

AMENDMENT # 1

OFFERED IN THE SENATE
TO: SCS HB 194(FIN)

BY SENATOR DUNBAR

1 Page 1, line 1, following "Act":

2 Insert "establishing an income tax on certain entities producing or transporting
3 oil or gas in the state;"
4

5 Page 1, following line 4:

6 Insert new bill sections to read:

7 **** Section 1.** AS 43.20 is amended by adding a new section to read:

8 **Sec. 43.20.019. Tax on income attributable to a qualified entity.** (a) Each
9 taxable year, a tax is imposed on the entire taxable income derived from sources in the
10 state of every qualified entity. The tax is computed as follows:

11 If the taxable income is:	Then the tax is:
12 Less than \$1,000,000	zero
13 \$1,000,000 but less than \$2,000,000	5 percent of the
14	taxable income over \$1,000,000
15 \$2,000,000 but less than \$3,000,000	\$50,000 plus 6 percent of the
16	taxable income over \$2,000,000
17 \$3,000,000 but less than \$4,000,000	\$110,000 plus 7 percent of the
18	taxable income over \$3,000,000
19 \$4,000,000 but less than \$5,000,000	\$180,000 plus 8 percent of the
20	taxable income over \$4,000,000
21 \$5,000,000 or more	\$260,000 plus 9.4 percent of the
22	taxable income over \$5,000,000.

23 (b) For purposes of calculating taxable income under this section,

1 (1) taxable income of a qualified entity is determined under
2 AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by
3 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1,
4 2026;

5 (2) notwithstanding AS 43.20.021 and AS 43.20.036, the taxpayer may
6 not apply as a credit or deduction against tax liability a credit or deduction allowed as
7 to federal taxes under 26 U.S.C. (Internal Revenue Code), except that the taxpayer
8 may take a credit or deduction allowed for a C corporation under (1) of this
9 subsection.

10 (c) The tax under this section does not apply to a corporation subject to tax
11 under AS 43.20.011 or to an entity that is part of a unitary business with a corporation
12 subject to tax under AS 43.20.011.

13 (d) For the purpose of determining the tax due under this section, the
14 department shall

15 (1) aggregate the taxable income of two or more entities if the
16 department determines that, without the provisions of this section, the taxable income
17 would reasonably be expected to be attributed to a single entity;

18 (2) except as provided in (c) of this section, include in the calculation
19 of taxable income of the qualified entity income that is attributable to an entity that is
20 part of a unitary business with the qualified entity paying tax under this section; and

21 (3) adopt regulations to prevent evasion of taxes imposed under this
22 section.

23 (e) When providing a tax return under AS 43.20.030, a qualified entity shall
24 provide the information necessary, as directed by the department, for the department
25 to determine the income of the qualified entity as if the qualified entity were taxable
26 under AS 43.20.011.

27 (f) For purposes of calculating income under this section, a qualified entity
28 may deduct from income a payment to the shareholder, owner, member, or partner of
29 the qualified entity, if

30 (1) the shareholder, owner, member, or partner is a taxpayer under this
31 chapter;

- 1 (2) the payment does not include a transfer of property; and
 2 (3) the payment is included in the shareholder's, owner's, member's, or
 3 partner's income for purposes of this chapter.

4 (g) In this section,

5 (1) "qualified entity" means a

6 (A) sole proprietorship;

7 (B) partnership;

8 (C) limited liability company; or

9 (D) entity that has elected to file federal returns under 26
 10 U.S.C. 1361 - 1379 (Internal Revenue Code);

11 (2) "taxable income" means income

12 (A) from the production of oil or gas from a lease or property
 13 in the state or from the transportation of oil or gas by pipeline in the state; and

14 (B) of an entity that is part of a unitary business with a carrier
 15 or producer paying tax under this section as provided under (d)(2) of this
 16 section.

17 * **Sec. 2.** AS 43.20.030(a) is amended to read:

18 (a) If a **taxpayer** [CORPORATION], or a partnership that has a **taxpayer**
 19 [CORPORATION] as a partner, is required to make a return under the provisions of
 20 the Internal Revenue Code, **the taxpayer** [IT] shall file with the department, within 30
 21 days after the federal return is required to be filed, a return setting out

22 (1) the amount of tax due under this chapter, less credits claimed
 23 against the tax; and

24 (2) other information for the purpose of carrying out the provisions of
 25 this chapter that the department requires.

26 * **Sec. 3.** AS 43.20.031(i) is amended to read:

27 (i) A **taxpayer that** [CORPORATION WHICH] is a member of a group of
 28 unitary corporations **or entities that** [WHICH] collectively has income from business
 29 activity taxable both inside and outside the state, or income from other sources both
 30 inside and outside the state, shall determine its income from sources in this state by
 31 use of the combined method of accounting."

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2 Page 1, line 5:

3 Delete "**Section 1**"4 Insert "**Sec. 4**"

5

6 Renumber the following bill section accordingly.

7

8 Page 1, following line 14:

9 Insert new bill sections to read:

10 **** Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 APPLICABILITY. The tax established under AS 43.20.019, added by sec. 1 of this
13 Act, applies to a qualified entity for a tax year beginning on or after January 1, 2026. In this
14 section, "qualified entity" has the meaning given in AS 43.20.019(g).

15 *** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 TRANSITION: PAYMENT OF TAX. A person subject to the tax levied under
18 AS 43.20.019, added by sec. 1 of this Act, before the effective date of sec. 1 of this Act, shall
19 pay the balance of the tax due for a tax year ending before January 1, 2027, by January 1,
20 2027. Until January 1, 2027, the Department of Revenue shall waive interest that would
21 otherwise accrue under AS 43.05.225 and civil and criminal penalties accruing under
22 AS 43.05.220, 43.05.245, and 43.05.290 that are a result of the retroactivity of secs. 1 - 3 of
23 this Act.

24 *** Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
25 read:

26 RETROACTIVITY OF REGULATIONS. Notwithstanding a contrary provision of
27 AS 44.62.240, if the Department of Revenue expressly designates in the regulation that the
28 regulation applies retroactively to a specific date, a regulation adopted by the department to
29 implement, interpret, make specific, or otherwise carry out secs. 1 - 3 of this Act applies
30 retroactively to that date.

31 *** Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 RETROACTIVITY. Sections 1 - 3 and 5 - 7 of this Act are retroactive to January 1,
3 2026."

4

5 Renumber the following bill section accordingly.