

From: [Bernard Aoto](#)
To: [Helen Phillips](#)
Subject: FW: Follow-up to Hearing on HB280
Date: Monday, March 16, 2026 11:18:01 AM

From: Scott Mackey <mackey@leoninepublicaffairs.com>
Sent: Thursday, March 12, 2026 9:56 AM
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Representative Stapp:

I testified in the House Finance Committee on March 10th on behalf of the wireless industry in support of an amendment to HB280. I appreciated the opportunity to answer your questions about the amendment during the committee hearing.

I wanted to follow up with additional information on the question you asked about why a large majority of the states that use "market-based sourcing" do not provide cost of performance (COP) rules for telecommunications providers.

I believe the reason why the overwhelming majority of those states do not provide COP rules for telecommunications providers is because they use single sales factor sourcing. In states with single sales factor sourcing, if the state retained COP for telecommunications providers, the result would be that those providers would pay no income tax in the state on their sales of services and intangibles. This is because both their property and payroll factors would be zero and their sales factor would potentially be zero as well if the predominant portion of their income-producing activity is performed outside the state based on cost of performance. By my count, 27 states with single sales factor use market based sourcing for telecommunications companies.

In the case of Alaska, since HB280 would continue the three factor formula for telecommunications providers, providers would still pay significant income taxes to Alaska under cost of performance because, as I mentioned in my testimony, they have significant network investments in Alaska (property factor) and employ a significant number of Alaska residents (payroll factor). The use of the three-factor apportionment formula, coupled with cost of performance, ensures that telecommunications providers continue to pay a share of income to Alaska that reflects the business activity in the state.

Thanks again for your questions. I hope this additional information is helpful as you and the committee consider HB280.

Respectfully submitted,

Scott Mackey
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