



Sectional Analysis
Senate Bill 227 – Tax Compact; Sales Tax; Oil & Gas Tax
Version A

Section 1: adds a requirement for vehicle owners to pay a new sales tax under AS 43.44.010, established in Section 21 of this bill, during registration.

Section 2: amends AS 29.10.200(56) regarding limitations on home rule powers to apply to all sales and use taxes provisions of AS 29.45.650.

Section 3: amends AS 29.10.200(57) regarding limitations on home rule powers to apply to all provisions regarding a borough's power to levy sales and use taxes in AS 29.45.700.

Section 4: amends AS 29.10.200 regarding limitations on home rule powers to add new provisions for specific taxes on property and services under AS 29.45.655, addressed in Section 8 of the bill.

Section 5: amends AS 29.35.110(a) for expenditures of borough revenues received to add language for taxes levied and remove language for taxes collected by boroughs.

Section 6: amends AS 29.35.170 to remove sales and use taxes from the types of taxes a borough shall assess and collect.

Section 7: replaces AS 29.45.650 with language stating that boroughs may levy local sales and use taxes collected and administered by the state.

Section 8: adds AS 29.45.655 to permit municipalities to levy and collect certain specific sales or excise taxes on single categories of personal property or services, including bed taxes, car rental taxes, alcoholic beverages taxes, taxes on tobacco, electronic smoking, and other nicotine products, motor fuel taxes, fish taxes, and taxes on marijuana and marijuana products.

Section 9: amends AS 29.45.660(a) to add an option of publishing public notices in an online public notice system for boroughs levying local sales and use taxes.

Section 10: replaces AS 29.45.700 with a new provision that cities may levy local sales and use taxes in the same manner and with the same limitations as boroughs under AS 29.45.650 and AS 29.45.660.

Section 11: amends AS 29.45.810(a) to remove the reference to municipal sales tax collections in exemptions from municipal taxes levied by a municipality under state law for certain qualified projects under AS 43.82, the Stranded Gas Development Act.

Section 12: removes the statement that the state does not have a state-wide sales tax from the employment preference provisions of AS 36.10.005.

Section 13: amends AS 43.05.230(c) to allow the Department of Revenue to permit an authorized municipal officer to inspect or view sales tax returns for that municipality.

Section 14: amends AS 43.05.499(11) to expand the definition of “taxpayer” to include a person required to collect a tax.

Section 15: amends AS 43.19.010 to update Alaska’s adoption of the Multistate Tax Compact modernize the corporate income tax sales factor sourcing rules to market-based sourcing from cost of performance. The amendment replaces the term “business income” with “apportionable income,” defined as all income apportionable under the U.S. Constitution and not allocated under Alaska law, and replaces “nonbusiness income” with “non-apportionable income.” It excludes from the definition of “sales” gross receipts from hedging transactions and from the disposition of cash or securities, updates sourcing rules to use market-based sourcing for services and highly digitized businesses, and authorizes the Department of Revenue to adopt regulations to prevent tax avoidance and ensure proper administration.

Section 16: repeals and reenact AS 43.20.011(e) to reduce the corporate income tax rate to zero (effective January 1, 2031 under Section 36(3)).

Sections 17-20: make conforming changes to update language from “business” income to “apportionable” income.

Section 21: Adds a new chapter (AS 43.44) to establish a statewide sales and use tax on retail sales of personal property and services to purchasers in Alaska. The tax applies to in-state purchases, remote sales, and certain out-of-state purchases that would be taxable if made in Alaska. The rate is 4% from April through September and 2% from October through March.

The Department of Revenue will administer the tax, collect local sales and use taxes on behalf of municipalities, and remit proceeds to those municipalities. The chapter provides for seller and remote seller permits, exemption certificates, monthly returns, and penalties for misuse.

Exemptions include government purchases, food assistance transactions, wages, financial instruments, health care services, insurance premiums, certain real property transactions, and rental or lease of real property for 30 consecutive days or more.

The bill authorizes participation in multistate tax compliance initiatives such as the Streamlined Sales and Use Tax Agreement, requires electronic registration and filing, and allows the Department to adopt regulations for administration and enforcement.

Section 22: sets the sales tax rate to 0% (effective January 1, 2034, in Section 36(4)).

Section 23: amends AS 43.55.011(f) to increase the minimum production tax on oil produced on or after January 1, 2022, from leases or properties that include land on the North Slope. The minimum tax rate becomes six percent of the gross value at the point of production when the average annual price per barrel of Alaska North Slope crude oil sold on the U.S. West Coast exceeds \$25, replacing the current four percent minimum rate.

Section 24: repeals the amendment in AS 43.55.011(f) of Section 23 and returns the rate to four percent (effective on the earlier of January 1, 2032, or January 1 of the calendar year following the first calendar year in which the average daily throughput of the Trans-Alaska Pipeline System exceeds 650,000 barrels per day).

Section 25: amends AS 43.55.020(a)(7) to add a six percent rate for oil produced on or after January 1, 2027.

Section 26-30: makes conforming changes to include the new surcharge levied by AS 43.55.320 under Section 31 to the surcharges listed under various existing statutes.

Section 31: adds AS 43.55.320 establishing an infrastructure maintenance surcharge of \$0.15 per barrel on oil produced from each lease or property; and adds AS 43.55.325 creating the Pipeline Corridor Maintenance Fund (in the general fund; appropriations may be used for maintenance and operation costs along the pipeline corridor; not a dedicated fund).

Section 32: conforming language added to AS 43.55.900(24) to expand the definition of “surcharge” to include the new surcharge levied by AS 43.55.320 under Section 31.

Section 33: repeals AS 29.05.210(b)(1) for providing transitional assistance to newly incorporated boroughs or unified municipalities for establishing an initial sales and use tax assessment and collection department.

Section 34: requires the newly enacted sales tax apply to purchases made on or after the effective date of Section 21 (12 months after enactment under Section 37, contingent on the enactment of legislation identified in Section 35).

Section 35: makes enactment of this bill conditional upon the passage of a version of (1) HB 275 or similar bill, (2) a version of HB 274 or similar bill, and (3) a version of HJR 30 or similar resolution.

Section 36: establishes effective dates for specific provisions of the Act, contingent on the passage of the legislation identified in Section 35. The effective dates are as follows:

1. Sections 26–32 (infrastructure maintenance surcharge and related provisions) take effect July 1, 2026.
2. Sections 15, 17–20, 23, and 25 (Multistate Tax Compact revisions, apportionment changes, and oil and gas production tax adjustments) take effect January 1, 2027.
3. Section 16 (reduction of the corporate income tax rate to zero) takes effect January 1, 2031.
4. Section 22 (setting the statewide sales and use tax rate to zero percent) takes effect January 1, 2034.
5. Section 24 (reverting the North Slope minimum tax rate from six percent to four percent) takes effect on the earlier of January 1, 2032, or January 1 of the calendar year following the first calendar year in which the average daily throughput of the Trans-Alaska Pipeline System exceeds 650,000 barrels per day.

Section 37: provides the general effective date for all provisions of the Act not otherwise specified in Section 36. If the contingency in Section 35 is satisfied, these provisions take effect 12 months after the date of enactment of the Act.