

Dear members of the Senate Resource committee:

I am in full support and I ask that you too give full support to SB 92 and move it forward.

I believe we need to stop giving our resources away. This bill will bring much needed revenue to the State as well as make it more fair across oil producers.

Thank you for this opportunity to communicate my view.

Mary C Burtness

Dear Senate Resources Committee,

I am writing to you today in support of Senate Bill 92. At a time when schools are closing around the state and essential infrastructure and renewable energy projects are being sidelined, closing the S corp tax loophole is a crucial step to raise revenue for Alaska.

As a Homer resident, I was shocked to learn recently that three of our public schools might be forced to close because of a lack of funding support. That would dramatically change our community. So when the question of fairness comes up in committee hearings, the only right answer is to do what is fair to Alaskans. That means supporting SB 92 and working to make sure it passes.

It is beyond time to make sure that all major oil companies are taxed equally, and to start taking responsible steps to ensure Alaska's financial and energy future is secure.

Thank you for your consideration,

Sean McDermott

Homer, AK

I support SB 92. AK is the only state in the country where large S-Corps do not have to contribute to state finances by paying a state income tax. Please help our AK budget and pass SB92.

Thanks,

Dale Banks

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Dale Banks

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## Public Testimony on SB 92: Analysis and Concerns

Senate Bill (SB) 92, an act establishing an income tax on entities producing or transporting oil or gas in the state, introduces significant changes to the state's fiscal structure. While the bill aims to generate additional revenue for energy and electrical grid projects, it poses several potential issues related to legality, fairness, impacts on small businesses and marginalized communities, and broader economic consequences. This testimony examines SB 92 through various lenses, highlighting key concerns regarding corporate interests, transparency, and its long-term effect on Alaska's economy and residents.

### Key Concerns with SB 92

#### 1. Corporate Interests Over Public and Small Businesses

SB 92 raises concerns that it disproportionately favors large corporations over small businesses. While the bill targets entities with qualified taxable income over \$5,000,000, it fails to consider how large corporations could leverage tax avoidance strategies, which smaller entities may not have the resources to replicate. This creates an uneven playing field and potentially undermines the intent of the bill by allowing large corporations to avoid their fair share of the tax burden.

Large corporations, particularly in the oil and gas industry, have the means to engage in tax planning strategies (e.g., breaking into smaller entities, using offshore tax havens) to avoid paying the tax. In contrast, small businesses with less access to such strategies will bear the full brunt of the tax. This could stifle innovation and competition in Alaska's business environment.

#### 2. Negative Impact on Alaska's Rural and Remote Communities

SB 92 introduces a tax that is likely to have a disproportionate effect on rural and remote communities in Alaska. These areas often rely heavily on oil and gas revenues for employment and infrastructure development. The imposition of new taxes could result in higher costs for businesses, reducing job opportunities and economic stability. Furthermore, the additional cost burdens could drive businesses to relocate to other states with more favorable tax environments, exacerbating regional economic disparities.

#### 3. Disproportionate Burden on Historically Marginalized Groups and Low-Income Communities

While SB 92 focuses on large oil and gas entities, the ripple effect of this tax is likely to disproportionately affect lower-income and marginalized communities. Higher operating costs for businesses could translate into increased consumer prices, which will hit low-income families the hardest. The tax may also harm smaller enterprises owned by historically marginalized groups, as they may lack the resources to absorb increased operational costs or pass them on to consumers.

#### 4. Religious and Private Education Intrusion of Taxpayer Funds

The bill could have indirect consequences on religious and private educational institutions in Alaska. By raising tax burdens on businesses, it may reduce charitable giving, particularly from larger corporations, which often contribute to private schools or religious institutions. This could strain such institutions' financial stability and their ability to continue operating in a region with limited educational resources. Amazing enough it does affect our children.

#### 5. Problems for Special Needs and Disabled Children

SB 92 could exacerbate difficulties for families with special needs children by increasing the cost of living. Higher operational costs for businesses might lead to price hikes on goods and services, impacting families that are already struggling with the additional financial burdens of healthcare, education, and support services for children with disabilities.

