

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### Purpose

This document provides information about the fiscal and economic impacts of the sales and use tax and corporate income tax provisions of House Bill (HB) 284 in response to a request from the House Finance Committee on February 12, 2026.

### Summary

HB 284, introduced by Governor Dunleavy as part of a comprehensive fiscal plan, proposes a temporary statewide seasonal sales and use tax and updates to the corporate income tax (CIT) structure.

This analysis provides select information about the fiscal and economic impacts of the sales and use tax and corporate income tax provisions of HB 284, as requested by the House Finance Committee.

Key findings include:

- Analysis by the Institute of Social and Economic Research (ISER) suggests that Alaskans would bear approximately 73% of the sales and use tax burden.
- The seasonal rate structure is specifically designed to shift additional burden toward non-resident workers and visitors who are most present during the summer high-rate period.
- For most resident households, a Permanent Fund Dividend (PFD) of approximately \$1,400 per person would exceed the estimated annual tax burden from the sales and use tax. Impacts would vary by household size, income level, and geography.
- Non-PFD-eligible Alaskans and non-residents would bear the tax without the offsetting benefit of a PFD.
- The sales and use tax is proposed as temporary, meaning that the impacts could be reduced when the tax is reduced or eliminated.
- A shift to market-based sourcing would be largely neutral for in-state firms while increasing Alaska CIT exposure for large out-of-state corporations — primarily in e-commerce and technology — by an estimated \$15 million annually.
- The elimination of the CIT in 2031 would benefit all corporations and is projected to have positive long-run effects on employment and business growth in the state.
- Overall, HB 284 is projected to generate \$105 million in Fiscal Year (FY) 2027, growing to \$922 million in FY 2028, before declining to \$389 million in FY 2032 as the CIT is phased out.

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### House Finance Committee Questions

The following questions were asked of the Department of Revenue during the House Finance Committee hearing of HB 284 on February 12, 2026.

### Impacts on PFD-Eligible and Non-PFD-Eligible Alaskans by Region

#### **What are the projected impacts of HB 284 on Permanent Fund Dividend–eligible Alaska residents, including potential variation across geographic regions?**

The Institute of Social and Economic Research (ISER) prepared an incidence analysis, which finds that Alaskans would bear approximately 73% of the tax burden for the sales and use tax.<sup>1</sup> The seasonal structure would shift 2–5 percentage points of burden away from residents as compared to a consistent rate year-round.<sup>2</sup> Under ISER’s modeled household burden estimates, a PFD of approximately \$1,400 per person would exceed estimated annual sales and use tax liabilities for most resident households across income groups, though impacts vary by household size and consumption patterns.

#### **What are the projected impacts of HB 284 on non–PFD-eligible individuals, including non-resident workers, visitors, and other affected groups?**

Non-PFD-eligible Alaskans are Alaska residents who do not qualify for a PFD. These individuals would pay the temporary sales and use tax but would receive no direct benefit from the improved PFD distributions to offset the tax burden.

Non-resident workers and visitors would be subject to the sales tax but would receive no benefit from a PFD. Because approximately 94% of visitor-days occur during the high-rate summer season, the seasonal rate structure is estimated to shift an additional five percentage points of the tax burden onto non-residents relative to a flat-rate alternative — a 70/30 resident-to-nonresident split compared to 75/25 under a flat rate.

Analysis prepared regarding economic impacts to Alaskans generally has not distinguished between PFD recipients and non-recipients. Qualitatively, obviously, a sales tax in combination with a larger PFD would be relatively more burdensome on non-PFD recipients.

Additionally, ISER’s distributional analysis finds that the narrow sales and use tax would cost the poorest 10% of households approximately 0.4–1.0% of disposable income per \$100 million raised, versus 0.2–0.3% for the wealthiest 10%.<sup>3</sup> The PFD substantially offsets this burden: at \$1,400 per person, a four-person household would

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<sup>1</sup>Watson et al., 'Economic Impacts of Alaska Fiscal Options 2026,' ISER/UAA, 2026, p. 19 (resident/non-resident incidence split).

