

ALASKA STATE LEGISLATURE

RESOURCES COMMITTEE

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SENATE BILL 227

Tax Compact; Sales Tax; Oil & Gas Tax

EXPLANATION OF CHANGES (Ver. A to I to G)

Version I:

- Eliminated the sales tax.
- Removed conditional effect language.
- Removed the provision that set the corporate income tax rate to zero percent in 2031.
- Removed the effective dates that would have established varying effective dates for different tax programs.
- Removed the effective dates that would have reverted specific tax regimes implemented by the bill to match existing state policy (effectively sunseting newly enacted tax policy).
- Sections 2 and 12: Replaced market-based sourcing provisions of Version A with current Senate Bill 113, which would modernize Alaska's corporate income tax law by adopting market-based sourcing for calculating the portion of a taxpayer's sales that are subject to Alaska's corporate income tax and adopts a single sales factor for calculating the taxable income of high digitized businesses.
- Section 3: Added current Senate Bill 92, which would require certain oil and gas S-Corporations and Limited Liability Companies to pay corporate income tax; but amended with brackets for taxable income levels and tax rates beginning at \$1M net income.
- Section 13: Added an Education Head Tax, bracketed based on yearly income, intended to be used to fund public education and deferred maintenance of education buildings and existing infrastructure.
- Section 14: Maintains the 6 percent minimum production tax in Version A.
- Section 15: Added a provision ensuring that the 6 percent minimum production tax operates as a hard floor, while adding that credits may not reduce tax liability below that minimum and removed the sunset clause.

- Sections 17-25: Added the per-barrel credit reduction of current Senate Bill 112, which would reduce the sliding scale per-barrel credit from a maximum of \$8 to \$5 per barrel.
- Sections 27-28: Kept the 15-cent per barrel infrastructure maintenance surcharge from Version A on oil transported through TAPS, and removed the sunset.
- Added an effective date of January 1, 2027, except for the S-corp tax under Section 3, which goes into effect retroactively January 1, 2026.

Version G:

- Section 14: Adjusted the Education Head Tax by the following amounts:
 - less than \$30,000, the tax is \$20 a year;
 - \$30,000 or more, but less than \$90,000, the tax is \$30 a year;
 - \$90,000 or more, but less than \$150,000, the tax is \$40 a year;
 - \$150,000 or more, the tax is \$60 a year.
- Sections 15-37: Added a gross tax of 17.5% for oil production and maintaining the current 13% for gas production.
- Eliminates the 6% raised floor from Version I for production tax on North Slope (eliminated by gross tax scheme) and conforming amendments related to the gross production tax, repealing many statutes related to the existing tax calculation and credits and deductions.
- Eliminates the raised sliding scale per-barrel credits from Version I due to conforming changes by gross tax scheme.