



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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February 11, 2026

The Honorable Andy Josephson
House Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801

The Honorable Neal Foster
House Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 511
Juneau, AK 99801

The Honorable Calvin Schrage
House Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 410
Juneau, AK 99801

Dear Co-Chairs Josephson, Foster, and Schrage,

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue (DOR) during the House Bill 284 presentation to the House Finance Committee on February 5, 2026. Please see the questions in bold and italics and our responses immediately below the questions.

1. How will the use tax apply to cars purchased out of state? Would the tax be applied on the purchase date or the registration date?

Vehicles purchased out of state would be subject to the use tax in the same manner as vehicles purchased within the state. If a vehicle were purchased either out of state or from a private party, the owner would be required to pay the full amount of use tax at the time of registration. If the purchaser had paid sales tax on the vehicle in another state, the purchaser would be entitled to a credit for the amount of tax paid, up to the amount of Alaska's sales tax.

For vehicles purchased in state at a dealership, the sales tax would be collected by the dealer at the time of sale and remitted to the Tax Division by the dealership.

2. *Provide research on non-resident workers' incomes.*

The Research and Analysis section of the Alaska Department of Labor and Workforce Development prepares detailed information regarding non-resident workers and their impact on Alaska. This information is incorporated into many of our revenue models, including modeling and analysis of broad-based taxes. The most recent report, "2024 Nonresidents Working in Alaska," was published in February 2026 and can be found at <https://live.laborstats.alaska.gov/sites/default/files/2026-02/Alaska%20Worker%20Residency%202024.pdf>.

3. *How was the 1.82 percent average local tax calculated?*

The 1.82 percent average local rate we referenced in our presentation came from the Tax Foundation and included locations with a zero rate. However, the table uses the same approach for all the states in the table—allowing for an apples-to-apples comparison. Alaska is not unique in having a zero-tax rate in many local jurisdictions. The table also includes a column with the max local tax rate. We feel this table provides a useful tool for committee members to see how this proposed sales tax would compare to other states. Here is a link to the table: <https://taxfoundation.org/data/all/state/sales-tax-rates/>.

4. *What is the definition of internet access? Is the exemption only for individuals but a business like a cafe would be charged sales tax on providing internet to its customers?*

The bill does not define the term. The exemption would be narrowly construed and considered in light of the plain language. A court would likely look at the similar language and a purpose behind the exemption as discussed before the legislature (i.e., concerns about the Internet Tax Freedom Act). The Department would also likely draft a regulation to define the term or to give more guidance. As for the example, while not to be tax advice or binding the Department, the cafe would not include internet access in the sales tax calculation under the bill for customers and similarly an internet access service provider would not charge the cafe a sales tax under the bill under this example. Further, even without the specific internet access exemption, the cafe would likely qualify for an exemption from sales tax on its internet service as a business input under the draft bill, pursuant to AS 43.44.100(b)(15).

5. *Has the department modeled the impacts of the sales tax on households, especially on rural households?*

The department collaborated with the Institute of Social and Economic Research (ISER) to support and review their modeling of fiscal options for Alaska. Section 3.5.2 (Slides 70-76) of ISER's 2026 Alaska's Fiscal Options analysis examines the impacts of the seasonal sales tax on

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the average household. Additional internal modeling by the department has examined the impacts of fiscal options in detail and generally aligns with ISER's independent report findings.

Precise modeling at the community level is challenging due to data availability. In general, the impact of a sales tax on households differs based on both income and geography. Higher income households tend to pay more in absolute dollars, but this tax burden represents a smaller share of their income. Lower income households, by contrast, tend to pay less in absolute dollars, but this tax burden represents a larger share of their income. In general, urban communities face an overall lower cost of living and more remote rural communities face an overall higher cost of living.

Please let me know if I can be of further assistance.

Sincerely,



Janelle L. Earls

Acting Commissioner

cc: Jordan Shilling, Legislative Director, Office of the Governor
Lacey Sanders, Director, Office of Management and Budget