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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 an income tax on certain entities
3 producing or transporting oil or gas in the state; relating to highly digitized businesses;
4 imposing an education tax on net earnings from self-employment and wages; relating to
5 the administration and enforcement of the education tax; relating to the oil and gas
6 production tax; establishing an infrastructure maintenance surcharge on oil; and
7 providing for an effective date."

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

9 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 LEGISLATIVE INTENT. It is the intent of the legislature that the revenue from

12 (1) the education head tax levied under AS 43.45.011, added by sec. 13 of this
13 Act, be appropriated each year by the legislature to the public education fund under

1 AS 14.17.300; and

2 (2) the infrastructure maintenance surcharge on oil levied under AS 43.55.320,
3 added by sec. 29 of this Act, be appropriated by the legislature each year for maintenance and
4 operation costs incurred by the state along the pipeline corridor.

5 * **Sec. 2.** AS 43.19.010 is amended to read:

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

9 ARTICLE I.

10 PURPOSES.

11 The purposes of this compact are to:

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

20 ARTICLE II.

21 DEFINITIONS.

22 As used in this compact:

- 23 1. "State" means a state of the United States, the District of Columbia, the
- 24 Commonwealth of Puerto Rico, or any territory or possession of the United States.
- 25 2. "Subdivision" means any governmental unit or special district of a state.
- 26 3. "Taxpayer" means any corporation, partnership, firm, association,
- 27 governmental unit or agency or person acting as a business entity in more than one
- 28 state.
- 29 4. "Income tax" means a tax imposed on or measured by net income including
- 30 any tax imposed on or measured by an amount arrived at by deducting expenses from
- 31 gross income, one or more forms of which expenses are not specifically and directly

1 related to particular transactions.

2 5. "Capital stock tax" means a tax measured in any way by the capital of a
3 corporation considered in its entirety.

4 6. "Gross receipts tax" means a tax, other than a sales tax, which is imposed on
5 or measured by the gross volume of business, in terms of gross receipts or in other
6 terms, and in the determination of which no deduction is allowed which would
7 constitute the tax an income tax.

8 7. "Sales tax" means a tax imposed with respect to the transfer for a
9 consideration of ownership, possession or custody of tangible personal property or the
10 rendering of services measured by the price of the tangible personal property
11 transferred or services rendered and which is required by state or local law to be
12 separately stated from the sales price by the seller, or which is customarily separately
13 stated from the sales price, but does not include a tax imposed exclusively on the sale
14 of a specifically identified commodity or article or class of commodities or articles.

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

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

26 ARTICLE III.

27 ELEMENTS OF INCOME TAX LAWS.

28 TAXPAYERS OPTION, STATE AND LOCAL TAXES.

29 1. Any taxpayer subject to an income tax whose income is subject to
30 apportionment and allocation for tax purposes pursuant to the laws of a party state or
31 pursuant to the laws of subdivisions in two or more party states may elect to apportion

1 and allocate the taxpayer's income in the manner provided by the laws of such state or
2 by the laws of such states and subdivisions without reference to this compact, or may
3 elect to apportion and allocate in accordance with Article IV. This election for any tax
4 year may be made in all party states or subdivisions thereof or in any one or more of
5 the party states or subdivisions thereof without reference to the election made in the
6 others. For the purposes of this paragraph, taxes imposed by subdivisions shall be
7 considered separately from state taxes and the apportionment and allocation also may
8 be applied to the entire tax base. In no instance wherein Article IV is employed for all
9 subdivisions of a state may the sum of all apportionments and allocations to
10 subdivisions within a state be greater than the apportionment and allocation that would
11 be assignable to that state if the apportionment or allocation were being made with
12 respect to a state income tax.

13 TAXPAYER OPTION, SHORT FORM.

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

27 COVERAGE.

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

30 ARTICLE IV.

31 DIVISION OF INCOME.

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

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

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

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

(B) [INCLUDES] income **arising** from tangible and intangible property if the acquisition, management, **employment, development, or** [AND] disposition of the property **is or was related to the operation** [CONSTITUTE INTEGRAL PARTS] of the taxpayer's [REGULAR] trade or business; **and**

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

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

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

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

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

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

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

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

9 (i) "This state" means the state in which the relevant tax return is filed or, in
10 the case of application of this Article to the apportionment and allocation of income
11 for local tax purposes, the subdivision or local taxing district in which the relevant tax
12 return is filed.

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

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

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

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

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

5 (c) The extent of utilization of tangible personal property in a state is
6 determined by multiplying the rents and royalties by a fraction, the numerator of
7 which is the number of days of physical location of the property in the state during the
8 rental or royalty period in the taxable year and the denominator of which is the number
9 of days of physical location of the property everywhere during all rental or royalty
10 periods in the taxable year. If the physical location of the property during the rental or
11 royalty period is unknown or unascertainable by the taxpayer, tangible personal
12 property is utilized in the state in which the property was located at the time the rental
13 or royalty payer obtained possession.

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

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

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

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

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

28 (b) A patent is utilized in a state to the extent that it is employed in production,
29 fabrication, manufacturing, or other processing in the state or to the extent that a
30 patented product is produced in the state. If the basis of receipts from patent royalties
31 does not permit allocation to states or if the accounting procedures do not reflect states

1 of utilization, the patent is utilized in the state in which the taxpayer's commercial
2 domicile is located.

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

8 9. All **apportionable** [BUSINESS] income shall be apportioned to this state by
9 multiplying the income by a fraction, the numerator of which is the property factor
10 plus the payroll factor plus the sales factor, and the denominator of which is three.

