

**SENATE CS FOR HOUSE BILL NO. 194(FIN) am S(efd fld S)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 3/25/26

Offered: 3/4/26

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act establishing an income tax on certain entities producing or transporting oil or**  
2 **gas in the state; approving and ratifying the sale of royalty oil by the State of Alaska to**  
3 **Marathon Petroleum Supply and Trading Company LLC."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

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

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

9	If the taxable income is:	Then the tax is:
10	Less than \$1,000,000	zero
11	\$1,000,000 but less than \$2,000,000	5 percent of the
12		taxable income over \$1,000,000
13	\$2,000,000 but less than \$3,000,000	\$50,000 plus 6 percent of the
14		taxable income over \$2,000,000

1	\$3,000,000 but less than \$4,000,000	\$110,000 plus 7 percent of the
2		taxable income over \$3,000,000
3	\$4,000,000 but less than \$5,000,000	\$180,000 plus 8 percent of the
4		taxable income over \$4,000,000
5	\$5,000,000 or more	\$260,000 plus 9.4 percent of the
6		taxable income over \$5,000,000.

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

8 (1) taxable income of a qualified entity is determined under  
9 AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by  
10 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1,  
11 2026;

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

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

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

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

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

28 (3) adopt regulations to prevent evasion of taxes imposed under this  
29 section.

30 (e) When providing a tax return under AS 43.20.030, a qualified entity shall  
31 provide the information necessary, as directed by the department, for the department

1 to determine the income of the qualified entity as if the qualified entity were taxable  
2 under AS 43.20.011.

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

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

8 (2) the payment does not include a transfer of property; and

9 (3) the payment is included in the shareholder's, owner's, member's, or  
10 partner's income for purposes of this chapter.

11 (g) In this section,

12 (1) "qualified entity" means a

13 (A) sole proprietorship;

14 (B) partnership;

15 (C) limited liability company; or

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

18 (2) "taxable income" means income

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

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

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

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

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

31 (2) other information for the purpose of carrying out the provisions of

1 this chapter that the department requires.

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

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

8 \* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10 ROYALTY OIL SALE CONTRACT WITH MARATHON PETROLEUM SUPPLY  
11 AND TRADING COMPANY LLC APPROVED AND RATIFIED. In accordance with  
12 AS 38.06.055, the legislature approves and ratifies the Agreement for the Sale of Royalty Oil  
13 between and among the State of Alaska, Marathon Petroleum Supply and Trading Company  
14 LLC, a Delaware Limited Liability Company, and Marathon Petroleum Corporation, a  
15 Delaware Corporation, attached as Exhibit 1 to the "Final Best Interest Finding and  
16 Determination for the Sale of Alaska North Slope Royalty Oil to Marathon Petroleum Supply  
17 and Trading Company LLC" dated December 19, 2025.

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

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

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

25 TRANSITION: PAYMENT OF TAX. A person subject to the tax levied under  
26 AS 43.20.019, added by sec. 1 of this Act, before the effective date of sec. 1 of this Act, shall  
27 pay the balance of the tax due for a tax year ending before January 1, 2027, by January 1,  
28 2027. Until January 1, 2027, the Department of Revenue shall waive interest that would  
29 otherwise accrue under AS 43.05.225 and civil and criminal penalties accruing under  
30 AS 43.05.220, 43.05.245, and 43.05.290 that are a result of the retroactivity of secs. 1 - 3 of  
31 this Act.

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

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

8     \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10             **RETROACTIVITY.** Sections 1 - 3 and 5 - 7 of this Act are retroactive to January 1,  
11 2026.