

ALASKA STATE LEGISLATURE

RESOURCES COMMITTEE

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SB 227 Version G

Tax Compact; Sales Tax; Oil & Gas Tax

Sponsor Statement

Alaska faces a significant fiscal challenge in the years ahead. The state currently relies on a narrow and increasingly unstable revenue structure to fund essential public services. Nearly 60 percent of Alaska's unrestricted general fund revenue now comes from earnings of the Permanent Fund through the percent-of-market-value draw, while only about 30 percent comes from oil and gas revenues. Unlike most states, Alaska does not have a statewide income or sales tax to help support the services Alaskans expect from their government. At the same time, oil tax revenues are projected to decline in the coming years even as production increases, due to the growing use of deductions and credits tied to capital expenditures and the development of new fields. Without action, the gap between the services Alaskans expect and the revenue available to fund those services will continue to widen.

SB 227 is a comprehensive effort to modernize Alaska's tax structure and broaden the state's revenue base.

- The bill updates Alaska's corporate income tax system by adopting market-based sourcing and a single sales factor for highly digitized businesses.
- It requires certain oil and gas S-corporations and limited liability companies earning more than \$1 million in income to pay corporate income tax through a progressive, bracketed structure.
- The bill establishes a modest education head tax on wages and self-employment income to provide a broad-based contribution toward public education, which would also capture the approximately 25 percent of Alaska's workforce that consists of nonresident workers. This ensures that individuals who earn income in Alaska contribute to the public services that support the state's workforce and economy.
- It also reforms Alaska's oil and gas production tax system by transitioning to a gross production tax structure similar to those used in other resource-producing states, replacing the current system of deductions and per-barrel credits.
- Finally, the bill would implement a 15-cent per-barrel infrastructure maintenance surcharge on oil transported through the Trans Alaska Pipeline System to support maintenance and operations along the pipeline corridor.

Together, these reforms help stabilize state revenues while ensuring that the responsibility for funding public services is shared more broadly across Alaska's economy. The revenue generated under SB 227 will help support critical state priorities, including maintaining and improving roads and other infrastructure, sustaining Medicaid and food assistance programs that serve vulnerable Alaskans, and addressing the ongoing public education funding and school maintenance challenges facing communities across the state. By modernizing outdated tax policies and broadening the revenue base, SB 227 helps place Alaska on a more sustainable fiscal path while continuing to support responsible resource development and long-term economic growth.