

HOUSE BILL NO. 284

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/28/26

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Multistate Tax Compact; relating to apportionment of income to**
2 **the state; establishing a state sales and use tax; relating to taxes levied by cities and**
3 **boroughs; relating to the corporate income tax; authorizing the Department of Revenue**
4 **to enter into the Streamlined Sales and Use Tax Agreement or substantially similar**
5 **agreement; relating to the oil and gas production tax; establishing an infrastructure**
6 **maintenance surcharge on oil; establishing a pipeline corridor maintenance fund; and**
7 **providing for an effective date."**

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

9 * **Section 1.** AS 28.10.021(a) is amended to read:

10 (a) The owner of a vehicle subject to registration shall apply for registration
11 under this chapter by properly completing the form prescribed by the commissioner
12 under AS 28.05.041. Before the issuance of a certificate of registration by the
13 department, the owner shall

1 (1) pay all registration fees and taxes required under this chapter,
 2 [AND] federal heavy vehicle use taxes required under 26 U.S.C. 4481 (Internal
 3 Revenue Code of 1954), **and a tax levied under AS 43.44.010;**

4 (2) unless the owner qualifies as a self-insurer under AS 28.20.400 or
 5 is exempted from obtaining liability insurance under AS 28.22.011, certify to the
 6 department the existence of a motor vehicle liability policy that complies with
 7 AS 28.22.011 for the vehicle being registered; in this paragraph, "certify" means to
 8 indicate by check-off on the vehicle registration form prescribed by the department the
 9 existence of a policy of insurance, if a policy is required at that time, and the intention
 10 to continue the policy or obtain a policy as required by this subsection; and

11 (3) comply with other applicable statutes and regulations.

12 * **Sec. 2.** AS 29.10.200(56) is amended to read:

13 (56) **AS 29.45.650** [AS 29.45.650(c), (d), (e), (f), (i), (j), (k), AND (l)]
 14 (sales and use tax);

15 * **Sec. 3.** AS 29.10.200(57) is amended to read:

16 (57) **AS 29.45.700** [AS 29.45.700(d), (e), (g), AND (h)] (sales and use
 17 tax);

18 * **Sec. 4.** AS 29.10.200 is amended by adding a new paragraph to read:

19 (68) AS 29.45.655 (specific taxes on property and services).

20 * **Sec. 5.** AS 29.35.110(a) is amended to read:

21 (a) Borough revenues received through taxes **levied** [COLLECTED] on an
 22 areawide basis by the borough may be expended on general administrative costs and
 23 on areawide functions only. Borough revenues received through taxes **levied**
 24 [COLLECTED] on a nonareawide basis may be expended on general administrative
 25 costs and functions that render service only to the area outside all cities in the
 26 borough.

27 * **Sec. 6.** AS 29.35.170 is amended to read:

28 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall
 29 assess and collect property **and other** [, SALES, AND USE] taxes, **except a local**
 30 **sales or use tax under AS 29.45.650,** that are levied in its boundaries, subject to
 31 AS 29.45.

1 (b) Taxes, other than a local sales or use tax under AS 29.45.650, levied by
 2 a city shall be collected by a borough and returned in full to the levying city. This
 3 subsection applies to home rule and general law municipalities.

4 * **Sec. 7.** AS 29.45.650 is repealed and reenacted to read:

5 **Sec. 29.45.650. Local sales and use tax.** (a) Except as provided in
 6 AS 04.21.010(c) and AS 29.45.750, a borough may levy a local sales tax on the sale of
 7 personal property and on services provided in the borough.

8 (b) A borough levying a local sales tax may levy a use tax equal to the local
 9 sales tax on the storage, use, or consumption of personal property and on the use of
 10 services in the borough.

11 (c) A tax levied under this section shall be levied only on a purchaser.

12 (d) A tax levied under this section shall be subject to exemptions, definitions,
 13 sourcing rules, and regulations under AS 43.44 and shall be administered and
 14 collected by the state under AS 43.44.

15 * **Sec. 8.** AS 29.45 is amended by adding a new section to read:

16 **Sec. 29.45.655. Specific taxes on property and services.** Unless otherwise
 17 prohibited by law, a municipality may levy and collect specific sales or excise taxes on
 18 single categories of personal property or services, including

19 (1) bed taxes;

20 (2) car rental taxes;

21 (3) alcoholic beverages taxes;

22 (4) taxes on tobacco products, electronic smoking products, and
 23 nicotine products;

24 (5) motor fuel taxes;

25 (6) fish taxes; and

26 (7) taxes on marijuana and marijuana products.

27 * **Sec. 9.** AS 29.45.660(a) is amended to read:

28 (a) If the borough levies [AND COLLECTS] only a **local** sales tax and use
 29 tax, the assembly shall provide a notice substantially in the form set out in
 30 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute
 31 for the millage equivalency its estimate of the equivalent sales tax rate for each of the

1 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

2 (1) by posting on a continuously available online public notice
 3 system or by publishing in a newspaper of general circulation in the borough a copy
 4 of the notice at least once each week for a period of three successive weeks, with
 5 publication to occur not later than 45 days after the final adoption of the borough's
 6 budget; or

7 (2) if there is no newspaper of general circulation in the borough or a
 8 continuously available online public notice system, by posting a copy of the notice
 9 for at least 20 days in at least two public places in the borough, with posting to occur
 10 not later than 45 days after the final adoption of the borough's budget.

11 * **Sec. 10.** AS 29.45.700 is repealed and reenacted to read:

12 **Sec. 29.45.700. Power of levy.** A city may levy a local sales and use tax in the
 13 manner and subject to the same limitation provided for boroughs under AS 29.45.650
 14 and 29.45.660.

15 * **Sec. 11.** AS 29.45.810(a) is amended to read:

16 (a) A party to a contract approved by the legislature as a result of submission
 17 of a proposed contract developed under AS 43.82 or as a result of acts by the
 18 legislature in implementing the purposes of AS 43.82, and the property, gas, products,
 19 and activities associated with the approved qualified project that is subject to the
 20 contract, are exempt, as specified in the contract, from all taxes identified in the
 21 contract that would be levied [AND COLLECTED] by a municipality under state law
 22 as a consequence of the participation by the party in the approved qualified project.

23 * **Sec. 12.** AS 36.10.005(a) is amended to read:

24 (a) The legislature finds that

25 (1) because of its unique climate and its distance from the contiguous
 26 states, the state has historically suffered from unique social, seasonal, geographic, and
 27 economic conditions that result in an unstable economy;

28 (2) the unstable economy is a hardship on the residents of the state and
 29 is aggravated by the large numbers of seasonal and transient nonresident workers;

30 (3) the rate of unemployment among residents of the state is one of the
 31 highest in the nation;

1 (4) the state has one of the highest ratios of nonresident to resident
2 workers in the nation;

3 (5) the state has a compelling interest in reducing the level of
4 unemployment among its residents;

5 (6) the construction industry in the state accounts for a substantial
6 percentage of the available employment;

7 (7) construction workers receive a greater percentage of all
8 unemployment benefits paid by the state than is typical of other states;

9 (8) historically, the rate of unemployment in the construction industry
10 in the state is higher than the rate of unemployment in other industries in the state;

11 (9) it is appropriate for the state to consider the welfare of its residents
12 when it funds construction activity;

13 (10) it is in the public interest for the state to allocate public funds for
14 capital projects in order to reduce unemployment among its resident construction
15 workers;

16 (11) the influx of nonresident construction workers contributes to or
17 causes the high unemployment rate among resident construction workers because
18 nonresident workers compete with residents for the limited number of available
19 construction jobs;

20 (12) nonresident workers displace a substantial number of qualified,
21 available, and unemployed Alaska workers on jobs on state funded public works
22 projects;

23 (13) the state has a special interest in seeing that the benefits of state
24 construction spending accrue to its residents;

25 (14) the natural resources of land owned by the state belong to the
26 citizens of the state;

27 (15) Alaskans have chosen to use the majority of the royalties derived
28 from the state's natural resources to fund state government;

29 (16) the vast majority of the state's revenue is derived from natural
30 resource income rather than from other forms of taxation;

31 (17) because the state has no personal income tax [OR SALES TAX],

1 nonresident workers use services provided by the state but do not contribute fairly to
2 the costs of those services; and

3 (18) Alaskans, more than the residents of other states, suffer
4 economically when nonresidents displace qualified residents since resident workers
5 contribute local taxes as well as their share of the royalties from natural resources.

6 * **Sec. 13.** AS 43.05.230(c) is amended to read:

7 (c) The department may permit the proper officer of a municipality, the
8 United States or of a state, territory or possession of the United States or of Canada or
9 of a province or territory of Canada, or the officer's authorized representative, to
10 inspect tax returns or reports filed with the department, or may furnish to the officer or
11 representative a copy of the tax return, if the other jurisdiction grants substantially
12 similar privileges to the department or its representative or to counsel for the state, and
13 if the department determines that the other jurisdiction provides adequate safeguards
14 for the confidentiality of the returns and reports, and that the returns and reports will
15 be used for tax purposes only. The department may also permit the division
16 responsible for employment and training services of the state Department of Labor and
17 Workforce Development to inspect tax returns or reports filed with the department or
18 may furnish a copy of the tax returns for tax purposes only.

19 * **Sec. 14.** AS 43.05.499(11) is amended to read:

20 (11) "taxpayer" means a person required to pay or collect a tax,
21 including a person required to pay a seafood marketing assessment under AS 16.51.

22 * **Sec. 15.** AS 43.19.010 is amended to read:

23 **Sec. 43.19.010. Compact.** The Multistate Tax Compact is hereby enacted into
24 law and entered into with all jurisdictions legally joining in it, in the form substantially
25 as follows:

26 ARTICLE I.

27 PURPOSES.

28 The purposes of this compact are to:

29 1. Facilitate proper determination of state and local tax liability of multistate
30 taxpayers, including the equitable apportionment of tax bases and settlement of
31 apportionment disputes.

1 shall provide by law that any taxpayer required to file a return, whose only activities
 2 within the taxing jurisdiction consist of sales and do not include owning or renting real
 3 estate or tangible personal property, and whose dollar volume of gross sales made
 4 during the tax year within the state or subdivision, as the case may be, is not in excess
 5 of \$100,000 may elect to report and pay any tax due on the basis of a percentage of
 6 such volume, and shall adopt rates which shall produce a tax which reasonably
 7 approximates the tax otherwise due. The Multistate Tax Commission, not more than
 8 once in five years, may adjust the \$100,000 figure in order to reflect such changes as
 9 may occur in the real value of the dollar, and such adjusted figure, upon adoption by
 10 the commission, shall replace the \$100,000 figure specifically provided herein. Each
 11 party state and subdivision thereof may make the same election available to taxpayers
 12 additional to those specified in this paragraph.

13 COVERAGE.

14 3. Nothing in this Article relates to the reporting or payment of any tax other
 15 than an income tax.

