

CS FOR SENATE BILL NO. 227(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act imposing an education tax on net earnings from self-employment and wages;**
2 **relating to the administration and enforcement of the education tax; and providing for**
3 **an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE INTENT. It is the intent of the legislature that the revenue from the
8 education head tax levied under AS 43.45.011, added by sec. 2 of this Act, be appropriated
9 each year by the legislature to the public education fund under AS 14.17.300.

10 * **Sec. 2.** AS 43.45 is amended by adding new sections to read:

Chapter 45. Education Tax.

12 **Sec. 43.45.011. Tax imposed.** (a) A tax is imposed on wages and on net
13 earnings from self-employment of every

14 (1) resident individual; and

1 (2) nonresident and part-year resident individual with income from a
2 source in the state.

3 (b) For an individual whose wages, net earnings from self-employment, or
4 combined wages and net earnings from self-employment are

5 (1) less than \$30,000, the tax is \$20 a year;

6 (2) \$30,000 or more, but less than \$90,000, the tax is \$30 a year;

7 (3) \$90,000 or more, but less than \$150,000, the tax is \$40 a year;

8 (4) \$150,000 or more, the tax is \$60 a year.

9 (c) For purposes of (b) of this section, the wages and the net earnings from
10 self-employment of a

11 (1) resident are the total annual wages and the net earnings from self-
12 employment of the resident;

13 (2) nonresident or part-year resident are the annual wages and the net
14 earnings from self-employment of the nonresident or part-year resident that are
15 attributable to a source in the state.

16 **Sec. 43.45.021. Collection of tax by employer.** (a) An employer shall deduct
17 and withhold one-half of the estimated taxes due under AS 43.45.011 from an
18 employee's wages subject to withholding under 26 U.S.C. 3401 - 3406 from each of
19 the third and fourth regular payrolls of the calendar year. If the employee's third and
20 fourth payrolls are insufficient to cover the estimated tax due, the employer shall
21 continue to deduct and withhold from subsequent payrolls until the tax due under this
22 chapter is fully withheld. The employer shall withhold any outstanding amount of tax
23 due under AS 43.45.011 from the final regular payroll of the calendar year.

24 (b) An employer is liable for the tax required to be withheld from an employee
25 unless the employer can demonstrate that the employer relied on proof provided by the
26 employee that the total tax for the calendar year imposed under AS 43.45.011 had
27 already been withheld under this section or paid under AS 43.45.031. A deduction of
28 the tax may not be made from the wages of an individual who provides proof to the
29 employer that the entire tax imposed under AS 43.45.011 on that individual for the
30 calendar year has already been withheld or paid under AS 43.45.031. The department
31 may impose a civil penalty on an employer in an amount up to five times the amount

1 of tax due from employees but not remitted to the department. The penalty shall be
2 imposed in the manner provided by AS 43.05.245.

3 (c) Tax withheld by an employer becomes due and shall be paid by an
4 employer to the department in accordance with regulations adopted by the department.

5 (d) An employer shall maintain a record of the amount deducted from the
6 wages of each employee and shall furnish an annual statement of the deductions to
7 each employee and to the department in accordance with regulations adopted by the
8 department.

9 (e) The department shall, if it will result in cost savings for the state in the
10 administration of the tax, for employers in the administration of the tax, or for both,
11 coordinate collection and reporting of the tax imposed in this chapter with the
12 collection and reporting of employment security contributions by the Department of
13 Labor and Workforce Development, including permitting the Department of Labor
14 and Workforce Development to collect the tax payments and remit them to the
15 department.

16 **Sec. 43.45.031. Payment of tax by self-employed individual.** A self-
17 employed individual shall remit to the department the tax due under AS 43.45.011 in
18 accordance with regulations adopted by the department until the entire tax has been
19 paid.

20 **Sec. 43.45.041. Refund of overpayments.** (a) If an individual pays to the
21 department, directly or through withholding by an employer, an amount exceeding the
22 total tax imposed under this chapter during a calendar year and the individual applies
23 for a refund in accordance with regulations adopted by the department, the department
24 shall refund the overpayment to the individual.

25 (b) Interest on an overpayment may not be allowed under AS 43.05.280 if the
26 department refunds the overpayment within 90 days after the date the individual
27 correctly files the refund claim.

28 (c) The Department of Revenue may adopt regulations to coordinate refunds
29 of overpayments under this section with refunds of employment security contributions
30 under AS 23.20.165.

31 (d) An individual may apply for a refund under this section only during the

1 calendar year immediately following the calendar year in which the excess was paid.

2 **Sec. 43.45.051. Report of payments to self-employed individuals.** A person
3 required to report a payment to a self-employed individual to the federal government
4 under 26 U.S.C. shall also report that payment to the department in accordance with
5 regulations adopted by the department.

6 **Sec. 43.45.061. Accounting of tax proceeds.** The tax and penalties collected
7 by the department under this chapter shall be deposited into the general fund and
8 accounted for separately.

9 **Sec. 43.45.099. Definitions.** In this chapter,

10 (1) "employee" has the meaning given in 26 U.S.C. 3401, as that
11 section read on January 1, 2026;

12 (2) "employer" has the meaning given in 26 U.S.C. 3401, as that
13 section read on January 1, 2026;

14 (3) "net earnings from self-employment" has the meaning given in 26
15 U.S.C. 1402, as that section read on January 1, 2026;

16 (4) "wages" has the meaning given in 26 U.S.C. 3401, as that section
17 read on January 1, 2026.

18 * **Sec. 3.** This Act takes effect January 1, 2027.