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Nauman  
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**CS FOR SENATE BILL NO. 227(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

**BY THE SENATE RESOURCES COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to taxes; relating to the Multistate Tax Compact; relating to**  
2 **apportionment of income to the state; establishing a state sales and use tax; relating to**  
3 **taxes levied by cities and boroughs; relating to the corporate income tax; authorizing the**  
4 **Department of Revenue to enter into the Streamlined Sales and Use Tax Agreement or a**  
5 **substantially similar agreement; relating to the oil and gas production tax; establishing**  
6 **an infrastructure maintenance surcharge on oil; establishing a pipeline corridor**  
7 **maintenance fund; relating to the administration of revenue laws; and providing for an**  
8 **effective date."**

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 **\* Section 1.** AS 28.10.021(a) is amended to read:

11 (a) The owner of a vehicle subject to registration shall apply for registration  
12 under this chapter by properly completing the form prescribed by the commissioner

1 under AS 28.05.041. Before the issuance of a certificate of registration by the  
2 department, the owner shall

3 (1) pay all registration fees and taxes required under this chapter,  
4 [AND] federal heavy vehicle use taxes required under 26 U.S.C. 4481 (Internal  
5 Revenue Code of 1954), **and the tax levied under AS 43.44.010**;

6 (2) unless the owner qualifies as a self-insurer under AS 28.20.400 or  
7 is exempted from obtaining liability insurance under AS 28.22.011, certify to the  
8 department the existence of a motor vehicle liability policy that complies with  
9 AS 28.22.011 for the vehicle being registered; in this paragraph, "certify" means to  
10 indicate by check-off on the vehicle registration form prescribed by the department the  
11 existence of a policy of insurance, if a policy is required at that time, and the intention  
12 to continue the policy or obtain a policy as required by this subsection; and

13 (3) comply with other applicable statutes and regulations.

14 \* **Sec. 2.** AS 29.10.200(56) is amended to read:

15 (56) **AS 29.45.650** [AS 29.45.650(c), (d), (e), (f), (i), (j), (k), AND (l)]  
16 (sales and use tax);

17 \* **Sec. 3.** AS 29.10.200(57) is amended to read:

18 (57) **AS 29.45.700** [AS 29.45.700(d), (e), (g), AND (h)] (sales and use  
19 tax);

20 \* **Sec. 4.** AS 29.10.200 is amended by adding a new paragraph to read:

21 (68) AS 29.45.655 (specific taxes on property and services).

22 \* **Sec. 5.** AS 29.35.110(a) is amended to read:

23 (a) Borough revenues received through taxes **levied** [COLLECTED] on an  
24 areawide basis by the borough may be expended on general administrative costs and  
25 on areawide functions only. Borough revenues received through taxes **levied**  
26 [COLLECTED] on a nonareawide basis may be expended on general administrative  
27 costs and functions that render service only to the area outside all cities in the  
28 borough.

29 \* **Sec. 6.** AS 29.35.170 is amended to read:

30 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
31 assess and collect property **and other** [, SALES, AND USE] taxes, **except a local**

1 sales or use tax under AS 29.45.650, that are levied in its boundaries, subject to  
2 AS 29.45.

3 (b) Taxes, other than a local sales or use tax under AS 29.45.650, levied by  
4 a city shall be collected by a borough and returned in full to the levying city. This  
5 subsection applies to home rule and general law municipalities.

6 \* **Sec. 7.** AS 29.45.650 is repealed and reenacted to read:

7 **Sec. 29.45.650. Local sales and use tax.** (a) Except as provided in  
8 AS 04.21.010(c) and AS 29.45.750, a borough may levy a local sales tax on the sale of  
9 personal property and on services provided in the borough.

10 (b) A borough levying a local sales tax may levy a use tax equal to the local  
11 sales tax on the storage, use, or consumption of personal property and on the use of  
12 services in the borough.

13 (c) A tax levied under this section shall be levied only on a purchaser.

14 (d) A tax levied under this section is subject to the exemptions and definitions  
15 provided in and sourcing rules and regulations adopted under AS 43.44, and the tax  
16 shall be administered and collected by the state as provided in AS 43.44.

17 (e) This section applies to home rule and general law municipalities.

18 \* **Sec. 8.** AS 29.45 is amended by adding a new section to read:

19 **Sec. 29.45.655. Specific taxes on property and services.** Unless otherwise  
20 prohibited by law, a municipality may levy and collect specific sales or excise taxes on  
21 a category of personal property or services, including

22 (1) a bed tax;

23 (2) a car rental tax;

24 (3) an alcoholic beverages tax;

25 (4) a tax on tobacco products, electronic smoking products, and  
26 nicotine products;

27 (5) a motor fuel tax;

28 (6) a fish tax; and

29 (7) a tax on marijuana and marijuana products.

30 \* **Sec. 9.** AS 29.45.660(a) is amended to read:

31 (a) If the borough levies [AND COLLECTS] only a **local** sales tax and use

1 tax, the assembly shall provide a notice substantially in the form set out in  
2 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
3 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
4 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

5 (1) by posting on a continuously available online public notice  
6 system or by publishing in a newspaper of general circulation in the borough a copy  
7 of the notice at least once each week for a period of three successive weeks, with  
8 publication to occur not later than 45 days after the final adoption of the borough's  
9 budget; or

10 (2) if a continuously available online public notice system is not  
11 available or there is no newspaper of general circulation in the borough, by posting a  
12 copy of the notice for at least 20 days in at least two public places in the borough, with  
13 posting to occur not later than 45 days after the final adoption of the borough's budget.

14 \* **Sec. 10.** AS 29.45.700 is repealed and reenacted to read:

15 **Sec. 29.45.700. Power of levy.** A city may levy a local sales and use tax in the  
16 manner and subject to the same limitations as provided for a borough under  
17 AS 29.45.650 and 29.45.660. This section applies to home rule and general law  
18 municipalities.

19 \* **Sec. 11.** AS 29.45.810(a) is amended to read:

20 (a) A party to a contract approved by the legislature as a result of submission  
21 of a proposed contract developed under AS 43.82 or as a result of acts by the  
22 legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
23 and activities associated with the approved qualified project that is subject to the  
24 contract, are exempt, as specified in the contract, from all taxes identified in the  
25 contract that would be levied [AND COLLECTED] by a municipality under state law  
26 as a consequence of the participation by the party in the approved qualified project.

27 \* **Sec. 12.** AS 36.10.005(a) is amended to read:

28 (a) The legislature finds that

29 (1) because of its unique climate and its distance from the contiguous  
30 states, the state has historically suffered from unique social, seasonal, geographic, and  
31 economic conditions that result in an unstable economy;

1 (2) the unstable economy is a hardship on the residents of the state and  
2 is aggravated by the large numbers of seasonal and transient nonresident workers;

3 (3) the rate of unemployment among residents of the state is one of the  
4 highest in the nation;

5 (4) the state has one of the highest ratios of nonresident to resident  
6 workers in the nation;

7 (5) the state has a compelling interest in reducing the level of  
8 unemployment among its residents;

9 (6) the construction industry in the state accounts for a substantial  
10 percentage of the available employment;

11 (7) construction workers receive a greater percentage of all  
12 unemployment benefits paid by the state than is typical of other states;

13 (8) historically, the rate of unemployment in the construction industry  
14 in the state is higher than the rate of unemployment in other industries in the state;

15 (9) it is appropriate for the state to consider the welfare of its residents  
16 when it funds construction activity;

17 (10) it is in the public interest for the state to allocate public funds for  
18 capital projects in order to reduce unemployment among its resident construction  
19 workers;

20 (11) the influx of nonresident construction workers contributes to or  
21 causes the high unemployment rate among resident construction workers because  
22 nonresident workers compete with residents for the limited number of available  
23 construction jobs;

24 (12) nonresident workers displace a substantial number of qualified,  
25 available, and unemployed Alaska workers on jobs on state funded public works  
26 projects;

27 (13) the state has a special interest in seeing that the benefits of state  
28 construction spending accrue to its residents;

29 (14) the natural resources of land owned by the state belong to the  
30 citizens of the state;

31 (15) Alaskans have chosen to use the majority of the royalties derived

1 from the state's natural resources to fund state government;

2 (16) the vast majority of the state's revenue is derived from natural  
3 resource income rather than from other forms of taxation;

4 (17) because the state has no personal income tax [OR SALES TAX],  
5 nonresident workers use services provided by the state but do not contribute fairly to  
6 the costs of those services; and

7 (18) Alaskans, more than the residents of other states, suffer  
8 economically when nonresidents displace qualified residents since resident workers  
9 contribute local taxes as well as their share of the royalties from natural resources.

10 \* **Sec. 13.** AS 43.05.230(c) is amended to read:

11 (c) The department may permit the proper officer of a municipality, the  
12 United States, [OR OF] a state, territory, or possession of the United States or of  
13 Canada, or [OF] a province or territory of Canada, or the officer's authorized  
14 representative, to inspect tax returns or reports filed with the department, or may  
15 furnish to the officer or representative a copy of the tax return, if the other jurisdiction  
16 grants substantially similar privileges to the department or its representative or to  
17 counsel for the state, and if the department determines that the other jurisdiction  
18 provides adequate safeguards for the confidentiality of the returns and reports, and that  
19 the returns and reports will be used for tax purposes only. The department may also  
20 permit the division responsible for employment and training services of the state  
21 Department of Labor and Workforce Development to inspect tax returns or reports  
22 filed with the department or may furnish a copy of the tax returns for tax purposes  
23 only.

24 \* **Sec. 14.** AS 43.05.499(11) is amended to read:

25 (11) "taxpayer" means a person required to pay or collect a tax,  
26 including a person required to pay a seafood marketing assessment under AS 16.51.

27 \* **Sec. 15.** AS 43.19.010 is amended to read:

28 **Sec. 43.19.010. Compact.** The Multistate Tax Compact is hereby enacted into  
29 law and entered into with all jurisdictions legally joining in it, in the form substantially  
30 as follows:

31 ARTICLE I.

PURPOSES.

The purposes of this compact are to:

- 1. Facilitate proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases and settlement of apportionment disputes.
- 2. Promote uniformity or compatibility in significant components of tax systems.
- 3. Facilitate taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration.
- 4. Avoid duplicative taxation.

ARTICLE II.

DEFINITIONS.

As used in this compact:

- 1. "State" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.
- 2. "Subdivision" means any governmental unit or special district of a state.
- 3. "Taxpayer" means any corporation, partnership, firm, association, governmental unit or agency or person acting as a business entity in more than one state.
- 4. "Income tax" means a tax imposed on or measured by net income including any tax imposed on or measured by an amount arrived at by deducting expenses from gross income, one or more forms of which expenses are not specifically and directly related to particular transactions.
- 5. "Capital stock tax" means a tax measured in any way by the capital of a corporation considered in its entirety.
- 6. "Gross receipts tax" means a tax, other than a sales tax, which is imposed on or measured by the gross volume of business, in terms of gross receipts or in other terms, and in the determination of which no deduction is allowed which would constitute the tax an income tax.
- 7. "Sales tax" means a tax imposed with respect to the transfer for a consideration of ownership, possession or custody of tangible personal property or the

1 rendering of services measured by the price of the tangible personal property  
 2 transferred or services rendered and which is required by state or local law to be  
 3 separately stated from the sales price by the seller, or which is customarily separately  
 4 stated from the sales price, but does not include a tax imposed exclusively on the sale  
 5 of a specifically identified commodity or article or class of commodities or articles.

6 8. "Use tax" means a nonrecurring tax, other than a sales tax, which (a) is  
 7 imposed on or with respect to the exercise or enjoyment of any right or power over  
 8 tangible personal property incident to the ownership, possession or custody of that  
 9 property or the leasing of that property from another including any consumption,  
 10 keeping, retention, or other use of tangible personal property and (b) is complementary  
 11 to a sales tax.

12 9. "Tax" means an income tax, capital stock tax, gross receipts tax, sales tax,  
 13 use tax, and any other tax which has a multistate impact, except that the provisions of  
 14 Articles III, IV and V of this compact shall apply only to the taxes specifically  
 15 designated therein and the provisions of Article IX of this compact shall apply only in  
 16 respect to determinations pursuant to Article IV.

17 ARTICLE III.

18 ELEMENTS OF INCOME TAX LAWS.

19 TAXPAYERS OPTION, STATE AND LOCAL TAXES.

20 1. Any taxpayer subject to an income tax whose income is subject to  
 21 apportionment and allocation for tax purposes pursuant to the laws of a party state or  
 22 pursuant to the laws of subdivisions in two or more party states may elect to apportion  
 23 and allocate the taxpayer's income in the manner provided by the laws of such state or  
 24 by the laws of such states and subdivisions without reference to this compact, or may  
 25 elect to apportion and allocate in accordance with Article IV. This election for any tax  
 26 year may be made in all party states or subdivisions thereof or in any one or more of  
 27 the party states or subdivisions thereof without reference to the election made in the  
 28 others. For the purposes of this paragraph, taxes imposed by subdivisions shall be  
 29 considered separately from state taxes and the apportionment and allocation also may  
 30 be applied to the entire tax base. In no instance wherein Article IV is employed for all  
 31 subdivisions of a state may the sum of all apportionments and allocations to

1 subdivisions within a state be greater than the apportionment and allocation that would  
 2 be assignable to that state if the apportionment or allocation were being made with  
 3 respect to a state income tax.

