

Eden Management Group LLC
dba Uncle Herb's



To: Senate Labor & Commerce Committee

Concerning: Support of SB 73 & Reinstatement of the Exemption for Small Businesses in Alaska
for AS 43.20.012

January 31, 2025

Dear Chair Bjorkman:

Small businesses, considered the "backbone" of the Alaskan economy, contribute substantially to state economic growth, stability, and community investment. They employ almost 140,000 Alaskans, representing 52.3% of the state's workforce, and keep a much larger percentage of revenue within their communities than large national businesses. These businesses span a range of sectors, including tourism, food service, cannabis, galleries, and tech start-ups, and generate a substantial portion of Alaska's exports.

In 2013, the Legislature wisely initiated AS 43.20.012, exempting Alaskan small business Corporations (C-Corps) from state income tax. This tax exemption fueled growth and investment in multiple industries over the past decade, including the nascent licensed marijuana industry. Unfortunately, this exemption sunset in 2023 due to the provisions in ch55 SLA 2013.

Many small businesses operate as LLCs and remain unaffected by the expired exemption. However, many others operate as C-Corps, a change made in response to the Tax Cuts and Jobs Act (TCJA), which successfully stimulated corporate investment and job growth through reduced federal tax rates. The benefits of these reduced federal tax rates will now be mitigated by the addition of a State Corporate Income Tax. This is poor public policy, as Alaska needs incentives for continued economic growth, not new taxes that hinder it.

The small business tax exemption alone increased job growth in the state by 3,000 jobs and \$175 million of economic activity annually. Its expiration will force businesses to raise prices, postpone capital investment, freeze wages, reduce benefits, and lay off employees. This will take place at a time when businesses are already adjusting to new state minimum wage law requirements.

The new and developing cannabis industry will be particularly hard hit by the expired exemption. These businesses are already heavily taxed at the federal, state, and local levels, and are subject to IRS section 280e, which prohibits them from writing off significant costs toward taxable income or depreciating fixed assets. Adding a corporate tax will create immediate hardship as they struggle with a significant market decline and an influx of non-taxable "hemp" based derivatives that are operating outside the scope of a well-regulated, safe, and compliant framework. Many will revert to LLC status, resulting in increased federal tax revenue and decreased state economic growth.

**Eden Management Group LLC
dba Uncle Herb's**



Senate Bill 73 and HB 47 are a clear remedy for these negative economic outcomes. Alaska has always been progressive in its tax reform policies and has offered substantial concessions to the oil and gas industry for many years. The economic benefits of fair and equitable taxation are undeniable.

If members of the 34rd Alaska Legislature truly believe small businesses are the "backbone" of the state economy, they should make the Small Business C-Corp Tax Exemption of 2013 permanent and make this exemption retroactively effective on July 1, 2023.

Respectfully,

Lloyd Stiasny & Aaron Stiasny

Owners of Eden Management Group LLC