The time to act is now

Future generations of Alaskans depend on what we do now to solve the state budget deficit. Together we can make wise choices and take action to fix Alaska's finances— and so ensure our state's economy remains stable and sustains our high quality of life for years to come.

Add your voice

Insist your elected officials take action to stabilize Alaska's economy.

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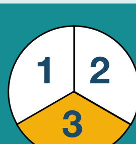
Like "Alaska's Economy"

This is part three of a three-part educational series focused on Alaska's economy and its current fiscal situation. Gunnar Knapp, director and professor of economics at the University of Alaska Anchorage's Institute of Social and Economic Research, provided the analysis. First National Bank Alaska brought you this message and paid for the production and printing of the brochure.



Fixing Alaska's Finances:

New State Revenue from Non-Oil Sources

Third in a three-part series

> **"…if the state used all these potential new non-oil taxes, together they might generate about $1.4 billion a year – leaving a $2.2 billion fiscal gap."**

Some potential new non-oil state revenues

It's clear that Alaska needs to broaden its revenue sources, so we are less vulnerable as oil prices swing and oil production continues to decline. The Alaska Department of Revenue has estimated potential annual revenues from a number of non-oil sources. But even combined, they wouldn't be nearly enough to close the budget deficit.

How did the Department of Revenue make the estimates?

DOR's estimates assume a personal income tax of about 15 percent of federal income taxes and a 3 percent sales tax. A payroll tax to help pay for schools assumes a maximum of $500 per employee. The tax on health-care providers is 6 percent, and the tax on business receipts less than 1 percent. For fisheries, DOR assumed higher gross value taxes and for mining higher net income taxes. Income from a lottery is based on figures from other states.

New non-oil taxes alone can't close the gap

Even if the state used all these potential new non-oil taxes, together they might generate about $1.4 billion a year—leaving a $2.2 billion fiscal gap. We would still need to use other options: cutting government spending and using Permanent Fund earnings.

What about additional oil revenues?

The governor has proposed a number of changes in oil taxes and credits. How much revenue such changes might generate, and their other effects, are complex to calculate and depend on a number of factors. Raising oil taxes could bring the state more revenue—but it could also risk discouraging new investment.