#### 4 TAXPAYER OPTION, SHORT FORM.

5 2. Each party state or any subdivision thereof which imposes an income tax  
 6 shall provide by law that any taxpayer required to file a return, whose only activities  
 7 within the taxing jurisdiction consist of sales and do not include owning or renting real  
 8 estate or tangible personal property, and whose dollar volume of gross sales made  
 9 during the tax year within the state or subdivision, as the case may be, is not in excess  
 10 of \$100,000 may elect to report and pay any tax due on the basis of a percentage of  
 11 such volume, and shall adopt rates which shall produce a tax which reasonably  
 12 approximates the tax otherwise due. The Multistate Tax Commission, not more than  
 13 once in five years, may adjust the \$100,000 figure in order to reflect such changes as  
 14 may occur in the real value of the dollar, and such adjusted figure, upon adoption by  
 15 the commission, shall replace the \$100,000 figure specifically provided herein. Each  
 16 party state and subdivision thereof may make the same election available to taxpayers  
 17 additional to those specified in this paragraph.

#### 18 COVERAGE.

19 3. Nothing in this Article relates to the reporting or payment of any tax other  
 20 than an income tax.

#### 21 ARTICLE IV.

#### 22 DIVISION OF INCOME.

23 1. As used in this Article, unless the context otherwise requires:

24 (a) **"Apportionable income" means:**

25 **(i) all income that is apportionable under the Constitution of the**  
 26 **United States and is not allocated under the laws of this state, including:**

27 **(A)** ["BUSINESS INCOME" MEANS] income arising from  
 28 transactions and activity in the regular course of the taxpayer's trade or  
 29 business; and

30 **(B)** [INCLUDES] income **arising** from tangible and intangible  
 31 property if the acquisition, management, **employment, development, or**

1 [AND] disposition of the property **is or was related to the operation**  
2 [CONSTITUTE INTEGRAL PARTS] of the taxpayer's [REGULAR] trade or  
3 business; **and**

4 **(ii) any income that would be allocable to this state under the**  
5 **Constitution of the United States, but that is apportioned rather than allocated**  
6 **pursuant to the laws of this state** [OPERATIONS].

7 (b) "Commercial domicile" means the principal place from which the trade or  
8 business of the taxpayer is directed or managed.

9 (c) "Compensation" means wages, salaries, commissions and any other form  
10 of remuneration paid to employees for personal services.

11 (d) "Financial organization" means any bank, trust company, savings bank,  
12 industrial bank, land bank, safe deposit company, private banker, savings and loan  
13 association, credit union, cooperative bank, small loan company, sales finance  
14 company, investment company, or any type of insurance company.

15 (e) "**Non-apportionable** [NONBUSINESS] income" means all income other  
16 than **apportionable** [BUSINESS] income.

17 (f) "Public utility" means any business entity (1) which owns or operates any  
18 plant, equipment, property, franchise, or license for the transmission of  
19 communications, transportation of goods or persons, except by pipe line, or the  
20 production, transmission, sale, delivery, or furnishing of electricity, water or steam;  
21 and (2) whose rates of charges for goods or services have been established or  
22 approved by a federal, state or local government or governmental agency.

23 (g) "sales" means all gross receipts of the taxpayer **that are** not allocated  
24 under paragraphs of this Article, **and that are received from transactions and**  
25 **activity in the regular course of the taxpayer's trade or business; except that sales**  
26 **of a taxpayer from hedging transactions and from the maturity, redemption,**  
27 **exchange, loan, or other disposition of cash or securities, shall be excluded.**

28 (h) "State" means any state of the United States, the District of Columbia, the  
29 Commonwealth of Puerto Rico, any territory or possession of the United States, and  
30 any foreign country or political subdivision thereof.

31 (i) "This state" means the state in which the relevant tax return is filed or, in

1 the case of application of this Article to the apportionment and allocation of income  
2 for local tax purposes, the subdivision or local taxing district in which the relevant tax  
3 return is filed.

4 2. Any taxpayer having income from business activity which is taxable both  
5 within and outside this state, other than activity as a financial organization or public  
6 utility or the rendering of purely personal services by an individual, shall allocate and  
7 apportion net income as provided in this Article. If a taxpayer has income from  
8 business activity as a public utility but derives the greater percentage of income from  
9 activities subject to this Article, the taxpayer may elect to allocate and apportion the  
10 taxpayer's entire net income as provided in this Article.

11 3. For purposes of allocation and apportionment of income under this Article, a  
12 taxpayer is taxable in another state if (1) in that state the taxpayer is subject to a net  
13 income tax, a franchise tax measured by net income, a franchise tax for the privilege  
14 of doing business, or a corporate stock tax, or (2) that state has jurisdiction to subject  
15 the taxpayer to a net income tax regardless of whether, in fact, the state does or does  
16 not.

17 4. Rents and royalties from real or tangible personal property, capital gains,  
18 interest, dividends or patent or copyright royalties, to the extent that they constitute  
19 **nonapportionable** [NONBUSINESS] income, shall be allocated as provided in  
20 paragraphs 5 through 8 of this Article.

21 5.(a) Net rents and royalties from real property located in this state are  
22 allocable to this state.

23 (b) Net rents and royalties from tangible personal property are allocable to this  
24 state: (1) if and to the extent that the property is utilized in this state, or (2) in their  
25 entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not  
26 organized under the laws of or taxable in the state in which the property is utilized.

27 (c) The extent of utilization of tangible personal property in a state is  
28 determined by multiplying the rents and royalties by a fraction, the numerator of  
29 which is the number of days of physical location of the property in the state during the  
30 rental or royalty period in the taxable year and the denominator of which is the number  
31 of days of physical location of the property everywhere during all rental or royalty

1 periods in the taxable year. If the physical location of the property during the rental or  
2 royalty period is unknown or unascertainable by the taxpayer, tangible personal  
3 property is utilized in the state in which the property was located at the time the rental  
4 or royalty payer obtained possession.

5 6.(a) Capital gains and losses from sales of real property located in this state  
6 are allocable to this state.

7 (b) Capital gains and losses from sales of tangible personal property are  
8 allocable to this state if (1) the property had a situs in this state at the time of the sale,  
9 or (2) the taxpayer's commercial domicile is in this state and the taxpayer is not  
10 taxable in the state in which the property had a situs.

11 (c) Capital gains and losses from sales of intangible personal property are  
12 allocable to this state if the taxpayer's commercial domicile is in this state.

13 7. Interest and dividends are allocable to this state if the taxpayer's commercial  
14 domicile is in this state.

15 8.(a) Patent and copyright royalties are allocable to this state: (1) if and to the  
16 extent that the patent or copyright is utilized by the payer in this state, or (2) if and to  
17 the extent that the patent or copyright is utilized by the payer in a state in which the  
18 taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

19 (b) A patent is utilized in a state to the extent that it is employed in production,  
20 fabrication, manufacturing, or other processing in the state or to the extent that a  
21 patented product is produced in the state. If the basis of receipts from patent royalties  
22 does not permit allocation to states or if the accounting procedures do not reflect states  
23 of utilization, the patent is utilized in the state in which the taxpayer's commercial  
24 domicile is located.

25 (c) A copyright is utilized in a state to the extent that printing or other  
26 publication originates in the state. If the basis of receipts from copyright royalties does  
27 not permit allocation to states or if the accounting procedures do not reflect states of  
28 utilization, the copyright is utilized in the state in which the taxpayer's commercial  
29 domicile is located.

30 9. All apportionable [BUSINESS] income shall be apportioned to this state by  
31 multiplying the income by a fraction, the numerator of which is the property factor

1 plus the payroll factor plus the sales factor, and the denominator of which is three.

2 10. The property factor is a fraction, the numerator of which is the average  
3 value of the taxpayer's real and tangible personal property owned or rented and used in  
4 this state during the tax period and the denominator of which is the average value of  
5 all the taxpayer's real and tangible personal property owned or rented and used during  
6 the tax period.

7 11. Property owned by the taxpayer is valued at its original cost. Property  
8 rented by the taxpayer is valued at eight times the net annual rental rate. Net annual  
9 rental rate is the annual rental rate paid by the taxpayer less any annual rental rate  
10 received by the taxpayer from subrentals.

11 12. The average value of property shall be determined by averaging the values  
12 at the beginning and ending of the tax period but the tax administrator may require the  
13 averaging of monthly values during the tax period if reasonably required to reflect  
14 properly the average value of the taxpayer's property.

15 13. The payroll factor is a fraction, the numerator of which is the total amount  
16 paid in this state during the tax period by the taxpayer for compensation and the  
17 denominator of which is the total compensation paid everywhere during the tax period.

18 14. Compensation is paid in this state if:

19 (a) the individual's service is performed entirely within the state;

20 (b) the individual's service is performed both inside and outside the state, but  
21 the service performed outside the state is incidental to the individual's service within  
22 this state; or

23 (c) some of the service is performed in the state and (1) the base of operations  
24 or, if there is no base of operations, the place from which the service is directed or  
25 controlled is in the state, or (2) the base of operations or the place from which the  
26 service is directed or controlled is not in any state in which some part of the service is  
27 performed, but the individual's residence is in this state.

28 15. The sales factor is a fraction, the numerator of which is the total sales of  
29 the taxpayer in this state during the tax period, and the denominator of which is the  
30 total sales of the taxpayer everywhere during the tax period.

31 16. Sales of tangible personal property are in this state if:

1 (a) the property is delivered or shipped to a purchaser, other than the United  
2 States Government, within this state regardless of the f.o.b. point or other conditions  
3 of the sale; or

4 (b) the property is shipped from an office, store, warehouse, factory, or other  
5 place of storage in this state and (1) the purchaser is the United States Government or  
6 (2) the taxpayer is not taxable in the state of the purchaser.

7 17.(a) Sales, other than sales **described in Section 16** [OF TANGIBLE  
8 PERSONAL PROPERTY], are in this state if **the taxpayer's market for the sales is**  
9 **in this state. The taxpayer's market for sales is in this state:**

10 **(1) in the case of sale, rental, lease, or license of real property, if**  
11 **and to the extent the property is located in this state;**

12 **(2) in the case of rental, lease, or license of tangible personal**  
13 **property, if and to the extent the property is located in this state;**

14 **(3) in the case of sale of a service, if and to the extent the service is**  
15 **delivered to a location in this state; and**

16 **(4) in the case of intangible property,**

17 **(i) that is rented, leased, or licensed, if and to the extent the**  
18 **property is used in this state, provided that intangible property utilized in**  
19 **marketing a good or service to a consumer is "used in this state" if that**  
20 **good or service is purchased by a consumer who is in this state; and**

21 **(ii) that is sold, if and to the extent the property is used in**  
22 **this state, provided that:**

23 **(A) a contract right, government license, or similar**  
24 **intangible property that authorizes the holder to conduct a**  
25 **business activity in a specific geographic area is "used in this state"**  
26 **if the geographic area includes all or part of this state;**

27 **(B) sales from intangible property sales that are**  
28 **contingent on the productivity, use, or disposition of the intangible**  
29 **property shall be treated as a sale of the rental, lease, or licensing**  
30 **of such intangible property under subsection (a)(4)(i); and**

31 **(C) all other sales of intangible property shall be**

**excluded from the numerator and denominator of the sales factor.**

[: (a) THE INCOME-PRODUCING ACTIVITY IS PERFORMED IN THIS STATE; OR]

**(b) If the state or states of assignment under subsection (a) cannot be determined, the state or states of assignment shall be reasonably approximated.**

**(c) If the taxpayer is not taxable in a state to which a sale is assigned under subsection (a) or (b), or if the state of assignment cannot be determined under subsection (a) or reasonably approximated under subsection (b), such a sale shall be excluded from the denominator of the sales factor.**

**(d) The tax administrator may adopt regulations as necessary or appropriate to carry out the purposes of this section** [THE INCOME-PRODUCING ACTIVITY IS PERFORMED BOTH IN AND OUTSIDE THIS STATE AND A GREATER PROPORTION OF THE INCOME-PRODUCING ACTIVITY IS PERFORMED IN THIS STATE THAN IN ANY OTHER STATE, BASED ON COSTS OF PERFORMANCE].

18. If the allocation and apportionment provisions of this Article do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for or the tax administrator may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

- (a) separate accounting;
- (b) the exclusion of any one or more of the factors;
- (c) the inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state; or
- (d) the employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

ARTICLE V.

ELEMENTS OF SALES AND USE TAX LAWS.

