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Nauman
5/1/25

CS FOR SENATE BILL NO. 92(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing an income tax on certain entities producing or transporting oil or**
2 **gas in the state; and providing for an 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 \$5,000,000 in a tax year, the qualified entity
7 shall pay a tax of 9.4 percent on the taxable income over \$5,000,000.

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 2025;

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

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

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

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

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

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

(e) In this section,

(1) "qualified entity" means a

(A) sole proprietorship;

(B) partnership;

(C) limited liability company; or

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

(2) "taxable income" means income from the production of oil or gas from a lease or property in the state or from the transportation of oil or gas by pipeline in the state.

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

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

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

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

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

(i) A taxpayer that [CORPORATION WHICH] is a member of a group of unitary corporations or entities that [WHICH] collectively has income from business activity taxable both inside and outside the state, or income from other sources both inside and outside the state, shall determine its income from sources in this state by use of the combined method of accounting.

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

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

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

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

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

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

APPLICABILITY. This Act applies to a qualified entity with taxable income over \$5,000,000 for a tax year beginning on or after January 1, 2025. In this section, "qualified entity" and "taxable income" have the meanings given in AS 43.20.019(e).

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

TRANSITION: PAYMENT OF TAX. A person subject to tax before the effective date of this Act under AS 43.20.019, added by sec. 1 of this Act, shall pay the balance of the tax due for a tax year ending before January 1, 2026, by January 1, 2026. Until January 1, 2026, the Department of Revenue shall waive interest that would otherwise accrue under AS 43.05.225 and civil and criminal penalties accruing under AS 43.05.220, 43.05.245, and 43.05.290 that are a result of the retroactivity of this Act.

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

1 read:

2 RETROACTIVITY OF REGULATIONS. Notwithstanding a contrary provision of
3 AS 44.62.240, if the Department of Revenue expressly designates in the regulation that the
4 regulation applies retroactively to a specific date, a regulation adopted by the department to
5 implement, interpret, make specific, or otherwise carry out this Act applies retroactively to
6 that date.

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

9 RETROACTIVITY. This Act is retroactive to January 1, 2025.

10 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).