11 10. The property factor is a fraction, the numerator of which is the average
12 value of the taxpayer's real and tangible personal property owned or rented and used in
13 this state during the tax period and the denominator of which is the average value of
14 all the taxpayer's real and tangible personal property owned or rented and used during
15 the tax period.

16 11. Property owned by the taxpayer is valued at its original cost. Property
17 rented by the taxpayer is valued at eight times the net annual rental rate. Net annual
18 rental rate is the annual rental rate paid by the taxpayer less any annual rental rate
19 received by the taxpayer from subrentals.

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

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

27 14. Compensation is paid in this state if:

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

29 (b) the individual's service is performed both inside and outside the state, but
30 the service performed outside the state is incidental to the individual's service within
31 this state; or

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

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

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

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

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

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

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

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

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

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

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

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

1 the taxpayer's business activity in this state; or

2 (d) the employment of any other method to effectuate an equitable allocation
3 and apportionment of the taxpayer's income.

4 ARTICLE V.

5 ELEMENTS OF SALES AND USE TAX LAWS.

6 TAX CREDIT.

7 1. Each purchaser liable for a use tax on tangible personal property shall be
8 entitled to full credit for the combined amount or amounts of legally imposed sales or
9 use taxes paid by the purchaser with respect to the same property to another state and
10 any subdivision thereof. The credit shall be applied first against the amount of any use
11 tax due the state, and any unused portion of the credit shall then be applied against the
12 amount of any use tax due a subdivision.

13 EXEMPTION CERTIFICATES, VENDORS MAY RELY.

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

18 ARTICLE VI.

19 THE COMMISSION.

20 ORGANIZATION AND MANAGEMENT.

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

1 required under paragraph 1(e) of this Article.

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

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

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

9 (e) The commission shall hold an annual meeting and such other regular
10 meetings as its bylaws may provide and such special meetings as its executive
11 committee may determine. The commission bylaws shall specify the dates of the
12 annual and any other regular meetings, and shall provide for the giving of notice of
13 annual, regular and special meetings. Notices of special meetings shall include the
14 reasons therefor and an agenda of the items to be considered.

15 (f) The commission shall elect annually, from among its members, a chairman,
16 a vice-chairman and a treasurer. The commission shall appoint an executive director
17 who shall serve at its pleasure, and it shall fix the duties and compensation of the
18 executive director. The executive director shall be secretary of the commission. The
19 commission shall make provision for the bonding of such of its officers and employees
20 as it may deem appropriate.

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

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

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

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

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

7 (l) The commission annually shall make to the governor and legislature of
8 each party state a report covering its activities for the preceding year. Any donation or
9 grant accepted by the commission or services borrowed shall be reported in the annual
10 report of the commission, and shall include the nature, amount and conditions, if any,
11 of the donation, gift, grant or services borrowed and the identity of the donor or
12 lender. The commission may make additional reports as it may deem desirable.

13 COMMITTEES.

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

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

25 (c) The commission may establish such additional committees as its bylaws
26 may provide.

27 POWERS.

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

30 (a) Study state and local tax systems and particular types of state and local
31 taxes.

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

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

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

9 FINANCE.

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

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

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

1 (d) The commission shall keep accurate accounts of all receipts and
2 disbursements. The receipts and disbursements of the commission shall be subject to
3 the audit and accounting procedures established under its bylaws. All receipts and
4 disbursements of funds handled by the commission shall be audited yearly by a
5 certified or licensed public accountant and the report of the audit shall be included in
6 and become part of the annual report of the commission.

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

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

13 ARTICLE VII.

14 UNIFORM REGULATIONS AND FORMS.

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

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

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

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

29 3. The commission shall submit any regulations adopted by it to the
30 appropriate officials of all party states and subdivisions to which they might apply.
31 Each such state and subdivision shall consider any such regulations for adoption in

1 accordance with its own laws and procedures.

2 ARTICLE VIII.

3 INTERSTATE AUDITS.

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

6 2. Any party state or subdivision thereof desiring to make or participate in an
7 audit of any accounts, books, papers, records or other documents may request the
8 commission to perform the audit on its behalf. In responding to the request, the
9 commission shall have access to and may examine, at any reasonable time, such
10 accounts, books, papers, records, and other documents and any relevant property or
11 stock of merchandise. The commission may enter into agreements with party states or
12 their subdivisions for assistance in performance of the audit. The commission shall
13 make charges, to be paid by the state or local government or governments for which it
14 performs the service, for any audits performed by it in order to reimburse itself for the
15 actual costs incurred in making the audit.

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

24 4. The commission may apply to any court having power to issue compulsory
25 process for orders in aid of its powers and responsibilities pursuant to this Article and
26 any and all such courts shall have jurisdiction to issue such orders. Failure of any
27 person to obey any such order shall be punishable as contempt of the issuing court. If
28 the party or subject matter on account of which the commission seeks an order is
29 within the jurisdiction of the court to which application is made, such application may
30 be to a court in the state or subdivision on behalf of which the audit is being made or a
31 court in the state in which the object of the order being sought is situated. The

1 provisions of this paragraph apply only to courts in a state that has adopted this
2 Article.

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

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

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

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

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

26 ARTICLE IX.

27 ARBITRATION.

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

31 2. The commission shall select and maintain an arbitration panel composed of

1 officers and employees of state and local governments and private persons who shall
2 be knowledgeable and experienced in matters of tax law and administration.

