,840	\$2,556	3.65%	2.63%	18.18%	33.60%	15.55%	\$930	(\$911)	28.00%
\$72,500	\$11,514	\$13,457	\$1,943	\$2,699	3.72%	2.68%	18.56%	33.60%	15.88%	\$930	(\$1,013)	28.00%
\$75,000	\$12,144	\$14,190	\$2,046	\$2,841	3.79%	2.73%	18.92%	33.60%	16.19%	\$930	(\$1,116)	28.00%
\$77,500	\$12,774	\$14,922	\$2,148	\$2,984	3.85%	2.77%	19.25%	33.60%	16.48%	\$930	(\$1,219)	28.00%
\$80,000	\$13,404	\$15,655	\$2,251	\$3,126	3.91%	2.81%	19.57%	33.60%	16.76%	\$930	(\$1,321)	28.00%
\$82,500	\$14,034	\$16,387	\$2,353	\$3,269	3.96%	2.85%	19.86%	33.60%	17.01%	\$930	(\$1,424)	28.00%
\$85,000	\$14,664	\$17,120	\$2,456	\$3,411	4.01%	2.89%	20.14%	33.60%	17.25%	\$930	(\$1,526)	28.00%
\$87,500	\$15,294	\$17,853	\$2,559	\$3,554	4.06%	2.92%	20.40%	33.60%	17.48%	\$930	(\$1,629)	28.00%
\$90,000	\$15,924	\$18,585	\$2,661	\$3,696	4.11%	2.96%	20.65%	33.60%	17.69%	\$930	(\$1,732)	28.00%
\$92,500	\$16,554	\$19,318	\$2,764	\$3,839	4.15%	2.99%	20.88%	33.60%	17.90%	\$930	(\$1,834)	28.00%
\$95,000	\$17,184	\$20,050	\$2,866	\$3,981	4.19%	3.02%	21.11%	33.60%	18.09%	\$930	(\$1,937)	28.00%
\$97,500	\$18,042	\$20,804	\$2,963	\$4,124	4.23%	2.83%	21.34%	38.60%	18.50%	\$860	(\$1,903)	33.00%
\$100,000	\$18,784	\$21,642	\$2,858	\$4,266	4.27%	2.86%	21.64%	38.60%	18.78%	\$860	(\$1,999)	33.00%

NOTE: THE INCOME LOSS MEASURE IN THE LAST COLUMN IS THE DIFFERENCE IN DISPOSABLE INCOME BETWEEN THE FOLLOWING:
 1. IMPOSE INCOME TAX AND PAY DIVIDEND, AND 2. NEITHER IMPOSE TAX NOR PAY DIVIDEND.

PF DIVIDEND	\$700	LOW TAX RATE TO	FEDERAL	STATE
STANDARD DEDUCTION	\$3,800	HIGHEST RATE AFTER	\$30,000	\$30,000
EXEMPTIONS	4	EXEMPTION	\$2,000	\$3,000

FEDERAL TAX REFORM ACT OF 1986, HB-154 AND SB-148

A COMPARATIVE ANALYSIS OF THE ECONOMIC EFFECTS OF
REIMPOSING PERSONAL INCOME TAXES, REDUCING
PERMANENT FUND DIVIDENDS, OR REDUCING STATE SPENDING

prepared by

Oliver Scott Goldsmith
Institute of Social and Economic Research
University of Alaska, Anchorage
3211 Providence Drive
Anchorage, Alaska 99508

prepared for

Special Committee on Taxation
Alaska State Legislature
Representative John Sund, Co-Chair

May 1987

EXECUTIVE SUMMARY

How would Alaska's economy be affected if the state government replaced some of its declining oil revenues by reimposing a personal income tax or by reducing the amount paid out in Permanent Fund dividends? Or what if state officials did neither and simply reduced state spending? Would one measure affect the economy more than the others?

The most important fiscal challenge the Alaska Legislature and Governor Cowper face is bringing state spending in line with revenues the state can sustain, while at the same time minimizing further loss of resident jobs and income. We looked at the effects on Alaska jobs and incomes of several proposed ways of balancing the state budget; there are, of course, many other considerations in taxing and spending policies.