TAX CREDIT.

1. Each purchaser liable for a use tax on tangible personal property shall be entitled to full credit for the combined amount or amounts of legally imposed sales or use taxes paid by the purchaser with respect to the same property to another state and

1 any subdivision thereof. The credit shall be applied first against the amount of any use  
2 tax due the state, and any unused portion of the credit shall then be applied against the  
3 amount of any use tax due a subdivision.

4 EXEMPTION CERTIFICATES, VENDORS MAY RELY.

5 2. Whenever a vendor receives and accepts in good faith from a purchaser a  
6 resale or other exemption certificate or other written evidence of exemption authorized  
7 by the appropriate state or subdivision taxing authority, the vendor shall be relieved of  
8 liability for a sales or use tax with respect to the transaction.

9 ARTICLE VI.

10 THE COMMISSION.

11 ORGANIZATION AND MANAGEMENT.

12 1.(a) The Multistate Tax Commission is hereby established. It shall be  
13 composed of one "member" from each party state who shall be the head of the state  
14 agency charged with the administration of the types of taxes to which this compact  
15 applies. If there is more than one such agency the state shall provide by law for the  
16 selection of the commission member from the heads of the relevant agencies. State  
17 law may provide that a member of the commission be represented by an alternate but  
18 only if there is on file with the commission written notification of the designation and  
19 identity of the alternate. The attorney general of each party state or the designee of the  
20 attorney general, or other counsel if the laws of the party state specifically provide,  
21 shall be entitled to attend the meetings of the commission, but shall not vote. Such  
22 attorneys general, designees, or other counsel shall receive all notices of meetings  
23 required under paragraph 1(e) of this Article.

24 (b) Each party state shall provide by law for the selection of representatives  
25 from its subdivisions affected by this compact to consult with the commission member  
26 from that state.

27 (c) Each member shall be entitled to one vote. The commission shall not act  
28 unless a majority of the members are present, and no action shall be binding unless  
29 approved by a majority of the total number of members.

30 (d) The commission shall adopt an official seal to be used as it may provide.

31 (e) The commission shall hold an annual meeting and such other regular

1 meetings as its bylaws may provide and such special meetings as its executive  
2 committee may determine. The commission bylaws shall specify the dates of the  
3 annual and any other regular meetings, and shall provide for the giving of notice of  
4 annual, regular and special meetings. Notices of special meetings shall include the  
5 reasons therefor and an agenda of the items to be considered.

6 (f) The commission shall elect annually, from among its members, a chairman,  
7 a vice-chairman and a treasurer. The commission shall appoint an executive director  
8 who shall serve at its pleasure, and it shall fix the duties and compensation of the  
9 executive director. The executive director shall be secretary of the commission. The  
10 commission shall make provision for the bonding of such of its officers and employees  
11 as it may deem appropriate.

12 (g) Irrespective of the civil service, personnel or other merit system laws of  
13 any party state, the executive director shall appoint or discharge such personnel as  
14 may be necessary for the performance of the functions of the commission and shall fix  
15 their duties and compensation. The commission bylaws shall provide for personnel  
16 policies and programs.

17 (h) The commission may borrow, accept or contract for the services of  
18 personnel from any state, the United States, or any other governmental entity.

19 (i) The commission may accept for any of its purposes and functions any and  
20 all donations and grants of money, equipment, supplies, materials and services,  
21 conditional or otherwise, from any governmental entity, and may utilize and dispose  
22 of the same.

23 (j) The commission may establish one or more offices for the transacting of its  
24 business.

25 (k) The commission shall adopt bylaws for the conduct of its business. The  
26 commission shall publish its bylaws in convenient form, and shall file a copy of the  
27 bylaws and any amendments thereto with the appropriate agency or officer in each of  
28 the party states.

29 (l) The commission annually shall make to the governor and legislature of  
30 each party state a report covering its activities for the preceding year. Any donation or  
31 grant accepted by the commission or services borrowed shall be reported in the annual

1 report of the commission, and shall include the nature, amount and conditions, if any,  
2 of the donation, gift, grant or services borrowed and the identity of the donor or  
3 lender. The commission may make additional reports as it may deem desirable.

#### 4 COMMITTEES.

5 2.(a) To assist in the conduct of its business when the full commission is not  
6 meeting, the commission shall have an executive committee of seven members,  
7 including the chairman, vice-chairman, treasurer and four other members elected  
8 annually by the commission. The executive committee, subject to the provisions of  
9 this compact and consistent with the policies of the commission, shall function as  
10 provided in the bylaws of the commission.

11 (b) The commission may establish advisory and technical committees,  
12 membership on which may include private persons and public officials, in furthering  
13 any of its activities. Such committees may consider any matter of concern to the  
14 commission, including problems of special interest to any party state and problems  
15 dealing with particular types of taxes.

16 (c) The commission may establish such additional committees as its bylaws  
17 may provide.

#### 18 POWERS.

19 3. In addition to powers conferred elsewhere in this compact, the commission  
20 shall have power to:

21 (a) Study state and local tax systems and particular types of state and local  
22 taxes.

23 (b) Develop and recommend proposals for an increase in uniformity or  
24 compatibility of state and local tax laws with a view toward encouraging the  
25 simplification and improvement of state and local tax law and administration.

26 (c) Compile and publish information as in its judgment would assist the party  
27 states in implementation of the compact and taxpayers in complying with state and  
28 local tax laws.

29 (d) Do all things necessary and incidental to the administration of its functions  
30 pursuant to this compact.

#### 31 FINANCE.

1           4.(a) The commission shall submit to the governor or designated officer or  
2 officers of each party state a budget of its estimated expenditures for such period as  
3 may be required by the laws of that state for presentation to the legislature thereof.

4           (b) Each of the commission's budgets of estimated expenditures shall contain  
5 specific recommendations of the amounts to be appropriated by each of the party  
6 states. The total amount of appropriations requested under any such budget shall be  
7 apportioned among the party states as follows: one-tenth in equal shares; and the  
8 remainder in proportion to the amount of revenue collected by each party state and its  
9 subdivisions from income taxes, capital stock taxes, gross receipts, taxes, sales and use  
10 taxes. In determining such amounts, the commission shall employ such available  
11 public sources of information as, in its judgment, present the most equitable and  
12 accurate comparisons among the party states. Each of the commission's budgets of  
13 estimated expenditures and requests for appropriations shall indicate the sources used  
14 in obtaining information employed in applying the formula contained in this  
15 paragraph.

16           (c) The commission shall not pledge the credit of any party state. The  
17 commission may meet any of its obligations in whole or in part with funds available to  
18 it under paragraph 1(i) of this Article: provided that the commission takes specific  
19 action setting aside such funds prior to incurring any obligation to be met in whole or  
20 in part in such manner. Except where the commission makes use of funds available to  
21 it under paragraph 1(i), the commission shall not incur any obligation prior to the  
22 allotment of funds by the party states adequate to meet the same.

23           (d) The commission shall keep accurate accounts of all receipts and  
24 disbursements. The receipts and disbursements of the commission shall be subject to  
25 the audit and accounting procedures established under its bylaws. All receipts and  
26 disbursements of funds handled by the commission shall be audited yearly by a  
27 certified or licensed public accountant and the report of the audit shall be included in  
28 and become part of the annual report of the commission.

29           (e) The accounts of the commission shall be open at any reasonable time for  
30 inspection by duly constituted officers of the party states and by any persons  
31 authorized by the commission.

1 (f) Nothing contained in this Article shall be construed to prevent commission  
 2 compliance with laws relating to audit or inspection of accounts by or on behalf of any  
 3 government contributing to the support of the commission.

4 ARTICLE VII.

5 UNIFORM REGULATIONS AND FORMS.

6 1. Whenever any two or more party states, or subdivisions of party states, have  
 7 uniform or similar provisions of law relating to an income tax, capital stock tax, gross  
 8 receipts tax, sales or use tax, the commission may adopt uniform regulations for any  
 9 phase of the administration of such law, including assertion of jurisdiction to tax, or  
 10 prescribing uniform tax forms. The commission may also act with respect to the  
 11 provisions of Article IV of this compact.

12 2. Prior to the adoption of any regulation, the commission shall:

13 (a) As provided in its bylaws, hold at least one public hearing on due notice to  
 14 all affected party states and subdivisions thereof and to all taxpayers and other persons  
 15 who have made timely request of the commission for advance notice of its regulation-  
 16 making proceedings.

17 (b) Afford all affected party states and subdivisions and interested persons an  
 18 opportunity to submit relevant written data and views, which shall be considered fully  
 19 by the commission.

20 3. The commission shall submit any regulations adopted by it to the  
 21 appropriate officials of all party states and subdivisions to which they might apply.  
 22 Each such state and subdivision shall consider any such regulations for adoption in  
 23 accordance with its own laws and procedures.

24 ARTICLE VIII.

25 INTERSTATE AUDITS.

26 1. This Article shall be in force only in those party states that specifically  
 27 provide therefor by statute.

28 2. Any party state or subdivision thereof desiring to make or participate in an  
 29 audit of any accounts, books, papers, records or other documents may request the  
 30 commission to perform the audit on its behalf. In responding to the request, the  
 31 commission shall have access to and may examine, at any reasonable time, such

1 accounts, books, papers, records, and other documents and any relevant property or  
2 stock of merchandise. The commission may enter into agreements with party states or  
3 their subdivisions for assistance in performance of the audit. The commission shall  
4 make charges, to be paid by the state or local government or governments for which it  
5 performs the service, for any audits performed by it in order to reimburse itself for the  
6 actual costs incurred in making the audit.

7 3. The commission may require the attendance of any person within the state  
8 where it is conducting an audit or part thereof at a time and place fixed by it within  
9 such state for the purpose of giving testimony with respect to any account, book,  
10 paper, document, other record, property or stock of merchandise being examined in  
11 connection with the audit. If the person is not within the jurisdiction, the person may  
12 be required to attend for such purpose at any time and place fixed by the commission  
13 within the state of which the person is a resident: provided that such state has adopted  
14 this Article.

15 4. The commission may apply to any court having power to issue compulsory  
16 process for orders in aid of its powers and responsibilities pursuant to this Article and  
17 any and all such courts shall have jurisdiction to issue such orders. Failure of any  
18 person to obey any such order shall be punishable as contempt of the issuing court. If  
19 the party or subject matter on account of which the commission seeks an order is  
20 within the jurisdiction of the court to which application is made, such application may  
21 be to a court in the state or subdivision on behalf of which the audit is being made or a  
22 court in the state in which the object of the order being sought is situated. The  
23 provisions of this paragraph apply only to courts in a state that has adopted this  
24 Article.

25 5. The commission may decline to perform any audit requested if it finds that  
26 its available personnel or other resources are insufficient for the purpose or that, in the  
27 terms requested, the audit is impracticable of satisfactory performance. If the  
28 commission, on the basis of its experience, has reason to believe that an audit of a  
29 particular taxpayer, either at a particular time or on a particular schedule, would be of  
30 interest to a number of party states or their subdivisions, it may offer to make the audit  
31 or audits, the offer to be contingent on sufficient participation therein as determined by

1 the commission.

2 6. Information obtained by any audit pursuant to this Article shall be  
3 confidential and available only for tax purposes to party states, their subdivisions or  
4 the United States. Availability of information shall be in accordance with the laws of  
5 the states or subdivisions on whose account the commission performs the audit, and  
6 only through the appropriate agencies or officers of such states or subdivisions.  
7 Nothing in this Article shall be construed to require any taxpayer to keep records for  
8 any period not otherwise required by law.

9 7. Other arrangements made or authorized pursuant to laws for cooperative  
10 audit by or on behalf of the party states or any of their subdivisions are not superseded  
11 or invalidated by this Article.

12 8. In no event shall the commission make any charge against a taxpayer for an  
13 audit.

14 9. As used in this Article, "tax," in addition to the meaning ascribed to it in  
15 Article II, means any tax or license fee imposed in whole or in part for revenue  
16 purposes.

17 ARTICLE IX.  
18 ARBITRATION.

19 1. Whenever the commission finds a need for settling disputes concerning  
20 apportionments and allocations by arbitration, it may adopt a regulation placing this  
21 Article in effect, notwithstanding the provisions of Article VII.

22 2. The commission shall select and maintain an arbitration panel composed of  
23 officers and employees of state and local governments and private persons who shall  
24 be knowledgeable and experienced in matters of tax law and administration.

25 3. Whenever a taxpayer who has elected to employ Article IV, or whenever the  
26 laws of the party state or subdivision thereof are substantially identical with the  
27 relevant provisions of Article IV, the taxpayer, by written notice to the commission  
28 and to each party state or subdivision thereof that would be affected, may secure  
29 arbitration of an apportionment or allocation, if the taxpayer is dissatisfied with the  
30 final administrative determination of the tax agency of the state or subdivision with  
31 respect thereto on the ground that it would subject the taxpayer to double or multiple

1 taxation by two or more party states or subdivisions thereof. Each party state and  
2 subdivision thereof hereby consents to the arbitration as provided herein, and agrees to  
3 be bound thereby.