#### 6. Impact on Boroughs with Lower Tax Incomes

Boroughs in Alaska with lower tax incomes may suffer more significantly under the provisions of SB 92. While the bill focuses on oil and gas production and transportation, it does not sufficiently account for the broader economic context. Tax revenue generated in wealthier boroughs may not be effectively shared with areas that are economically disadvantaged. This could widen the gap between rich and poor regions, making it harder for lower-income boroughs to fund essential public services. Again, just pointing out how the inequity applies across the communities and sectors in our state.

#### 7. Lack of Clarity and Transparency

The bill's definitions, such as "qualified taxable income" and "entity," are somewhat vague, creating potential confusion for businesses subject to the tax. This lack of clarity could lead to legal challenges and administrative difficulties, especially when determining whether certain transactions or entities fall under the tax's scope. This also raises concerns about transparency, as businesses may exploit ambiguities in the language to evade taxes.

#### 8. Regulatory Burden on Small Businesses

While larger entities may be able to absorb the administrative costs of filing complex tax returns, small businesses may struggle with the added regulatory burden. The retroactive implementation of the tax (effective January 1, 2025) and the waiver of penalties until 2026 could create confusion and delay compliance, particularly for smaller enterprises without the resources to navigate such complexities.

## 9. Potential for Increased Costs for Consumers

Higher operational costs for businesses are likely to lead to higher prices for consumers. For Alaska residents, especially those in low-income households, this could mean even higher living expenses. The impact of these price increases would disproportionately affect rural and remote areas, where the cost of living is already higher than in urban centers.

## 10. Overdependence on Oil and Gas Revenue

SB 92 places continued reliance on Alaska's oil and gas industry for revenue generation. Given the volatile nature of global oil markets, the state's overdependence on this sector could lead to fiscal instability, particularly in times of price downturns or production cuts. A more diversified approach to revenue generation could provide long-term economic stability and reduce the risks associated with relying heavily on one sector.

## 11. Legal Challenges to Retroactive Provisions

The retroactive application of the tax could face legal challenges, particularly on constitutional grounds. Retroactive taxation is a contentious issue and may be viewed as unfairly applied. Legal challenges could delay or block the implementation of the tax, potentially complicating the state's ability to implement its fiscal agenda.

## 12. Incentivizing Tax Avoidance

The tax structure of SB 92, specifically its focus on taxing entities with income above \$5,000,000, could incentivize corporations to break up into smaller entities or use other tax avoidance strategies. This would undermine the bill's goal of increasing revenue from large oil and gas corporations and reduce the effectiveness of the tax system.

## Conclusion

SB 92 represents a complex piece of legislation with wide-reaching consequences for Alaska's economy, its businesses, and its residents. While the bill aims to generate funding for energy and electrical grid projects, it raises significant concerns, particularly regarding its impact on small businesses, marginalized communities, rural Alaskans, and economic fairness. Further amendments are necessary to ensure that SB 92 supports a more equitable economic future for all Alaskans, particularly in terms of addressing the potential for corporate tax avoidance, impacts on low-income communities, and the economic strain it may place on small businesses. If the amendments are made, I would be more willing to support this bill.

Thank you for your time and attention,  
Susan Allmeroth  
Two Rivers

Myself

## References

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Kendall, R. (2024). Corporate interests and the state's economic challenges. *Alaska Business Review*, 22(4), 34-50.

Timmons, S. (2025). Impact of oil taxes on rural Alaska communities. *Alaskan Economic Perspectives*, 10(2), 123-139.

support SB 92. Please read below:

We must close the loophole to give revenue to fund critical AK services.

This matters for education: the caucus is stuck but this revenue, which the state should have been getting all along, solves that problem and gets the Senate to a place they can hold the line for ed funding.

Specifically, please Matt Claman we need you to vote to close the oil tax loophole. We know you support education but are a "no new tax" guy, even with this thing which should be a no brainer.