In our examination of these selected fiscal issues, we found that either reimposing income taxes or reducing dividends would reduce purchasing power of Alaskans and, therefore, cost the economy jobs and income. But our analysis shows that a personal income tax at the level proposed by Governor Cowper would cost the state somewhat fewer jobs and less income than would a similar dollar reduction in Permanent Fund dividends. It also demonstrates that state spending of either taxes or dividend money could, if targeted toward certain kinds of expenditures, more than offset the number of jobs initially lost by creating additional public and private jobs.

Scope of Work

The Alaska Legislature's Joint Committee on Tax Policy asked the Institute of Social and Economic Research to analyze the overall economic effects between now and the end of 1989 of reimposing the personal income tax as Governor Cowper has proposed, of reducing the amount paid out in Permanent Fund dividends, and of reducing general fund spending. The governor's proposed tax plan would raise a combined total of \$467 million for 1988 and 1989. We looked at the economic effects of the government's collecting that amount in taxes, of reducing dividend payments by the same amount, and of reducing state spending by an amount equal to what would be collected through taxes or reduced dividends.

The economic effects of different methods of generating revenues and of spending those revenues are but one of many factors to be considered in determining appropriate levels of government activity and the best methods of collecting money to pay for those activities. We did not compare the effects of all the methods for funding government activities that are available to the state. For example, we did not consider the long-run economic implications of funding

current state costs with Permanent Fund earnings that would otherwise be re-invested in the Permanent Fund. We did not examine the issue of the appropriate size for the public sector in Alaska. Finally, we did not put a value on the employment and income figures we calculated. Please keep these limitations in mind when looking at the results of our analysis, summarized below.

Reimposition of the State Personal Income Tax

Reimposing a tax would cost the economy jobs and income because it would reduce Alaskans' purchasing power. But the state in turn would create jobs and income by spending the money it collected. The number of jobs and the amount of income re-injected into the economy would vary significantly, depending on how the state spent the additional revenues: in general, state spending for salaries and contract services produces more jobs and income than does spending for construction or equipment because more of the money ends up in the pockets of Alaskans. More specifically, the effects of a personal income tax would be as follows:

The Effects of Reduced Purchasing Power

- A state personal income tax as proposed by Governor Cowper would reduce Alaskans' disposable personal incomes by about \$340 million between now and the end of 1989. That figure represents about 2 percent of Alaskans' overall purchasing power. (The cost of the tax to Alaskans is less than the estimated \$467 million it would raise because some of the tax would be paid by nonresidents who work in Alaska, and because state income taxes would reduce Alaskans' federal income tax payments.)
- The reduction in Alaskans' purchasing power would reduce business activity and cost the state's private support industries (trade, finance, and services) about 2,000 jobs annually. (See Figure 1.) That represents less than one percent of the annual average employment in Alaska.
- The drop in employment would reduce disposable personal income in Alaska by an additional \$110 million--for a total loss in disposable personal income of about \$450 million as a result of the tax and subsequent job loss. (See Figure 2.) That loss represents about 3 percent of disposable income of Alaskans.

