




HB 113: Small Business Tax Exemption

HOUSE LABOR & COMMERCE COMMITTEE



HB 113

An Act Relating To A Tax Exemption for Qualified Small Businesses

In 2023, a small business tax exemption in AS 43.20.012 was allowed to expire.

The tax exemption applied only to qualified small businesses under IRS code and had under \$50m in assets.

In FY23, this amounted to approximately \$2.5m across 47 beneficiaries.

Who qualifies?

-The corporation must be engaged in an active business as described in 26 U.S.C.A §IRC 1202 (e);

-Corporate assets may not exceed \$50m of all affiliates (80% of which must be used in the active conduct of one or more trades or businesses.)

-Includes any business except: engineering, law, health, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services...(See *Supporting Document IRS Federal Tax Code 26 USC 1202 (eff'd 2012)*, page 5)

Alaska Corporate Net Income Tax: AS 43.20.011

If the taxable income is:	Then the tax is:
Less than \$25,000	zero
\$25,000 but less than \$49,000	2 percent of the taxable income over \$25,000
\$49,000 but less than \$74,000	\$480 plus 3 percent of the taxable income over \$49,000
\$74,000 but less than \$99,000	\$1,230 plus 4 percent of the taxable income over \$74,000
\$99,000 but less than \$124,000	\$2,230 plus 5 percent of the taxable income over \$99,000
\$148,000 but less than \$173,000	\$4,920 plus 7 percent of the taxable income over \$148,000
\$173,000 but less than \$198,000	\$6,670 plus 8 percent of the taxable income over \$173,000
\$198,000 but less than \$222,000	\$8,670 plus 9 percent of the taxable income over \$198,000
\$222,000 or more	\$10,830 plus 9.4 percent of the taxable income over \$222,000.

Other Requirements

- Qualification will be determined on the first day of the tax year for which the corporation claims it qualifies.
- Must be incorporated in or authorized to do business in Alaska.
- All corporations that are members of the same parent subsidiary-controlled group shall be treated as one corporation.

Breakout by type: DOR

Alaska Department of Revenue
Tax Division

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DRAFT CIT Small Business Exemption Analysis

Prepared February 12, 2025 by Economic Research Group

	Corporate Income Tax Small Business Exemption History						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Marijuana	\$ 106,168	\$ 594,889	\$ 968,228	\$ 1,747,584	\$ 2,288,907	\$ 1,787,848	\$ 1,693,244
Other Retail	\$ 104,518	\$ 113,503	\$ 213,070	\$ 280,466	\$ 436,256	\$ 498,446	\$ 609,671
Services	\$ 33,556	\$ 97,600	\$ 186,068	\$ 121,072	\$ 409,662	\$ 203,721	\$ 199,331
Other	\$ 10,831	\$ 362	\$ 6,379	\$ 1,110	\$ 6,981	\$ 33,124	\$ -
Revenue Impact	\$ 255,073	\$ 806,354	\$ 1,373,745	\$ 2,150,232	\$ 3,141,806	\$ 2,523,139	\$ 2,502,246
Number of Beneficiaries	21	34	32	43	55	49	47

Notes:

Numbers may not add exactly due to rounding.

The Department of Revenue is in the process of reviewing and updating Tax year 2023 returns. As a result, future analyses could have different results.

Ave. Revenue Impact (\$ Thousands)	
3-Year Average	\$ 2,722
5-Year Average	\$ 2,338



Thank you!

QUESTIONS?