16 ARTICLE IV.

17 DIVISION OF INCOME.

18 1. As used in this Article, unless the context otherwise requires:

19 (a) **"Apportionable income" means:**

20 **(i) all income that is apportionable under the Constitution of the**
 21 **United States and is not allocated under the laws of this state, including:**

22 **(A)** ["BUSINESS INCOME" MEANS] income arising from
 23 transactions and activity in the regular course of the taxpayer's trade or
 24 business; and

25 **(B)** [INCLUDES] income **arising** from tangible and intangible
 26 property if the acquisition, management, **employment, development, or**
 27 [AND] disposition of the property **is or was related to the operation**
 28 [CONSTITUTE INTEGRAL PARTS] of the taxpayer's [REGULAR] trade or
 29 business; **and**

30 **(ii) any income that would be allocable to this state under the**
 31 **Constitution of the United States, but that is apportioned rather than allocated**

1 **pursuant to the laws of this state** [OPERATIONS].

2 (b) "Commercial domicile" means the principal place from which the trade or
3 business of the taxpayer is directed or managed.

4 (c) "Compensation" means wages, salaries, commissions and any other form
5 of remuneration paid to employees for personal services.

6 (d) "Financial organization" means any bank, trust company, savings bank,
7 industrial bank, land bank, safe deposit company, private banker, savings and loan
8 association, credit union, cooperative bank, small loan company, sales finance
9 company, investment company, or any type of insurance company.

10 (e) "**Non-apportionable** [NONBUSINESS] income" means all income other
11 than **apportionable** [BUSINESS] income.

12 (f) "Public utility" means any business entity (1) which owns or operates any
13 plant, equipment, property, franchise, or license for the transmission of
14 communications, transportation of goods or persons, except by pipe line, or the
15 production, transmission, sale, delivery, or furnishing of electricity, water or steam;
16 and (2) whose rates of charges for goods or services have been established or
17 approved by a federal, state or local government or governmental agency.

18 (g) "sales" means all gross receipts of the taxpayer **that are** not allocated
19 under paragraphs of this Article, **and that are received from transactions and**
20 **activity in the regular course of the taxpayer's trade or business; except that sales**
21 **of a taxpayer from hedging transactions and from the maturity, redemption,**
22 **exchange, loan, or other disposition of cash or securities, shall be excluded.**

23 (h) "State" means any state of the United States, the District of Columbia, the
24 Commonwealth of Puerto Rico, any territory or possession of the United States, and
25 any foreign country or political subdivision thereof.

26 (i) "This state" means the state in which the relevant tax return is filed or, in
27 the case of application of this Article to the apportionment and allocation of income
28 for local tax purposes, the subdivision or local taxing district in which the relevant tax
29 return is filed.

30 2. Any taxpayer having income from business activity which is taxable both
31 within and outside this state, other than activity as a financial organization or public

1 utility or the rendering of purely personal services by an individual, shall allocate and
2 apportion net income as provided in this Article. If a taxpayer has income from
3 business activity as a public utility but derives the greater percentage of income from
4 activities subject to this Article, the taxpayer may elect to allocate and apportion the
5 taxpayer's entire net income as provided in this Article.

6 3. For purposes of allocation and apportionment of income under this Article, a
7 taxpayer is taxable in another state if (1) in that state the taxpayer is subject to a net
8 income tax, a franchise tax measured by net income, a franchise tax for the privilege
9 of doing business, or a corporate stock tax, or (2) that state has jurisdiction to subject
10 the taxpayer to a net income tax regardless of whether, in fact, the state does or does
11 not.

12 4. Rents and royalties from real or tangible personal property, capital gains,
13 interest, dividends or patent or copyright royalties, to the extent that they constitute
14 **nonapportionable** [NONBUSINESS] income, shall be allocated as provided in
15 paragraphs 5 through 8 of this Article.

16 5.(a) Net rents and royalties from real property located in this state are
17 allocable to this state.

18 (b) Net rents and royalties from tangible personal property are allocable to this
19 state: (1) if and to the extent that the property is utilized in this state, or (2) in their
20 entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not
21 organized under the laws of or taxable in the state in which the property is utilized.

22 (c) The extent of utilization of tangible personal property in a state is
23 determined by multiplying the rents and royalties by a fraction, the numerator of
24 which is the number of days of physical location of the property in the state during the
25 rental or royalty period in the taxable year and the denominator of which is the number
26 of days of physical location of the property everywhere during all rental or royalty
27 periods in the taxable year. If the physical location of the property during the rental or
28 royalty period is unknown or unascertainable by the taxpayer, tangible personal
29 property is utilized in the state in which the property was located at the time the rental
30 or royalty payer obtained possession.

31 6.(a) Capital gains and losses from sales of real property located in this state

1 are allocable to this state.

2 (b) Capital gains and losses from sales of tangible personal property are
3 allocable to this state if (1) the property had a situs in this state at the time of the sale,
4 or (2) the taxpayer's commercial domicile is in this state and the taxpayer is not
5 taxable in the state in which the property had a situs.

6 (c) Capital gains and losses from sales of intangible personal property are
7 allocable to this state if the taxpayer's commercial domicile is in this state.

8 7. Interest and dividends are allocable to this state if the taxpayer's commercial
9 domicile is in this state.

10 8.(a) Patent and copyright royalties are allocable to this state: (1) if and to the
11 extent that the patent or copyright is utilized by the payer in this state, or (2) if and to
12 the extent that the patent or copyright is utilized by the payer in a state in which the
13 taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

14 (b) A patent is utilized in a state to the extent that it is employed in production,
15 fabrication, manufacturing, or other processing in the state or to the extent that a
16 patented product is produced in the state. If the basis of receipts from patent royalties
17 does not permit allocation to states or if the accounting procedures do not reflect states
18 of utilization, the patent is utilized in the state in which the taxpayer's commercial
19 domicile is located.

20 (c) A copyright is utilized in a state to the extent that printing or other
21 publication originates in the state. If the basis of receipts from copyright royalties does
22 not permit allocation to states or if the accounting procedures do not reflect states of
23 utilization, the copyright is utilized in the state in which the taxpayer's commercial
24 domicile is located.

25 9. All **apportionable** [BUSINESS] income shall be apportioned to this state by
26 multiplying the income by a fraction, the numerator of which is the property factor
27 plus the payroll factor plus the sales factor, and the denominator of which is three.

28 10. The property factor is a fraction, the numerator of which is the average
29 value of the taxpayer's real and tangible personal property owned or rented and used in
30 this state during the tax period and the denominator of which is the average value of
31 all the taxpayer's real and tangible personal property owned or rented and used during

1 the tax period.

2 11. Property owned by the taxpayer is valued at its original cost. Property
3 rented by the taxpayer is valued at eight times the net annual rental rate. Net annual
4 rental rate is the annual rental rate paid by the taxpayer less any annual rental rate
5 received by the taxpayer from subrentals.

6 12. The average value of property shall be determined by averaging the values
7 at the beginning and ending of the tax period but the tax administrator may require the
8 averaging of monthly values during the tax period if reasonably required to reflect
9 properly the average value of the taxpayer's property.

10 13. The payroll factor is a fraction, the numerator of which is the total amount
11 paid in this state during the tax period by the taxpayer for compensation and the
12 denominator of which is the total compensation paid everywhere during the tax period.

13 14. Compensation is paid in this state if:

14 (a) the individual's service is performed entirely within the state;

15 (b) the individual's service is performed both inside and outside the state, but
16 the service performed outside the state is incidental to the individual's service within
17 this state; or

18 (c) some of the service is performed in the state and (1) the base of operations
19 or, if there is no base of operations, the place from which the service is directed or
20 controlled is in the state, or (2) the base of operations or the place from which the
21 service is directed or controlled is not in any state in which some part of the service is
22 performed, but the individual's residence is in this state.

23 15. The sales factor is a fraction, the numerator of which is the total sales of
24 the taxpayer in this state during the tax period, and the denominator of which is the
25 total sales of the taxpayer everywhere during the tax period.

26 16. Sales of tangible personal property are in this state if:

27 (a) the property is delivered or shipped to a purchaser, other than the United
28 States Government, within this state regardless of the f.o.b. point or other conditions
29 of the sale; or

30 (b) the property is shipped from an office, store, warehouse, factory, or other
31 place of storage in this state and (1) the purchaser is the United States Government or

1 (2) the taxpayer is not taxable in the state of the purchaser.

2 17.(a) Sales, other than sales described in Section 16 [OF TANGIBLE
3 PERSONAL PROPERTY], are in this state if the taxpayer's market for the sales is
4 in this state. The taxpayer's market for sales is in this state:

5 (1) in the case of sale, rental, lease, or license of real property, if
6 and to the extent the property is located in this state;

7 (2) in the case of rental, lease, or license of tangible personal
8 property, if and to the extent the property is located in this state;

9 (3) in the case of sale of a service, if and to the extent the service is
10 delivered to a location in this state; and

11 (4) in the case of intangible property,

12 (i) that is rented, leased, or licensed, if and to the extent the
13 property is used in this state, provided that intangible property utilized in
14 marketing a good or service to a consumer is "used in this state" if that
15 good or service is purchased by a consumer who is in this state; and

16 (ii) that is sold, if and to the extent the property is used in
17 this state, provided that:

18 (A) a contract right, government license, or similar
19 intangible property that authorizes the holder to conduct a
20 business activity in a specific geographic area is "used in this state"
21 if the geographic area includes all or part of this state;

22 (B) sales from intangible property sales that are
23 contingent on the productivity, use, or disposition of the intangible
24 property shall be treated as a sale of the rental, lease, or licensing
25 of such intangible property under subsection (a)(4)(i); and

26 (C) all other sales of intangible property shall be
27 excluded from the numerator and denominator of the sales factor.

28 [: (a) THE INCOME-PRODUCING ACTIVITY IS PERFORMED IN
29 THIS STATE; OR]

30 (b) If the state or states of assignment under subsection (a) cannot be
31 determined, the state or states of assignment shall be reasonably approximated.

1 **(c) If the taxpayer is not taxable in a state to which a sale is assigned**
 2 **under subsection (a) or (b), or if the state of assignment cannot be determined**
 3 **under subsection (a) or reasonably approximated under subsection (b), such a**
 4 **sale shall be excluded from the denominator of the sales factor.**

5 **(d) The tax administrator may adopt regulations as necessary or**
 6 **appropriate to carry out the purposes of this section** [THE INCOME-
 7 PRODUCING ACTIVITY IS PERFORMED BOTH IN AND OUTSIDE THIS
 8 STATE AND A GREATER PROPORTION OF THE INCOME-PRODUCING
 9 ACTIVITY IS PERFORMED IN THIS STATE THAN IN ANY OTHER STATE,
 10 BASED ON COSTS OF PERFORMANCE].

