



ALASKA STATE LEGISLATURE

SENATE RULES COMMITTEE

SENATOR BILL WIELECHOWSKI, CHAIR

Senate Bill 122

Corporate Income Tax Modernization

Sectional Analysis

Section 1 amends Alaska's codification of the Multistate Tax Compact. In accordance with the Manual of Legislative Drafting, the entire compact is displayed in the bill although most portions are not being amended.

- Articles I-III contain no amendments.
- Article IV contains amendments:
 - Section 1 amends definitions:
 - Subsection (a) provides a definition of "apportionable income" which replaces the current definition of "business income."
 - Subsection (e) replaces the existing term "nonbusiness income" with "non-apportionable income."
 - Subsection (g) clarifies the definition of "sales."
 - Section 4 contains a conforming amendment replacing the word "nonbusiness" with "non-apportionable."
 - Section 9 contains a conforming amendment replacing the word "business" with "apportionable."
 - Section 17 is amended to adopted market based sourcing for calculating a taxpayer's sales.
 - Subsection (a) states that sales are considered to be in the state if the taxpayer's market for sales is in the state.
 - Paragraph 1 states that the market for transactions relating to real property is in the state if the property is in the state.
 - Paragraph 2 states that the market for transactions relating to tangible personal property is in the state if the property is in the state.
 - Paragraph 3 states that the market for the sales of service is in the state if the service is delivered to a location in the state.
 - Paragraph provides for how the market for sales is determined for intangible property.
 - Subparagraph (i) provides that the market for rented, leased, or licensed intangible property sales are in the state if it is purchased by a consumer in the state.
 - Subparagraph (ii) that when intangible property is sold, the market is considered to be in the state if the property is used in the state.

- Paragraph (b) provides that if the state of assignment for a sale cannot be determined, it shall be reasonably approximated.
- Paragraph (c) states that when a taxpayer is not taxable in a state to which sales would be assigned by this section, that they shall be excluded from the denominator of the sales factor.
- Paragraph (d) authorizes the tax administrator (the Department of Revenue for Alaska) to adopt regulations to implement this section.
- Articles V-XII contain no amendments.

Section 2 is a conforming section, replacing the word “business” with “apportionable.”

Section 3 is a conforming section, replacing the word “business” with “apportionable.”

Section 4 is a conforming section, replacing the word “business” with “apportionable.”

Section 5 is a conforming section, replacing the word “business” with “apportionable.”

Section 6 is a conforming section referencing the provisions concerning highly digitized businesses in Section 7.

Section 7 provides that a single sales factor shall be used for tax apportionment for highly digitized businesses.

- Subsection (a) states that tax apportionment for highly digitized businesses shall be done in accordance with Alaska’s codification of the Multistate Tax Compact except as modified by this section to use a single sales factor.
- Subsection (b) states that only the sales factor shall be used for apportionment for highly digitized businesses.
- Subsection (c) defines “highly digitized business.”
- Subsection (d) allows the Department of Revenue to require a taxpayer to apportion their income in accordance with this section if the Department determines that they are a highly digitized business.
- Subsection (e) provides definition of “delivered,” “electronic transmission,” “intangible property,” and “Internet sales.”

Section 8 is a transition section providing that the single sales factor for highly digitized businesses only applies for tax years beginning January 1, 2024 or later.

Section 9 provides an effective date of January 1, 2024.