4 4. The arbitration board shall be composed of one person selected by the  
5 taxpayer, one by the agency or agencies involved, and one member of the  
6 commission's arbitration panel. If the agencies involved are unable to agree on the  
7 person to be selected by them, such person shall be selected by lot from the total  
8 membership of the arbitration panel. The two persons selected for the board in the  
9 manner provided by the foregoing provisions of this paragraph shall jointly select the  
10 third member of the board. If they are unable to agree on the selection, the third  
11 member shall be selected by lot from among the total membership of the arbitration  
12 panel. No member of a board selected by lot shall be qualified to serve if the member  
13 is an officer or employee or is otherwise affiliated with any party to the arbitration  
14 proceeding. Residence within the jurisdiction of a party to the arbitration proceeding  
15 shall not constitute affiliation within the meaning of this paragraph.

16 5. The board may sit in any state or subdivision party to the proceeding, in the  
17 state of the taxpayer's incorporation, residence or domicile, in any state where the  
18 taxpayer does business, or in any place that it finds most appropriate for gaining  
19 access to evidence relevant to the matter before it.

20 6. The board shall give due notice of the times and places of its hearings. The  
21 parties shall be entitled to be heard, to present evidence, and to examine and cross-  
22 examine witnesses. The board shall act by majority vote.

23 7. The board shall have power to administer oaths, take testimony, subpoena  
24 and require the attendance of witnesses and the production of accounts, books, papers,  
25 records, and other documents, and issue commissions to take testimony. Subpoenas  
26 may be signed by any member of the board. In case of failure to obey a subpoena, and  
27 upon application by the board, any judge of a court of competent jurisdiction of the  
28 state in which the board is sitting or in which the person to whom the subpoena is  
29 directed may be found may make an order requiring compliance with the subpoena,  
30 and the court may punish failure to obey the order as a contempt. The provisions of  
31 this paragraph apply only in states that have adopted this Article.



1 chargeable to a party state prior to the time of such withdrawal.

2 3. No proceeding commenced before an arbitration board prior to the  
3 withdrawal of a state and to which the withdrawing state or any subdivision thereof is  
4 a party shall be discontinued or terminated by the withdrawal, nor shall the board  
5 thereby lose jurisdiction over any of the parties to the proceeding necessary to make a  
6 binding determination therein.

7 ARTICLE XI.

8 EFFECT ON OTHER LAWS AND JURISDICTION.

9 Nothing in this compact shall be construed to:

10 (a) Affect the power of any state or subdivision thereof to fix rates of taxation,  
11 except that a party state shall be obligated to implement Article III 2 of this compact.

12 (b) Apply to any tax or fixed fee imposed for the registration of a motor  
13 vehicle or any tax on motor fuel, other than a sales tax: provided that the definition of  
14 "tax" in Article VIII 9 may apply for the purposes of that Article and the commission's  
15 powers of study and recommendation pursuant to Article VI 3 may apply.

16 (c) Withdraw or limit the jurisdiction of any state or local court or  
17 administrative officer or body with respect to any person, corporation or other entity  
18 or subject matter, except to the extent that such jurisdiction is expressly conferred by  
19 or pursuant to this compact upon another agency or body.

20 (d) Supersede or limit the jurisdiction of any court of the United States.

21 ARTICLE XII.

22 CONSTRUCTION AND SEVERABILITY.

23 This compact shall be liberally construed so as to effectuate the purposes  
24 thereof. The provisions of this compact shall be severable and if any phrase, clause,  
25 sentence, or provision of this compact is declared to be contrary to the constitution of  
26 any state or of the United States or the applicability thereof to any government,  
27 agency, person or circumstance is held invalid, the validity of the remainder of this  
28 compact and the applicability thereof to any government, agency, person or  
29 circumstance shall not be affected thereby. If this compact shall be held contrary to the  
30 constitution of any state participating therein, the compact shall remain in full force  
31 and effect as to the remaining party states and in full force and effect as to the state

1 affected as to all severable matters.

2 \* **Sec. 16.** AS 43.20.011(e) is repealed and reenacted to read:

3 (e) Each taxable year, a tax of zero percent is imposed on the entire taxable  
4 income of a corporation derived from sources in the state.

5 \* **Sec. 17.** AS 43.20.143(a) is amended to read:

6 (a) All **apportionable** [BUSINESS] income of water transportation carriers  
7 shall be apportioned to this state in accordance with AS 43.19 (Multistate Tax  
8 Compact) as modified by the following:

9 (1) the numerator of the property factor is the sum of the value for  
10 property in a fixed location, including buildings and land used in the business, and  
11 intrastate equipment and personal property determined according to AS 43.19  
12 (Multistate Tax Compact), and the value of interstate mobile property determined on a  
13 days-spent-in-ports basis as provided in (4) of this subsection; the denominator of the  
14 property factor is determined according to AS 43.19 (Multistate Tax Compact);

15 (2) the numerator of the payroll factor is the sum of the wages and  
16 salaries of employees assigned to fixed locations determined according to AS 43.19  
17 (Multistate Tax Compact) and the wages and salaries of employees assigned to  
18 interstate mobile property determined on a days-spent-in-ports basis as provided in (4)  
19 of this subsection; the denominator of the payroll factor is determined in accordance  
20 with AS 43.19 (Multistate Tax Compact);

21 (3) the numerator of the sales factor is the sum of all revenues from  
22 intrastate activities and revenues from interstate activities determined on a days-spent-  
23 in-ports basis as provided in (4) of this subsection; the denominator is determined in  
24 accordance with AS 43.19 (Multistate Tax Compact);

25 (4) the portions of the numerator of the property, payroll, and sales  
26 factors which are directly related to interstate mobile property operations are  
27 determined by a ratio which the number of days spent in ports inside the state bears to  
28 the total number of days spent in ports inside and outside the state; the term "days  
29 spent in ports" does not include periods when ships are tied up because of strikes or  
30 withheld from Alaska service for repairs, or because of seasonal reduction of service;  
31 days in port are computed by dividing the total number of hours in all ports by 24.

1 \* **Sec. 18.** AS 43.20.144(a) is amended to read:

2 (a) All **apportionable** [BUSINESS] income of a taxpayer engaged in the  
3 production of oil or gas from a lease or property in this state or engaged in the  
4 transportation of oil or gas by pipeline in this state shall be apportioned to this state in  
5 accordance with AS 43.19 (Multistate Tax Compact) as modified by this section.

6 \* **Sec. 19.** AS 43.20.144(b) is amended to read:

7 (b) A taxpayer's **apportionable** [BUSINESS] income to be apportioned under  
8 this section to the state shall be the federal taxable income of the taxpayer's  
9 consolidated business for the tax period, except that

10 (1) taxes based on or measured by net income that are deducted in the  
11 determination of the federal taxable income shall be added back; the tax levied and  
12 paid under AS 43.55 may not be added back;

13 (2) intangible drilling and development costs that are deducted as  
14 expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the  
15 federal taxable income shall be capitalized and depreciated as if the option to treat  
16 them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been  
17 exercised;

18 (3) depletion deducted on the percentage depletion basis under 26  
19 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income  
20 shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612  
21 (Internal Revenue Code); and

22 (4) depreciation shall be computed on the basis of 26 U.S.C. 167  
23 (Internal Revenue Code) as that section read on June 30, 1981.

24 \* **Sec. 20.** AS 43.20.144(c) is amended to read:

25 (c) A taxpayer's **apportionable** [BUSINESS] income shall be apportioned to  
26 this state by multiplying the taxpayer's income determined under (b) of this section by  
27 the apportionment factor applicable to the taxpayer among the following factors:

28 (1) the apportionment factor of a taxpayer subject to this section but  
29 not engaged in the production of oil and gas, or of gas only, as appropriate, from a  
30 lease or property in this state during the tax period is a fraction, the numerator of  
31 which is the sum of the property factor under AS 43.19 (Multistate Tax Compact) and

1 the sales factor under (d) of this section for the taxpayer for that tax period, and the  
2 denominator of which is two;

3 (2) the apportionment factor of a taxpayer subject to this section but  
4 not engaged in the pipeline transportation of oil or gas in this state during the tax  
5 period is a fraction, the numerator of which is the sum of the property factor under (e)  
6 of this section and the extraction factor under (f) of this section for the taxpayer for the  
7 tax period, and the denominator of which is two;

8 (3) the apportionment factor of a taxpayer engaged both in the  
9 production of oil or gas from a lease or property in this state and in the pipeline  
10 transportation of oil or gas in this state during the tax period is a fraction, the  
11 numerator of which is the sum of the sales factor under (d) of this section, the property  
12 factor under (e) of this section, and the extraction factor under (f) of this section for  
13 the taxpayer for the tax period, and the denominator of which is three.

14 \* **Sec. 21.** AS 43 is amended by adding a new chapter to read:

15 **Chapter 44. Sales and Use Tax.**

16 **Article 1. Levy and Collection of the Tax.**

17 **Sec. 43.44.010. Levy of sales and use tax.** (a) A sales tax on the retail sale of  
18 personal property and services is levied on a purchaser in the state. The rate of the tax  
19 is

20 (1) four percent from April 1 through September 30; and

21 (2) two percent from October 1 through March 31.

22 (b) A use tax is levied on the use in this state of personal property and services  
23 identified in this subsection. The rate of the use tax is equal to the applicable sales tax  
24 rate under (a) of this section at the time of the use. The use tax applies to

25 (1) personal property purchased

26 (A) outside the state as a result of a transaction that would have  
27 been subject to the sales tax levied under this section had the transaction  
28 occurred in the state; or

29 (B) by a purchaser for use in an exempt manner but that was  
30 later converted to a use subject to the sales tax levied under this section; or

31 (2) services purchased outside the state that would be subject to the

1 sales tax levied under this section if purchased in the state.

2 **Sec. 43.44.020. Liability and collection of sales and use taxes.** (a) A tax  
3 levied under AS 43.44.010(a) is imposed on the purchaser. The seller, including a  
4 remote seller, shall apply the tax to the sales price and collect the tax from the  
5 purchaser. The seller shall hold the tax in trust for the state and pay the tax to the  
6 department.

7 (b) A tax levied under AS 43.44.010(b) is imposed on the user. A seller  
8 located outside the state who has a nexus to the state and who sells goods or services  
9 subject to the use tax levied under AS 43.44.010(b) shall collect the use tax from the  
10 purchaser and pay the tax to the department.

11 (c) A seller located outside the state who, during the current or immediately  
12 preceding calendar year, received more than \$100,000 in gross revenue from the sale  
13 of goods and services delivered in the state is considered a remote seller and shall  
14 comply with the requirements of (a) of this section.

15 (d) A marketplace facilitator located outside the state who, during the current  
16 or immediately preceding calendar year, facilitates more than \$100,000 in gross  
17 revenue from the sale of goods and services delivered in the state shall comply with  
18 the requirements of (a) of this section. The marketplace facilitator shall collect and  
19 remit the tax levied under this chapter for each sale facilitated through its marketplace.

20 (e) Unless the tax has already been paid under (a) of this section, a person in  
21 the state who purchases goods or services from a seller located outside the state that  
22 does not qualify as a remote seller shall pay to the department the sales tax levied  
23 under AS 43.44.010(a).

24 (f) Unless the tax has already been paid under (b) of this section, the purchaser  
25 of personal property or services subject to the use tax levied under AS 43.44.010(b)  
26 shall pay the tax to the department at the time the property or service is first used in  
27 the state.

28 (g) A seller is liable for a tax that the seller is required to collect under this  
29 section. If a seller is not required to collect a tax under this section, the purchaser is  
30 liable for the tax. Liability for the payment of a tax levied under this chapter is not  
31 extinguished until the tax has been paid to the department.

1 (h) If a seller collects a tax in excess of the tax imposed under AS 43.44.010,  
2 the seller shall remit the excess to the department.

3 (i) The department shall adopt regulations to prevent evasion of taxes imposed  
4 under this chapter and to aid in the administration of tax collection under this chapter.

5 **Sec. 43.44.030. Receipt and remittance of local sales and use taxes.** (a) The  
6 department shall

7 (1) receive municipal sales and use taxes levied under AS 29.45.650  
8 and 29.45.700 and remit the proceeds to the municipality;

9 (2) in accordance with AS 43.05 and AS 43.10, administer, receive,  
10 and enforce a sales tax and use tax levied under AS 29.45.650 and 29.45.700.

11 (b) The department may establish and collect from a municipality  
12 administrative fees associated with the costs incurred from the receipt, audit,  
13 enforcement, and remittance of a local sales tax and use tax levied under AS 29.45.650  
14 and 29.45.700.

15 **Sec. 43.44.040. Sourcing.** The department shall adopt regulations establishing  
16 sourcing rules for transactions subject to a tax levied under this chapter. The  
17 department may adopt regulations relating to standards of an agreement authorized  
18 under AS 43.44.400.