11 18. If the allocation and apportionment provisions of this Article do not fairly
 12 represent the extent of the taxpayer's business activity in this state, the taxpayer may
 13 petition for or the tax administrator may require, in respect to all or any part of the
 14 taxpayer's business activity, if reasonable:

15 (a) separate accounting;

16 (b) the exclusion of any one or more of the factors;

17 (c) the inclusion of one or more additional factors which will fairly represent
 18 the taxpayer's business activity in this state; or

19 (d) the employment of any other method to effectuate an equitable allocation
 20 and apportionment of the taxpayer's income.

21 ARTICLE V.

22 ELEMENTS OF SALES AND USE TAX LAWS.

23 TAX CREDIT.

24 1. Each purchaser liable for a use tax on tangible personal property shall be
 25 entitled to full credit for the combined amount or amounts of legally imposed sales or
 26 use taxes paid by the purchaser with respect to the same property to another state and
 27 any subdivision thereof. The credit shall be applied first against the amount of any use
 28 tax due the state, and any unused portion of the credit shall then be applied against the
 29 amount of any use tax due a subdivision.

30 EXEMPTION CERTIFICATES, VENDORS MAY RELY.

31 2. Whenever a vendor receives and accepts in good faith from a purchaser a

1 resale or other exemption certificate or other written evidence of exemption authorized
2 by the appropriate state or subdivision taxing authority, the vendor shall be relieved of
3 liability for a sales or use tax with respect to the transaction.

4 ARTICLE VI.

5 THE COMMISSION.

6 ORGANIZATION AND MANAGEMENT.

7 1.(a) The Multistate Tax Commission is hereby established. It shall be
8 composed of one "member" from each party state who shall be the head of the state
9 agency charged with the administration of the types of taxes to which this compact
10 applies. If there is more than one such agency the state shall provide by law for the
11 selection of the commission member from the heads of the relevant agencies. State
12 law may provide that a member of the commission be represented by an alternate but
13 only if there is on file with the commission written notification of the designation and
14 identity of the alternate. The attorney general of each party state or the designee of the
15 attorney general, or other counsel if the laws of the party state specifically provide,
16 shall be entitled to attend the meetings of the commission, but shall not vote. Such
17 attorneys general, designees, or other counsel shall receive all notices of meetings
18 required under paragraph 1(e) of this Article.

19 (b) Each party state shall provide by law for the selection of representatives
20 from its subdivisions affected by this compact to consult with the commission member
21 from that state.

22 (c) Each member shall be entitled to one vote. The commission shall not act
23 unless a majority of the members are present, and no action shall be binding unless
24 approved by a majority of the total number of members.

25 (d) The commission shall adopt an official seal to be used as it may provide.

26 (e) The commission shall hold an annual meeting and such other regular
27 meetings as its bylaws may provide and such special meetings as its executive
28 committee may determine. The commission bylaws shall specify the dates of the
29 annual and any other regular meetings, and shall provide for the giving of notice of
30 annual, regular and special meetings. Notices of special meetings shall include the
31 reasons therefor and an agenda of the items to be considered.

1 (f) The commission shall elect annually, from among its members, a chairman,
2 a vice-chairman and a treasurer. The commission shall appoint an executive director
3 who shall serve at its pleasure, and it shall fix the duties and compensation of the
4 executive director. The executive director shall be secretary of the commission. The
5 commission shall make provision for the bonding of such of its officers and employees
6 as it may deem appropriate.

7 (g) Irrespective of the civil service, personnel or other merit system laws of
8 any party state, the executive director shall appoint or discharge such personnel as
9 may be necessary for the performance of the functions of the commission and shall fix
10 their duties and compensation. The commission bylaws shall provide for personnel
11 policies and programs.

12 (h) The commission may borrow, accept or contract for the services of
13 personnel from any state, the United States, or any other governmental entity.

14 (i) The commission may accept for any of its purposes and functions any and
15 all donations and grants of money, equipment, supplies, materials and services,
16 conditional or otherwise, from any governmental entity, and may utilize and dispose
17 of the same.

18 (j) The commission may establish one or more offices for the transacting of its
19 business.

20 (k) The commission shall adopt bylaws for the conduct of its business. The
21 commission shall publish its bylaws in convenient form, and shall file a copy of the
22 bylaws and any amendments thereto with the appropriate agency or officer in each of
23 the party states.

24 (l) The commission annually shall make to the governor and legislature of
25 each party state a report covering its activities for the preceding year. Any donation or
26 grant accepted by the commission or services borrowed shall be reported in the annual
27 report of the commission, and shall include the nature, amount and conditions, if any,
28 of the donation, gift, grant or services borrowed and the identity of the donor or
29 lender. The commission may make additional reports as it may deem desirable.

30 COMMITTEES.

31 2.(a) To assist in the conduct of its business when the full commission is not

1 meeting, the commission shall have an executive committee of seven members,
 2 including the chairman, vice-chairman, treasurer and four other members elected
 3 annually by the commission. The executive committee, subject to the provisions of
 4 this compact and consistent with the policies of the commission, shall function as
 5 provided in the bylaws of the commission.

6 (b) The commission may establish advisory and technical committees,
 7 membership on which may include private persons and public officials, in furthering
 8 any of its activities. Such committees may consider any matter of concern to the
 9 commission, including problems of special interest to any party state and problems
 10 dealing with particular types of taxes.

11 (c) The commission may establish such additional committees as its bylaws
 12 may provide.

13 POWERS.

14 3. In addition to powers conferred elsewhere in this compact, the commission
 15 shall have power to:

16 (a) Study state and local tax systems and particular types of state and local
 17 taxes.

18 (b) Develop and recommend proposals for an increase in uniformity or
 19 compatibility of state and local tax laws with a view toward encouraging the
 20 simplification and improvement of state and local tax law and administration.

21 (c) Compile and publish information as in its judgment would assist the party
 22 states in implementation of the compact and taxpayers in complying with state and
 23 local tax laws.

24 (d) Do all things necessary and incidental to the administration of its functions
 25 pursuant to this compact.

26 FINANCE.

27 4.(a) The commission shall submit to the governor or designated officer or
 28 officers of each party state a budget of its estimated expenditures for such period as
 29 may be required by the laws of that state for presentation to the legislature thereof.

30 (b) Each of the commission's budgets of estimated expenditures shall contain
 31 specific recommendations of the amounts to be appropriated by each of the party

1 states. The total amount of appropriations requested under any such budget shall be
2 apportioned among the party states as follows: one-tenth in equal shares; and the
3 remainder in proportion to the amount of revenue collected by each party state and its
4 subdivisions from income taxes, capital stock taxes, gross receipts, taxes, sales and use
5 taxes. In determining such amounts, the commission shall employ such available
6 public sources of information as, in its judgment, present the most equitable and
7 accurate comparisons among the party states. Each of the commission's budgets of
8 estimated expenditures and requests for appropriations shall indicate the sources used
9 in obtaining information employed in applying the formula contained in this
10 paragraph.

11 (c) The commission shall not pledge the credit of any party state. The
12 commission may meet any of its obligations in whole or in part with funds available to
13 it under paragraph 1(i) of this Article: provided that the commission takes specific
14 action setting aside such funds prior to incurring any obligation to be met in whole or
15 in part in such manner. Except where the commission makes use of funds available to
16 it under paragraph 1(i), the commission shall not incur any obligation prior to the
17 allotment of funds by the party states adequate to meet the same.

18 (d) The commission shall keep accurate accounts of all receipts and
19 disbursements. The receipts and disbursements of the commission shall be subject to
20 the audit and accounting procedures established under its bylaws. All receipts and
21 disbursements of funds handled by the commission shall be audited yearly by a
22 certified or licensed public accountant and the report of the audit shall be included in
23 and become part of the annual report of the commission.

24 (e) The accounts of the commission shall be open at any reasonable time for
25 inspection by duly constituted officers of the party states and by any persons
26 authorized by the commission.

27 (f) Nothing contained in this Article shall be construed to prevent commission
28 compliance with laws relating to audit or inspection of accounts by or on behalf of any
29 government contributing to the support of the commission.

30 ARTICLE VII.

31 UNIFORM REGULATIONS AND FORMS.

1 actual costs incurred in making the audit.

2 3. The commission may require the attendance of any person within the state
3 where it is conducting an audit or part thereof at a time and place fixed by it within
4 such state for the purpose of giving testimony with respect to any account, book,
5 paper, document, other record, property or stock of merchandise being examined in
6 connection with the audit. If the person is not within the jurisdiction, the person may
7 be required to attend for such purpose at any time and place fixed by the commission
8 within the state of which the person is a resident: provided that such state has adopted
9 this Article.

10 4. The commission may apply to any court having power to issue compulsory
11 process for orders in aid of its powers and responsibilities pursuant to this Article and
12 any and all such courts shall have jurisdiction to issue such orders. Failure of any
13 person to obey any such order shall be punishable as contempt of the issuing court. If
14 the party or subject matter on account of which the commission seeks an order is
15 within the jurisdiction of the court to which application is made, such application may
16 be to a court in the state or subdivision on behalf of which the audit is being made or a
17 court in the state in which the object of the order being sought is situated. The
18 provisions of this paragraph apply only to courts in a state that has adopted this
19 Article.

20 5. The commission may decline to perform any audit requested if it finds that
21 its available personnel or other resources are insufficient for the purpose or that, in the
22 terms requested, the audit is impracticable of satisfactory performance. If the
23 commission, on the basis of its experience, has reason to believe that an audit of a
24 particular taxpayer, either at a particular time or on a particular schedule, would be of
25 interest to a number of party states or their subdivisions, it may offer to make the audit
26 or audits, the offer to be contingent on sufficient participation therein as determined by
27 the commission.

28 6. Information obtained by any audit pursuant to this Article shall be
29 confidential and available only for tax purposes to party states, their subdivisions or
30 the United States. Availability of information shall be in accordance with the laws of
31 the states or subdivisions on whose account the commission performs the audit, and

1 only through the appropriate agencies or officers of such states or subdivisions.
2 Nothing in this Article shall be construed to require any taxpayer to keep records for
3 any period not otherwise required by law.

4 7. Other arrangements made or authorized pursuant to laws for cooperative
5 audit by or on behalf of the party states or any of their subdivisions are not superseded
6 or invalidated by this Article.

7 8. In no event shall the commission make any charge against a taxpayer for an
8 audit.

9 9. As used in this Article, "tax," in addition to the meaning ascribed to it in
10 Article II, means any tax or license fee imposed in whole or in part for revenue
11 purposes.

12 ARTICLE IX.
13 ARBITRATION.

14 1. Whenever the commission finds a need for settling disputes concerning
15 apportionments and allocations by arbitration, it may adopt a regulation placing this
16 Article in effect, notwithstanding the provisions of Article VII.