3 3. Whenever a taxpayer who has elected to employ Article IV, or whenever the
4 laws of the party state or subdivision thereof are substantially identical with the
5 relevant provisions of Article IV, the taxpayer, by written notice to the commission
6 and to each party state or subdivision thereof that would be affected, may secure
7 arbitration of an apportionment or allocation, if the taxpayer is dissatisfied with the
8 final administrative determination of the tax agency of the state or subdivision with
9 respect thereto on the ground that it would subject the taxpayer to double or multiple
10 taxation by two or more party states or subdivisions thereof. Each party state and
11 subdivision thereof hereby consents to the arbitration as provided herein, and agrees to
12 be bound thereby.

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

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

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

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

10 8. Unless the parties otherwise agree the expenses and other costs of the
11 arbitration shall be assessed and allocated among the parties by the board in such
12 manner as it may determine. The commission shall fix a schedule of compensation for
13 members of arbitration boards and of other allowable expenses and costs. No officer
14 or employee of a state or local government who serves as a member of a board shall be
15 entitled to compensation therefor unless the member is required on account of the
16 service as a board member to forego the regular compensation attaching to the public
17 employment, but any such board member shall be entitled to expenses.

18 9. The board shall determine the disputed apportionment or allocation and any
19 matters necessary thereto. The determinations of the board shall be final for purposes
20 of making the apportionment or allocation, but for no other purpose.

21 10. The board shall file with the commission and with each tax agency
22 represented in the proceeding: the determination of the board; the board's written
23 statement of its reasons therefor; the record of the board's proceedings; and any other
24 documents required by the arbitration rules of the commission to be filed.

25 11. The commission shall publish the determinations of boards together with
26 the statements of the reasons therefor.

27 12. The commission shall adopt and publish rules of procedure and practice
28 and shall file a copy of such rules and of any amendment thereto with the appropriate
29 agency or officer in each of the party states.

30 13. Nothing contained herein shall prevent at any time a written compromise of
31 any matter or matters in dispute, if otherwise lawful, by the parties to the arbitration

1 proceedings.

2 ARTICLE X.

3 ENTRY INTO FORCE AND WITHDRAWAL.

4 1. This compact shall enter into force when enacted into law by any seven
5 states. Thereafter, this compact shall become effective as to any other state upon its
6 enactment thereof. The commission shall arrange for notification of all party states
7 whenever there is a new enactment of the compact.

8 2. Any party state may withdraw from this compact by enacting a statute
9 repealing the same. No withdrawal shall affect any liability already incurred by or
10 chargeable to a party state prior to the time of such withdrawal.

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

16 ARTICLE XI.

17 EFFECT ON OTHER LAWS AND JURISDICTION.

18 Nothing in this compact shall be construed to:

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

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

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

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

30 ARTICLE XII.

31 CONSTRUCTION AND SEVERABILITY.

1 This compact shall be liberally construed so as to effectuate the purposes
 2 thereof. The provisions of this compact shall be severable and if any phrase, clause,
 3 sentence, or provision of this compact is declared to be contrary to the constitution of
 4 any state or of the United States or the applicability thereof to any government,
 5 agency, person or circumstance is held invalid, the validity of the remainder of this
 6 compact and the applicability thereof to any government, agency, person or
 7 circumstance shall not be affected thereby. If this compact shall be held contrary to the
 8 constitution of any state participating therein, the compact shall remain in full force
 9 and effect as to the remaining party states and in full force and effect as to the state
 10 affected as to all severable matters.

11 * **Sec. 3.** AS 43.20 is amended by adding a new section to read:

12 **Sec. 43.20.019. Tax on income attributable to a qualified entity.** (a) Each
 13 taxable year, a tax is imposed on the entire taxable income derived from sources in the
 14 state of every qualified entity. The tax is computed as follows:

If the taxable income is:	Then the tax is:
Less than \$1,000,000	zero
\$1,000,000 but less than \$2,000,000	5 percent of the taxable income over \$1,000,000
\$2,000,000 but less than \$3,000,000	\$50,000 plus 6 percent of the taxable income over \$2,000,000
\$3,000,000 but less than \$4,000,000	\$110,000 plus 7 percent of the taxable income over \$3,000,000
\$4,000,000 but less than \$5,000,000	\$180,000 plus 8 percent of the taxable income over \$4,000,000
\$5,000,000 or more	\$260,000 plus 9.4 percent of the taxable income over \$5,000,000.

27 (b) For purposes of calculating taxable income under this section,

28 (1) taxable income of a qualified entity is determined under
 29 AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by
 30 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1,
 31 2026;

1 (2) notwithstanding AS 43.20.021 and AS 43.20.036, the taxpayer may
2 not apply as a credit or deduction against tax liability a credit or deduction allowed as
3 to federal taxes under 26 U.S.C. (Internal Revenue Code), except that the taxpayer
4 may take a credit or deduction allowed for a C corporation under (1) of this
5 subsection.