## 19 **Article 2. Exemptions.**

20 **Sec. 43.44.100. Exemptions.** (a) The following are exempt from a tax levied  
21 under this chapter:

22 (1) a sale by, sale to, or use by the United States;

23 (2) a sale by, sale to, or use by the state or an instrumentality of the  
24 state, as defined in AS 39.52.960; this paragraph does not apply to an unincorporated  
25 community, an Indian tribe included in the list published under 25 U.S.C. 5131, or a  
26 foreign government or to municipal utility sales; in this paragraph, "unincorporated  
27 community" means a place that is not incorporated as a city and in which 25 or more  
28 persons reside as a social unit.

29 (b) The following are exempt from a sales or use tax levied under  
30 AS 43.44.010:

31 (1) a purchase made with a voucher or other type of certificate issued

1 under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and  
2 Children) or a food stamp or other food allotment under 7 U.S.C. 2011 - 2036 (Food  
3 Stamp Program); for purposes of this paragraph, the value of a food stamp allotment  
4 paid in the form of a wage subsidy authorized under AS 47.25.975(b) is not  
5 considered to be an allotment issued under 7 U.S.C. 2011 - 2036 (Food Stamp  
6 Program);

7 (2) a sale of a state license or permit;

8 (3) services among affiliated persons that report their income under 26  
9 U.S.C. (Internal Revenue Code) on a single consolidated return;

10 (4) wages, salaries, commissions, tips, and any other form of  
11 remuneration for personal services if paid by an employer to an employee;

12 (5) proceeds from investments and other intangible items, including

13 (A) interest on money loaned or deposited;

14 (B) dividends or interest from stocks, bonds, or securities;

15 (C) proceeds from the sale of stocks, bonds, or securities;

16 (6) fees for services associated with a financial instrument, interest, or  
17 a deposit account;

18 (7) an isolated or occasional sale of personal property; in this  
19 paragraph, "isolated or occasional sale" includes fundraising activities conducted by a  
20 nonprofit organization that occur over a period not exceeding 60 consecutive days;

21 (8) personal or household effects owned or possessed by an individual  
22 for a period of six months or more and brought into the state for the establishment of  
23 initial permanent residence in the state;

24 (9) property brought into the state by a nonresident for the  
25 nonresident's own nonbusiness use while temporarily in the state;

26 (10) a sale for resale, and transportation associated with the resale, if  
27 the purchaser presents, at the time of sale, an exemption certificate issued under  
28 AS 43.44.210;

29 (11) a transaction between the holders of a joint interest or between the  
30 partners in a business partnership;

31 (12) fuel sold for use in jet propulsion aircraft;

1 (13) a sale or construction of real property; however, the sale or  
2 transportation of personal property that is later converted to real property is taxable  
3 under this chapter unless the conversion is part of the construction of real property or  
4 construction of an addition to real property;

5 (14) the following health care services and related items:

6 (A) health care services provided by a person licensed or  
7 certified to provide those services under AS 08 or by a health care facility as  
8 defined in AS 08.68.700(g);

9 (B) drugs, durable medical equipment, mobility enhancing  
10 equipment, and prosthetic devices prescribed by a person licensed to prescribe  
11 those goods under AS 08 or obtained from a health care facility as defined in  
12 AS 08.68.700(g);

13 (15) the transport, handling, storage, drayage, or packing of property,  
14 or other related service on property, if the property is transported in interstate or  
15 foreign commerce;

16 (16) the sale of goods or services to a person who uses the goods or  
17 services primarily in a trade or business if the cost of the goods or services is

18 (A) deductible by the purchaser under 26 U.S.C. 162 (Internal  
19 Revenue Code), as that section read on January 1, 2026; or

20 (B) depreciable by the purchaser under 26 U.S.C. 167 or 168  
21 (Internal Revenue Code), as those sections read on January 1, 2026;

22 (17) insurance premiums subject to taxation under AS 21;

23 (18) the sale of personal property for which the seller is obligated to  
24 make delivery to the purchaser at a location outside the state, or to deliver the property  
25 for transportation to the purchaser at a location outside the state;

26 (19) the rental or lease of real property for a period of 30 consecutive  
27 days or more; and

28 (20) the sale of Internet access.

29 **Article 3. Seller's Permit; Exemption Certificate.**

30 **Sec. 43.44.200. Seller's permit.** (a) A person shall obtain a seller's permit  
31 from the department before engaging in business in the state. A remote seller shall

1 obtain a seller's permit not later than 30 days after the remote seller exceeds the gross  
2 revenue amount set out in AS 43.44.020(c).

3 (b) An applicant for a seller's permit shall apply on a form or in a format  
4 prescribed by the department stating

5 (1) the name under which the applicant intends to transact business;

6 (2) every location where the applicant intends to transact business for  
7 which the permit is sought; and

8 (3) any other information the department requires.

9 (c) The department shall issue to an eligible applicant a numbered seller's  
10 permit. A seller's permit is valid until revoked or suspended by the department and is  
11 not assignable.

12 (d) A seller that makes sales exclusively through a marketplace facilitator  
13 required to collect taxes under AS 43.44.020(d) is not required to register, collect, or  
14 remit tax on those sales and is not subject to bonding or security requirements with  
15 respect to those sales.

16 (e) The name, address, and permit number of a person holding a seller's permit  
17 is public information and shall be made available by the department.

18 **Sec. 43.44.210. Exemption certificate.** A person selling for resale or a  
19 purchaser claiming an exemption for business inputs under AS 43.44.100(b)(16) may  
20 apply for an exemption certificate from the department. The department shall issue to  
21 an eligible person an exemption certificate that includes

22 (1) a unique identification number assigned by the department;

23 (2) the general character of the personal property or service sold by the  
24 seller or used by the purchaser in the regular course of business;

25 (3) the person's name and principal business address; and

26 (4) the person's signature or electronic signature.

27 **Sec. 43.44.220. Revocation or suspension of seller's permit or exemption**  
28 **certificate.** (a) The department may revoke or suspend a seller's permit or a person's  
29 exemption certificate, or both, if the person fails to comply with a provision of this  
30 chapter.

31 (b) A person aggrieved by a revocation or suspension of a seller's permit or

1 exemption certificate under (a) of this section may file an appeal with the department  
2 not later than 60 days after the revocation or suspension. The appellant may present to  
3 the appeals officer of the department arguments and evidence relevant to the  
4 revocation or suspension. The department shall give written notice of its decision on  
5 an appeal. In making a decision under this subsection, the department may

6 (1) uphold the suspension or revocation;

7 (2) reinstate a suspended permit or certificate; or

8 (3) subject to (c) of this section, issue a new permit or certificate.

9 (c) The department may issue a new seller's permit or exemption certificate to  
10 a person whose permit or certificate has been revoked only upon application by the  
11 person accompanied by reasonable evidence of the person's intention to comply with  
12 this chapter. The department may, as a condition of issuance of a new permit or  
13 certificate, require security, in addition to that authorized under AS 43.44.340, in an  
14 amount reasonably necessary to ensure compliance with this chapter.

15 (d) A person aggrieved by a final decision of the department under this section  
16 may appeal the decision to the superior court as provided by law.

17 **Sec. 43.44.230. Improper use of purchase obtained with exemption**  
18 **certificate; penalty.** A person who intentionally uses an exemption certificate for  
19 personal property that is used for a purpose other than the purpose claimed is subject  
20 to a penalty, payable to the department, of \$100 or 100 percent of the tax due,  
21 whichever is greater, for each transaction in which an improper use of the exemption  
22 certificate has occurred. The penalty is in addition to tax, interest, or other penalties  
23 due.

24 **Sec. 43.44.240. Commingling exemption certificate property.** If a person  
25 uses an exemption certificate for the purchase of personal property and commingles  
26 that property with property that was not purchased with a exemption certificate but is  
27 so similar that the identity of the property in the commingled mass cannot be  
28 determined, sales from the mass of commingled property are considered to be sales of  
29 the property purchased with the exemption certificate until the quantity of commingled  
30 property sold equals the quantity of property originally purchased under the exemption  
31 certificate.

**Article 4. Administration.**

**Sec. 43.44.300. Method of accounting.** A seller shall report and pay the sales and use tax under AS 43.44.010 using the same method of accounting that the person uses for federal tax purposes.

**Sec. 43.44.310. Returns and payment.** A person liable for a tax under AS 43.44.010 shall file a return and pay the tax on a monthly basis, on or before the last day of the month following the month in which the tax obligation is incurred. A person shall file a return under this section on a form and in a format prescribed by the department.

**Sec. 43.44.320. Methods.** (a) The department shall adopt regulations providing for the payment of a tax under AS 43.44.010 based on a rounding method.

(b) The department may use sampling principles or methods in conducting a sales tax or use tax audit.

**Sec. 43.44.330. Timely filing allowance.** (a) A person filing a return under AS 43.44.310 may claim an allowance in the amount of one percent of the tax determined to be payable to the state or \$75 a month, whichever is less, if the return is timely filed and the tax is timely paid.

(b) The allowance authorized by this section may be deducted on the return. The allowance may not be greater than the tax payable to the state.

**Sec. 43.44.340. Security; sale of security at auction; bond.** (a) The department may require a seller, including a remote seller, to deposit with the department security in a form and amount determined appropriate by the department, but not more than twice the estimated average liability for the period in which the return is required to be filed or \$10,000, whichever is less. The department may increase or decrease the amount of security required, subject to the limitations of this section.

(b) In addition to remedies prescribed under AS 43.10, the department may sell at a public auction property deposited as security to recover a sales tax or use tax amount required to be collected, including interest and penalties. The department shall give notice of the sale not later than 30 days before the sale occurs and shall serve notice to the person who deposited the security, either personally or by certified mail

1 to the person's last known address. After a sale under this subsection, the department  
2 shall return to the person who deposited the security any surplus amount above the  
3 amount due as security under this section.

4 (c) In lieu of security, the department may require a seller to file a bond issued  
5 by a surety company authorized to transact business in the state to guarantee solvency  
6 and responsibility.

7 (d) In addition to the other requirements of this section, the department may  
8 require a corporate officer, director, or shareholder of a corporation to provide a  
9 personal guarantee and assumption of liability for the payment of a tax due under this  
10 chapter.

11 **Sec. 43.44.350. Taxpayer quitting business; liability of successor.** (a) All  
12 taxes payable under this chapter are due and payable immediately whenever a  
13 taxpayer discontinues business or sells, exchanges, or otherwise disposes of the  
14 business or disposes of the stock of goods. The taxpayer shall file a return and pay the  
15 taxes due not later than 10 days after the taxpayer discontinues business or sells,  
16 exchanges, or otherwise disposes of the business or disposes of the stock of goods.

17 (b) Except as provided in (c) of this section, a person who becomes a  
18 successor in a taxpayer's business or who purchases the taxpayer's stock of goods is  
19 liable for the full amount of the tax due unless the taxpayer pays the amount due.  
20 Payment of the tax by the successor or purchaser is considered a payment on the sales  
21 price and, if the payment is greater in amount than the sales price, the amount of the  
22 difference becomes a debt due to the successor or purchaser from the taxpayer owing  
23 the tax under (a) of this section.

24 (c) A successor in a taxpayer's business or purchaser of the taxpayer's stock of  
25 goods is not liable for a tax due by the taxpayer from whom the successor or purchaser  
26 acquired a business or stock of goods if

27 (1) the successor or purchaser gives written notice to the department of  
28 the acquisition; and

29 (2) an assessment is not issued by the department against the former  
30 owner of the business or stock of goods within six months after receiving the notice  
31 from the successor or purchaser; the successor or purchaser becomes liable for a tax

1 due only if the department issues an assessment and mails a copy to the successor or  
2 purchaser.

3 **Sec. 43.44.360. Tax as debt.** (a) A tax levied under this chapter and related  
4 interest and penalties become a personal debt of the person required to file a return  
5 from the time the liability arises, regardless of when the time for payment of the  
6 liability occurs.

7 (b) If a personal representative of an estate has voluntarily distributed the  
8 assets held in that capacity without reserving sufficient assets to pay a tax and related  
9 interest and penalties under this chapter, the personal representative is personally  
10 liable for any deficiency to the extent permitted by AS 13.16.

11 (c) An officer or employee of a corporation whose duty it is to collect,  
12 truthfully account for, and pay to the state a tax levied under this chapter and who fails  
13 to pay the tax is liable to the state for the tax and the penalty and interest due on the  
14 tax. This subsection applies to a corporate officer, director, or shareholder required by  
15 the department to personally guarantee the payment of a tax for a corporation.

16 **Sec. 43.44.370. Deductions for bad debts.** (a) A person filing a return under  
17 AS 43.44.310 may deduct as bad debt sales found to be worthless. The bad debt may  
18 be deducted when the debt

19 (1) is written off as uncollectable in the person's books and records;  
20 and

21 (2) qualifies as a deduction for federal income tax purposes under 26  
22 U.S.C. (Internal Revenue Code).