17 2. The commission shall select and maintain an arbitration panel composed of
18 officers and employees of state and local governments and private persons who shall
19 be knowledgeable and experienced in matters of tax law and administration.

20 3. Whenever a taxpayer who has elected to employ Article IV, or whenever the
21 laws of the party state or subdivision thereof are substantially identical with the
22 relevant provisions of Article IV, the taxpayer, by written notice to the commission
23 and to each party state or subdivision thereof that would be affected, may secure
24 arbitration of an apportionment or allocation, if the taxpayer is dissatisfied with the
25 final administrative determination of the tax agency of the state or subdivision with
26 respect thereto on the ground that it would subject the taxpayer to double or multiple
27 taxation by two or more party states or subdivisions thereof. Each party state and
28 subdivision thereof hereby consents to the arbitration as provided herein, and agrees to
29 be bound thereby.

30 4. The arbitration board shall be composed of one person selected by the
31 taxpayer, one by the agency or agencies involved, and one member of the

1 commission's arbitration panel. If the agencies involved are unable to agree on the
2 person to be selected by them, such person shall be selected by lot from the total
3 membership of the arbitration panel. The two persons selected for the board in the
4 manner provided by the foregoing provisions of this paragraph shall jointly select the
5 third member of the board. If they are unable to agree on the selection, the third
6 member shall be selected by lot from among the total membership of the arbitration
7 panel. No member of a board selected by lot shall be qualified to serve if the member
8 is an officer or employee or is otherwise affiliated with any party to the arbitration
9 proceeding. Residence within the jurisdiction of a party to the arbitration proceeding
10 shall not constitute affiliation within the meaning of this paragraph.

11 5. The board may sit in any state or subdivision party to the proceeding, in the
12 state of the taxpayer's incorporation, residence or domicile, in any state where the
13 taxpayer does business, or in any place that it finds most appropriate for gaining
14 access to evidence relevant to the matter before it.

15 6. The board shall give due notice of the times and places of its hearings. The
16 parties shall be entitled to be heard, to present evidence, and to examine and cross-
17 examine witnesses. The board shall act by majority vote.

18 7. The board shall have power to administer oaths, take testimony, subpoena
19 and require the attendance of witnesses and the production of accounts, books, papers,
20 records, and other documents, and issue commissions to take testimony. Subpoenas
21 may be signed by any member of the board. In case of failure to obey a subpoena, and
22 upon application by the board, any judge of a court of competent jurisdiction of the
23 state in which the board is sitting or in which the person to whom the subpoena is
24 directed may be found may make an order requiring compliance with the subpoena,
25 and the court may punish failure to obey the order as a contempt. The provisions of
26 this paragraph apply only in states that have adopted this Article.

27 8. Unless the parties otherwise agree the expenses and other costs of the
28 arbitration shall be assessed and allocated among the parties by the board in such
29 manner as it may determine. The commission shall fix a schedule of compensation for
30 members of arbitration boards and of other allowable expenses and costs. No officer
31 or employee of a state or local government who serves as a member of a board shall be

1 entitled to compensation therefor unless the member is required on account of the
2 service as a board member to forego the regular compensation attaching to the public
3 employment, but any such board member shall be entitled to expenses.

4 9. The board shall determine the disputed apportionment or allocation and any
5 matters necessary thereto. The determinations of the board shall be final for purposes
6 of making the apportionment or allocation, but for no other purpose.

7 10. The board shall file with the commission and with each tax agency
8 represented in the proceeding: the determination of the board; the board's written
9 statement of its reasons therefor; the record of the board's proceedings; and any other
10 documents required by the arbitration rules of the commission to be filed.

11 11. The commission shall publish the determinations of boards together with
12 the statements of the reasons therefor.

13 12. The commission shall adopt and publish rules of procedure and practice
14 and shall file a copy of such rules and of any amendment thereto with the appropriate
15 agency or officer in each of the party states.

16 13. Nothing contained herein shall prevent at any time a written compromise of
17 any matter or matters in dispute, if otherwise lawful, by the parties to the arbitration
18 proceedings.

19 ARTICLE X.

20 ENTRY INTO FORCE AND WITHDRAWAL.

21 1. This compact shall enter into force when enacted into law by any seven
22 states. Thereafter, this compact shall become effective as to any other state upon its
23 enactment thereof. The commission shall arrange for notification of all party states
24 whenever there is a new enactment of the compact.

25 2. Any party state may withdraw from this compact by enacting a statute
26 repealing the same. No withdrawal shall affect any liability already incurred by or
27 chargeable to a party state prior to the time of such withdrawal.

28 3. No proceeding commenced before an arbitration board prior to the
29 withdrawal of a state and to which the withdrawing state or any subdivision thereof is
30 a party shall be discontinued or terminated by the withdrawal, nor shall the board
31 thereby lose jurisdiction over any of the parties to the proceeding necessary to make a

1 binding determination therein.

2 ARTICLE XI.

3 EFFECT ON OTHER LAWS AND JURISDICTION.

4 Nothing in this compact shall be construed to:

5 (a) Affect the power of any state or subdivision thereof to fix rates of taxation,
6 except that a party state shall be obligated to implement Article III 2 of this compact.

7 (b) Apply to any tax or fixed fee imposed for the registration of a motor
8 vehicle or any tax on motor fuel, other than a sales tax: provided that the definition of
9 "tax" in Article VIII 9 may apply for the purposes of that Article and the commission's
10 powers of study and recommendation pursuant to Article VI 3 may apply.

11 (c) Withdraw or limit the jurisdiction of any state or local court or
12 administrative officer or body with respect to any person, corporation or other entity
13 or subject matter, except to the extent that such jurisdiction is expressly conferred by
14 or pursuant to this compact upon another agency or body.

15 (d) Supersede or limit the jurisdiction of any court of the United States.

16 ARTICLE XII.

17 CONSTRUCTION AND SEVERABILITY.

18 This compact shall be liberally construed so as to effectuate the purposes
19 thereof. The provisions of this compact shall be severable and if any phrase, clause,
20 sentence, or provision of this compact is declared to be contrary to the constitution of
21 any state or of the United States or the applicability thereof to any government,
22 agency, person or circumstance is held invalid, the validity of the remainder of this
23 compact and the applicability thereof to any government, agency, person or
24 circumstance shall not be affected thereby. If this compact shall be held contrary to the
25 constitution of any state participating therein, the compact shall remain in full force
26 and effect as to the remaining party states and in full force and effect as to the state
27 affected as to all severable matters.

28 * **Sec. 16.** AS 43.20.011(e) is repealed and reenacted to read:

29 (e) There is imposed for each taxable year upon the entire taxable income of
30 every corporation derived from sources within the state a tax of zero percent of the
31 taxable income.

1 * **Sec. 17.** AS 43.20.143(a) is amended to read:

2 (a) All **apportionable** [BUSINESS] income of water transportation carriers
3 shall be apportioned to this state in accordance with AS 43.19 (Multistate Tax
4 Compact) as modified by the following:

5 (1) the numerator of the property factor is the sum of the value for
6 property in a fixed location, including buildings and land used in the business, and
7 intrastate equipment and personal property determined according to AS 43.19
8 (Multistate Tax Compact), and the value of interstate mobile property determined on a
9 days-spent-in-ports basis as provided in (4) of this subsection; the denominator of the
10 property factor is determined according to AS 43.19 (Multistate Tax Compact);

11 (2) the numerator of the payroll factor is the sum of the wages and
12 salaries of employees assigned to fixed locations determined according to AS 43.19
13 (Multistate Tax Compact) and the wages and salaries of employees assigned to
14 interstate mobile property determined on a days-spent-in-ports basis as provided in (4)
15 of this subsection; the denominator of the payroll factor is determined in accordance
16 with AS 43.19 (Multistate Tax Compact);

17 (3) the numerator of the sales factor is the sum of all revenues from
18 intrastate activities and revenues from interstate activities determined on a days-spent-
19 in-ports basis as provided in (4) of this subsection; the denominator is determined in
20 accordance with AS 43.19 (Multistate Tax Compact);

21 (4) the portions of the numerator of the property, payroll, and sales
22 factors which are directly related to interstate mobile property operations are
23 determined by a ratio which the number of days spent in ports inside the state bears to
24 the total number of days spent in ports inside and outside the state; the term "days
25 spent in ports" does not include periods when ships are tied up because of strikes or
26 withheld from Alaska service for repairs, or because of seasonal reduction of service;
27 days in port are computed by dividing the total number of hours in all ports by 24.

28 * **Sec. 18.** AS 43.20.144(a) is amended to read:

29 (a) All **apportionable** [BUSINESS] income of a taxpayer engaged in the
30 production of oil or gas from a lease or property in this state or engaged in the
31 transportation of oil or gas by pipeline in this state shall be apportioned to this state in

1 accordance with AS 43.19 (Multistate Tax Compact) as modified by this section.

2 * **Sec. 19.** AS 43.20.144(b) is amended to read:

3 (b) A taxpayer's **apportionable** [BUSINESS] income to be apportioned under
4 this section to the state shall be the federal taxable income of the taxpayer's
5 consolidated business for the tax period, except that

6 (1) taxes based on or measured by net income that are deducted in the
7 determination of the federal taxable income shall be added back; the tax levied and
8 paid under AS 43.55 may not be added back;

9 (2) intangible drilling and development costs that are deducted as
10 expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the
11 federal taxable income shall be capitalized and depreciated as if the option to treat
12 them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been
13 exercised;

14 (3) depletion deducted on the percentage depletion basis under 26
15 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income
16 shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612
17 (Internal Revenue Code); and

18 (4) depreciation shall be computed on the basis of 26 U.S.C. 167
19 (Internal Revenue Code) as that section read on June 30, 1981.

20 * **Sec. 20.** AS 43.20.144(c) is amended to read:

21 (c) A taxpayer's **apportionable** [BUSINESS] income shall be apportioned to
22 this state by multiplying the taxpayer's income determined under (b) of this section by
23 the apportionment factor applicable to the taxpayer among the following factors:

24 (1) the apportionment factor of a taxpayer subject to this section but
25 not engaged in the production of oil and gas, or of gas only, as appropriate, from a
26 lease or property in this state during the tax period is a fraction, the numerator of
27 which is the sum of the property factor under AS 43.19 (Multistate Tax Compact) and
28 the sales factor under (d) of this section for the taxpayer for that tax period, and the
29 denominator of which is two;

30 (2) the apportionment factor of a taxpayer subject to this section but
31 not engaged in the pipeline transportation of oil or gas in this state during the tax

1 period is a fraction, the numerator of which is the sum of the property factor under (e)
 2 of this section and the extraction factor under (f) of this section for the taxpayer for the
 3 tax period, and the denominator of which is two;

4 (3) the apportionment factor of a taxpayer engaged both in the
 5 production of oil or gas from a lease or property in this state and in the pipeline
 6 transportation of oil or gas in this state during the tax period is a fraction, the
 7 numerator of which is the sum of the sales factor under (d) of this section, the property
 8 factor under (e) of this section, and the extraction factor under (f) of this section for
 9 the taxpayer for the tax period, and the denominator of which is three.