Figure 1

TAKE PERSONAL INCOME TO FUND GOVERNMENT

IMPACT ON AVERAGE ANNUAL JOBS

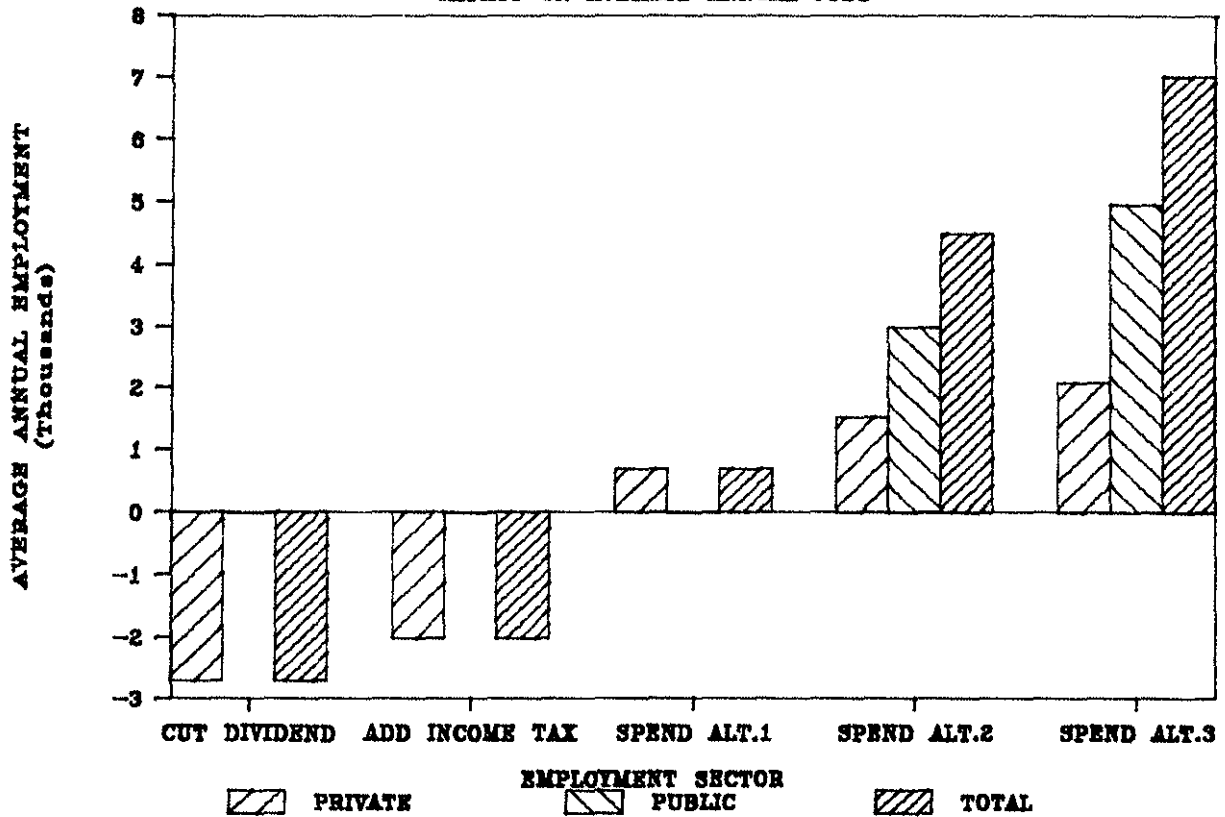
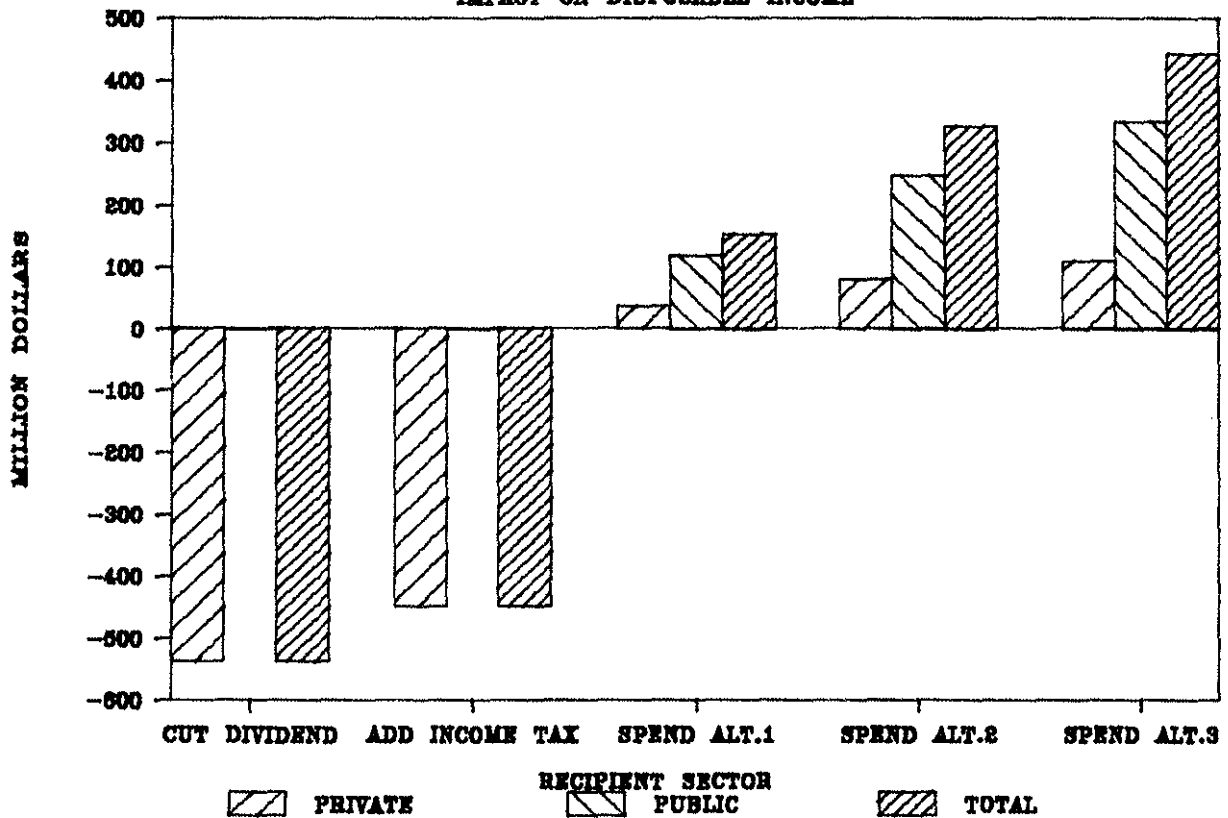