23 (b) If the amount of bad debt exceeds the amount of taxable sales during the  
24 period in which the bad debt is written off, a person may file a refund claim with the  
25 department.

26 (c) If a bad debt deducted under (a) of this section is subsequently collected,  
27 the person who claimed the deduction shall pay the tax levied under AS 43.44.010 on  
28 the amount collected. A payment made on a debt or account under this subsection is  
29 applied

30 (1) first to the taxable price of the personal property or service and the  
31 tax levied under AS 43.44.010 on the property or service; and

1 (2) second to interest, service charges, and any other charge.

2 **Sec. 43.44.380. Tax credit for sales or use tax paid to another state.** A  
3 purchaser liable for a sales or use tax under this chapter is entitled to a full credit for  
4 the amount of sales or use tax paid to another state on the same personal property or  
5 services.

6 **Sec. 43.44.390. Refunds and credits.** The department may refund or credit an  
7 overpayment of taxes, a tax erroneously or illegally assessed or collected, a penalty  
8 collected without authority, and a tax found to be unjustly assessed, excessive in  
9 amount, or otherwise wrongfully collected, as established by regulation. When a  
10 refund to a taxpayer is allowed, the refund shall be paid out of the general fund on a  
11 warrant issued under a voucher approved by the department.

#### 12 **Article 5. General Provisions.**

13 **Sec. 43.44.400. Streamlined Sales and Use Tax Agreement.** (a) The  
14 department may enter into the Streamlined Sales and Use Tax Agreement, approved  
15 by the Streamlined Sales Tax Governing Board, Inc., or a substantially similar  
16 agreement, with one or more other states. The department is authorized to act jointly  
17 with other states that are members of the Streamlined Sales and Use Tax Agreement,  
18 or substantially similar agreement, to establish standards for certification of a certified  
19 service provider and certified automated system and to establish performance  
20 standards for multistate sellers.

21 (b) If the department enters into the Streamlined Sales and Use Tax  
22 Agreement, or a substantially similar agreement, the department shall adopt  
23 regulations consistent with the agreement.

24 (c) The department may take all actions reasonably required to implement the  
25 provisions set out in this section.

26 **Sec. 43.44.410. Electronic registration, filing, and forms.** (a) The  
27 department may participate in an electronic sales and use tax registration system made  
28 available in cooperation with other states through the Streamlined Sales and Use Tax  
29 Agreement or a substantially similar agreement.

30 (b) The department may use and accept a standard electronic exemption form  
31 made available in cooperation with other states through the Streamlined Sales and Use

1 Tax Agreement or a substantially similar agreement.

2 (c) The department may prescribe and provide for the use of forms,  
3 certificates, permits, and other documents required under this chapter in electronic  
4 format, including the use of electronic signatures and authentications, and for  
5 electronic filing.

6 **Sec. 43.44.420. Field offices.** The department may contract with a  
7 municipality or other entity for the purpose of collecting a tax levied under this  
8 chapter for that municipality's geographical area of the state.

9 **Sec. 43.44.430. Regulations; application.** (a) The department may adopt  
10 regulations under AS 44.62 (Administrative Procedure Act) to implement and  
11 administer this chapter.

12 (b) When determining what constitutes a service for purposes of this chapter,  
13 the department may disregard the intended use, principal objective, or ultimate  
14 objective of the contracting parties.

15 **Sec. 43.44.490. Definitions.** In this chapter,

16 (1) "consideration" means money, property, services, or other valuable  
17 inducement;

18 (2) "engaging in business" means carrying on or causing to be carried  
19 on an activity with the purpose of gaining a direct or indirect benefit;

20 (3) "marketplace facilitator" means a person that contracts with sellers  
21 to facilitate the sale of the seller's product through a physical or electronic marketplace  
22 operated by the person and collects payments from purchasers;

23 (4) "personal property"

24 (A) means

25 (i) property that can be seen, weighed, measured, felt,  
26 or touched, or that is in any other manner perceptible by the senses; and

27 (ii) electricity, water, gas, steam, Internet services,  
28 electronic or digital goods, and prewritten computer software;

29 (B) does not include

30 (i) real property; or

31 (ii) intangible property, including stocks, bonds,

goodwill, a trademark, a patent, a franchise, or a copyright;

(5) "remote seller" means a seller described in AS 43.44.020(c);

(6) "retail sale" means a sale for any purpose other than resale in the regular course of business;

(7) "sale," "selling," or "purchase" means an exchange, barter, rental, lease, license, or transfer of title to or possession of property or services for consideration, or transfer of the right to use or consume property or services, regardless of whether conditional or otherwise limited;

(8) "sale for resale" means the sale of personal property to a purchaser whose principal business is the resale of property, whether in the same or an altered form;

(9) "sales price"

(A) means the total amount of consideration, valued in United States currency, including cash, credit, property, and services, for which personal property or services are sold, whether received in money or otherwise, without deduction of the following:

(i) the seller's cost of the personal property sold;

(ii) the cost of materials used, labor or service costs, interest, losses, costs of transportation to the seller, taxes imposed on the seller, and any other expense of the seller;

(iii) charges by the seller for any services necessary to complete the sale;

(iv) delivery charges;

(v) installation charges;

(vi) the value of exempt personal property given to the purchaser for which taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise;

(B) does not include

(i) a discount, including cash, term, or coupons, that is not reimbursed by a third party and that is allowed by a seller and taken

1 by a purchaser on a sale;

2 (ii) interest, financing, and carrying charges from credit  
3 extended on the sale of personal property or services if the amount is  
4 separately stated on the invoice, bill of sale, or similar document given  
5 to the purchaser;

6 (iii) taxes, fees, or other charges legally imposed by a  
7 federal, state, or local government directly on the consumer or the seller  
8 that are separately stated on the invoice, bill of sale, or similar  
9 document given to the purchaser; or

10 (iv) the motor fuel tax levied under AS 43.40;

11 (10) "services" includes

12 (A) an activity performed by a person for the person's member  
13 or shareholder;

14 (B) construction activities and personal property that will  
15 become a component or part of a construction project;

16 (C) labor;

17 (D) professional services;

18 (E) transportation;

19 (F) telephone or other communications services;

20 (G) entertainment, including cable, subscription, or pay  
21 television and other telecommunications services;

22 (H) the supplying of food, lodging, or other accommodations in  
23 a hotel, restaurant, or other location;

24 (I) admission to an exhibition;

25 (J) the use of a computer, computer time, a computer system, a  
26 computer program, a computer network, or a part of a computer system or  
27 network;

28 (K) the supplying of equipment for use;

29 (L) admission to a place of entertainment; and

30 (M) an activity engaged in for another person for consideration  
31 and that is separate from the sale of personal property;

1 (11) "use" includes consumption, use, other than use solely outside the  
2 state, or storage, other than storage for resale, that occurs in the ordinary course of  
3 business.

4 \* **Sec. 22.** AS 43.44.010(a), enacted by sec. 21 of this Act, is amended to read:

5 (a) A sales tax on the retail sale of personal property and services is levied on  
6 a purchaser in the state. The rate of the tax is **zero percent**

7 [(1) FOUR PERCENT FROM APRIL 1 THROUGH SEPTEMBER  
8 30; AND

9 (2) TWO PERCENT FROM OCTOBER 1 THROUGH MARCH 31].

10 \* **Sec. 23.** AS 43.55.011(f) is amended to read:

11 (f) The levy of tax under (e) of this section for

12 (1) oil and gas produced before January 1, 2022, from leases or  
13 properties that include land north of 68 degrees North latitude, other than gas subject  
14 to (o) of this section, may not be less than

15 (A) four percent of the gross value at the point of production  
16 when the average price per barrel for Alaska North Slope crude oil for sale on  
17 the United States West Coast during the calendar year for which the tax is due  
18 is more than \$25;

19 (B) three percent of the gross value at the point of production  
20 when the average price per barrel for Alaska North Slope crude oil for sale on  
21 the United States West Coast during the calendar year for which the tax is due  
22 is over \$20 but not over \$25;

23 (C) two percent of the gross value at the point of production  
24 when the average price per barrel for Alaska North Slope crude oil for sale on  
25 the United States West Coast during the calendar year for which the tax is due  
26 is over \$17.50 but not over \$20;

27 (D) one percent of the gross value at the point of production  
28 when the average price per barrel for Alaska North Slope crude oil for sale on  
29 the United States West Coast during the calendar year for which the tax is due  
30 is over \$15 but not over \$17.50; or

31 (E) zero percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on  
2 the United States West Coast during the calendar year for which the tax is due  
3 is \$15 or less; [AND]

4 (2) oil produced on and after January 1, 2022, **and before January 1,**  
5 **2027,** from leases or properties that include land north of 68 degrees North latitude,  
6 may not be less than

7 (A) four percent of the gross value at the point of production  
8 when the average price per barrel for Alaska North Slope crude oil for sale on  
9 the United States West Coast during the calendar year for which the tax is due  
10 is more than \$25;

11 (B) three percent of the gross value at the point of production  
12 when the average price per barrel for Alaska North Slope crude oil for sale on  
13 the United States West Coast during the calendar year for which the tax is due  
14 is over \$20 but not over \$25;

15 (C) two percent of the gross value at the point of production  
16 when the average price per barrel for Alaska North Slope crude oil for sale on  
17 the United States West Coast during the calendar year for which the tax is due  
18 is over \$17.50 but not over \$20;

19 (D) one percent of the gross value at the point of production  
20 when the average price per barrel for Alaska North Slope crude oil for sale on  
21 the United States West Coast during the calendar year for which the tax is due  
22 is over \$15 but not over \$17.50; or

23 (E) zero percent of the gross value at the point of production  
24 when the average price per barrel for Alaska North Slope crude oil for sale on  
25 the United States West Coast during the calendar year for which the tax is due  
26 is \$15 or less; **and**

27 **(3) oil produced on and after January 1, 2027, from leases or**  
28 **properties that include land north of 68 degrees North latitude, may not be less**  
29 **than**

30 **(A) six percent of the gross value at the point of production**  
31 **when the average price per barrel for Alaska North Slope crude oil for**

sale on the United States West Coast during the calendar year for which the tax is due is more than \$25;

(B) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$20 but not over \$25;

(C) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$17.50 but not over \$20;

(D) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$15 but not over \$17.50; or

(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is \$15 or less.

\* Sec. 24. AS 43.55.011(f), as amended by sec. 23 of this Act, is amended to read:

(f) The levy of tax under (e) of this section for

(1) oil and gas produced before January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, other than gas subject to (o) of this section, may not be less than

(A) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than \$25;

(B) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$20 but not over \$25;

1 (C) two percent of the gross value at the point of production  
2 when the average price per barrel for Alaska North Slope crude oil for sale on  
3 the United States West Coast during the calendar year for which the tax is due  
4 is over \$17.50 but not over \$20;

5 (D) one percent of the gross value at the point of production  
6 when the average price per barrel for Alaska North Slope crude oil for sale on  
7 the United States West Coast during the calendar year for which the tax is due  
8 is over \$15 but not over \$17.50; or

9 (E) zero percent of the gross value at the point of production  
10 when the average price per barrel for Alaska North Slope crude oil for sale on  
11 the United States West Coast during the calendar year for which the tax is due  
12 is \$15 or less;

13 (2) oil produced on and after January 1, 2022, and before January 1,  
14 2027, from leases or properties that include land north of 68 degrees North latitude,  
15 may not be less than

16 (A) four percent of the gross value at the point of production  
17 when the average price per barrel for Alaska North Slope crude oil for sale on  
18 the United States West Coast during the calendar year for which the tax is due  
19 is more than \$25;

20 (B) three percent of the gross value at the point of production  
21 when the average price per barrel for Alaska North Slope crude oil for sale on  
22 the United States West Coast during the calendar year for which the tax is due  
23 is over \$20 but not over \$25;

24 (C) two percent of the gross value at the point of production  
25 when the average price per barrel for Alaska North Slope crude oil for sale on  
26 the United States West Coast during the calendar year for which the tax is due  
27 is over \$17.50 but not over \$20;

28 (D) one percent of the gross value at the point of production  
29 when the average price per barrel for Alaska North Slope crude oil for sale on  
30 the United States West Coast during the calendar year for which the tax is due  
31 is over \$15 but not over \$17.50; or

1 (E) zero percent of the gross value at the point of production  
 2 when the average price per barrel for Alaska North Slope crude oil for sale on  
 3 the United States West Coast during the calendar year for which the tax is due  
 4 is \$15 or less; [AND]

5 (3) oil produced on and after January 1, 2027, **and before the effective**  
 6 **date of this section,** from leases or properties that include land north of 68 degrees  
 7 North latitude, may not be less than

8 (A) six percent of the gross value at the point of production  
 9 when the average price per barrel for Alaska North Slope crude oil for sale on  
 10 the United States West Coast during the calendar year for which the tax is due  
 11 is more than \$25;

12 (B) three percent of the gross value at the point of production  
 13 when the average price per barrel for Alaska North Slope crude oil for sale on  
 14 the United States West Coast during the calendar year for which the tax is due  
 15 is over \$20 but not over \$25;

16 (C) two percent of the gross value at the point of production  
 17 when the average price per barrel for Alaska North Slope crude oil for sale on  
 18 the United States West Coast during the calendar year for which the tax is due  
 19 is over \$17.50 but not over \$20;

20 (D) one percent of the gross value at the point of production  
 21 when the average price per barrel for Alaska North Slope crude oil for sale on  
 22 the United States West Coast during the calendar year for which the tax is due  
 23 is over \$15 but not over \$17.50; or

24 (E) zero percent of the gross value at the point of production  
 25 when the average price per barrel for Alaska North Slope crude oil for sale on  
 26 the United States West Coast during the calendar year for which the tax is due  
 27 is \$15 or less; **and**

28 **(4) oil produced on and after the effective date of this section, from**  
 29 **leases or properties that include land north of 68 degrees North latitude, may not**  
 30 **be less than**

31 **(A) four percent of the gross value at the point of**

production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than \$25;

(B) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$20 but not over \$25;

(C) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$17.50 but not over \$20;

(D) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$15 but not over \$17.50; or

(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is \$15 or less.

