

**SB 227 ver. G**  
**S-Corporation Tax, Education**  
**Tax, 15¢ Surcharge**

Offered by the Senate Resources Committee

3/18/2026

# Education Head Tax

## Basic Implementation

- Flat tax taken out of employees' third and fourth paychecks of the year
- Tax rate changes with income brackets
- \$5 flat education head tax enacted in 1919– adjusted for inflation, would be \$99 today

Income Level	Tax
<\$30,000	\$20
\$30,000 - \$90,000	\$30
\$90,000 - \$150,000	\$40
>\$150,000	\$60

# Education Head Tax

## Why levy?

- Alaska schools in dire need of stable, increased funding—this bill contains intent language to direct this revenue to schools
- Gives residents more direct skin in the game of education funding
- Captures revenue from non-resident workers, reducing uncompensated strain on state services

# Education Head Tax

## Approximate new revenue

- Back-of-the-envelope estimate of new revenue: \$11.4 million/year
- Dependent on income distribution assumptions, uses previous modeling on older proposed versions of this tax
- Intended as a starting point for discussion

Upper Bound	Tax Rate	
30k	\$	20.00
90k	\$	30.00
150k	\$	40.00
>150k	\$	60.00
Pop. Weighted Average Tax:	\$	39.80
Total Revenue:	\$ 11,445,861.35	

# S Corporation Tax

## What are S-Corps?

- Taxes: S-corps are taxed through owners; C-corps are taxed through Corporate Income Tax (CIT) and owners (via dividends)
- Ownership: S-corps have limits on shareholder count and stock types; C-corps have few restrictions.
- Key Point: S-corp tax liability “passes through” to owners’ personal income tax. Alaska has none.

# S Corporation Tax

## Why tax oil & gas S-Corps?

- Levels playing field between C-corp and S-corp oil & gas producers
- Closes loophole created by the 1980 repeal of Alaska's personal income tax
- Help stabilize state revenue from highly profitable businesses

# S Corporation Tax

## Expected Revenue Impact

- Dept. of Revenue Fiscal note for original concept in SB 92 projected >\$100 million in annual revenue
- Difference between SB 92 and Corp. income provision of SB 227: SB 227 expands taxable floor down to \$1 million net profit from \$5 million
- Result: tax revenue should be slightly higher than previously calculated

# S Corporation Tax

**Equal Protection Concern #1:** taxing oil & gas pass-through entities while not taxing pass-through entities of other industries

## Why it's not a concern:

- Disparate tax treatment is scrutinized by the rational basis test: is it rationally related to a legitimate state interest?
- Alaska Supreme Court: “The rational basis standard is particularly easy to meet in the area of taxation.”
- The legislature has a constitutional mandate to obtain *maximum benefit* from finite natural resources
- Current tax law is already disparate between incorporation structure—this only shifts disparity to differences in product

# S Corporation Tax

**Equal Protection Concern #2:** Allowing \$1 million “automatic deduction” on taxable income & establishing different tax brackets than oil & gas C-corps, resulting in generally lower S-corp taxes at lower income levels

## Why it’s not a concern:

- Rational interest remains strong: allow lower taxes for “fledgling” pass-through entities as a mechanism for creating stronger mature companies
- As shown by chart, tax liability grows nearly equivalent as taxable income rises

Hypothetical Taxable Income (\$)	Existing CIT (\$)	Amd N.1 SB 227 Tax (\$)
1,000,000	83,962	0
2,000,000	177,962	50,000
3,000,000	271,962	110,000
4,000,000	365,962	180,000
5,000,000	459,962	250,000
6,000,000	553,962	354,000
10,000,000	929,962	730,000
25,000,000	2,339,962	2,140,000
50,000,000	4,689,962	4,490,000