<sup>2</sup>ISER, *ibid.*, p. 74-75

<sup>3</sup>ISER, *ibid.*, p. 42

## House Bill 284

# Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

receive roughly \$5,600 annually — exceeding estimated household sales and use tax liabilities at most income levels.

ISER did not quantify regional variation within Alaska. Qualitatively, the temporary seasonal sales tax would have the biggest impact in higher cost rural areas of the state. On the other hand, a 50/50 PFD included in the Governor’s fiscal plan would also have a significant impact in rural areas of the state, so the overall impacts by regions are not entirely clear and would vary by community and across income levels.

### Impacts on In-State Corporations

#### **How would the corporate income tax structure changes proposed in HB 284 affect in-state corporations?**

Market-based sourcing would be largely neutral for firms serving Alaska customers. In theory, some in-state corporations may benefit if they serve primarily out-of-state customers. Reducing the CIT rate to zero in 2031 would benefit all companies including Alaska corporations, and that would be the primary long-run impact: a 1% reduction in CIT is associated with a 0.7% increase in employees per firm and a 1.2% increase in the number of businesses operating in the state.<sup>4</sup>

Under market-based sourcing (effective 2027), Alaska-based firms serving in-state customers would continue to source those sales to Alaska — unchanged from current practice. For Alaska-based firms selling services to out-of-state customers, market-based sourcing would be favorable: those sales would be excluded from the Alaska sales-factor numerator, reducing apportioned taxable income.

Alaska’s current CIT rates include a top marginal rate of 9.4%. HB 284 sets the rate to zero percent starting January 1, 2031. Academic research cited by ISER finds that a 1% reduction in CIT correlates with a 0.7% increase in employees per firm and a 1.2% increase in the number of businesses operating in the state, with effects stabilizing over 5–7 years. ISER’s REMI model shows that a \$100 million broad CIT increase reduces employment by approximately 603 jobs in 2030, with recovery to about 420 jobs by 2040, because ISER implemented a symmetrical methodology in its study, the opposite effect can be assumed for elimination of the CIT.<sup>5</sup>

### Impacts on Out-of-State Corporations

#### **How would HB 284 affect out-of-state corporations conducting business in Alaska?**

Market-based sourcing would allocate some additional sales to Alaska and would increase state revenue by an estimated \$15 million per year. The increased tax burden would be borne primarily by large out-of-state

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<sup>4</sup>ISER, *ibid.*, p. 106

<sup>5</sup>ISER, *ibid.*, p. 49

## House Bill 284

### Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

corporations selling goods and services into the state through e-commerce and technology services. It is highly unlikely that this shift to market based sourcing would impact taxpayer behavior for those companies. Then, reducing the CIT rate to zero in 2031 would benefit all companies including these out-of-state corporations.

Remote sellers with Alaska-delivered revenue exceeding \$100,000 would need to collect and remit the sales tax. These companies already collect and remit municipal sales tax, as well as sales taxes in other states. HB 284 proposes a centralized state administration of sales tax, so once implemented, it could reduce the administrative burden for companies slightly. Under current cost-of-performance sourcing, out-of-state service companies serving Alaska customers source those sales to the state where the work is performed, keeping them outside Alaska’s CIT base.

Both in-state and out-of-state corporations would pay zero Alaska CIT beginning January 1, 2031. Out-of-state firms that faced increased CIT exposure from market-based sourcing in 2027–2030 would see that liability eliminated.

#### Overall Revenue Projection for the Package

**What is the projected overall revenue impact of the full HB 284 package across major revenue sources?**

Estimated revenue impacts are included in the Department’s fiscal note and are included below.