Meanwhile, the oil companies are getting more than \$700 million in tax breaks, and paying only \$440 million in projected production taxes, and still making \$4 billion profit in AK.

So, please Matt Claman and other representatives hear from me when I say that we need to prioritize our kids and our state over a tax break. West Anchorage wants good public schools, keep our immersion programs and sports, and ASD doesn't want to cut any of that but will be forced to with its own deficit. We can fix the state deficit and fund education by closing this loophole.

**ACTION:** I support SB 92 to Close the S Corp Loophole and ask Matt Claman to support it to keep our future strong in Alaska.

Heidi willoughby

Sent from my iPhone





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Friday, March 14, 2025

SUBJECT: Thomas Walsh SB 92 Testimony, Senate Resources Committee, March 3, 2025

Chairwoman Giessel, Vice Chair Wielechowski, and members of the committee, thank you for the opportunity to provide testimony today. For the record, my name is Thomas Walsh, and I am speaking today on behalf of myself and my company, Petrotechnical Resources of Alaska, LLC, or PRA.

This bill targets one independent oil and gas production and transportation company, namely Hilcorp, although other independent explorers are sure to be impacted if successful in advancing to oil and gas production.

Hilcorp came to Alaska in 2012 at a time when Cook Inlet gas was on decline, and the need for LNG import was imminent. My company, PRA, an integrated oil and gas consulting company had been contracted in 2009 by the Southcentral Alaska Energy Utility Group to analyze remaining gas supply in Cook Inlet, and we determined that gas production from Cook Inlet could fail to meet demand as early as 2013 without significant drilling and investment. No existing Cook Inlet producer was lining up to make the required investments.

Hilcorp's entry to the Cook Inlet gas business in 2012 represented a major uptick in drilling and investment, and delayed a gas supply crisis by 15-20 years.

Corporate income tax at 9.4% will have a direct impact on Hilcorp and their continued investments in Cook Inlet and on the North Slope, where they have similarly played a huge role in revitalization of oil production from legacy fields. This tax will create a major disincentive to investment by independent operators and is not in the best interests of Alaskans. It seems ironic to me that proceeds from this proposed tax would fund energy and electrical grid projects or upgrades, when Hilcorp has done so much to keep our energy grid in operation over the past 13 years through their investment. Do we really want to disincentivize this investment?

Respectfully,

*Tom Walsh*

**Tom Walsh** | Managing Partner  
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**Resolution Urging the Withdrawal of Senate Bill 92  
District 28, Alaska Republican Party**

**WHEREAS**, the Alaska Republican Party stands for free enterprise, economic opportunity, and limited government interference in the marketplace, as outlined in its platform;

**WHEREAS**, Senate Bill 92, introduced by Senator Rob Yundt, imposes a targeted 9.2% tax on Hilcorp, a major private-sector energy producer, setting a dangerous precedent for taxation on S corporations in Alaska;

**WHEREAS**, this legislation threatens the stability of the oil and gas industry, which is a cornerstone of Alaska's economy, providing jobs, investment, and essential energy resources to the state;

**WHEREAS**, the bill directly contradicts the Alaska Republican Party's platform, which advocates for tax structures that promote investment, responsible development, and a jobs-friendly business environment, while opposing excessive government regulation and taxation;

**WHEREAS**, Senate Bill 92 risks undermining the state's natural resource sector by deterring private investment and discouraging economic growth, in violation of the Republican Party's principles supporting responsible resource development and a business-friendly environment;

**WHEREAS**, Hilcorp is the primary supplier of natural gas to Southcentral Alaska, and the imposition of this tax jeopardizes heating security for thousands of Alaskans, potentially leading to higher energy costs and supply instability;

**NOW, THEREFORE, BE IT RESOLVED** that the District 28 Committee of the Alaska Republican Party strongly opposes Senate Bill 92 and urges its immediate withdrawal;

**BE IT FURTHER RESOLVED** that the District 28 Committee of the Alaska Republican Party stands firm in defending private enterprise, energy security, and economic stability, and calls upon all Republican legislators to reject policies that undermine these fundamental principles.