

ALASKA STATE LEGISLATURE



REPRESENTATIVE ZACK FIELDS

Fairview • South Addition • Forest Park • Downtown • North Star

4/13/2026

Explanation of Changes: HB 350 Version A to Version G

- Section 6:** New language. Require qualified entities to file an informational return for the 2026 tax year with no tax due. Returns are due by March 16, 2027.
- Section 7:** Previous Section 6, renumbered. Previous Sections 7, 8, and 9 are deleted.
- Section 8:** Previous Section 10, renumbered.

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3/2/2026

Sectional Analysis: HB 350 ver. G; Qualified Entity Income Tax

Section 1: Amends AS 43.20 by adding new section 43.20.019

- (a) Would tax entities making over \$25,000,000 of taxable income at 9.4% on taxable income over \$25,000,000.
- (b) (1) (2) Provides who this tax would apply to and how taxable income is calculated as if the entity were a C corporation.
- (c) Provides exemptions to the tax for corporations already taxed under AS 43.20.011 and entities in a unitary business with such corporations.
- (d) Provides aggregation language for determining taxable income of multiple entities and includes unitary business income.
- (e) Provides definitions under this section for "qualified entity" including sole proprietorships, partnerships, LLCs, and S-corporations.

Section 2: Changes "Corporation" to "Taxpayer" and expands filing requirements to partnerships with a taxpayer as partner.

Section 3: Changes "Corporation" to "Taxpayer" and adds "or entities" to apply combined method of accounting to unitary groups.

Section 4: Adds a new subsection (j) for qualification and calculation of income deductions for payments to owners of qualified entities.

Section 5: Repeals AS 43.05.085, AS 43.20.012(b), and 43.20.013.

Section 6: Amends uncodified law to add a new section requiring qualified entities to file an informational return for the tax year 2026. There is no tax due for 2026. The return is due by March 16, 2027.

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Section 7: Amends uncodified law to add a new section regarding applicability of this tax. The tax applies to a qualified entity with taxable income over \$25,000,000 for tax years beginning on or after January 1, 2027.

Section 8: Sets an immediate effective date.

HOUSE BILL NO. 350

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE FIELDS

Introduced: 2/23/26

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing an income tax on certain entities in the state; and providing for an**
2 **effective date."**

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

4 *** Section 1.** AS 43.20 is amended by adding a new section to read:

5 **Sec. 43.20.019. Tax on income attributable to a qualified entity.** (a) If a
6 qualified entity has taxable income over \$25,000,000 in a tax year, the qualified entity
7 shall pay a tax of 9.4 percent on the taxable income over \$25,000,000.

8 (b) For purposes of calculating taxable income under this section,

9 (1) taxable income of a qualified entity is determined under
10 AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by
11 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1,
12 2026;

13 (2) notwithstanding AS 43.20.021 and AS 43.20.036, the taxpayer may
14 not apply as a credit or deduction against tax liability a credit or deduction allowed as

1 to federal taxes under 26 U.S.C. (Internal Revenue Code), except that the taxpayer
 2 may take a credit or deduction allowed for a C corporation under (1) of this
 3 subsection.

4 (c) The tax under this section does not apply to a corporation subject to tax
 5 under AS 43.20.011 or to an entity that is part of a unitary business with a corporation
 6 subject to tax under AS 43.20.011.

7 (d) For the purpose of determining the tax due under this section, the
 8 department shall

9 (1) aggregate the taxable income of two or more entities if the
 10 department determines that, without the provisions of this section, the taxable income
 11 would reasonably be expected to be attributed to a single entity; and

12 (2) except as provided in (c) of this section, include in the calculation
 13 of taxable income of the qualified entity income that is attributable to an entity that is
 14 part of a unitary business with the qualified entity paying tax under this section.

15 (e) In this section, "qualified entity" means a

16 (1) sole proprietorship;

17 (2) partnership;

18 (3) limited liability company; or

19 (4) entity that has elected to file federal returns under 26 U.S.C. 1361 -
 20 1379 (Internal Revenue Code).