10 * **Sec. 21.** AS 43 is amended by adding a new chapter to read:

11 **Chapter 44. Sales and Use Tax.**

12 **Article 1. Levy and Collection of the Tax.**

13 **Sec. 43.44.010. Levy of sales and use tax.** (a) There is levied a sales tax on
 14 the retail sale of personal property and services to a purchaser in the state. The rate of
 15 the tax is

16 (1) four percent from April 1 through September 30; and

17 (2) two percent from October 1 through March 31.

18 (b) There is levied a use tax on the use in this state of personal property and
 19 services identified in this subsection. The rate of the use tax is equal to the applicable
 20 sales tax rate under (a) of this section at the time of the use. The use tax applies to

21 (1) personal property purchased

22 (A) outside the state as a result of a transaction that would have
 23 been subject to the sales tax levied under this section had it occurred in the
 24 state; or

25 (B) by a purchaser for use in an exempt manner but that was
 26 later converted to a use subject to the sales tax levied under this section; or

27 (2) services purchased outside the state that would be subject to the
 28 sales tax levied under this section if purchased in the state.

29 **Sec. 43.44.020. Liability and collection of sales and use taxes.** (a) A tax
 30 levied under AS 43.44.010 is imposed on the purchaser. The seller, including a remote
 31 seller, shall apply the tax to the sales price and collect the tax from the purchaser. The

1 seller holds the tax in trust for the state and shall pay the tax to the department.

2 (b) A tax levied under AS 43.44.010(b) is imposed on the user . A seller
3 located outside the state who has a nexus to the state and who sells goods or services
4 subject to the tax levied in AS 43.44.010(b) shall collect the use tax from the
5 purchaser and pay the tax collected to the department.

6 (c) A marketplace facilitator that meets the threshold requirements for a remote
7 seller under AS 43.44.490 is considered the seller for each sale facilitated through its
8 marketplace. A marketplace facilitator shall collect and remit the tax levied under this
9 chapter.

10 (d) Unless the tax has already been paid under (a) of this section, a person in
11 the state who purchases goods or services from a seller located outside the state that
12 does not qualify as a remote seller under this chapter shall pay the sales tax described
13 in AS 43.44.010(a) to the department.

14 (e) Unless the tax has already been paid under (b) of this section, the
15 purchaser of personal property or services subject to the use tax described in
16 AS 43.44.010(b) shall pay the tax to the department at the time the property or service
17 is first used in the state.

18 (f) A seller is liable for a tax the seller is required to collect under this section.
19 If a seller is not required to collect a tax under this section, the purchaser is liable for
20 the tax. Liability for the payment of a tax levied under this chapter is not extinguished
21 until the tax has been paid to the department.

22 (g) If a seller collects a tax in excess of a tax imposed under AS 43.44.010, the
23 seller shall remit the excess to the department.

24 (h) The department shall adopt regulations to prevent evasion of taxes
25 imposed under this chapter and to aid in its administration of the collection of taxes
26 under this chapter.

27 **Sec. 43.44.030. Receipt and remittance of local sales and use taxes.** (a) The
28 department shall receive municipal sales and use taxes levied under AS 29.45.650 and
29 29.45.700 and remit the proceeds to the municipality. Under AS 43.05 and AS 43.10,
30 the department shall administer, receive, and enforce a sales tax and use tax levied
31 under AS 29.45.650 and 29.45.700.

1 (b) The department is authorized to establish and collect administrative fees
 2 from municipalities associated with the costs incurred from the receipt, audit,
 3 enforcement, and remittance of a local sales tax and use tax levied under AS 29.45.650
 4 and 29.45.700.

5 **Sec. 43.44.040. Sourcing.** Notwithstanding AS 43.44.430, the department
 6 shall adopt regulations establishing sourcing rules for transactions subject to a tax
 7 under this chapter. The regulations may adopt the standards of an agreement
 8 authorized under AS 43.44.400.

9 **Article 2. Exemptions.**

10 **Sec. 43.44.100. Exemptions.** (a) The following are exempt from a tax levied
 11 under this chapter:

12 (1) a sale by, sale to, or use by the United States;

13 (2) a sale by, sale to, or use by the state or an instrumentality of the
 14 state, as defined in AS 39.52.960; this paragraph does not apply to a municipal utility
 15 sales, an unincorporated community, an Indian tribe included in the list published
 16 under 25 U.S.C. 5131, or a foreign government; in this paragraph, "unincorporated
 17 community" means a place that is not incorporated as a city and in which 25 or more
 18 persons reside as a social unit;

19 (b) The following are exempt from a sales or use tax levied under
 20 AS 43.44.010:

21 (1) a purchase made with a voucher or other type of certificate issued
 22 under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and
 23 Children) or a food stamp or other food allotment under 7 U.S.C. 2011 – 2036 (Food
 24 Stamp Program); for the purposes of this paragraph, the value of a food stamp
 25 allotment paid in the form of a wage subsidy as authorized under AS 47.25.975(b) is
 26 not considered to be an allotment issued under 7 U.S.C. 2011 – 2036 (Food Stamp
 27 Program);

28 (2) a sale of a state license or permit;

29 (3) services among affiliated persons that report their income under 26
 30 U.S.C. (Internal Revenue Code) on a single consolidated return;

31 (4) wages, salaries, commission, tips, and any other forms of

1 remuneration for personal services, if paid by an employer to an employee;

2 (5) proceeds from investments and other intangible items, including

3 (i) interest on money loaned or deposited;

4 (ii) dividends or interest from stocks, bonds, or
5 securities;

6 (iii) proceeds from the sale of stocks, bonds, or
7 securities;

8 (6) fees for services associated with financial instruments, interests, or
9 deposit accounts;

10 (7) an isolated or occasional sale of personal property;

11 (8) personal or household effects owned or possessed by an individual
12 for a period of six months or longer and brought into the state for the establishment of
13 initial permanent residence in the state and the use by a nonresident of property
14 brought into the state for the nonresident's own nonbusiness use while temporarily in
15 the state;

16 (9) a sale for resale and associated transportation associated with the
17 resale, if the purchaser presents, at the time of sale, an exemption certificate issued
18 under AS 43.44.210;

19 (10) a transaction between the holders of a joint interest or between the
20 partners in a business partnership;

21 (11) fuels sold for use in jet propulsion aircraft;

22 (12) a sale or construction of real property; however, the sale or
23 transportation of personal property that is later converted to real property is taxable
24 under this chapter unless the conversion is part of the construction of real property or
25 construction of an addition to real property;

26 (13) the following health care services and related items:

27 (A) health care services provided by a person licensed or
28 certified to provide those services under AS 08 or by a health care facility as
29 defined in AS 08.68.700(g);

30 (B) drugs, durable medical equipment, mobility enhancing
31 equipment, and prosthetic devices prescribed by a person licensed to prescribe

1 those goods under AS 08 or obtained from a health care facility as defined in
2 AS 08.68.700(g);

3 (14) the transport, handling, storage, drayage, or packing of property,
4 or other related service on property, if the property is transported in interstate or
5 foreign commerce;

6 (15) the sale of goods or services to a person who uses the goods or
7 services primarily in a trade or business if the cost of the goods or services is

8 (A) deductible by the purchaser under 26 U.S.C. 162 (Internal
9 Revenue Code), as that section read on January 1, 2026; or

10 (B) depreciable by the purchaser under 26 U.S.C. 167 or 168
11 (Internal Revenue Code), as that section read on January 1, 2026;

12 (16) insurance premiums subject to taxation under AS 21;

13 (17) the sale of personal property where the seller is obligated to make
14 delivery to the purchaser at a point outside the state, or to deliver the property for
15 transportation to the purchaser at a point outside the state;

16 (18) the rental or lease of real property for a period of 30 consecutive
17 days or more; and

18 (19) the sale of Internet access.

19 **Article 3. Seller's Permit; Exemption Certificate.**

20 **Sec. 43.44.200. Seller's permit.** (a) A person shall obtain a seller's permit
21 from the department before engaging in business in the state. A remote seller shall
22 obtain a seller's permit not later than 30 days after the remote seller exceeds the gross
23 revenue threshold under AS 43.44.490.

24 (b) An applicant for a seller's permit shall apply on a form or in a format
25 prescribed by the department stating

26 (1) the name under which the applicant intends to transact business;

27 (2) every location where the applicant intends to transact business for
28 which the permit is being sought; and

29 (3) any other information the department requires.

30 (c) The department shall issue an eligible applicant a numbered seller's permit.
31 A seller's permit is valid until revoked or suspended and is not assignable.

1 (d) A seller that makes sales exclusively through a registered marketplace
 2 facilitator is not required to register, collect, or remit tax on those sales, and is not
 3 subject to bonding or security requirements with respect to those sales.

4 (e) The name, address, and permit number of a person holding a seller's permit
 5 is public information and shall be made available by the department

6 **Sec. 43.44.210. Exemption certificate.** A person selling for resale or a
 7 purchaser claiming an exemption for business inputs under AS 43.44.100(b)(15) shall
 8 obtain an exemption certificate from the department. The department shall issue an
 9 eligible person an exemption certificate that includes

10 (1) a unique identification number assigned by the department;

11 (2) the general character of the property or service sold by the seller or used
 12 by the purchaser in the regular course of business;

13 (3) the person's name and principal business address; and

14 (4) the person's signature or electronic signature.

15 **Sec. 43.44.220. Revocation or suspension of seller's permit or exemption**
 16 **certificate.** (a) The department may revoke or suspend a seller's permit or a person's
 17 exemption certificate, or both, if the person fails to comply with a provision of this
 18 chapter.

19 (b) A person aggrieved by a revocation or suspension of a seller's permit or
 20 exemption certificate under (a) of this section may file an appeal with the department
 21 not later than 60 days after revocation or suspension. The appellant may present to the
 22 appeals officer arguments and evidence relevant to the revocation or suspension. The
 23 department shall give written notice of its decision on an appeal. In its decision, the
 24 department may

25 (1) uphold the suspension or revocation;

26 (2) reinstate a suspended permit or certificate; or

27 (3) subject to (c) of this section, issue a new permit or certificate.

28 (c) The department may not issue a new seller's permit or exemption
 29 certificate to a person whose permit or certificate has been revoked except on
 30 application by the person accompanied by reasonable evidence of the person's
 31 intention to comply with this chapter. The department may, as a condition of issuance

1 of a new permit or certificate, require security in addition to that authorized under
 2 AS 43.44.340 in an amount reasonably necessary to ensure compliance with this
 3 chapter.

4 (d) A person aggrieved by a final decision of the department under this section
 5 may appeal the decision to the superior court as provided by law.