Figure 2

TAKE PERSONAL INCOME TO FUND GOVERNMENT

IMPACT ON DISPOSABLE INCOME



The Effects of State Spending of Income Taxes

- If the state spent its income tax revenues for some combination of capital projects, supplies, or transfers to individuals and businesses so that only 25 cents on the dollar went into Alaskans' incomes, about 700 private industry jobs annually and about \$150 million in disposable personal income would be created. (See Spending Alternative 1 in Figures 1 and 2.) If we weigh those numbers against what creation of the tax would cost the economy--2,000 jobs annually and \$450 million in income--we see that this kind of combination of tax collection and spending would cost Alaska about 1,300 private jobs and \$300 million in disposable personal income.
- If the state spent its tax revenues for a combination of expenses similar to current spending patterns, about 60 percent would go for supporting public jobs. That kind of spending would create about 1,500 private jobs, support 3,000 existing public jobs, and add \$320 million in disposable personal income. (See Spending Alternative 2 in Figures 1 and 2.) Measuring those gains against losses created by imposition of the tax, we see that overall private industry would lose 500 jobs; the public sector would gain 3,000 jobs; and the economy would experience a net loss of \$130 million in disposable income.
- If the state spent all the \$467 million in tax revenues to keep the public workforce at its current level, it could maintain over 4,900 public jobs and create about 2,050 private jobs. (See Spending Alternative 3 in Figure 1.) If we compare the number of private jobs that the tax would cost the state--2,000--with the number it would create, we see that the overall employment effect of the tax would be to create 50 new jobs in private industry and 4,900 public-supported jobs.
- Using all the tax revenues for public workers' salaries would create roughly the same amount of disposable personal income as imposing the tax cost--about \$450 million. (See Spending Alternative 3, Figure 2). So if the state spent personal income taxes this way, the net effect on disposable personal income in the state would be zero--the amount lost through the tax would be essentially regained through the spending. The difference would be in how that income was distributed.

The report also examines some other potential economic effects of an income tax, aside from loss or creation of jobs and income-- such as the possible effects of the tax on business investment in the state and on Alaska's labor supply. It finds, among other things, that the tax would not be high enough to drive businesses or workers out of the state; that it might make working in Alaska less attractive to nonresidents; and that it would be unlikely to push wages up.

Effects of Reducing Permanent Fund Dividends

Reducing the amount paid Alaskans in Permanent Fund dividends would cost the economy jobs and income, because that measure would also reduce purchasing power of Alaskans. Reducing dividends to produce the same amount of revenues as would the proposed income tax would actually cost Alaska more jobs and income than would re-imposing an income tax, although the differences are not large. The economic effects of reducing the dividends would be somewhat greater because Alaskans are more likely to spend Permanent Fund dividends than they are taxable income; almost all the dividend money is paid to persons actually living in Alaska; and Permanent Fund dividends are generally taxed at a lower rate under the federal tax schedule than are wages. Again, state spending of the dividend money would create different numbers of jobs and amounts of income, depending on how it was spent.

