



# ALASKA STATE LEGISLATURE HOUSE RULES COMMITTEE

## Sectional House Bill 280

(34-LS1349\G)

### Corporate Income Tax Modernization

**Section 1** (Page 1, Line 5 – Page 2, Line 5) Amends Alaska's codification of the Multistate Tax Compact. In accordance with Manual of Legislative Drafting, the entire compact is displayed in the bill although most portions are not being amended.

- **Articles I-III** (Page 2, Line 6 – Page 4, Line 15) contains no amendments

#### **Article IV** Division of Income (Page 4, Line 16 – Page 10, Line 20)

- **Section 1** amends definitions:
  - Subsection (a) (Page 4, Line 19 – Page 5, Line 1) provides a definition of "apportionable income" which replaces the current definition of "business income."
  - Subsection (e) (Page 5, Lines 10-11) replaces the existing term "nonbusiness income" with "nonapportionable income."
  - Subsection (g) (Page 5, Lines 18-22) clarifies the definition of "sales."
    - **Subpart 4** (Page 6, Line 14) contains a conforming amendment replacing the word "nonbusiness" with "nonapportionable".
    - **Subpart 9** (Page 7-Line 25) contains a conforming amendment replacing the word "business" with "apportionable."
    - **Subpart 17** (Page 9, Line 2 – Page 10, Line 10) is amended to adopt market-based sourcing for calculating taxpayers' sales.
      - (a) (Page 9, Lines 2-29) reads that sales are considered to be in the state if the taxpayer's market for sales is in the state.
        - Paragraph 1 (Page 9, Lines 5-6) reads that the market for transactions relating to real property is in the state if the property is in the state.
        - Paragraph 2 (Page 9, Lines 7-8) reads that the market for transactions relating to tangible personal property is in the state if the property is in the state.
        - Paragraph 3 (Page 9, Lines 9-10) reads that the market for the sales of service is in the state if the service is delivered to a location in the state.
        - Paragraph 4 (Page 9, Lines 11-29) provides for how the market for sales is

determined for intangible property.

- Subparagraph (i) provides that the market for rented, leased, or licensed intangible property sales are in the state if it is purchased by a consumer in the state.
- subparagraph (ii) reads that when intangible property is sold, the market is considered to be in the state if the property is used in the state.
- (b) (Page 9, Lines 30-31) provides that if the state of assignment for a sale cannot be determined, it shall be reasonably approximated.
- (c) (Page 10, Lines 1-4) reads that when a taxpayer is not taxable in a state to which sales would be assigned by this section, that they shall be excluded from the denominator of the sales factor.
- (d) (Page 10, Lines 5-10) authorizes the Department of Revenue, as Alaska's tax administrator, to adopt regulations to implement this section.

**Articles V-XI** (Page 10, Line 21 – Page 20, Line 15) contain no amendments.

**Article XII** (Page 20, Line 16 – Page 22, Line 1)

- **Section 2.** AS 43.20 (Page 20, Line 28 – Page 22, Line 3)
  - **Sec. 43.20.147. Broadcasters** (Page 20, Line 29 – Page 21, Line 12)
    - Subsection (a) (Page 20, Line 28 – 31) Provides that all business income of a taxpayer that is a broadcaster shall be apportioned in accordance with the Multistate Tax Compact except as modified by this section.
    - Subsection (b) (Page 21, Lines 1-7) Provides that in calculating the sales factor in the state for a broadcaster is when the domicile of the broadcast customer is in the state, in the state, the domicile of a commercial broadcast customer is the principle place where the trade or business customer is directed or managed, and the domicile of a noncommercial broadcast customer is the address listed in the records of the broadcaster.
    - Subsection (c) (Page 21, Line 8 – 12) is the definitions section for AS 43.20.147.
      - ✓ “broadcaster” means a taxpayer that is a television broadcast network, a cable program network, or a platform distribution company.
      - ✓ “income from the sale of advertising” means income resulting from the sale of advertising content in the film programming of the broadcaster.
  - **Sec. 43.20.148 Financial institutions** (Page 21, Lines 13 -18)
    - Subsection (a) the Department of Revenue shall adopt regulations to define “financial institutions” and allocate and apportion income in accordance with, the formula for the Apportionment and Allocation of Net Income of Financial Institutions, as adopted by the Multistate Tax Compact Commission.
  - **Sec. 43.20.149 Telecommunications service providers** (Page 21, Line 19 – Page 22, Line 1)

- Subsection (a) (Page 21, Lines 19-22) Provides that Telecommunication companies shall be apportioned in accordance with the Multistate Tax Compact as modified in this section.
  - Subsection (b) (Page 21, Lines 23-26) defines calculation the sales factor for a telecommunication provider, other than the sales of tangible personal property, are in the state if:
    - The income-producing activity is performed in the state; or
    - When the income-producing activity is both in and outside the state a greater portion is performed in this state based on costs of performance.
    - Subsection (c) provides that a “telecommunications service provider” includes a mobile telecommunication service provider
- **Section 3 Applicability** (Page 22, Lines 4-5) This act applies to taxpayers filing a return for the tax year of 2027.
- **Section 4 Effective Date** (Page 22, Line 6) Effective date of January 1, 2027.