\* Sec. 25. AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay the tax as follows:

(1) for oil and gas produced before January 1, 2014, an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas not subject to AS 43.55.011(o) or (p)

1 produced from leases or properties in the state outside the Cook Inlet  
 2 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),  
 3 the greater of

4 (i) zero; or

5 (ii) the sum of 25 percent and the tax rate calculated for  
 6 the month under AS 43.55.011(g) multiplied by the remainder obtained  
 7 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
 8 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 9 deductible for the oil and gas under AS 43.55.160 from the gross value  
 10 at the point of production of the oil and gas produced from the leases or  
 11 properties during the month for which the installment payment is  
 12 calculated;

13 (B) for oil and gas produced from leases or properties subject  
 14 to AS 43.55.011(f), the greatest of

15 (i) zero;

16 (ii) zero percent, one percent, two percent, three  
 17 percent, or four percent, as applicable, of the gross value at the point of  
 18 production of the oil and gas produced from the leases or properties  
 19 during the month for which the installment payment is calculated; or

20 (iii) the sum of 25 percent and the tax rate calculated for  
 21 the month under AS 43.55.011(g) multiplied by the remainder obtained  
 22 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
 23 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 24 deductible for the oil and gas under AS 43.55.160 from the gross value  
 25 at the point of production of the oil and gas produced from those leases  
 26 or properties during the month for which the installment payment is  
 27 calculated;

28 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for  
 29 each lease or property, the greater of

30 (i) zero; or

31 (ii) the sum of 25 percent and the tax rate calculated for

1 the month under AS 43.55.011(g) multiplied by the remainder obtained  
2 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
3 calendar year of production under AS 43.55.165 and 43.55.170 that are  
4 deductible under AS 43.55.160 for the oil or gas, respectively,  
5 produced from the lease or property from the gross value at the point of  
6 production of the oil or gas, respectively, produced from the lease or  
7 property during the month for which the installment payment is  
8 calculated;

9 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

10 (i) the sum of 25 percent and the tax rate calculated for  
11 the month under AS 43.55.011(g) multiplied by the remainder obtained  
12 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
13 calendar year of production under AS 43.55.165 and 43.55.170 that are  
14 deductible for the oil and gas under AS 43.55.160 from the gross value  
15 at the point of production of the oil and gas produced from the leases or  
16 properties during the month for which the installment payment is  
17 calculated, but not less than zero; or

18 (ii) four percent of the gross value at the point of  
19 production of the oil and gas produced from the leases or properties  
20 during the month, but not less than zero;

21 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
22 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by  
23 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
24 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in  
25 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
26 gas produced during the month for the amount of taxable gas produced during the  
27 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced  
28 during the month for the amount of taxable oil produced during the calendar year;

29 (3) an installment payment of the estimated tax levied by  
30 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
31 on the last day of the following month; the amount of the installment payment is the

1 sum of

2 (A) the applicable tax rate for oil provided under  
3 AS 43.55.011(i), multiplied by the gross value at the point of production of the  
4 oil taxable under AS 43.55.011(i) and produced from the lease or property  
5 during the month; and

6 (B) the applicable tax rate for gas provided under  
7 AS 43.55.011(i), multiplied by the gross value at the point of production of the  
8 gas taxable under AS 43.55.011(i) and produced from the lease or property  
9 during the month;

10 (4) any amount of tax levied by AS 43.55.011, net of any credits  
11 applied as allowed by law, that exceeds the total of the amounts due as installment  
12 payments of estimated tax is due on March 31 of the year following the calendar year  
13 of production;

14 (5) for oil and gas produced on and after January 1, 2014, and before  
15 January 1, 2022, an installment payment of the estimated tax levied by  
16 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
17 month of the calendar year on the last day of the following month; except as otherwise  
18 provided under (6) of this subsection, the amount of the installment payment is the  
19 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be  
20 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount  
21 of the installment payment may not be less than zero:

22 (A) for oil and gas not subject to AS 43.55.011(o) or (p)  
23 produced from leases or properties in the state outside the Cook Inlet  
24 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),  
25 the greater of

26 (i) zero; or

27 (ii) 35 percent multiplied by the remainder obtained by  
28 subtracting 1/12 of the producer's adjusted lease expenditures for the  
29 calendar year of production under AS 43.55.165 and 43.55.170 that are  
30 deductible for the oil and gas under AS 43.55.160 from the gross value  
31 at the point of production of the oil and gas produced from the leases or

1 properties during the month for which the installment payment is  
2 calculated;

3 (B) for oil and gas produced from leases or properties subject  
4 to AS 43.55.011(f), the greatest of

5 (i) zero;

6 (ii) zero percent, one percent, two percent, three  
7 percent, or four percent, as applicable, of the gross value at the point of  
8 production of the oil and gas produced from the leases or properties  
9 during the month for which the installment payment is calculated; or

10 (iii) 35 percent multiplied by the remainder obtained by  
11 subtracting 1/12 of the producer's adjusted lease expenditures for the  
12 calendar year of production under AS 43.55.165 and 43.55.170 that are  
13 deductible for the oil and gas under AS 43.55.160 from the gross value  
14 at the point of production of the oil and gas produced from those leases  
15 or properties during the month for which the installment payment is  
16 calculated, except that, for the purposes of this calculation, a reduction  
17 from the gross value at the point of production may apply for oil and  
18 gas subject to AS 43.55.160(f) or (g);

19 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for  
20 each lease or property, the greater of

21 (i) zero; or

22 (ii) 35 percent multiplied by the remainder obtained by  
23 subtracting 1/12 of the producer's adjusted lease expenditures for the  
24 calendar year of production under AS 43.55.165 and 43.55.170 that are  
25 deductible under AS 43.55.160 for the oil or gas, respectively,  
26 produced from the lease or property from the gross value at the point of  
27 production of the oil or gas, respectively, produced from the lease or  
28 property during the month for which the installment payment is  
29 calculated;

30 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

31 (i) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the  
2 calendar year of production under AS 43.55.165 and 43.55.170 that are  
3 deductible for the oil and gas under AS 43.55.160 from the gross value  
4 at the point of production of the oil and gas produced from the leases or  
5 properties during the month for which the installment payment is  
6 calculated, but not less than zero; or

7 (ii) four percent of the gross value at the point of  
8 production of the oil and gas produced from the leases or properties  
9 during the month, but not less than zero;

10 (6) an amount calculated under (5)(C) of this subsection for oil or gas  
11 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by  
12 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
13 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in  
14 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
15 gas produced during the month for the amount of taxable gas produced during the  
16 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced  
17 during the month for the amount of taxable oil produced during the calendar year;

18 (7) for oil and gas produced on or after January 1, 2022, an installment  
19 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied  
20 as allowed by law, is due for each month of the calendar year on the last day of the  
21 following month; except as otherwise provided under (10) of this subsection, the  
22 amount of the installment payment is the sum of the following amounts, less 1/12 of  
23 the tax credits that are allowed by law to be applied against the tax levied by  
24 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may  
25 not be less than zero:

26 (A) for oil produced from leases or properties subject to  
27 AS 43.55.011(f), the greatest of

28 (i) zero;

29 (ii) **the percent applicable under AS 43.55.011(f)**

30 [ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE  
31 PERCENT, OR FOUR PERCENT, AS APPLICABLE,] of the gross

1 value at the point of production of the oil produced from the leases or  
2 properties during the month for which the installment payment is  
3 calculated; or

4 (iii) 35 percent multiplied by the remainder obtained by  
5 subtracting 1/12 of the producer's adjusted lease expenditures for the  
6 calendar year of production under AS 43.55.165 and 43.55.170 that are  
7 deductible for the oil under AS 43.55.160(h)(1) from the gross value at  
8 the point of production of the oil produced from those leases or  
9 properties during the month for which the installment payment is  
10 calculated, except that, for the purposes of this calculation, a reduction  
11 from the gross value at the point of production may apply for oil  
12 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

13 (B) for oil produced before or during the last calendar year  
14 under AS 43.55.024(b) for which the producer could take a tax credit under  
15 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet  
16 sedimentary basin, no part of which is north of 68 degrees North latitude, other  
17 than leases or properties subject to AS 43.55.011(o) or (p), the greater of

18 (i) zero; or

19 (ii) 35 percent multiplied by the remainder obtained by  
20 subtracting 1/12 of the producer's adjusted lease expenditures for the  
21 calendar year of production under AS 43.55.165 and 43.55.170 that are  
22 deductible for the oil under AS 43.55.160(h)(2) from the gross value at  
23 the point of production of the oil produced from the leases or properties  
24 during the month for which the installment payment is calculated;

25 (C) for oil and gas produced from leases or properties subject  
26 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,  
27 the sum of

28 (i) 35 percent multiplied by the remainder obtained by  
29 subtracting 1/12 of the producer's adjusted lease expenditures for the  
30 calendar year of production under AS 43.55.165 and 43.55.170 that are  
31 deductible for the oil under AS 43.55.160(h)(3) from the gross value at

1 the point of production of the oil produced from the leases or properties  
 2 during the month for which the installment payment is calculated, but  
 3 not less than zero; and

4 (ii) 13 percent of the gross value at the point of  
 5 production of the gas produced from the leases or properties during the  
 6 month, but not less than zero;

7 (D) for oil produced from leases or properties in the state, no  
 8 part of which is north of 68 degrees North latitude, other than leases or  
 9 properties subject to (B), (C), or (F) of this paragraph, the greater of

10 (i) zero; or

11 (ii) 35 percent multiplied by the remainder obtained by  
 12 subtracting 1/12 of the producer's adjusted lease expenditures for the  
 13 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 14 deductible for the oil under AS 43.55.160(h)(4) from the gross value at  
 15 the point of production of the oil produced from the leases or properties  
 16 during the month for which the installment payment is calculated;

17 (E) for gas produced from each lease or property in the state  
 18 outside the Cook Inlet sedimentary basin, other than a lease or property subject  
 19 to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of  
 20 production of the gas produced from the lease or property during the month for  
 21 which the installment payment is calculated, but not less than zero;

22 (F) for oil subject to AS 43.55.011(k), for each lease or  
 23 property, the greater of

24 (i) zero; or

25 (ii) 35 percent multiplied by the remainder obtained by  
 26 subtracting 1/12 of the producer's adjusted lease expenditures for the  
 27 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 28 deductible under AS 43.55.160 for the oil produced from the lease or  
 29 property from the gross value at the point of production of the oil  
 30 produced from the lease or property during the month for which the  
 31 installment payment is calculated;

1 (G) for gas subject to AS 43.55.011(j) or (o), for each lease or  
2 property, the greater of

3 (i) zero; or

4 (ii) 13 percent of the gross value at the point of  
5 production of the gas produced from the lease or property during the  
6 month for which the installment payment is calculated;

7 (8) an amount calculated under (7)(C) of this subsection may not  
8 exceed four percent of the gross value at the point of production of the oil and gas  
9 produced from leases or properties subject to AS 43.55.011(p) during the month for  
10 which the installment payment is calculated;

11 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and  
12 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point  
13 of production is determined under AS 43.55.011(f) [AS 43.55.011(f)(1) or (2)] but  
14 substituting the phrase "month for which the installment payment is calculated" in  
15 AS 43.55.011(f)(1) and (2) for the phrase "calendar year for which the tax is due";

16 (10) an amount calculated under (7)(F) or (G) of this subsection for oil  
17 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by  
18 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
19 applicable, for gas, or set out in AS 43.55.011(k) for oil, but substituting in  
20 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
21 gas produced during the month for the amount of taxable gas produced during the  
22 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced  
23 during the month for the amount of taxable oil produced during the calendar year.