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

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

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

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

17 (e) In this section,

18 (1) "qualified entity" means a

19 (A) sole proprietorship;

20 (B) partnership;

21 (C) limited liability company; or

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

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

27 * **Sec. 4.** AS 43.20.030(a) is amended to read:

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

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

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

5 * **Sec. 5.** AS 43.20.031(i) is amended to read:

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

11 * **Sec. 6.** AS 43.20.031 is amended by adding a new subsection to read:

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

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

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

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

20 * **Sec. 7.** AS 43.20.143(a) is amended to read:

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

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

30 (2) the numerator of the payroll factor is the sum of the wages and
31 salaries of employees assigned to fixed locations determined according to AS 43.19

1 (Multistate Tax Compact) and the wages and salaries of employees assigned to
2 interstate mobile property determined on a days-spent-in-ports basis as provided in (4)
3 of this subsection; the denominator of the payroll factor is determined in accordance
4 with AS 43.19 (Multistate Tax Compact);

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

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

16 * **Sec. 8.** AS 43.20.144(a) is amended to read:

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

21 * **Sec. 9.** AS 43.20.144(b) is amended to read:

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

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

28 (2) intangible drilling and development costs that are deducted as
29 expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the
30 federal taxable income shall be capitalized and depreciated as if the option to treat
31 them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been

1 exercised;

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

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

8 * **Sec. 10.** AS 43.20.144(c) is amended to read:

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

12 (1) the apportionment factor of a taxpayer subject to this section but
13 not engaged in the production of oil and gas, or of gas only, as appropriate, from a
14 lease or property in this state during the tax period is a fraction, the numerator of
15 which is the sum of the property factor under AS 43.19 (Multistate Tax Compact) and
16 the sales factor under (d) of this section for the taxpayer for that tax period, and the
17 denominator of which is two;

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

23 (3) the apportionment factor of a taxpayer engaged both in the
24 production of oil or gas from a lease or property in this state and in the pipeline
25 transportation of oil or gas in this state during the tax period is a fraction, the
26 numerator of which is the sum of the sales factor under (d) of this section, the property
27 factor under (e) of this section, and the extraction factor under (f) of this section for
28 the taxpayer for the tax period, and the denominator of which is three.

29 * **Sec. 11.** AS 43.20.145(e) is amended to read:

30 (e) The department may require a corporation that files under (a) of this
31 section to file a report under AS 43.20.142, [AND] 43.20.143, **and 43.20.148** prepared

1 without regard to this section if the corporation or an affiliated corporation

2 (1) fails to comply with regulations adopted under this chapter,
3 including domestic disclosure spread sheet filing requirements; or

4 (2) does not provide information that is requested by the department
5 that is necessary for the department to audit the taxpayer's corporate return in a
6 reasonable period of time.

7 * **Sec. 12.** AS 43.20 is amended by adding a new section to article 2 to read:

8 **Sec. 43.20.148. Highly digitized businesses.** (a) All apportionable income of a
9 taxpayer engaged in a highly digitized business in the state shall be apportioned to this
10 state in accordance with AS 43.19 (Multistate Tax Compact) as modified by this
11 section.

12 (b) The apportionment factor of a taxpayer subject to this section is the sales
13 factor. The sales factor is determined in accordance with AS 43.19 (Multistate Tax
14 Compact).

15 (c) A taxpayer is engaged in a highly digitized business in this state when 50
16 percent or more of the taxpayer's sales in this state consist of any combination of sales
17 of

18 (1) intangible property delivered by electronic transmission in this
19 state;

20 (2) services delivered by electronic transmission in this state;

21 (3) services related to computers, electronic transmissions, or Internet
22 technology delivered in this state; or

23 (4) tangible personal property delivered in this state from Internet
24 sales, if the Internet is the primary mode of customer access in this state.

25 (d) The department may require a taxpayer to apportion income under this
26 section if the department determines that the taxpayer's business activity in this state
27 may be otherwise characterized as a highly digitized business.

28 (e) This section does not apply to a

29 (1) public utility allocating and apportioning income under
30 AS 43.20.146; or

31 (2) utility furnishing telecommunications services.

1 (f) In this section,

2 (1) "delivered" includes delivered to or on behalf of a customer or
3 delivered through a customer;

4 (2) "electronic transmission" includes transmission by wire, lines,
5 cable, fiber optics, electronic signals, satellite transmission, audio or radio waves, or
6 similar means, whether or not the provider owns, leases, or otherwise controls the
7 transmission equipment;

8 (3) "intangible property" includes licenses and sublicenses for data
9 access, streaming or other electronic transmission of music, videos, books, games, or
10 other digital goods, and remote access software;

11 (4) "Internet sales" includes sales through an Internet website,
12 application, or other electronic means, including sales made by computer, tablet,
13 telephone, or other similar device.

14 * **Sec. 13.** AS 43.45 is amended by adding new sections to read:

15 **Chapter 45. Education Tax.**

16 **Sec. 43.45.011. Tax imposed.** (a) A tax is imposed on wages and on net
17 earnings from self-employment of every

18 (1) resident individual; and

19 (2) nonresident and part-year resident individual with income from a
20 source in the state.

21 (b) For an individual whose wages, net earnings from self-employment, or
22 combined wages and net earnings from self-employment are

23 (1) less than \$30,000, the tax is \$10 a year;

24 (2) \$30,000 or more, but less than \$90,000, the tax is \$15 a year;

25 (3) \$90,000 or more, but less than \$150,000, the tax is \$20 a year;

26 (4) \$150,000 or more, the tax is \$30.

27 (c) For purposes of (b) of this section, the wages and the net earnings from
28 self-employment of a

29 (1) resident are the total annual wages and the net earnings from self-
30 employment of the resident;

31 (2) nonresident or part-year resident are the annual wages and the net

1 earnings from self-employment of the nonresident or part-year resident that are
2 attributable to a source in the state.