# 15¢/barrel Surcharge

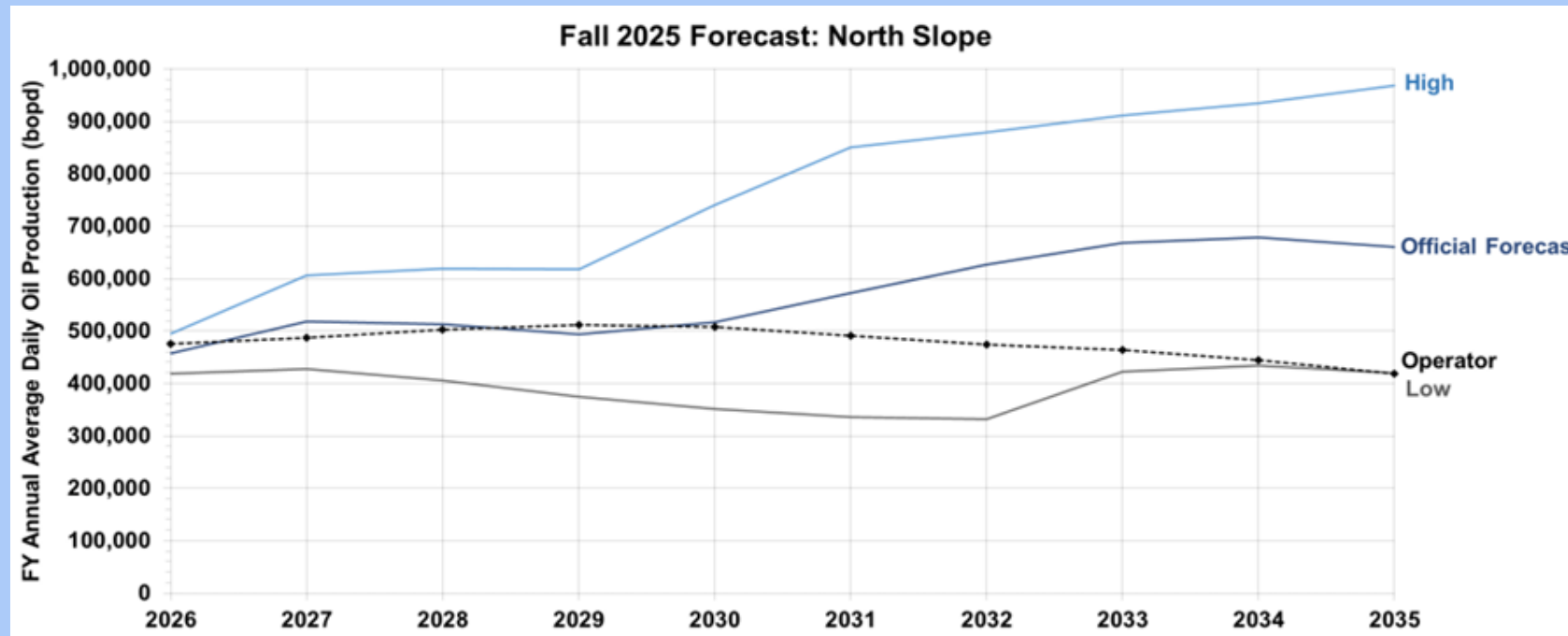
## Overview

- A 15-cent surcharge will be levied on each barrel of oil produced in the state
- Retained from the Governor's original tax proposal
- SB 227 has intent language directing these revenues to be used for maintenance of the pipeline corridor, namely the Dalton Highway and associated infrastructure
- DOT&PF has expressed the need for increased maintenance funding for the Dalton Highway, especially in the face of a potential massive gasline construction project

# 15¢/barrel Surcharge

## Revenue Estimate

- Fall 2025 DNR production forecast for FY 27: ~520,000 barrels/day
- $520,000 * 365 \text{ days} * 15\text{¢} = \$28,470,000$
- Revenue will increase as new fields (Pikka, Willow) reach peak production in the coming years





Thank you