21 * **Sec. 2.** AS 43.20.030(a) is amended to read:

22 (a) If a **taxpayer** [CORPORATION], or a partnership that has a **taxpayer**
 23 [CORPORATION] as a partner, is required to make a return under the provisions of
 24 the Internal Revenue Code, **the taxpayer** [IT] shall file with the department, within 30
 25 days after the federal return is required to be filed, a return setting out

26 (1) the amount of tax due under this chapter, less credits claimed
 27 against the tax; and

28 (2) other information for the purpose of carrying out the provisions of
 29 this chapter that the department requires.

30 * **Sec. 3.** AS 43.20.031(i) is amended to read:

31 (i) A **taxpayer that** [CORPORATION WHICH] is a member of a group of

1 unitary corporations **or entities that** [WHICH] collectively has income from business
 2 activity taxable both inside and outside the state, or income from other sources both
 3 inside and outside the state, shall determine its income from sources in this state by
 4 use of the combined method of accounting.

5 * **Sec. 4.** AS 43.20.031 is amended by adding a new subsection to read:

6 (j) For purposes of calculating income under this chapter, a taxpayer may
 7 deduct from income a payment to the shareholder, owner, member, or partner of a
 8 qualified entity, as that term is defined in AS 43.20.019(e), if

9 (1) the shareholder, owner, member, or partner is a taxpayer under this
 10 chapter;

11 (2) the payment does not include a transfer of property; and

12 (3) the payment is included in the shareholder's, owner's, member's, or
 13 partner's income for the purposes of this chapter.

14 * **Sec. 5.** AS 43.05.085; AS 43.20.012(b), and 43.20.013 are repealed.

15 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
 16 read:

17 APPLICABILITY. This Act applies to a qualified entity with taxable income over
 18 \$25,000,000 for a tax year beginning on or after January 1, 2026. In this section, "qualified
 19 entity" has the meaning given in AS 43.20.019(e).

20 * **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
 21 read:

22 TRANSITION: PAYMENT OF TAX. A person subject to tax before the effective
 23 date of this Act under AS 43.20.019, added by sec. 1 of this Act, shall pay the balance of the
 24 tax due for a tax year ending before January 1, 2027, by January 1, 2027. Until January 1,
 25 2027, the Department of Revenue shall waive interest that would otherwise accrue under
 26 AS 43.05.225 and civil and criminal penalties accruing under AS 43.05.220, 43.05.245, and
 27 43.05.290 that are a result of the retroactivity of this Act.

28 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
 29 read:

30 RETROACTIVITY OF REGULATIONS. Notwithstanding a contrary provision of
 31 AS 44.62.240, if the Department of Revenue expressly designates in the regulation that the

1 regulation applies retroactively to a specific date, a regulation adopted by the department to
2 implement, interpret, make specific, or otherwise carry out this Act applies retroactively to
3 that date.

4 * **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 **RETROACTIVITY.** This Act is retroactive to January 1, 2026.

7 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: HB 350
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB350-DOR-TAX-3-6-26
Title: QUALIFIED ENTITY INCOME TAX
Sponsor: FIELDS
Requester: (H) Labor & Commerce

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2027 | Included in | Out-Year Cost Estimates | | | | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | Appropriation Requested | Governor's FY2027 Request | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
| OPERATING EXPENDITURES | FY 2027 | FY 2027 | | | | | | |
| Personal Services | 155.9 | | 155.9 | 155.9 | 155.9 | 155.9 | 155.9 | 155.9 |
| Travel | 6.0 | | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Services | 13.9 | | 13.9 | 13.9 | 13.9 | 13.9 | 13.9 | 13.9 |
| Commodities | 4.0 | | | | | | 4.0 | |
| Capital Outlay | | | | | | | | |
| Grants & Benefits | | | | | | | | |
| Miscellaneous | | | | | | | | |
| Total Operating | 179.8 | 0.0 | 175.8 | 175.8 | 175.8 | 175.8 | 179.8 | 175.8 |

