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907-269-7450

Governor Mike Dunleavy
STATE OF ALASKA

January 19, 2026

The Honorable Gary Stevens
Senate President
Alaska State Legislature
Capitol Building, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to taxation of electricity and the tax treatment of qualifying electricity generation and storage facilities.

Affordable and reliable power is foundational to Alaska's economy. This bill reduces tax burdens that affect electric rates and improves the tax framework for new generation and storage investment by eliminating the current tax on electricity sold by electric cooperatives and expanding the existing exemption from state and local property, income, and excise taxes for qualifying electricity generation and storage facilities operated by independent power producers.

Under current law, the exemption applies only when a facility is operated by a public utility or by a power producer that serves only public utilities. This bill would extend eligibility to facilities serving customers other than public utilities, so long as those customers first begin receiving electric service on or after July 1, 2026.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy".

Mike Dunleavy
Governor

Enclosure

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**Introduced:
Referred:**

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the taxation of electric cooperatives; relating to the taxation of**
2 **electricity generation and electricity storage facilities; and providing for an effective**
3 **date."**

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

5 *** Section 1.** AS 10.25.540 is amended by adding a new subsection to read:

6 (c) An electric cooperative is not subject to state and local ad valorem,
7 income, and excise taxes.

8 *** Sec. 2.** AS 10.25.570 is amended to read:

9 **Sec. 10.25.570. Refund to local governments.** The proceeds of the telephone
10 cooperative gross revenue tax [AND THE ELECTRIC COOPERATIVE TAX], less
11 the amount expended by the state in collecting the tax [THEIR COLLECTION], shall
12 be refunded to an organized borough or a city of any class incorporated under state
13 law, in the proportion that the revenue was earned within the city or the borough area
14 outside the city. However, taxes collected on gross revenue earned by a telephone

1 cooperative [OR ON THE SALE OF ELECTRICITY BY AN ELECTRIC
2 COOPERATIVE] outside a city or organized borough shall be retained by the state
3 and deposited into its general fund.

4 * **Sec. 3.** AS 42.45.310(f) is amended to read:

5 (f) Bonds and other obligations issued by the agency and all interest and
6 income from them and all fees, charges, funds, revenue, income, and other money
7 pledged or available to pay or secure the payment of the bonds or obligations or
8 interest on them are exempt from taxation. The real and personal property of the
9 agency and the assets, income, and receipts of the agency are exempt from all taxes
10 and special assessments of the state or a political subdivision of the state [, EXCEPT
11 THAT ELECTRICITY SOLD AT RETAIL BY AN AGENCY IS SUBJECT TO THE
12 ELECTRIC COOPERATIVE TAX (AS 10.25.540 - 10.25.570)].

13 * **Sec. 4.** AS 43.98.100(a) is amended to read:

14 (a) An electricity generation facility or electricity storage facility that is
15 constructed and placed into service on or after July 1, 2024, is not subject to state and
16 local ad valorem, income, and excise taxes if the [ELECTRICITY GENERATION]
17 facility is

18 (1) operated by a public utility or joint action agency established under
19 AS 42.45.310; or

20 (2) operated by an entity other than a public utility and provides power

21 (A) only to a public utility; or

22 (B) to an end user who was not receiving electric service

23 from a public utility on July 1, 2026.

24 * **Sec. 5.** AS 10.25.540(b)(2), 10.25.555, and 10.25.580 are repealed.

25 * **Sec. 6.** This Act takes effect July 1, 2026.

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: GB 66
Fiscal Note Number: _____
() Publish Date: _____

Identifier: LL0631-DCCED-CBPL-01-19-26
Title: Repeal Electric Cooperative Tax
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Commerce, Community and
Economic Development
Appropriation: Corporations, Business and Professional
Licensing
Allocation: Corporations, Business and Professional
Licensing
OMB Component Number: 2360

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates					
			FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0						

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0						

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Initial analysis, not applicable.

Prepared By: <u>Sylvan Robb, Division Director</u>	Phone: <u>(907)465-2524</u>
Division: <u>Division of Corporations, Business and Professional Licensing</u>	Date: <u>01/19/2026 03:00 PM</u>
Approved By: <u>Hannah Lager, Administrative Services Director</u>	Date: <u>01/19/26</u>
Agency: <u>Department of Commerce, Community, and Economic Development</u>	

FISCAL NOTE ANALYSIS

**STATE OF ALASKA
2026 LEGISLATIVE SESSION**

BILL NO. LL0631

Analysis

This legislation amends Alaska law to remove the electric cooperative tax and makes electric cooperatives – as well as certain electric generation facilities or electricity storage facilities constructed and placed into service on or after July 1, 2024 – not subject to state and local ad valorem, income, and excise taxes.

The Division of Corporations, Business, and Professional Licensing is not involved in the collection of taxes. The division is simply the agency that registers electric cooperative entities in Alaska, but the change in tax law will not impact those operations. The division does not anticipate fiscal impact from this legislation.

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: GB 66
Fiscal Note Number: _____
() Publish Date: _____

Identifier: LL0063-DOR-TAX-1-19-26
Title: Repeal Electric Cooperative Tax
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: GOVERNOR

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2027	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2027 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
OPERATING EXPENDITURES	FY 2027	FY 2027	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0							

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

1004 Gen Fund (UGF)	(50.0)		(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
1261 Shared Tax (DGF)	(2,400.0)		(2,400.0)	(2,400.0)	(2,400.0)	(2,400.0)	(2,400.0)	(2,400.0)
Total	(2,450.0)	0.0	(2,450.0)	(2,450.0)	(2,450.0)	(2,450.0)	(2,450.0)	(2,450.0)

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Initial analysis, not applicable.

Prepared By: Brandon Spanos, Acting Director	Phone: (907)269-6736
Division: Tax Division	Date: 01/19/2026 03:00 PM
Approved By: Janelle Earls, Acting Commissioner	Date: 01/19/26
Agency: Department of Revenue	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2026 LEGISLATIVE SESSION

BILL NO. LL0102

Analysis

Analysis:

This bill would repeal the current tax on electric cooperatives and prevent local governments from assessing any type of tax on electric cooperatives. Under current law, electric cooperatives pay a tax based on kilowatt hours (kWh) and the length of time the cooperative has furnished electricity to consumers as follows:

For cooperatives that have furnished electric energy and power to consumers for less than five years as of December 31 of the preceding calendar year, the tax is \$0.00025 per kWh; or

For cooperatives that have furnished electric energy and power to consumers for five years or longer as of the preceding calendar year, the tax is \$0.0005 per kWh.

The Department of Revenue's Tax Division deposits all revenue derived from electric cooperative taxes into the General Fund.

Revenue from cooperatives located in municipalities is shared 100% with the municipalities, less the amount of money that the State of Alaska spends on collecting the taxes.

The small amount of revenue collected from cooperatives outside municipalities is retained by the State of Alaska.

Change in Revenues:

This bill would have a negative impact on revenues--both UGF and DGF as shown in the table on page 1.

Costs to Implement:

There would be costs to make changes to our Tax Revenue Management System and Revenue Online Systems to remove or "turn off" the modules for this tax type. The Division would absorb these extra costs. This is a simple tax that has very little time spent on administering in the Tax Division. There are no cost savings from repealing this tax.