

**SB 92 A**

Questions as of **3/11/2025**

**1. Current Tax Structure**

Income tax payable at Entity Level / Individual Shareholder or LLC Member Level

100% of Operations in Alaska

Federal tax is based on law for 2025 in effect as of 3/11/2025

	<b>C Corp</b>	<b>S Corp (Notes 1&amp;3)</b>	<b>LLC (Notes 2&amp;3)</b>
1 Gross Income	50,000,000	50,000,000	50,000,000
2 Expenses and Deductions (Qualified)	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>
3 Alaska Taxable Income	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
4			
5 Amount exempt from Alaska Tax at Entity Level		<u>(10,000,000)</u>	<u>(10,000,000)</u>
6 Amount subject to Alaska Corporate income Tax AS 43.20.011	<u>10,000,000</u>	-	-
7 <b>Alaska Corporate Income Tax</b> AS 43.20.011( e)			
8 Taxable income in excess of	<u>220,000</u>		
9 Amount subject to tax at 9.40%	<u>9,780,000</u>		
10	<u>9.4%</u>		
11 Tax on excess over 220,000	<u>919,320</u>		
12 Tax on first 220,000	<u>10,830</u>		
13 Gross Alaska Corporate Income Tax (before credits)	<u>930,150</u>		
14 <b>Federal Corporate Income Tax</b>			
15 Federal Taxable income before Alaska Corporate Tax	10,000,000		
16 Alaska Corporate Tax	<u>(930,150)</u>		
17 Federal Taxable income after Alaska Corporate Tax	<u>9,069,850</u>		
18 Federal Corporate Tax Rate - 2025	<u>21.0%</u>		
19 Gross Federal Corporate Income Tax 2025 (before credits)	<u>1,904,669</u>		
20			
21 Total Federal and Alaska entity level corporate income tax	<u>2,834,819</u>		
22 <b>Federal Individual Income Tax - 2025</b>			
23 Federal Taxable Income		10,000,000	10,000,000
24 Less Section 199A deduction (assumed taxable income 100% eligible)		<u>20%</u>	<u>20%</u>
25 Section 199A Deduction		<u>2,000,000</u>	<u>2,000,000</u>
26 Federal Taxable Income net of Section 199A deduction		8,000,000	8,000,000
27 Federal income taxed at lower than highest marginal rate in excess of		<u>(751,600)</u>	<u>(751,600)</u>
28 Federal income taxed as highest marginal rate		<u>7,248,400</u>	<u>7,248,400</u>
29 Federal Individual Income tax @ marginal rate		<u>37%</u>	<u>37%</u>
30 Federal income tax at marginal rate		<u>2,681,908</u>	<u>2,681,908</u>
31 Federal tax on amounts up to 751,600		<u>202,155</u>	<u>202,155</u>
32 Assumed total Gross federal income tax		<u>2,884,063</u>	<u>2,884,063</u>
33 Total Federal and Alaska Tax payable at entity level	<u>2,834,819</u>		
34 Total Federal and Alaska Tax payable at shareholder / LLC member level		<u>2,884,063</u>	<u>2,884,063</u>

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36 Note 1. For the purpose of this example 100% of the stock in the S Corp is assumed to be owned by 1 individual, using married filing joint tax status.

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38 Note 2. For the purpose of this example 100% of the membership interest in the LLC is assumed to be owned by 1 individual, using married filing joint tax status. Under federal law the LLC might be classified as a disregarded entity / sole proprietorship for income tax reporting purposes.

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41 Note 3. For the purpose of this example the corporate shares / LLC membership interests are assumed to be owned by an Alaskan Resident. For the purpose of this example no other taxable income or deductions have been assumed.

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**SB 92 A**

Questions as of **3/11/2025**

**2. Potential change to tax structure**

Income tax payable at Entity Level

100% of operations in Alaska attributable to "qualified taxable income" as defined at 43.20.019 (e)(2)

Federal tax is based on law for 2025 in effect as of **3/11/2025**

**AS 43.20.019**

(e )(1)

(C)

**AS 43.20.019**

(e )(1)

(A)