3 **Sec. 43.45.021. Collection of tax by employer.** (a) An employer shall deduct
4 and withhold one-half of the estimated taxes due under AS 43.45.011 from an
5 employee's wages subject to withholding under 26 U.S.C. 3401 - 3406 from each of
6 the third and fourth regular payrolls of the calendar year. If the employee's third and
7 fourth payrolls are insufficient to cover the estimated tax due, the employer shall
8 continue to deduct and withhold from subsequent payrolls until the tax due under this
9 chapter is fully withheld. The employer shall withhold any outstanding amount of tax
10 due under AS 43.45.011 from the final regular payroll of the calendar year.

11 (b) An employer is liable for the tax required to be withheld from an employee
12 unless the employer can demonstrate that the employer relied on proof provided by the
13 employee that the total tax for the calendar year imposed under AS 43.45.011 had
14 already been withheld under this section or paid under AS 43.45.031. A deduction of
15 the tax may not be made from the wages of an individual who provides proof to the
16 employer that the entire tax imposed under AS 43.45.011 on that individual for the
17 calendar year has already been withheld or paid under AS 43.45.031. The department
18 may impose a civil penalty on an employer in an amount up to five times the amount
19 of tax due from employees but not remitted to the department. The penalty shall be
20 imposed in the manner provided by AS 43.05.245.

21 (c) Tax withheld by an employer becomes due and shall be paid by an
22 employer to the department in accordance with regulations adopted by the department.

23 (d) An employer shall maintain a record of the amount deducted from the
24 wages of each employee and shall furnish an annual statement of the deductions to
25 each employee and to the department in accordance with regulations adopted by the
26 department.

27 (e) The department shall, if it will result in cost savings for the state in the
28 administration of the tax, for employers in the administration of the tax, or for both,
29 coordinate collection and reporting of the tax imposed in this chapter with the
30 collection and reporting of employment security contributions by the Department of
31 Labor and Workforce Development, including permitting the Department of Labor

1 and Workforce Development to collect the tax payments and remit them to the
2 department.

3 **Sec. 43.45.031. Payment of tax by self-employed individual.** A self-
4 employed individual shall remit to the department the tax due under AS 43.45.011 in
5 accordance with regulations adopted by the department until the entire tax has been
6 paid.

7 **Sec. 43.45.041. Refund of overpayments.** (a) If an individual pays to the
8 department, directly or through withholding by an employer, an amount exceeding the
9 total tax imposed under this chapter during a calendar year and the individual applies
10 for a refund in accordance with regulations adopted by the department, the department
11 shall refund the overpayment to the individual.

12 (b) Interest on an overpayment may not be allowed under AS 43.05.280 if the
13 department refunds the overpayment within 90 days after the date the individual
14 correctly files the refund claim.

15 (c) The Department of Revenue may adopt regulations to coordinate refunds
16 of overpayments under this section with refunds of employment security contributions
17 under AS 23.20.165.

18 (d) An individual may apply for a refund under this section only during the
19 calendar year immediately following the calendar year in which the excess was paid.

20 **Sec. 43.45.051. Report of payments to self-employed individuals.** A person
21 required to report a payment to a self-employed individual to the federal government
22 under 26 U.S.C. shall also report that payment to the department in accordance with
23 regulations adopted by the department.

24 **Sec. 43.45.061. Accounting of tax proceeds.** The tax and penalties collected
25 by the department under this chapter shall be deposited into the general fund and
26 accounted for separately.

27 **Sec. 43.45.099. Definitions.** In this chapter,

28 (1) "employee" has the meaning given in 26 U.S.C. 3401, as that
29 section read on January 1, 2026;

30 (2) "employer" has the meaning given in 26 U.S.C. 3401, as that
31 section read on January 1, 2026;

1 (3) "net earnings from self-employment" has the meaning given in 26
2 U.S.C. 1402, as that section read on January 1, 2026;

3 (4) "wages" has the meaning given in 26 U.S.C. 3401, as that section
4 read on January 1, 2026.

5 * **Sec. 14.** AS 43.55.011(f) is amended to read:

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

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

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

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

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

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

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

30 (2) oil produced on and after January 1, 2022, **and before January 1,**
31 **2027,** from leases or properties that include land north of 68 degrees North latitude,

1 may not be less than

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

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

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

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

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

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

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

29 **(B) three percent of the gross value at the point of**
30 **production when the average price per barrel for Alaska North Slope**
31 **crude oil for sale on the United States West Coast during the calendar**

1 year for which the tax is due is over \$20 but not over \$25;

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

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

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

14 * **Sec. 15.** AS 43.55.011 is amended by adding a new subsection to read:

15 (q) A credit under this chapter may not be applied to reduce the tax under (e)
16 of this section below the amount calculated under (f) of this section.

17 * **Sec. 16.** AS 43.55.019(e) is amended to read:

18 (e) The credit under this section may not reduce a person's tax liability under
19 AS 43.55.011(e) to below zero or the amount calculated under AS 43.55.011(f), if
20 applicable, for any tax year. An unused credit or portion of a credit not used under
21 this section for a tax year may not be sold, traded, transferred, or applied in a
22 subsequent tax year.