6 **Sec. 43.44.230. Improper use of purchase obtained with exemption**
 7 **certificate; penalty.** A person who intentionally uses an exemption certificate for
 8 property that is used for a purpose other than the purpose claimed is subject to a
 9 penalty, payable to the department, of \$100 or 100 percent of the tax due, whichever is
 10 greater, for each transaction in which an improper use of the exemption certificate has
 11 occurred. The penalty is in addition to tax, interest, or other penalties due.

12 **Sec. 43.44.240. Commingling exemption certificate property.** If a person
 13 uses an exemption certificate for the purchase of personal property and commingles
 14 that property with property that was not purchased with a exemption certificate but is
 15 so similar that the identity of the property in the commingled mass cannot be
 16 determined, sales from the mass of commingled property are considered to be sales of
 17 the property purchased with the exemption certificate until the quantity of commingled
 18 property sold equals the quantity of property originally purchased under the exemption
 19 certificate.

20 **Article 4. Returns; Security; Credits and Refunds.**

21 **Sec. 43.44.300. Method of accounting.** A seller shall report and pay the sales
 22 and use tax under AS 43.44.010 using the same method of accounting that the person
 23 uses for federal tax purposes.

24 **Sec. 43.44.310. Returns and payment.** A person liable for a tax under
 25 AS 43.44.010 shall file a return and pay the tax on a monthly basis, on or before the
 26 last day of the month following the month in which the tax obligation is incurred. A
 27 return filed under this section shall be made on a form and in a format prescribed by
 28 the department.

29 **Sec. 43.44.320. Methods.** (a) The department shall adopt regulations providing
 30 for the payment of a tax under AS 43.44.010 based on a rounding method.

31 (b) The department may use sampling principles or methods in conducting a

1 sales tax or use tax audit.

2 **Sec. 43.44.330. Timely filing allowance.** (a) A person filing a return under
3 AS 43.44.310 may claim an allowance in the amount of one percent of the tax
4 determined to be payable to the state or \$75 a month, whichever is less, if the return is
5 timely filed and the tax is timely paid.

6 (b) The allowance authorized by this section may be deducted on the return.
7 The allowance may not be greater than the tax payable to the state.

8 **Sec. 43.44.340. Security; sale of security at auction; bond.** (a) The
9 department may require a seller, including a remote seller, to deposit with the
10 department security in a form and amount determined appropriate by the department,
11 but not more than twice the estimated average liability for the period in which the
12 return is required to be filed or \$10,000, whichever is less. The department may
13 increase or decrease the amount of security required, subject to the limitations of this
14 section.

15 (b) In addition to remedies under AS 43.10, the department may sell at a
16 public auction property deposited as security to recover a sales tax or use tax amount
17 required to be collected, including interest and penalties. The department shall give
18 notice of the sale not later than 30 days before a sale and shall serve the person who
19 deposited the security personally or by certified mail to the person's last known
20 address. After a sale under this subsection, any surplus above the amount due that is
21 not required as security under this section shall be returned to the person who
22 deposited the security.

23 (c) In lieu of security, the department may require a seller to file a bond issued
24 by a surety company authorized to transact business in the state to guarantee solvency
25 and responsibility.

26 (d) In addition to the other requirements of this section, the department may
27 require a corporate officer, director, or shareholder of a corporation to provide a
28 personal guarantee and assumption of liability for the payment of a tax due under this
29 chapter.

30 **Sec. 43.44.350. Taxpayer quitting business; liability of successor.** (a) All
31 taxes payable under this chapter are due and payable immediately whenever a

1 taxpayer quits business, sells, exchanges, or otherwise disposes of the business or
2 disposes of the stock of goods. The taxpayer shall file a return and pay the taxes due
3 not later than 10 days after the taxpayer quits business, sells, exchanges, or otherwise
4 disposes of the business or disposes of the stock of goods.

5 (b) Except as provided in (c) of this section, a person who becomes a
6 successor in a taxpayer's business or stock of goods is liable for the full amount of the
7 tax due unless the taxpayer pays the amount due. Payment of the tax by the successor
8 is considered a payment on the sales price and, if the payment is greater in amount
9 than the sales price, the amount of the difference becomes a debt due to the successor
10 from the taxpayer owing the tax under (a) of this section

11 (c) A successor is not liable for a tax due by a person from whom the
12 successor acquired a business or stock of goods if

13 (1) the successor gives written notice to the department of the
14 acquisition; and

15 (2) an assessment is not issued by the department against the former
16 owner of the business or stock of goods within six months of receipt of the notice from
17 the successor; if an assessment is issued by the department and a copy is not mailed to
18 the successor, the successor is not liable for the tax due.

19 **Sec. 43.44.360. Tax as debt.** (a) A tax levied under this chapter and related
20 interest and penalties become a personal debt of the person required to file a return
21 from the time the liability arises, regardless of when the time for payment of the
22 liability occurs.

23 (b) If a personal representative of an estate has voluntarily distributed the
24 assets held in that capacity without reserving sufficient assets to pay a tax and related
25 interest and penalties under this chapter, the personal representative is personally
26 liable for any deficiency to the extent permitted by AS 13.16.

27 (c) An officer or employee of a corporation whose duty it is to collect,
28 truthfully account for, and pay to the state a tax levied under this chapter and who fails
29 to pay the tax is liable to the state for the tax and the penalty and interest due on the
30 tax. This subsection applies to a corporate officer, director, or shareholder required by
31 the department to personally guarantee the payment of a tax for a corporation.

1 **Sec. 43.44.370. Deductions for bad debts.** (a) A person filing a return under
2 AS 43.44.310 may deduct sales found to be worthless. The bad debt may be deducted
3 when

4 (1) the debt is written off as uncollectable in the person's books and
5 records; and

6 (2) the debt qualifies as a deduction for federal income tax purposes
7 under 26 U.S.C. (Internal Revenue Code).

8 (b) If the amount of bad debt exceeds the amount of taxable sales during the
9 period in which the bad debt is written off, a person may file a refund claim with the
10 department.

11 (c) If a bad debt deducted under (a) of this section is subsequently collected,
12 the person who claimed the deduction shall pay the tax levied under AS 43.44.010 on
13 the amount collected. Any payments made on a debt or account under this subsection
14 are applied

15 (1) first to the taxable price of the property or service and the tax
16 levied under AS 43.44.010 on the property or service; and

17 (2) second to interest, service charges, and any other charges.

18 **Sec. 43.44.380. Tax credit for sales or use tax paid to another state.** A
19 purchaser liable for a sales or use tax under this chapter is entitled to a full credit for
20 the amount of sales or use tax paid on the same personal property or services to
21 another state.

22 **Sec. 43.44.390. Refunds and credits.** The department may credit or refund
23 overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties
24 collected without authority, and taxes that are found unjustly assessed, excessive in
25 amount, or otherwise wrongfully collected, as established by regulation. When a
26 refund is allowed to a taxpayer, the refund shall be paid out of the general fund on a
27 warrant issued under a voucher approved by the department.

28 **Article 5. General Provisions.**

29 **Sec. 43.44.400. Streamlined Sales and Use Tax Agreement.** (a) The
30 department is authorized to enter into the Streamlined Sales and Use Tax Agreement,
31 approved by the Streamlined Sales Tax Governing Board, Inc., or substantially similar

1 agreement with one or more states. The department is authorized to act jointly with
2 other states that are members of the Streamlined Sales and Use Tax Agreement, or
3 substantially similar agreement, to establish standards for certification of a certified
4 service provider and certified automated system and to establish performance
5 standards for multistate sellers.

6 (b) If the department enters into the Streamlined Sales and use Tax
7 Agreement, or substantially similar agreement, the department shall adopt regulations
8 consistent with the agreement.

9 (c) The department may take all actions reasonably required to implement the
10 provisions set out in this section.

11 **Sec. 43.44.410. Electronic registration, filing, and forms.** (a) The
12 department may participate in any electronic sales and use tax registration system
13 made available in cooperation with other states through the Streamlined Sales and use
14 Tax Agreement or substantially similar agreement.

15 (b) The department may use and accept a standard electronic exemption form
16 made available in cooperation with other states through the Streamlined Sales and Use
17 Tax Agreement or substantially similar agreement.

18 (c) The department may prescribe and provide for the use of forms,
19 certificates, permits, and other documents required under this chapter in electronic
20 format, including the use of electronic signatures and authentications, and for
21 electronic filing.

22 **Sec. 43.44.420. Field offices.** The department may contract with a
23 municipality or other entity for the purpose of collecting a tax under this chapter for
24 that municipality's geographical area of the state.

25 **Sec. 43.44.430. Regulations.** The department may adopt regulations under
26 AS 44.62 (Administrative Procedure Act) to implement and administer this chapter.

27 **Sec. 43.44.490. Definitions.** In this chapter,

28 (1) "consideration" means a valuable inducement and includes money,
29 property, and services;

30 (2) "engaging in business" means carrying on or causing to be carried
31 on an activity with the purpose of direct or indirect benefit;

1 (3) "isolated or occasional sale" includes fundraising activities
2 conducted by a nonprofit organization that do not exceed 60 consecutive days in
3 duration;

4 (4) "marketplace facilitator" means a person that contracts with sellers
5 to facilitate the sale of the seller's product through a physical or electronic marketplace
6 operated by the person and collects the payment from the purchaser;

7 (5) "personal property" means property that can be seen, weighed,
8 measured, felt, or touched, or that is in any other manner perceptible to the senses, and

9 (A) includes electricity, water, gas, steam, Internet services,
10 electronic or digital goods, and prewritten computer software;

11 (B) does not include

12 (i) real property; or

13 (ii) intangible property, such as stocks, bonds, goodwill,
14 trademarks, patents, franchises, or copyrights;

15 (6) "remote seller" means a seller located outside the state who, during
16 the current or immediately preceding calendar year, received gross revenues in excess
17 of \$100,000 from sales of goods and services delivered into the state;

18 (7) "retail sale" means a sale for any purpose other than resale in the
19 regular course of business;

20 (8) "sale," "selling," or "purchase" means any exchange, barter, rental,
21 lease, license, or transfer of title or possession of property or services for
22 consideration, including the right to use or consume property or services, regardless of
23 whether conditional or otherwise limited;

24 (9) "sales price"

25 (A) means the total amount of consideration, valued in United
26 States currency, including cash, credit, property, and services, for which
27 personal property or services are sold, whether received in money or otherwise,
28 without deduction of the following:

29 (i) the seller's cost of the property sold;

30 (ii) the cost of materials used, labor or service cost,
31 interest, losses, all costs of transportation to the seller, all taxes

1 imposed on the seller, and any other expense of the seller;

2 (iii) charges by the seller for any services necessary to
3 complete the sale;

4 (iv) delivery charges;

5 (v) installation charges;

6 (vi) the value of exempt personal property given to the
7 purchaser where taxable and exempt personal property have been
8 bundled together and sold by the seller as a single product or piece of
9 merchandise;