24 \* **Sec. 26.** AS 43.55.023(c) is amended to read:

25 (c) A credit or portion of a credit under this section

26 (1) may not be used to reduce a person's tax liability under  
27 AS 43.55.011(e) for any calendar year below zero;

28 (2) may, if not used under this subsection, be applied in a later  
29 calendar year;

30 (3) may, regardless of when the credit was earned, be used to satisfy a  
31 tax, interest, penalty, fee, or other charge that

1 (A) is related to the tax due under this chapter for a prior year,  
 2 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or  
 3 43.55.320 or the tax levied by AS 43.55.011(i) or 43.55.014; and

4 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution  
 5 of the State of Alaska, been subject to an administrative proceeding or  
 6 litigation.

7 \* **Sec. 27.** AS 43.55.023(e) is amended to read:

8 (e) A person to which a transferable tax credit certificate is issued under (d) of  
 9 this section may transfer the certificate to another person, and a transferee may further  
 10 transfer the certificate. Subject to the limitations set out in (a) - (d) of this section, and  
 11 notwithstanding any action the department may take with respect to the applicant  
 12 under (g) of this section, the owner of a certificate may apply the credit or a portion of  
 13 the credit shown on the certificate

14 (1) against a tax levied by AS 43.55.011(e); however, a credit shown  
 15 on a transferable tax credit certificate may not be applied under this paragraph to  
 16 reduce a transferee's total tax liability under AS 43.55.011(e) for oil and gas produced  
 17 during a calendar year to less than 80 percent of the tax that would otherwise be due  
 18 without applying that credit; any portion of a credit not used under this paragraph may  
 19 be applied in a later period; or

20 (2) regardless of when the credit was earned, to satisfy a tax, interest,  
 21 penalty, fee, or other charge that

22 (A) is related to the tax due under this chapter, except for a  
 23 surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or 43.55.320 or  
 24 the tax levied by AS 43.55.011(i) or 43.55.014;

25 (B) is for a calendar year before the year in which the  
 26 certificate is applied; and

27 (C) has not, for the purpose of art. IX, sec. 17(a), Constitution  
 28 of the State of Alaska, been subject to an administrative proceeding or  
 29 litigation.

30 \* **Sec. 28.** AS 43.55.025(h) is amended to read:

31 (h) A producer that purchases a production tax credit certificate may apply the

1 credits against its production tax levied by AS 43.55.011(e). Regardless of the price  
2 the producer paid for the certificate, the producer may receive a credit against its  
3 production tax liability for the full amount of the credit, but for not more than the  
4 amount for which the certificate is issued. A production tax credit or a portion of a  
5 production tax credit or a production tax credit certificate or a portion of a production  
6 tax credit certificate allowed under this section

7 (1) may not be applied more than once;

8 (2) may be applied in a later calendar year;

9 (3) may, regardless of when the credit was earned, be applied to satisfy  
10 a tax, interest, penalty, fee, or other charge that

11 (A) is related to the tax due under this chapter for a prior year,  
12 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or  
13 43.55.320 or the tax levied by AS 43.55.011(i) or 43.55.014; and

14 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution  
15 of the State of Alaska, been subject to an administrative proceeding or  
16 litigation.

17 \* **Sec. 29.** AS 43.55.165(e) is amended to read:

18 (e) For purposes of this section, lease expenditures do not include

19 (1) depreciation, depletion, or amortization;

20 (2) oil or gas royalty payments, production payments, lease profit  
21 shares, or other payments or distributions of a share of oil or gas production, profit, or  
22 revenue, except that a producer's lease expenditures applicable to oil and gas produced  
23 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net  
24 profit paid to the state under that lease;

25 (3) taxes based on or measured by net income;

26 (4) interest or other financing charges or costs of raising equity or debt  
27 capital;

28 (5) acquisition costs for a lease or property or exploration license;

29 (6) costs arising from fraud, wilful misconduct, gross negligence,  
30 violation of law, or failure to comply with an obligation under a lease, permit, or  
31 license issued by the state or federal government;

- 1 (7) fines or penalties imposed by law;
- 2 (8) costs of arbitration, litigation, or other dispute resolution activities  
3 that involve the state or concern the rights or obligations among owners of interests in,  
4 or rights to production from, one or more leases or properties or a unit;
- 5 (9) costs incurred in organizing a partnership, joint venture, or other  
6 business entity or arrangement;
- 7 (10) amounts paid to indemnify the state; the exclusion provided by  
8 this paragraph does not apply to the costs of obtaining insurance or a surety bond from  
9 a third-party insurer or surety;
- 10 (11) surcharges levied under AS 43.55.201, [OR] 43.55.300, or  
11 43.55.320;
- 12 (12) an expenditure otherwise deductible under (b) of this section that  
13 is a result of an internal transfer, a transaction with an affiliate, or a transaction  
14 between related parties, or is otherwise not an arm's length transaction, unless the  
15 producer establishes to the satisfaction of the department that the amount of the  
16 expenditure does not exceed the fair market value of the expenditure;
- 17 (13) an expenditure incurred to purchase an interest in any corporation,  
18 partnership, limited liability company, business trust, or any other business entity,  
19 whether or not the transaction is treated as an asset sale for federal income tax  
20 purposes;
- 21 (14) a tax levied under AS 43.55.011 or 43.55.014;
- 22 (15) costs incurred for dismantlement, removal, surrender, or  
23 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the  
24 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in  
25 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not  
26 excluded under this paragraph if the dismantlement, removal, surrender, or  
27 abandonment for which the cost is incurred is undertaken for the purpose of replacing,  
28 renovating, or improving the facility, pipeline, well pad, platform, or other structure;
- 29 (16) costs incurred for containment, control, cleanup, or removal in  
30 connection with any unpermitted release of oil or a hazardous substance and any  
31 liability for damages imposed on the producer or explorer for that unpermitted release;

1 this paragraph does not apply to the cost of developing and maintaining an oil  
2 discharge prevention and contingency plan under AS 46.04.030;

3 (17) costs incurred to satisfy a work commitment under an exploration  
4 license under AS 38.05.132;

5 (18) that portion of expenditures, that would otherwise be qualified  
6 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that  
7 are less than the product of \$0.30 multiplied by the total taxable production from each  
8 lease or property, in BTU equivalent barrels, during that calendar year, except that,  
9 when a portion of a calendar year is subject to this provision, the expenditures and  
10 volumes shall be prorated within that calendar year;

11 (19) costs incurred for repair, replacement, or deferred maintenance of  
12 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
13 undertaken in response to a failure, problem, or event that results in an unscheduled  
14 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
15 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
16 equipment, other than a well, that is undertaken in response to, or is otherwise  
17 associated with, an unpermitted release of a hazardous substance or of gas; however,  
18 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
19 and (b) of this section may be treated as lease expenditures if the department  
20 determines that the repair or replacement is solely necessitated by an act of war, by an  
21 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
22 inevitable, and irresistible character, the effects of which could not have been  
23 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
24 negligent act or omission of a third party, other than a party or its agents in privity of  
25 contract with, or employed by, the producer or an operator acting for the producer, but  
26 only if the producer or operator, as applicable, exercised due care in operating and  
27 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
28 precautions against the act or omission of the third party and against the consequences  
29 of the act or omission; in this paragraph,

30 (A) "costs incurred for repair, replacement, or deferred  
31 maintenance of a facility, a pipeline, a structure, or equipment" includes costs

1 to dismantle and remove the facility, pipeline, structure, or equipment that is  
2 being replaced;

3 (B) "hazardous substance" has the meaning given in  
4 AS 46.03.826;

5 (C) "replacement" includes renovation or improvement;

6 (20) costs incurred to construct, acquire, or operate a refinery or crude  
7 oil topping plant, regardless of whether the products of the refinery or topping plant  
8 are used in oil or gas exploration, development, or production operations; however, if  
9 a producer owns a refinery or crude oil topping plant that is located on or near the  
10 premises of the producer's lease or property in the state and that processes the  
11 producer's oil produced from that lease or property into a product that the producer  
12 uses in the operation of the lease or property in drilling for or producing oil or gas, the  
13 producer's lease expenditures include the amount calculated by subtracting from the  
14 fair market value of the product used the prevailing value, as determined under  
15 AS 43.55.020(f), of the oil that is processed;

16 (21) costs of lobbying, public relations, public relations advertising, or  
17 policy advocacy;

18 (22) costs incurred as part of a capital expenditure or other action taken  
19 for a carbon management purpose under AS 38.05.081 or a carbon offset project under  
20 AS 38.95.400 - 38.95.499;

21 (23) costs incurred for carbon capture or carbon storage, including fees  
22 incurred under AS 41.06.160, surcharges incurred under AS 41.06.175, or costs  
23 associated with obtaining, operating, or maintaining a license or lease under  
24 AS 38.05.700 - 38.05.795; in this paragraph,

25 (A) "carbon capture" means the process of capturing carbon  
26 dioxide from a chemical, mechanical, or industrial process, or directly from the  
27 ambient atmosphere, and reducing the carbon dioxide to a concentrated form,  
28 including a supercritical fluid; "carbon capture" does not include gas  
29 processing or gas treatment;

30 (B) "carbon storage" means the long-term geologic storage of  
31 carbon dioxide in a carbon storage facility permitted under AS 41.06.120 or a

1 Class VI injection well, as defined in 40 C.F.R. 146.5(f).

2 \* **Sec. 30.** AS 43.55.201(b) is amended to read:

3 (b) The surcharge imposed by (a) of this section is in addition to the tax  
4 imposed by AS 43.55.011 and is due on the last day of the month on oil produced  
5 from each lease or property during the preceding month. The surcharge is in addition  
6 to the surcharge imposed by AS 43.55.300 - 43.55.310 **and 43.55.320.**

7 \* **Sec. 31.** AS 43.55 is amended by adding new sections to article 3 to read:

8 **Sec. 43.55.320. Infrastructure maintenance surcharge on oil.** (a) Every  
9 producer of oil shall pay a surcharge of \$.15 per barrel of oil produced from each lease  
10 or property in the state, less any oil the ownership or right to which is exempt from  
11 taxation.

12 (b) The surcharge imposed by (a) of this section is in addition to the tax  
13 imposed by AS 43.55.011 and the surcharges imposed by AS 43.55.201 and  
14 43.55.300.

15 (c) A tax credit authorized under this chapter may not be applied to reduce a  
16 producer's liability for the surcharge.

17 (d) The surcharge is due on the last day of the month on oil produced from  
18 each lease or property during the preceding month. The surcharge shall be paid at the  
19 same time and in the same manner as the surcharge imposed under AS 43.55.201.

20 **Sec. 43.55.325. Pipeline corridor maintenance fund.** (a) The pipeline  
21 corridor maintenance fund is established in the general fund.

22 (b) The legislature may appropriate to the fund the revenue collected under  
23 AS 43.55.320 and other money.

24 (c) Money in the fund may be used by the legislature to make appropriations  
25 for maintenance and operation costs incurred by the state along the pipeline corridor.

26 (d) Nothing in this section creates a dedicated fund.

27 \* **Sec. 32.** AS 43.55.900(24) is amended to read:

28 (24) "surcharge" means

29 (A) when used in AS 43.55.201 - 43.55.299, the surcharge  
30 levied by AS 43.55.201;

31 (B) when used in AS 43.55.300 - 43.55.310, the surcharge

levied by AS 43.55.300;

**(C) when used in AS 43.55.320 - 43.55.325, the surcharge**

**levied by AS 43.55.320;**

\* **Sec. 33.** AS 29.05.210(b)(1) is repealed.

\* **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.44.010, added by sec. 21 of this Act, applies to purchases made on or after the effective date of sec. 21 of this Act.

\* **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF BILL. This Act takes effect only if the following legislation is passed by the Thirty-Fourth Alaska State Legislature and enacted into law:

- (1) HB 275 or a similar bill;
- (2) HB 274 or a similar bill;
- (3) HJR 30 or a similar resolution.

\* **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to read:

EFFECTIVE DATE OF SEC. 24; NOTIFICATION. (a) Section 24 of this Act takes effect on the earlier of

- (1) January 1, 2032; or
- (2) January 1 of the calendar year following the first calendar year that the average daily throughput of the Trans Alaska Pipeline System exceeds 650,000 barrels a day.

(b) The commissioner of revenue shall notify the revisor of statutes in writing within 30 days after the commissioner determines the condition in (a)(2) of this section has been met.

\* **Sec. 37.** Sections 26 - 32 of this Act take effect July 1, 2026.

\* **Sec. 38.** Sections 15, 17 - 20, 23, and 25 of this Act take effect January 1, 2027.

\* **Sec. 39.** Section 16 of this Act takes effect January 1, 2031.

\* **Sec. 40.** Section 22 of this Act takes effect January 1, 2034.

\* **Sec. 41.** Except as provided in secs. 36 - 40 of this Act, this Act takes effect 12 months after enactment.