		<b>C Corp</b>	<b>S Corp Notes 1&amp;3</b>	<b>LLC Notes 2&amp;3</b>
1	Gross Income	50,000,000	50,000,000	50,000,000
2	Expenses and Deductions (Qualified)	40,000,000	40,000,000	40,000,000
3	Alaska Taxable Income	10,000,000	10,000,000	10,000,000
4	Amount exempt from Alaska Tax at Entity Level		(5,000,000)	(5,000,000)
5	Amount subject to Alaska Corporate income Tax	AS 43.20.011 10,000,000		
6				
7	Amount subject to Alaska Tax on income attributable to qualified entity	AS 43.20.019	5,000,000	5,000,000
8	<b>Alaska Corporate Income Tax</b>	<b>AS 43.20.011 ( e)</b>		
9	Alaska Taxable Income	10,000,000		
10	Taxable income in excess of	220,000		
11	Amount subject to tax at 9.40%	9,780,000		
12		9.4%		
13	Tax on excess over 220,000	919,320		
14	Tax on first 220,000	10,830		
15	Gross Alaska Corporate Income Tax (before credits)	930,150		
16	<b>Alaska Tax on Income Attributable to Qualified Entity</b>	<b>AS 43.20.019 (a)</b>		
17	Alaska Taxable Income		10,000,000	10,000,000
18	Exemption	AS 43.20.019 (a)	(5,000,000)	(5,000,000)
19	Amount subject to tax at		5,000,000	5,000,000
20			9.4%	9.4%
21	<b>Gross Alaska Tax on Income Attributable to Qualified Entity</b>		470,000	470,000
22				
23	<b>Federal Tax Due at Entity Level</b>			
24	Federal Taxable Income before Alaska Tax - Assumed	10,000,000		
25	Gross Alaska Corporate Income Tax (before credits)	(930,150)		
26	Federal Taxable Income taxed at entity level net of Alaska Tax	9,069,850		
27	<b>Corporate income tax</b>			
28	Federal Corporate Income Tax Rate	21%		
29	Gross Federal Corporate Income Tax	1,904,669		
30	<b>Federal Individual income tax</b>			
31	Federal Taxable Income before Alaska Tax - Assumed		10,000,000	10,000,000
32	Gross Alaska Tax on Income Attributable to Qualified Entity		(470,000)	(470,000)
33	Federal taxable income prior to 199A deduction		9,530,000	9,530,000
34	Less IRC Section 199A deduction 2025 @ 20%		(1,906,000)	(1,906,000)
35	Federal taxable income net of IRC Section 199A deduction		7,624,000	7,624,000
36	Federal income taxed at lower than highest marginal rate in excess of		(751,600)	(751,600)
37	Federal income taxed as highest marginal rate		6,872,400	6,872,400
38	Federal Individual Income tax @ marginal rate		37%	37%
39	Federal income tax at marginal rate		2,542,788	2,542,788
40	Federal tax on amounts up to 751,600		202,155	202,155
41	Assumed total federal income tax		2,744,943	2,744,943
42	<b>Alaska Tax</b>			
43	Gross Alaska Tax on Income Attributable to Qualified Entity		470,000	470,000
44	Gross Alaska Corporate Income Tax (before credits)	930,150		
45	<b>Total tax at Entity level</b>	<b>2,834,819</b>		
46	<b>Combined total Ak tax at entity level &amp; Income Tax at individual level</b>		<b>3,214,943</b>	<b>3,214,943</b>

Note 1. For the purpose of this example 100% of the stock in the S Corp is assumed to be owned by 1 individual, using married filing joint tax status.

Note 2. For the purpose of this example 100% of the membership interest in the LLC is assumed to be owned by 1 individual, using married filing joint tax status. Under federal law the LLC might be classified as a disregarded entity / sole proprietorship for income tax reporting purposes.

Note 3. For the purpose of this example the corporate shares / LLC membership interests are assumed to be owned by an Alaskan Resident. For the purpose of this example no other taxable income or deductions have been assumed.

Illustration of "Double" taxation of C Corp Profits

	<b>C Corp</b>	<b>S Corp SB 92</b>	<b>S Corp Current</b>
Qualified Net Income pre tax *	10,000,000	10,000,000	10,000,000
Entity level tax			
Alaska Corporate Income Tax	(930,150)		
Alaska - Qualified Entity (SB 92)		(470,000)	
Federal	(1,904,669)		
<b>Total Entity Level Tax</b>	<u>(2,834,819)</u>	<u>(470,000)</u>	<u>-</u>
<b>Net available for distribution / Dividend</b>	<u>7,165,181</u>	<u>9,530,000</u>	<u>10,000,000</u>
<b>Amount Available for Distribution to Shareholder</b>	7,165,181	9,530,000	10,000,000
Individual Level Tax - Federal Income Tax			
On Taxable income of S Corp		(2,744,943)	(2,884,063)
On Dividend (distribution ) assumed to be received	20% (1,433,036)	-	-
<b>Net after tax funds to Shareholder</b>	<u>5,732,145</u>	<u>6,785,057</u>	<u>7,115,937</u>
<b>Total Tax Burden</b>			
Alaska Tax at Entity Level	930,150	470,000	-
Federal Tax at Entity Level	1,904,669		
Federal Tax at individual level			
On income earned by entity		2,744,943	2,884,063
On dividend / distribution	1,433,036		
<b>Total tax burden</b>	<u>4,267,855</u>	<u>3,214,943</u>	<u>2,884,063</u>
<b>Effective net tax rate</b>	<u>42.68%</u>	<u>32.15%</u>	<u>28.84%</u>

\* Assumed to be equal to cash flow from activity