10 (B) does not include

11 (i) discounts, including cash, term, or coupons, that are
12 not reimbursed by a third party and that are allowed by a seller and
13 taken by a purchaser on a sale;

14 (ii) interest, financing, and carrying charges from credit
15 extended on the sale of personal property or services if the amount is
16 separately stated on the invoice, bill of sale, or similar document given
17 to the purchaser; or

18 (iii) taxes, fees or other charges legally imposed by a
19 federal, state, or local government directly on the consumer or the seller
20 that are separately stated on the invoice, bill of sale, or similar
21 document given to the purchaser;

22 (iv) the motor fuel tax levied under AS 43.40

23 (10) "sale for resale" means the sale of personal property to a
24 purchaser whose principal business is the resale of property, whether in the same or an
25 altered form;

26 (11) "services" means an activity engaged in for another person for
27 consideration and that is distinguished from the sale of property; in determining what
28 constitutes a service, the intended use, principal objective, or ultimate objective of the
29 contracting parties is irrelevant; "services" includes

30 (A) activities performed by a person for its member or
31 shareholders;

1 (B) construction activities and all personal property that will
2 become an ingredient or component part of a construction project;

3 (C) labor;

4 (D) professional services;

5 (E) transportation;

6 (F) telephone or other communications services;

7 (G) entertainment, including cable, subscription, or pay
8 television or other telecommunications service;

9 (H) the supplying of food, lodging, or other accommodations in
10 hotels, restaurants, or elsewhere;

11 (I) admission to exhibitions;

12 (J) the use of a computer, computer time, a computer system, a
13 computer program, a computer network, or any part of a computer system or
14 network;

15 (K) the supplying of equipment for use; and

16 (L) admission to places of entertainment;

17 (12) "use" or "using" includes use, consumption, or storage, other than
18 storage for resale or for use solely outside the state in the ordinary course of business.

19 * **Sec. 22.** AS 43.44.010(a), added by sec. 21 of this Act, is amended to read:

20 (a) There is levied a sales tax on the retail sale of personal property and
21 services to a purchaser in the state. The rate of the tax is **zero percent**

22 [(1) FOUR PERCENT FROM APRIL 1 THROUGH SEPTEMBER
23 30; AND

24 (2) TWO PERCENT FROM OCTOBER 1 THROUGH MARCH 31].

25 * **Sec. 23.** AS 43.55.011(f) is amended to read:

26 (f) The levy of tax under (e) of this section for

27 (1) oil and gas produced before January 1, 2022, from leases or
28 properties that include land north of 68 degrees North latitude, other than gas subject
29 to (o) of this section, may not be less than

30 (A) four percent of the gross value at the point of production
31 when the average price per barrel for Alaska North Slope crude oil for sale on

1 the United States West Coast during the calendar year for which the tax is due
2 is more than \$25;

3 (B) three percent of the gross value at the point of production
4 when the average price per barrel for Alaska North Slope crude oil for sale on
5 the United States West Coast during the calendar year for which the tax is due
6 is over \$20 but not over \$25;

7 (C) two percent of the gross value at the point of production
8 when the average price per barrel for Alaska North Slope crude oil for sale on
9 the United States West Coast during the calendar year for which the tax is due
10 is over \$17.50 but not over \$20;

11 (D) one percent of the gross value at the point of production
12 when the average price per barrel for Alaska North Slope crude oil for sale on
13 the United States West Coast during the calendar year for which the tax is due
14 is over \$15 but not over \$17.50; or

15 (E) zero percent of the gross value at the point of production
16 when the average price per barrel for Alaska North Slope crude oil for sale on
17 the United States West Coast during the calendar year for which the tax is due
18 is \$15 or less; and

19 (2) oil produced on and after January 1, 2022, from leases or properties
20 that include land north of 68 degrees North latitude, may not be less than

21 (A) six [FOUR] percent of the gross value at the point of
22 production when the average price per barrel for Alaska North Slope crude oil
23 for sale on the United States West Coast during the calendar year for which the
24 tax is due is more than \$25;

25 (B) three percent of the gross value at the point of production
26 when the average price per barrel for Alaska North Slope crude oil for sale on
27 the United States West Coast during the calendar year for which the tax is due
28 is over \$20 but not over \$25;

29 (C) two percent of the gross value at the point of production
30 when the average price per barrel for Alaska North Slope crude oil for sale on
31 the United States West Coast during the calendar year for which the tax is due

1 is over \$17.50 but not over \$20;

2 (D) one percent of the gross value at the point of production
3 when the average price per barrel for Alaska North Slope crude oil for sale on
4 the United States West Coast during the calendar year for which the tax is due
5 is over \$15 but not over \$17.50; or

6 (E) zero percent of the gross value at the point of production
7 when the average price per barrel for Alaska North Slope crude oil for sale on
8 the United States West Coast during the calendar year for which the tax is due
9 is \$15 or less.

10 * **Sec. 24.** AS 43.55.011(f), as amended by sec. 23 of this Act, is amended to read:

11 (f) The levy of tax under (e) of this section for

12 (1) oil and gas produced before January 1, 2022, from leases or
13 properties that include land north of 68 degrees North latitude, other than gas subject
14 to (o) of this section, may not be less than

15 (A) four percent of the gross value at the point of production
16 when the average price per barrel for Alaska North Slope crude oil for sale on
17 the United States West Coast during the calendar year for which the tax is due
18 is more than \$25;

19 (B) three percent of the gross value at the point of production
20 when the average price per barrel for Alaska North Slope crude oil for sale on
21 the United States West Coast during the calendar year for which the tax is due
22 is over \$20 but not over \$25;

23 (C) two percent of the gross value at the point of production
24 when the average price per barrel for Alaska North Slope crude oil for sale on
25 the United States West Coast during the calendar year for which the tax is due
26 is over \$17.50 but not over \$20;

27 (D) one percent of the gross value at the point of production
28 when the average price per barrel for Alaska North Slope crude oil for sale on
29 the United States West Coast during the calendar year for which the tax is due
30 is over \$15 but not over \$17.50; or

31 (E) zero percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on
 2 the United States West Coast during the calendar year for which the tax is due
 3 is \$15 or less; and

4 (2) oil produced on and after January 1, 2022, from leases or properties
 5 that include land north of 68 degrees North latitude, may not be less than

6 (A) **four** [SIX] percent of the gross value at the point of
 7 production when the average price per barrel for Alaska North Slope crude oil
 8 for sale on the United States West Coast during the calendar year for which the
 9 tax is due is more than \$25;

10 (B) three percent of the gross value at the point of production
 11 when the average price per barrel for Alaska North Slope crude oil for sale on
 12 the United States West Coast during the calendar year for which the tax is due
 13 is over \$20 but not over \$25;

14 (C) two percent of the gross value at the point of production
 15 when the average price per barrel for Alaska North Slope crude oil for sale on
 16 the United States West Coast during the calendar year for which the tax is due
 17 is over \$17.50 but not over \$20;

18 (D) one percent of the gross value at the point of production
 19 when the average price per barrel for Alaska North Slope crude oil for sale on
 20 the United States West Coast during the calendar year for which the tax is due
 21 is over \$15 but not over \$17.50; or

22 (E) zero percent of the gross value at the point of production
 23 when the average price per barrel for Alaska North Slope crude oil for sale on
 24 the United States West Coast during the calendar year for which the tax is due
 25 is \$15 or less.

26 * **Sec. 25.** AS 43.55.020(a) is amended to read:

27 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
 28 the tax as follows:

29 (1) for oil and gas produced before January 1, 2014, an installment
 30 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 31 as allowed by law, is due for each month of the calendar year on the last day of the

1 following month; except as otherwise provided under (2) of this subsection, the
2 amount of the installment payment is the sum of the following amounts, less 1/12 of
3 the tax credits that are allowed by law to be applied against the tax levied by
4 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
5 not be less than zero:

6 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
7 produced from leases or properties in the state outside the Cook Inlet
8 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
9 the greater of

10 (i) zero; or

11 (ii) the sum of 25 percent and the tax rate calculated for
12 the month under AS 43.55.011(g) multiplied by the remainder obtained
13 by subtracting 1/12 of the producer's adjusted lease expenditures for the
14 calendar year of production under AS 43.55.165 and 43.55.170 that are
15 deductible for the oil and gas under AS 43.55.160 from the gross value
16 at the point of production of the oil and gas produced from the leases or
17 properties during the month for which the installment payment is
18 calculated;

19 (B) for oil and gas produced from leases or properties subject
20 to AS 43.55.011(f), the greatest of

21 (i) zero;

22 (ii) zero percent, one percent, two percent, three
23 percent, or four percent, as applicable, of the gross value at the point of
24 production of the oil and gas produced from the leases or properties
25 during the month for which the installment payment is calculated; or

26 (iii) the sum of 25 percent and the tax rate calculated for
27 the month under AS 43.55.011(g) multiplied by the remainder obtained
28 by subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil and gas under AS 43.55.160 from the gross value
31 at the point of production of the oil and gas produced from those leases

1 or properties during the month for which the installment payment is
2 calculated;

3 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
4 each lease or property, the greater of

5 (i) zero; or

6 (ii) the sum of 25 percent and the tax rate calculated for
7 the month under AS 43.55.011(g) multiplied by the remainder obtained
8 by subtracting 1/12 of the producer's adjusted lease expenditures for the
9 calendar year of production under AS 43.55.165 and 43.55.170 that are
10 deductible under AS 43.55.160 for the oil or gas, respectively,
11 produced from the lease or property from the gross value at the point of
12 production of the oil or gas, respectively, produced from the lease or
13 property during the month for which the installment payment is
14 calculated;

15 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

16 (i) the sum of 25 percent and the tax rate calculated for
17 the month under AS 43.55.011(g) multiplied by the remainder obtained
18 by subtracting 1/12 of the producer's adjusted lease expenditures for the
19 calendar year of production under AS 43.55.165 and 43.55.170 that are
20 deductible for the oil and gas under AS 43.55.160 from the gross value
21 at the point of production of the oil and gas produced from the leases or
22 properties during the month for which the installment payment is
23 calculated, but not less than zero; or

24 (ii) four percent of the gross value at the point of
25 production of the oil and gas produced from the leases or properties
26 during the month, but not less than zero;

27 (2) an amount calculated under (1)(C) of this subsection for oil or gas
28 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
29 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
30 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in
31 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable

1 gas produced during the month for the amount of taxable gas produced during the
2 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
3 during the month for the amount of taxable oil produced during the calendar year;

4 (3) an installment payment of the estimated tax levied by
5 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
6 on the last day of the following month; the amount of the installment payment is the
7 sum of

8 (A) the applicable tax rate for oil provided under
9 AS 43.55.011(i), multiplied by the gross value at the point of production of the
10 oil taxable under AS 43.55.011(i) and produced from the lease or property
11 during the month; and