Estimated Impact of Omnibus Tax Bill, based on the Fall 2025 Forecast (\$millions)						
Provision	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Sales Tax	\$0	\$735	\$755	\$775	\$795	\$815
Non-Oil and Gas Corporate Income Tax Elimination	\$0	\$0	\$0	\$0	-\$145	-\$295
Oil and Gas Corporate Income Tax Elimination	\$0	\$0	\$0	\$0	-\$115	-\$245
Implement Market-Based Sourcing on Corporate Income Tax	\$8	\$15	\$16	\$16	\$8	\$0
Raise Production Tax Floor to 6% and back down to 4%	\$73	\$147	\$146	\$156	\$171	\$84
<b>Total UGF Impact</b>	<b>\$80</b>	<b>\$898</b>	<b>\$916</b>	<b>\$947</b>	<b>\$714</b>	<b>\$359</b>
Infrastructure Surcharge of \$0.15	\$25	\$25	\$24	\$25	\$27	\$30
<b>Total Fiscal Impact</b>	<b>\$105</b>	<b>\$922</b>	<b>\$940</b>	<b>\$972</b>	<b>\$741</b>	<b>\$389</b>

Per the DOR Fiscal Note dated January 28, 2026, HB 284 would generate \$105 million in FY 2027 and \$922 million in FY 2028, the first full year of implementation. This would decrease to \$389 million in FY 2032 with the elimination of the corporate income tax.

Importantly, HB 284 is only one portion of the Governor’s comprehensive fiscal plan proposal. Other key elements include reforming and guaranteeing the dividend, restraining government spending, encouraging resource development including the gas pipeline, and regular review of state agency operations.

The Governor’s fiscal plan included a temporary sales and use tax as well as temporary increases to oil and gas taxes as part of a comprehensive plan that was roughly in balance over the long-term under one scenario.

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### Areas for Future Analysis / Research

ISER's analysis identifies several areas where the current modeling has limitations. The incidence estimates rely on calibrated rather than observed data for the resident/non-resident split, and do not account for behavioral responses such as shifts to online purchasing, labor supply changes, or migration. Geographic variation in tax burden — driven by differences in pre-existing local sales taxes, regional income distribution, and local costs — was also not assessed, nor was the combined burden on households in jurisdictions with both a state and local sales tax.

# House Bill 284

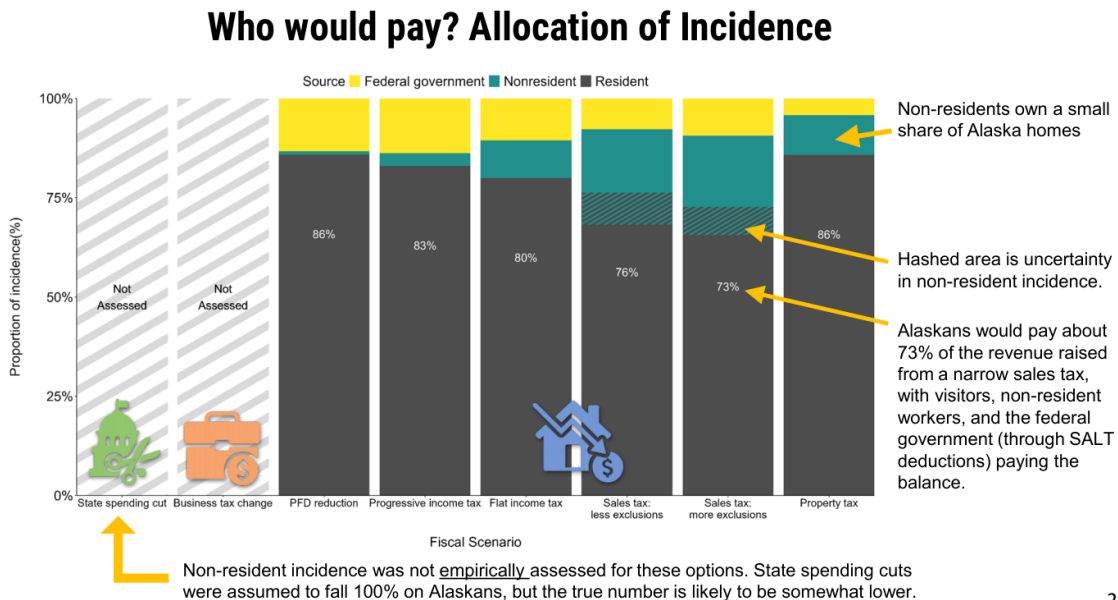
## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### Appendix: Key Data & Findings from the ISER Report