23 * **Sec. 17.** AS 43.55.020(a) is amended to read:

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

26 (1) for oil and gas produced before January 1, 2014, an installment
27 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
28 as allowed by law, is due for each month of the calendar year on the last day of the
29 following month; except as otherwise provided under (2) of this subsection, the
30 amount of the installment payment is the sum of the following amounts, less 1/12 of
31 the tax credits that are allowed by law to be applied against the tax levied by

1 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
2 not be less than zero:

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

7 (i) zero; or

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

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

18 (i) zero;

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

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

31 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for

each lease or property, the greater of

(i) zero; or

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

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

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

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

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

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

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

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

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

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

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

29 (i) zero; or

30 (ii) 35 percent multiplied by the remainder obtained by
31 subtracting 1/12 of the producer's adjusted lease expenditures for the

1 calendar year of production under AS 43.55.165 and 43.55.170 that are
 2 deductible for the oil and gas under AS 43.55.160 from the gross value
 3 at the point of production of the oil and gas produced from the leases or
 4 properties during the month for which the installment payment is
 5 calculated;

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

8 (i) zero;

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

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

22 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
 23 each lease or 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 or gas, respectively,
 29 produced from the lease or property from the gross value at the point of
 30 production of the oil or gas, respectively, produced from the lease or
 31 property during the month for which the installment payment is

1 calculated;

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

3 (i) 35 percent multiplied by the remainder obtained by
4 subtracting 1/12 of the producer's adjusted lease expenditures for the
5 calendar year of production under AS 43.55.165 and 43.55.170 that are
6 deductible for the oil and gas under AS 43.55.160 from the gross value
7 at the point of production of the oil and gas produced from the leases or
8 properties during the month for which the installment payment is
9 calculated, but not less than zero; or

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

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

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

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

31 (i) zero;

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(ii) the percent applicable under AS 43.55.011(f)
[ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE,] of the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated; or

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

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

(i) zero; or

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

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

(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 under AS 43.55.160(h)(3) from the gross value at
4 the point of production of the oil produced from the leases or properties
5 during the month for which the installment payment is calculated, but
6 not less than zero; and

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

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

13 (i) zero; or

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

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

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

27 (i) zero; or

28 (ii) 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 under AS 43.55.160 for the oil produced from the lease or

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

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

6 (i) zero; or

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

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

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

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

27 **(11) for purposes of the calculation under (5)(B)(ii) or (7)(A)(ii) of**
28 **this subsection, a credit under this chapter may not be applied to reduce an**
29 **installment payment to less than the amount calculated using the applicable**
30 **percentage under AS 43.55.011(f).**

31 * **Sec. 18.** AS 43.55.023(c) is amended to read:

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

2 (1) may not be used to reduce a person's tax liability under
3 AS 43.55.011(e) for any calendar year below zero or the amount calculated under
4 AS 43.55.011(f), if applicable;

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

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

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

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

15 * **Sec. 19.** AS 43.55.023(e) is amended to read:

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

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

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

30 (A) is related to the tax due under this chapter, except for a
31 surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or 43.55.320 or

1 the tax levied by AS 43.55.011(i) or 43.55.014;

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

4 (C) 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. 20.** AS 43.55.024(g) is amended to read:

8 (g) A tax credit authorized by (c) of this section may not be applied to reduce
9 a producer's tax liability for any calendar year under AS 43.55.011(e) below zero **or**
10 **the amount calculated under AS 43.55.011(f), if applicable.**

11 * **Sec. 21.** AS 43.55.024(i) is amended to read:

12 (i) A producer may apply against the producer's tax liability for the calendar
13 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
14 AS 43.55.011(e) that receives a reduction in the gross value at the point of production
15 under AS 43.55.160(f) or (g) and that is produced during a calendar year after
16 December 31, 2013. A tax credit authorized by this subsection may not reduce a
17 producer's tax liability for a calendar year under AS 43.55.011(e) below zero **or the**
18 **amount calculated under AS 43.55.011(f), as applicable.**

19 * **Sec. 22.** AS 43.55.024(j) is amended to read:

20 (j) A producer may apply against the producer's tax liability for the calendar
21 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
22 each barrel of oil taxable under AS 43.55.011(e) that does not receive a reduction in
23 the gross value at the point of production under AS 43.55.160(f) or (g) and that is
24 produced during a calendar year after December 31, 2013, from leases or properties
25 north of 68 degrees North latitude. A tax credit under this subsection may not reduce a
26 producer's tax liability for a calendar year under AS 43.55.011(e) below the amount
27 calculated under AS 43.55.011(f). The amount of the tax credit for a barrel of taxable
28 oil subject to this subsection produced during a month of the calendar year is

29 (1) **\$5** [\$8] for each barrel of taxable oil if the average gross value at
30 the point of production for the month is less than \$80 a barrel;

31 (2) **\$4** [\$7] for each barrel of taxable oil if the average gross value at

1 the point of production for the month is greater than or equal to \$80 a barrel, but less
2 than \$90 a barrel;

3 (3) \$3 [\$6] for each barrel of taxable oil if the average gross value at
4 the point of production for the month is greater than or equal to \$90 a barrel, but less
5 than \$100 a barrel;

6 (4) \$2 [\$5] for each barrel of taxable oil if the average gross value at
7 the point of production for the month is greater than or equal to \$100 a barrel, but less
8 than \$110 a barrel;

9 (5) \$1 [\$4] for each barrel of taxable oil if the average gross value at
10 the point of production for the month is greater than or equal to \$110 a barrel, but less
11 than \$120 a barrel;

12 (6) [\$3 FOR EACH BARREL OF TAXABLE OIL IF THE
13 AVERAGE GROSS VALUE AT THE POINT OF PRODUCTION FOR THE
14 MONTH IS GREATER THAN OR EQUAL TO \$120 A BARREL, BUT LESS
15 THAN \$130 A BARREL;

