Alaska State Legislature
House Rules Committee
Representative Louise Stutes, Chair

House Bill 280
34-LS1349\A
Corporate Income Tax Modernization Sectional Analysis

Section 1 (Page 1 Line, 5) amends Alaska's codification of the Multistate Tax Compact. In accordance with the 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) contain no amendments.

- Article IV (Page 4, Line 16 – Page 10, Line 20) amendments:
  - Section I 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."
  - Section 4 (Page 6, Line 14) contains a conforming amendment replacing the word "nonbusiness" with "nonapportionable."
  - Section 9 (Page 7-Line 25) contains a conforming amendment replacing the word "business" with "apportionable."
  - Section 17 (Page 9, Lines 2-31 – Page 10, Lines 1-10) is amended to adopt market-based sourcing for calculating taxpayers' sales.
    - Subsection (a) (Page 9, Lines 1-29) 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.
    - Subsection (b) (Page 9, Lines 30-31) provides that if the state of assignment for a sale cannot be determined, it shall be reasonably approximated.
    - Subsection (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.
    - Subsection (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.

Section 2 (Page 20-Line 29) is a conforming section, replacing the word "business" with "apportionable."

Section 3 (Page 21, Line 25) is a conforming section, replacing the word "business" with "apportionable."

Section 4 (Page 21, Line 30) is a conforming section, replacing the word "business" with "apportionable."

Section 5 (Page 22, Line 17) is a conforming section, replacing the word "business" with "apportionable."

Section 6 (Page 23, Line 8) is a conforming section referencing the provisions concerning highly digitized businesses in Section 7.

Section 7 (Page 23 – Page 24, Line 21) Adds a new section to Article 2, providing that a single sales factor shall be used for tax apportionment for highly digitized businesses.

- Subsection (a) (page 23, Lines 16-19) reads that tax apportionment for highly digitized businesses shall be done in accordance with Alaska's codification of the Multistate Tax Compact except as modified by this section to use a single sales factor.
- Subsection (b) (Page 23, Lines 20-22) reads that only the sales factor shall be used for apportionment for highly digitized businesses.
- Subsection (c) (Page 23, Lines 23-Page 24, Line 1) defines "highly digitized business."
- Subsection (d) (Page 24, Lines 2-4) allows the Department of Revenue to require a taxpayer to apportion their income in accordance with this section if the Department determines that they are a highly digitized business.
- Subsection (e) (Page 24, Lines 5-8) clarifies that this section does not apply to utilities.
- Subsection (f) (Page 24, Lines 9-21) provides definitions of "delivered," "electronic transmission," "intangible property," and "Internet sales."

Section 8 (Page 24, Lines 22-25) is a transition section providing that the single sales factor for highly digitized businesses only applies for tax years beginning January 1, 2026, or later.

Section 9 (Page 24, Lines 26-28) is a retroactivity clause.

Section 10 (Page 24, Line 29) provides an effective date of January 1, 2026.