The following figures, charts, and data are drawn directly from the Institute of Social and Economic Research (ISER) report "Economic Impacts of Alaska Fiscal Options 2026" (Watson et al., UAA). All analysis is sourced from ISER and should not be taken as an endorsement of any particular policy.

#### 1. Who Would Pay? Allocation of Tax Incidence

ISER modeled who ultimately bears the cost of each fiscal option — Alaska residents, non-resident workers, visitors, or the federal government. The narrow sales and use tax (more exclusions) has the lowest resident share at 73%, meaning over a quarter of revenue comes from outside Alaska. State spending cuts, by contrast, fall almost entirely on Alaska residents.



20

Figure 3: Proportion of tax incidence by source across fiscal options. Source: ISER (2026), p. 20/45.

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### 2. Distributional Effects: Who Pays More — The “Poor” or the “Rich”?

Different fiscal options have dramatically different effects on lower vs. higher income Alaskans. The PFD reduction is the most regressive, costing the poorest 10% of households roughly 2.8% of their disposable income per \$100 million raised. Sales and use taxes fall in the middle.

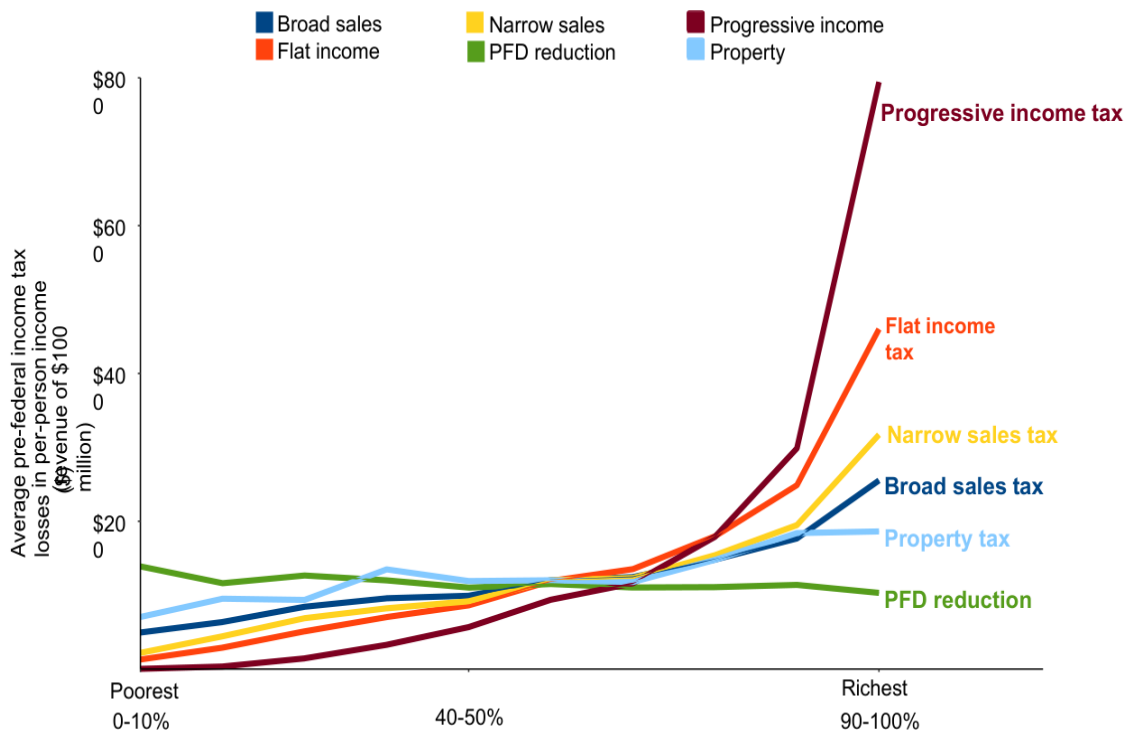


Figure 4: Average per capita income loss by income decile, per \$100M in deficit reduction. Source: ISER (2026), p. 18/42.