16 (7) \$2 FOR EACH BARREL OF TAXABLE OIL IF THE AVERAGE
17 GROSS VALUE AT THE POINT OF PRODUCTION FOR THE MONTH IS
18 GREATER THAN OR EQUAL TO \$130 A BARREL, BUT LESS THAN \$140 A
19 BARREL;

20 (8) \$1 FOR EACH BARREL OF TAXABLE OIL IF THE AVERAGE
21 GROSS VALUE AT THE POINT OF PRODUCTION FOR THE MONTH IS
22 GREATER THAN OR EQUAL TO \$140 A BARREL, BUT LESS THAN \$150 A
23 BARREL;

24 (9)] zero if the average gross value at the point of production for the
25 month is greater than or equal to \$120 [\$150] a barrel.

26 * **Sec. 23.** AS 43.55.025(h) is amended to read:

27 (h) A producer that purchases a production tax credit certificate may apply the
28 credits against its production tax levied by AS 43.55.011(e). Regardless of the price
29 the producer paid for the certificate, the producer may receive a credit against its
30 production tax liability for the full amount of the credit, but for not more than the
31 amount for which the certificate is issued. A production tax credit or a portion of a

1 production tax credit or a production tax credit certificate or a portion of a production
2 tax credit certificate allowed under this section

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

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

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

7 (A) is related to the tax due under this chapter for a prior year,
8 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, **or**
9 **43.55.320** or the tax levied by AS 43.55.011(i) or 43.55.014; and

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

13 * **Sec. 24.** AS 43.55.025(i) is amended to read:

14 (i) For a production tax credit under this section,

15 (1) a credit may not be applied to reduce a taxpayer's tax liability **for a**
16 **calendar year** under AS 43.55.011(e) below zero **or the amount calculated under**
17 **AS 43.55.011(f), if applicable** [FOR A CALENDAR YEAR];

18 (2) if the production tax credit is for exploration expenditures incurred
19 for work performed on or after July 1, 2016, the explorer may apply the credit to
20 reduce the explorer's tax liability under AS 43.20, except that the credit may not be
21 applied to reduce the explorer's tax liability under AS 43.20 below zero for a tax year;
22 and

23 (3) an amount of the production tax credit in excess of the amount that
24 may be applied for a calendar or tax year under this subsection may be carried forward
25 and applied against the taxpayer's tax liability under AS 43.55.011(e) in one or more
26 later calendar years or under AS 43.20 in one or more later tax years.

27 * **Sec. 25.** AS 43.55.165(e) is amended to read:

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

29 (1) depreciation, depletion, or amortization;

30 (2) oil or gas royalty payments, production payments, lease profit
31 shares, or other payments or distributions of a share of oil or gas production, profit, or

1 revenue, except that a producer's lease expenditures applicable to oil and gas produced
2 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net
3 profit paid to the state under that lease;

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

5 (4) interest or other financing charges or costs of raising equity or debt
6 capital;

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

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

11 (7) fines or penalties imposed by law;

12 (8) costs of arbitration, litigation, or other dispute resolution activities
13 that involve the state or concern the rights or obligations among owners of interests in,
14 or rights to production from, one or more leases or properties or a unit;

15 (9) costs incurred in organizing a partnership, joint venture, or other
16 business entity or arrangement;

17 (10) amounts paid to indemnify the state; the exclusion provided by
18 this paragraph does not apply to the costs of obtaining insurance or a surety bond from
19 a third-party insurer or surety;

20 (11) surcharges levied under AS 43.55.201, [OR] 43.55.300, or
21 43.55.320;

22 (12) an expenditure otherwise deductible under (b) of this section that
23 is a result of an internal transfer, a transaction with an affiliate, or a transaction
24 between related parties, or is otherwise not an arm's length transaction, unless the
25 producer establishes to the satisfaction of the department that the amount of the
26 expenditure does not exceed the fair market value of the expenditure;

27 (13) an expenditure incurred to purchase an interest in any corporation,
28 partnership, limited liability company, business trust, or any other business entity,
29 whether or not the transaction is treated as an asset sale for federal income tax
30 purposes;

31 (14) a tax levied under AS 43.55.011 or 43.55.014;

1 (15) costs incurred for dismantlement, removal, surrender, or
2 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
3 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
4 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
5 excluded under this paragraph if the dismantlement, removal, surrender, or
6 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
7 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

8 (16) costs incurred for containment, control, cleanup, or removal in
9 connection with any unpermitted release of oil or a hazardous substance and any
10 liability for damages imposed on the producer or explorer for that unpermitted release;
11 this paragraph does not apply to the cost of developing and maintaining an oil
12 discharge prevention and contingency plan under AS 46.04.030;

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

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

21 (19) costs incurred for repair, replacement, or deferred maintenance of
22 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is
23 undertaken in response to a failure, problem, or event that results in an unscheduled
24 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for
25 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or
26 equipment, other than a well, that is undertaken in response to, or is otherwise
27 associated with, an unpermitted release of a hazardous substance or of gas; however,
28 costs under this paragraph that would otherwise constitute lease expenditures under (a)
29 and (b) of this section may be treated as lease expenditures if the department
30 determines that the repair or replacement is solely necessitated by an act of war, by an
31 unanticipated grave natural disaster or other natural phenomenon of an exceptional,