- Reducing Permanent Fund dividends by \$467 million between now and the end of 1989 would cost the state \$400 million in disposable personal income and 2,700 private industry jobs annually. The loss in jobs would further reduce income by \$140 million, for a total loss of about \$540 million in disposable personal income. (Figures 1 and 2.)
- State spending of this Permanent Fund money in the various amounts and combinations we discussed above would create the same numbers of jobs annually and total amounts of income we described under the income tax discussion; these effects are illustrated in the three spending alternatives in Figures 1 and 2.
- Overall, weighing jobs and income lost and created by the reduction in the dividends and state spending of that money, the state would lose more private jobs and more disposable income by reducing dividends than by imposing a personal income tax--about 700 more jobs and about \$90 million in disposable income. These differences in jobs lost and income created amount to less than one-third of one percent of the Alaska workforce and 0.2 percent of disposable personal income.

Effects of Cutting State Spending

Another option open to the state is, of course, to cut spending rather than to establish an income tax or reduce dividends or take any other revenue-raising measure. We discuss this option last because we are going to specifically compare the net economic effects of cutting the budget while at the same time leaving in the economy the amount of personal income that would be lost if an income tax were imposed or dividends reduced. There are other possible comparisons that we do not make here. Figures 3 and 4 show the employment and personal income effects of cutting spending by \$467 million between now and the end of 1989, and of not imposing an income tax or reducing dividends (assuming that personal income that would otherwise be lost through those measures would stay in the economy).

Figures 3 and 4 are simply reversals of Figures 1 and 2. If you do not impose an income tax and do not reduce dividends, you leave in the economy the same numbers of jobs and amounts of personal income that you take out by imposing the tax or reducing dividends. The three alternatives for cutting spending have the same effects on jobs and income as do the three spending alternatives--but in this instance jobs and income are lost instead of gained.

Effects of Retained Personal Income

- Not imposing a personal income tax at the level proposed by Governor Cowper would leave roughly 2,000 private jobs annually and \$450 million in total disposable personal income in the economy over the next two years.
- Not reducing Permanent Fund dividends by an equivalent amount would leave 2,700 private jobs annually and \$540 million in total disposable personal income in the economy.
- Cutting state spending by cutting spending for capital projects, supplies, and transfers to individuals and businesses would cost the state 700 private jobs and about \$150 million in disposable personal income. (Cut Alternative 1, Figures 3 and 4.) Balancing those figures against jobs and income that would remain in the economy without an income tax, we see that the economy would come out ahead by about 1,300 jobs and \$300 million in personal income. Without a reduction in dividends, the economy would maintain more jobs and more income.
- If the state cut its spending by reducing costs for all the kinds of expenditures that are represented in current state spending--a mixture of salaries, capital projects, transfers, and others--about 3,000 public and