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### 3. The Seasonal Sales and Use Tax Shifts Burden Away from Alaskans

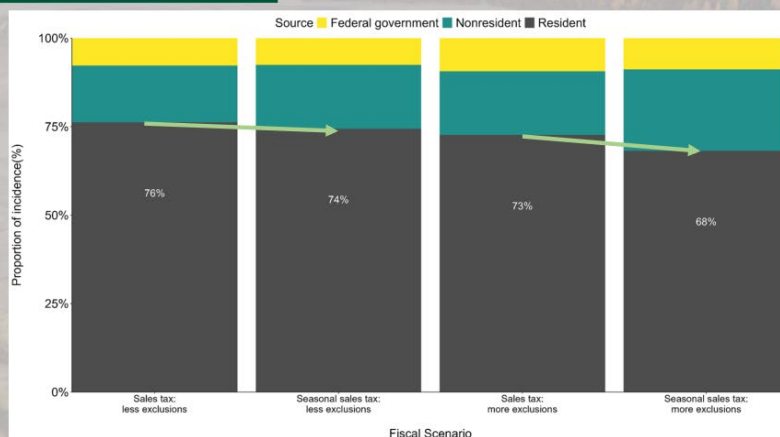
HB 284's seasonal structure (4% April–September; 2% October–March) is specifically designed to shift sales and use tax incidence toward visitors and non-resident workers who are most present in the summer. ISER found that for every dollar raised, a seasonal sales and use tax reduces the impact on Alaska families by 2–5 percentage points compared to a flat-rate sales and use tax.

## Seasonal Sales Tax: Results

Given these assumptions, seasonal sales tax shifts tax burden away from AK residents

The size of the shift depends on assumptions.

For each dollar raised, a seasonal sales tax would reduce impact on AK families's disposable income by 2-5 percentage points



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Figure 5: Seasonal sales and use tax shifts incidence away from AK residents vs. flat-rate alternatives. Source: ISER (2026), p. 75.

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### 4. Long-Run Dynamic Economic Impacts (REMI Model)

ISER's dynamic (REMI) modeling projects impacts through 2050. State workforce cuts and broad spending cuts cause the largest and most persistent job and income losses. Sales and use taxes and property taxes are less economically damaging in the long run. Notably, coupling a property tax increase with a capital spending increase (offsetting policy) was the only scenario to generate net positive employment in the near term.

### Dynamic Modeling Results

Policy	Year:	Employment		Income (2025 \$Ms)		Total Output (2025 \$Ms)	
		2027	2050	2027	2050	2027	2050
Workforce cut		-1560	-1534	-125	-212	-320	-375
Investment cut		-669	-208	-53	-29	-155	-55
Broad spending cut		-1280	-1028	-108	-170	-264	-245
PFD cut		-890	-334	-156	-105	-171	-78
Broad sales tax		-533	-319	-89	-78	-112	-101
Narrow sales tax		-551	-330	-89	-78	-112	-104
Income tax		-870	-401	-154	-120	-172	-97
Property Tax		-323	-81	-63	-37	-83	-66
Oil production tax		-18	-40	-2	-7	-12	-41
Broad corporate tax		-399	-295	-61	-60	-90	-106
Corporate tax by labor share		-550	-382	-82	-79	-116	-118
Property Tax + Broad Corp. Tax Cut		76	215	-2	23	7	40

88

Figure 7: Long-run dynamic modeling results (REMI) — employment, income, and output impacts per \$100M, 2027 and 2050. Source: ISER (2026), p. 88.