Fund Source (Operating Only)

| | | | | | | | |
|---------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1004 Gen Fund (UGF) | 179.8 | | 175.8 | 175.8 | 175.8 | 179.8 | 175.8 |
| Total | 179.8 | 0.0 | 175.8 | 175.8 | 175.8 | 179.8 | 175.8 |

Positions

| | | | | | | | |
|-----------|-----|--|-----|-----|-----|-----|-----|
| Full-time | 1.0 | | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

Change in Revenues

| | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None | *** | | *** | *** | *** | *** | *** |
| Total | *** | 0.0 | *** | *** | *** | *** | *** |

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) cost: 500.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **01/01/26**

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

| | |
|--|----------------------------------|
| Prepared By: <u>Brandon Spanos, Acting Director</u> | Phone: <u>(907)269-6736</u> |
| Division: <u>Tax Division</u> | Date: <u>03/06/2026 01:00 PM</u> |
| Approved By: <u>Janelle Earls, Acting Commissioner</u> | Date: <u>03/06/26</u> |
| Agency: <u>Department of Revenue</u> | |

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2026 LEGISLATIVE SESSION

BILL NO. HB 350

Analysis

Background

Under current law, only C-Corporations doing business in the state are subject to corporate income tax under AS 43.20. This bill proposes taxing all pass-through entities including sole proprietorships, partnerships, limited liability companies, and S-corporations with taxable income over \$25,000,000 at a 9.4 percent tax rate on all taxable income over \$25,000,000.

The bill provides authority for the Department of Revenue, Tax Division ("Department") to adopt regulations and establishes a retroactive effective date of January 1, 2026.

Revenue Impact

The revenue impact of this legislation is highly uncertain, as the Department does not have detailed financial information for the companies that would be impacted. Furthermore, the revenue impact would likely be concentrated in a small number of companies as very few have taxable income over \$25,000,000. Alaska taxable income is derived from federal taxable income which includes allowable federal deductions, to which Alaska-specific additions and subtractions are applied. Then, if the company operates both inside and outside Alaska, the net income is apportioned to Alaska using the three-factor formula (property, payroll, and sales).

For oil and gas pass-through entities, the Department used a fairly simple approach given the uncertainty. First, under the fall 2025 revenue forecast, the share of oil and gas production estimated to be attributable to passthrough entities was calculated for each fiscal year. Second, the corporate income tax forecast was scaled up to assume that pass-through entities would pay corporate income tax at a similar rate as C-Corporations based on production. The total revenue impact from oil and gas pass-through entities is estimated to be between \$0 - \$100 million.

For non-petroleum pass-through entities, there is an even greater degree of uncertainty regarding the potential tax base. With the \$25 million threshold, the potential number of taxpayers is likely very small or even zero. The Department has previously analyzed Alaska pass-through entities using tax year 2022 Internal Revenue Service (IRS) data and assuming a lower taxable income threshold. That prior analysis generated an estimated \$10 million revenue impact within a range of uncertainty. Given the higher taxable income threshold under this bill, that \$10 million likely represents a maximum incremental contribution from non-petroleum entities.

The total revenue impact of the bill is expected to be in the \$0 - \$110 million range.

Implementation Cost

The Tax Division would need to add one position, a Corporate Income Tax Auditor 3, to administer the tax on new entities. Even though the expected taxpayer base is small, this change would create additional workload which could not be absorbed. Services costs are primarily internal core services paid to other state agencies for the additional employee, and there would also be ongoing costs for travel and training. There is also a one-time cost for issuing business supplies and equipment.

Additionally, this legislation would require the Department to make significant changes to its Tax Revenue Management System. The \$500,000 capital cost reflects an estimate for the Division's contract with FAST Enterprises to make the necessary changes in a short amount of time. The contractor would need to provide changes for the associated databases, forms, communications, and integration with the Division's existing imaging, accounting, and collections modules. There would also need to be changes to Revenue Online, the online program that allows taxpayers to file, pay, and request refunds electronically. The Department would also need to make significant amendments to existing regulations to fully implement the changes. The Department believes the work on regulations can be performed with existing resources and support from the Department of Law.