

# ALASKA STATE LEGISLATURE



## REPRESENTATIVE ZACK FIELDS

Fairview • South Addition • Forest Park • Downtown • North Star

### **Sponsor Statement: HB 350 ver. A;**

“An Act establishing an income tax on certain entities in the state”

Federal law allows many large businesses to operate as pass-through entities, paying income tax only at the owner level. In Alaska, since the repeal of the individual income tax in 1980, this has created a gap where C-corporations pay income tax while very large non-C-corporation businesses with comparable profits often pay none. House Bill 350 updates Alaska’s income tax code so that the very largest pass-through businesses operating here contribute to the cost of the state services and infrastructure that make their profits possible.

Under HB 350, “qualified entities” — including sole proprietorships, partnerships, limited liability companies, and S-corporation-type entities — with more than \$25 million in taxable income in a tax year will pay a 9.4 percent tax on their taxable income above \$25 million. Taxable income is calculated using Alaska’s existing C-corporation rules, and the bill prevents use of federal tax credits and deductions to zero out this new state liability, while preserving the treatment allowed for C-corporations.

The bill does not change the tax on C-corporations under AS 43.20.011 and exempts entities that are already part of a unitary business taxed under that section. It directs the Department of Revenue to aggregate income across related entities and to include unitary-business income when determining whether the \$25 million threshold is met, so large groups cannot avoid the tax by splitting income among affiliates. HB 350 also allows deductions for certain payments to owners who themselves pay Alaska income tax, to avoid double taxation of the same income.

HB 350 closes this gap for only the very largest entities, while leaving small and mid-sized businesses untouched by setting the threshold at \$25 million in annual taxable income. This targeted reform improves the fairness and sustainability of Alaska’s revenue structure without broad-based tax increases on households or small businesses.

HB 350 applies to tax years beginning on or after January 1, 2026, is retroactive to that date, and includes transition provisions so affected taxpayers can pay balances by January 1, 2027 without retroactivity-related penalties or interest. By focusing only on very large entities and leaving small and mid-sized businesses untouched, HB 350 improves fairness and sustainability in Alaska’s revenue system without imposing new broad-based taxes on households or small businesses.