# House Bill 284

## Sales and Use Tax & Corporate Income Tax: Fiscal and Economic Impacts

### 5. PFD Split — The Employment vs. Income Tradeoff

Increasing the share of Permanent Fund earnings distributed as PFDs (at the expense of state spending) generally reduces total employment but increases personal income. The trade-off depends heavily on how spending is allocated between capital and operating budgets. If more is cut from capital (which has lower multiplier effects), income gains are smaller.

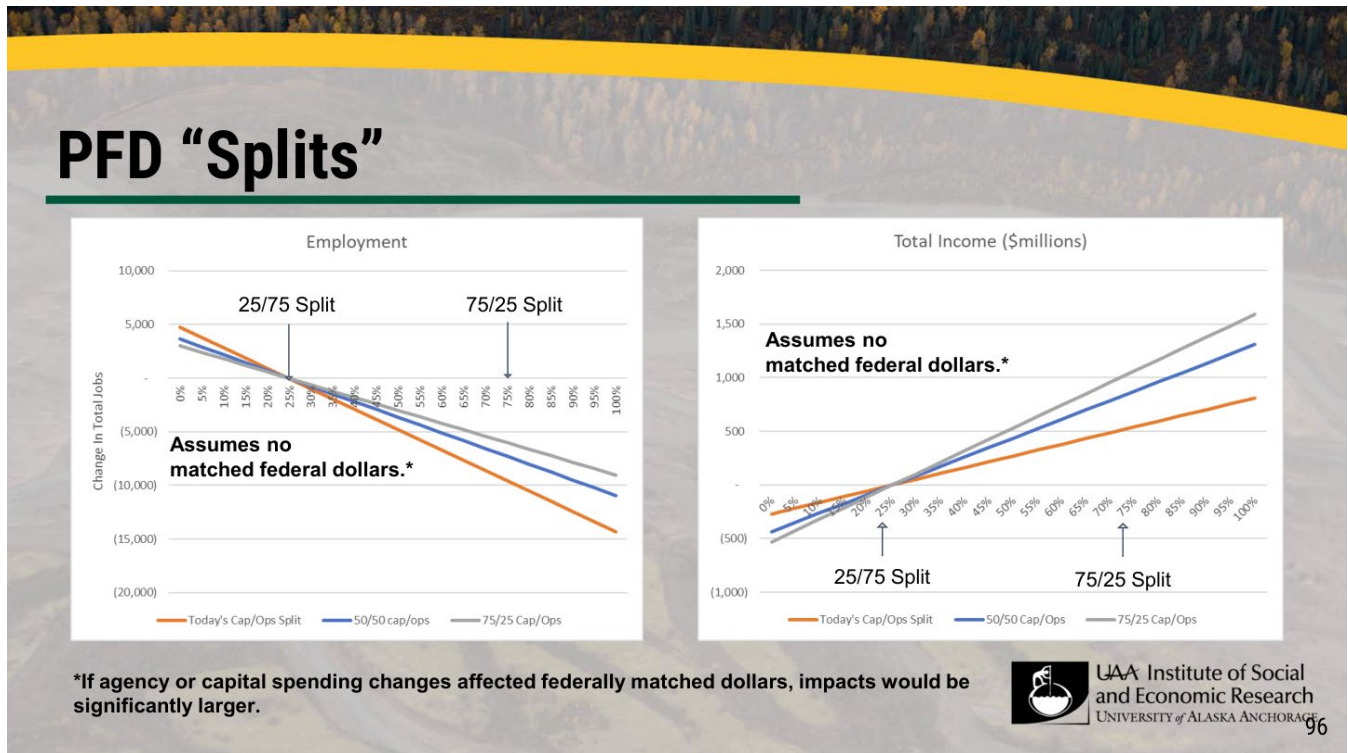


Figure 8: Employment and income effects of varying the PFD split from 0% to 100% of POMV draw. Source: ISER (2026), p. 96.