1 inevitable, and irresistible character, the effects of which could not have been
2 prevented or avoided by the exercise of due care or foresight, or by an intentional or
3 negligent act or omission of a third party, other than a party or its agents in privity of
4 contract with, or employed by, the producer or an operator acting for the producer, but
5 only if the producer or operator, as applicable, exercised due care in operating and
6 maintaining the facility, pipeline, structure, or equipment, and took reasonable
7 precautions against the act or omission of the third party and against the consequences
8 of the act or omission; in this paragraph,

9 (A) "costs incurred for repair, replacement, or deferred
10 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
11 to dismantle and remove the facility, pipeline, structure, or equipment that is
12 being replaced;

13 (B) "hazardous substance" has the meaning given in
14 AS 46.03.826;

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

16 (20) costs incurred to construct, acquire, or operate a refinery or crude
17 oil topping plant, regardless of whether the products of the refinery or topping plant
18 are used in oil or gas exploration, development, or production operations; however, if
19 a producer owns a refinery or crude oil topping plant that is located on or near the
20 premises of the producer's lease or property in the state and that processes the
21 producer's oil produced from that lease or property into a product that the producer
22 uses in the operation of the lease or property in drilling for or producing oil or gas, the
23 producer's lease expenditures include the amount calculated by subtracting from the
24 fair market value of the product used the prevailing value, as determined under
25 AS 43.55.020(f), of the oil that is processed;

26 (21) costs of lobbying, public relations, public relations advertising, or
27 policy advocacy;

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

31 (23) costs incurred for carbon capture or carbon storage, including fees

1 incurred under AS 41.06.160, surcharges incurred under AS 41.06.175, or costs
2 associated with obtaining, operating, or maintaining a license or lease under
3 AS 38.05.700 - 38.05.795; in this paragraph,

4 (A) "carbon capture" means the process of capturing carbon
5 dioxide from a chemical, mechanical, or industrial process, or directly from the
6 ambient atmosphere, and reducing the carbon dioxide to a concentrated form,
7 including a supercritical fluid; "carbon capture" does not include gas
8 processing or gas treatment;

9 (B) "carbon storage" means the long-term geologic storage of
10 carbon dioxide in a carbon storage facility permitted under AS 41.06.120 or a
11 Class VI injection well, as defined in 40 C.F.R. 146.5(f).

12 * **Sec. 26.** AS 43.55.201(b) is amended to read:

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

17 * **Sec. 27.** AS 43.55 is amended by adding new sections to article 3 to read:

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

22 (b) The surcharge imposed by (a) of this section is in addition to the tax
23 imposed by AS 43.55.011 and the surcharges imposed by AS 43.55.201 and
24 43.55.300.

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

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

30 **Sec. 43.55.325. Accounting of surcharge proceeds.** The surcharge collected
31 by the department under AS 43.55.320 shall be deposited into the general fund and

1 accounted for separately.

2 * **Sec. 28.** AS 43.55.900(24) is amended to read:

3 (24) "surcharge" means

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

6 (B) when used in AS 43.55.300 - 43.55.310, the surcharge
7 levied by AS 43.55.300;

8 **(C) when used in AS 43.55.320 - 43.55.325, the surcharge**
9 **levied by AS 43.55.320;**

10 * **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 APPLICABILITY. (a) The tax established under AS 43.20.019, added by sec. 3 of this
13 Act, applies to a qualified entity for a tax year beginning on or after January 1, 2026. In this
14 subsection, "qualified entity" has the meaning given in AS 43.20.019(e).

15 (b) AS 43.20.148, added by sec. 12 of this Act, applies to a taxpayer that is filing a
16 return for a tax year beginning on or after January 1, 2026.

17 (c) AS 43.55.024(j), as amended by sec. 22 of this Act, applies to credits resulting
18 from oil produced on or after January 1, 2027.

19 (d) The additional limitations on the use of tax credits in AS 43.55.011(q), added by
20 sec. 15 of this Act, AS 43.55.019(e), as amended by sec. 16 of this Act, AS 43.55.023(c), as
21 amended by sec. 18 of this Act, AS 43.55.024(g), as amended by sec. 20 of this Act,
22 AS 43.55.024(i), as amended by sec. 21 of this Act, and AS 43.55.025(i), as amended by sec.
23 24 of this Act, and the adjustment to the calculation of a tax payment under
24 AS 43.55.020(a)(11), added by sec. 17 of this Act, apply to credits applied to reduce a tax
25 liability for a tax year starting on or after the effective date of sec. 15 of this Act.

26 * **Sec. 30.** The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 TRANSITION: PAYMENT OF TAX. A person subject to the tax levied under
29 AS 43.20.019, added by sec. 3 of this Act, before the effective date of sec. 3 of this Act, shall
30 pay the balance of the tax due for a tax year ending before January 1, 2027, by January 1,
31 2027. Until January 1, 2027, the Department of Revenue shall waive interest that would

1 otherwise accrue under AS 43.05.225 and civil and criminal penalties accruing under
2 AS 43.05.220, 43.05.245, and 43.05.290 that are a result of the retroactivity of secs. 3 - 6 of
3 this Act.

4 * **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

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

11 * **Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 **RETROACTIVITY.** Sections 3 - 6, 30, and 31 of this Act are retroactive to January 1,
14 2026.

15 * **Sec. 33.** Sections 3 - 6 and 30 - 32 of this Act take effect immediately under
16 AS 01.10.070(c).

17 * **Sec. 34.** Except as provided in sec. 33 of this Act, this Act takes effect January 1, 2027.