

CS FOR HOUSE BILL NO. 350(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVE FIELDS

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 INFORMATIONAL RETURN. Notwithstanding sec. 7 of this Act, a qualified entity
18 subject to tax under AS 43.20.019, added by sec. 1 of this Act, shall, on or before March 16,
19 2027, file a one-time informational tax return with the department for the tax year beginning
20 on or after January 1, 2026. The return shall set out all information required for a tax return
21 under AS 43.20, any related regulations, and any additional information directed by the
22 department as necessary to estimate tax revenue. No tax is due under an informational return
23 filed under this section for a tax year beginning before January 1, 2027. The penalty for
24 violating this section is the same as the penalty for filing a late return, or failing to file a
25 return, as applicable, for tax due under AS 43.20, including penalties applicable under
26 AS 43.05 and 43.10. In this section, "department" means the Department of Revenue.

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

29 APPLICABILITY. This Act applies to a qualified entity with taxable income over
30 \$25,000,000 for a tax year beginning on or after January 1, 2027. In this section, "qualified
31 entity" has the meaning given in AS 43.20.019(e).

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* **Sec. 8.** This Act takes effect immediately under AS 01.10.070(c).