Figure 3

CUT GOVERNMENT TO KEEP PERSONAL INCOME IMPACT ON AVERAGE ANNUAL JOBS

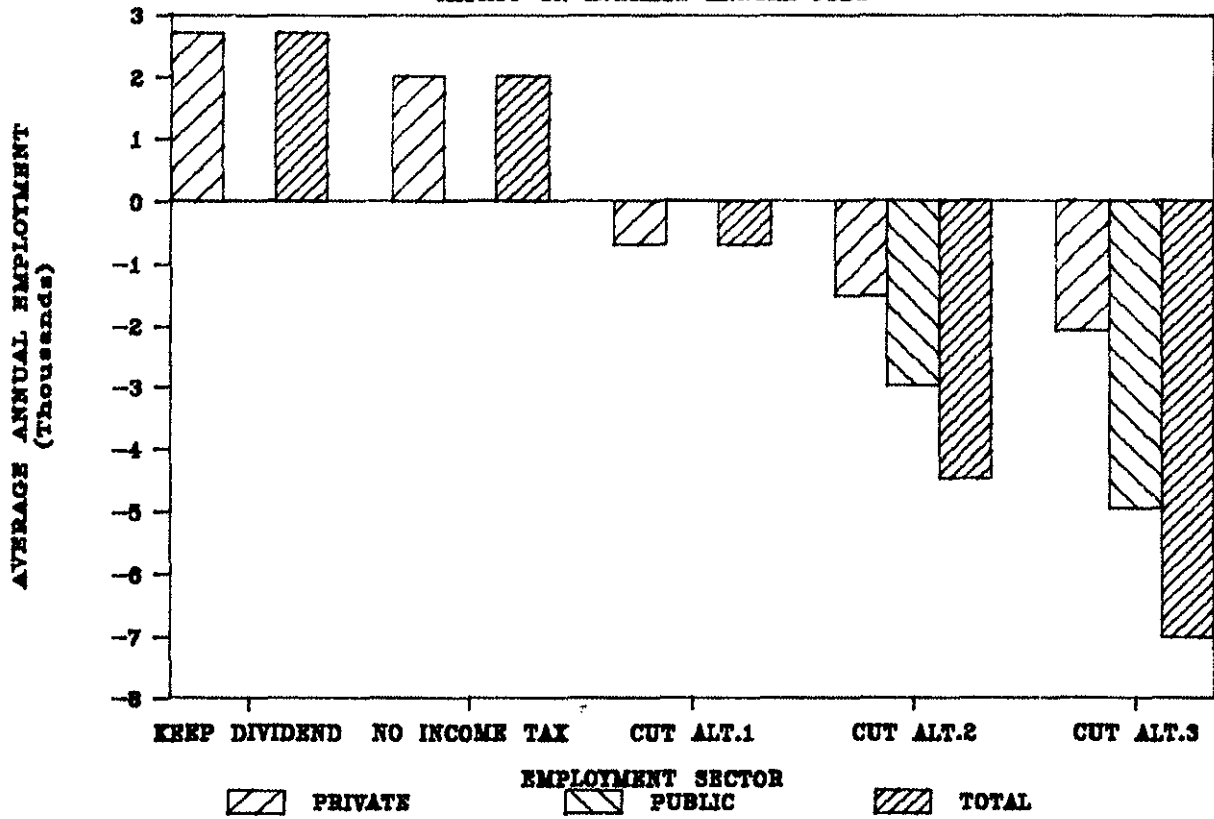
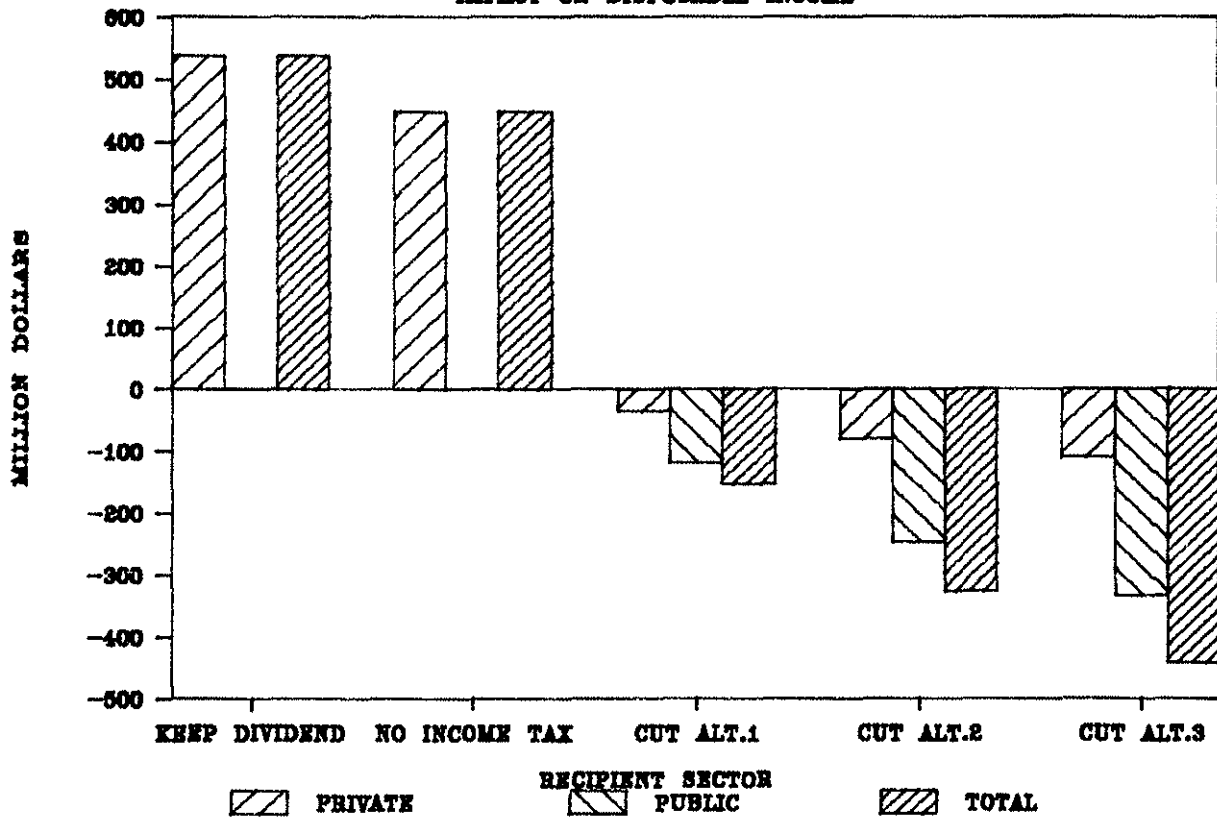


Figure 4

CUT GOVERNMENT TO KEEP PERSONAL INCOME IMPACT ON DISPOSABLE INCOME



1,500 private jobs and about \$320 in disposable personal income would be lost. (Cut Alternative 2, Figures 3 and 4.) That loss of 4,500 jobs would substantially exceed the 2,000 jobs the economy would retain in the absence of an income tax and the 2,700 jobs that would exist if Permanent Fund dividends were not reduced.

- If the state made all its budget cuts by cutting salaries and state worker jobs, the economy would lose 4,900 public jobs and 2,050 private jobs and roughly \$440 million in disposable personal income. (Cut Alternative 3, Figures 3 and 4.) That loss of more than 6,950 jobs would significantly exceed the number of jobs the economy would maintain if no income tax were imposed and dividends were not reduced.

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES	v
EXECUTIVE SUMMARY	vi
INTRODUCTION	1
HOW DOES THE INCOME TAX AFFECT THE SIZE OF THE ALASKA ECONOMY	3
Results of Analysis	3
The Reduction of Private-Sector Purchasing Power from a Tax	39
The Reduction in Purchasing Power from Permanent Fund Dividend Reduction	45
The Increase in Purchasing Power Associated with Government Spending	47
Comparison of Income and Employment Effects of Alternatives	51
WHAT ARE THE "SUPPLY SIDE" CONSEQUENCES OF THE INCOME TAX	53
"Supply Side" Economics	53
General Disincentive Effects of Taxes	53
Labor Supply Effects	55
Savings-Investment Effects	58
Regional Distortion Effects	59
Distortion Caused by the Dividend	60
HOW WOULD AN INCOME TAX AFFECT THE DISTRIBUTION OF INCOME	63
REFERENCES	75

LIST OF FIGURES, TABLES, AND OUTPUT

Figure 1. Take Personal Income to Fund Government Impact on Average Annual Jobs	ix
Figure 2. Take Personal Income to Fund Government Impact on Disposable Income	ix
Figure 3. Cut Government to Keep Personal Income Impact on Average Annual Jobs	xiii
Figure 4. Cut Government to Keep Personal Income Impact on Disposable Income	xiii
Table 1. Nonresident Wages in Alaska	42
Table 2. Consumer Expenditure Patterns	44
Table 3. Sample of Alaska Households with State Workers	49
Table 4. Per Capita Disposable Personal Income, Alaska and United States	61
Case I. Reimpose Income Tax--Maximize Public Job Retention	7
Case III. Reimpose Income Tax--Minimize Public Job Retention	11
Case V. Reimpose Income Tax--Across the Board Retention	15
Case VII. Reimpose Income Tax--No Public Spending	19
Case II. Reduce PF Dividend--Maximize Public Job Retention	23
Case IV. Reduce PF Dividend--Minimize Public Job Retention	27
Case VI. Reduce PF Dividend--Across the Board Retention	31
Case VI. Reduce PF Dividend--No Public Spending	35
Joint Return (2 Children)	67
Single Return (Child)	69
Joint Return (No Children)	71
Single Return (Adult)	73