12 (B) the applicable tax rate for gas provided under
13 AS 43.55.011(i), multiplied by the gross value at the point of production of the
14 gas taxable under AS 43.55.011(i) and produced from the lease or property
15 during the month;

16 (4) any amount of tax levied by AS 43.55.011, net of any credits
17 applied as allowed by law, that exceeds the total of the amounts due as installment
18 payments of estimated tax is due on March 31 of the year following the calendar year
19 of production;

20 (5) for oil and gas produced on and after January 1, 2014, and before
21 January 1, 2022, an installment payment of the estimated tax levied by
22 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
23 month of the calendar year on the last day of the following month; except as otherwise
24 provided under (6) of this subsection, the amount of the installment payment is the
25 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
26 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
27 of the installment payment may not be less than zero:

28 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
29 produced from leases or properties in the state outside the Cook Inlet
30 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
31 the greater of

1 (i) zero; or

2 (ii) 35 percent multiplied by the remainder obtained by
3 subtracting 1/12 of the producer's adjusted lease expenditures for the
4 calendar year of production under AS 43.55.165 and 43.55.170 that are
5 deductible for the oil and gas under AS 43.55.160 from the gross value
6 at the point of production of the oil and gas produced from the leases or
7 properties during the month for which the installment payment is
8 calculated;

9 (B) for oil and gas produced from leases or properties subject
10 to AS 43.55.011(f), the greatest of

11 (i) zero;

12 (ii) zero percent, one percent, two percent, three
13 percent, or four percent, as applicable, of the gross value at the point of
14 production of the oil and gas produced from the leases or properties
15 during the month for which the installment payment is calculated; or

16 (iii) 35 percent multiplied by the remainder obtained by
17 subtracting 1/12 of the producer's adjusted lease expenditures for the
18 calendar year of production under AS 43.55.165 and 43.55.170 that are
19 deductible for the oil and gas under AS 43.55.160 from the gross value
20 at the point of production of the oil and gas produced from those leases
21 or properties during the month for which the installment payment is
22 calculated, except that, for the purposes of this calculation, a reduction
23 from the gross value at the point of production may apply for oil and
24 gas subject to AS 43.55.160(f) or (g);

25 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
26 each lease or property, the greater of

27 (i) zero; or

28 (ii) 35 percent multiplied by the remainder obtained by
29 subtracting 1/12 of the producer's adjusted lease expenditures for the
30 calendar year of production under AS 43.55.165 and 43.55.170 that are
31 deductible under AS 43.55.160 for the oil or gas, respectively,

1 produced from the lease or property from the gross value at the point of
2 production of the oil or gas, respectively, produced from the lease or
3 property during the month for which the installment payment is
4 calculated;

5 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

6 (i) 35 percent multiplied by the remainder obtained by
7 subtracting 1/12 of the producer's adjusted lease expenditures for the
8 calendar year of production under AS 43.55.165 and 43.55.170 that are
9 deductible for the oil and gas under AS 43.55.160 from the gross value
10 at the point of production of the oil and gas produced from the leases or
11 properties during the month for which the installment payment is
12 calculated, but not less than zero; or

13 (ii) four percent of the gross value at the point of
14 production of the oil and gas produced from the leases or properties
15 during the month, but not less than zero;

16 (6) an amount calculated under (5)(C) of this subsection for oil or gas
17 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
18 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
19 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in
20 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
21 gas produced during the month for the amount of taxable gas produced during the
22 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
23 during the month for the amount of taxable oil produced during the calendar year;

24 (7) for oil and gas produced on or after January 1, 2022, an installment
25 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
26 as allowed by law, is due for each month of the calendar year on the last day of the
27 following month; except as otherwise provided under (10) of this subsection, the
28 amount of the installment payment is the sum of the following amounts, less 1/12 of
29 the tax credits that are allowed by law to be applied against the tax levied by
30 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
31 not be less than zero:

1 (A) for oil produced from leases or properties subject to
2 AS 43.55.011(f), the greatest of

3 (i) zero;

4 (ii) zero percent, one percent, two percent, three
5 percent, [OR] four percent, **or, for oil produced on or after January**
6 **1, 2027, six percent**, as applicable, of the gross value at the point of
7 production of the oil produced from the leases or properties during the
8 month for which the installment payment is calculated; or

9 (iii) 35 percent multiplied by the remainder obtained by
10 subtracting 1/12 of the producer's adjusted lease expenditures for the
11 calendar year of production under AS 43.55.165 and 43.55.170 that are
12 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
13 the point of production of the oil produced from those leases or
14 properties during the month for which the installment payment is
15 calculated, except that, for the purposes of this calculation, a reduction
16 from the gross value at the point of production may apply for oil
17 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

18 (B) for oil produced before or during the last calendar year
19 under AS 43.55.024(b) for which the producer could take a tax credit under
20 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
21 sedimentary basin, no part of which is north of 68 degrees North latitude, other
22 than leases or properties subject to AS 43.55.011(o) or (p), the greater of

23 (i) zero; or

24 (ii) 35 percent multiplied by the remainder obtained by
25 subtracting 1/12 of the producer's adjusted lease expenditures for the
26 calendar year of production under AS 43.55.165 and 43.55.170 that are
27 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
28 the point of production of the oil produced from the leases or properties
29 during the month for which the installment payment is calculated;

30 (C) for oil and gas produced from leases or properties subject
31 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,

1 the sum of

2 (i) 35 percent multiplied by the remainder obtained by
3 subtracting 1/12 of the producer's adjusted lease expenditures for the
4 calendar year of production under AS 43.55.165 and 43.55.170 that are
5 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
6 the point of production of the oil produced from the leases or properties
7 during the month for which the installment payment is calculated, but
8 not less than zero; and

9 (ii) 13 percent of the gross value at the point of
10 production of the gas produced from the leases or properties during the
11 month, but not less than zero;

12 (D) for oil produced from leases or properties in the state, no
13 part of which is north of 68 degrees North latitude, other than leases or
14 properties subject to (B), (C), or (F) of this paragraph, the greater of

15 (i) zero; or

16 (ii) 35 percent multiplied by the remainder obtained by
17 subtracting 1/12 of the producer's adjusted lease expenditures for the
18 calendar year of production under AS 43.55.165 and 43.55.170 that are
19 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
20 the point of production of the oil produced from the leases or properties
21 during the month for which the installment payment is calculated;

22 (E) for gas produced from each lease or property in the state
23 outside the Cook Inlet sedimentary basin, other than a lease or property subject
24 to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of
25 production of the gas produced from the lease or property during the month for
26 which the installment payment is calculated, but not less than zero;

27 (F) for oil subject to AS 43.55.011(k), for each lease or
28 property, the greater of

29 (i) zero; or

30 (ii) 35 percent multiplied by the remainder obtained by
31 subtracting 1/12 of the producer's adjusted lease expenditures for the

1 calendar year of production under AS 43.55.165 and 43.55.170 that are
2 deductible under AS 43.55.160 for the oil produced from the lease or
3 property from the gross value at the point of production of the oil
4 produced from the lease or property during the month for which the
5 installment payment is calculated;

6 (G) for gas subject to AS 43.55.011(j) or (o), for each lease or
7 property, the greater of

8 (i) zero; or

9 (ii) 13 percent of the gross value at the point of
10 production of the gas produced from the lease or property during the
11 month for which the installment payment is calculated;

12 (8) an amount calculated under (7)(C) of this subsection may not
13 exceed four percent of the gross value at the point of production of the oil and gas
14 produced from leases or properties subject to AS 43.55.011(p) during the month for
15 which the installment payment is calculated;

16 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
17 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
18 of production is determined under AS 43.55.011(f)(1) or (2) but substituting the
19 phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1)
20 and (2) for the phrase "calendar year for which the tax is due";

21 (10) an amount calculated under (7)(F) or (G) of this subsection for oil
22 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
23 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
24 applicable, for gas, or set out in AS 43.55.011(k) for oil, but substituting in
25 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
26 gas produced during the month for the amount of taxable gas produced during the
27 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
28 during the month for the amount of taxable oil produced during the calendar year.

29 * **Sec. 26.** AS 43.55.023(c) is amended to read:

30 (c) A credit or portion of a credit under this section

31 (1) may not be used to reduce a person's tax liability under

1 AS 43.55.011(e) for any calendar year below zero;

2 (2) may, if not used under this subsection, be applied in a later
3 calendar year;

4 (3) may, regardless of when the credit was earned, be used to satisfy a
5 tax, interest, penalty, fee, or other charge that

6 (A) is related to the tax due under this chapter for a prior year,
7 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or
8 43.55.320 or the tax levied by AS 43.55.011(i) or 43.55.014; and

9 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution
10 of the State of Alaska, been subject to an administrative proceeding or
11 litigation.

12 * **Sec. 27.** AS 43.55.023(e) is amended to read:

13 (e) A person to which a transferable tax credit certificate is issued under (d) of
14 this section may transfer the certificate to another person, and a transferee may further
15 transfer the certificate. Subject to the limitations set out in (a) - (d) of this section, and
16 notwithstanding any action the department may take with respect to the applicant
17 under (g) of this section, the owner of a certificate may apply the credit or a portion of
18 the credit shown on the certificate

19 (1) against a tax levied by AS 43.55.011(e); however, a credit shown
20 on a transferable tax credit certificate may not be applied under this paragraph to
21 reduce a transferee's total tax liability under AS 43.55.011(e) for oil and gas produced
22 during a calendar year to less than 80 percent of the tax that would otherwise be due
23 without applying that credit; any portion of a credit not used under this paragraph may
24 be applied in a later period; or

25 (2) regardless of when the credit was earned, to satisfy a tax, interest,
26 penalty, fee, or other charge that

27 (A) is related to the tax due under this chapter, except for a
28 surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or 43.55.320 or
29 the tax levied by AS 43.55.011(i) or 43.55.014;

30 (B) is for a calendar year before the year in which the
31 certificate is applied; and

1 (C) has not, for the purpose of art. IX, sec. 17(a), Constitution
 2 of the State of Alaska, been subject to an administrative proceeding or
 3 litigation.

4 * **Sec. 28.** AS 43.55.025(h) is amended to read:

5 (h) A producer that purchases a production tax credit certificate may apply the
 6 credits against its production tax levied by AS 43.55.011(e). Regardless of the price
 7 the producer paid for the certificate, the producer may receive a credit against its
 8 production tax liability for the full amount of the credit, but for not more than the
 9 amount for which the certificate is issued. A production tax credit or a portion of a
 10 production tax credit or a production tax credit certificate or a portion of a production
 11 tax credit certificate allowed under this section

12 (1) may not be applied more than once;

13 (2) may be applied in a later calendar year;

14 (3) may, regardless of when the credit was earned, be applied to satisfy
 15 a tax, interest, penalty, fee, or other charge that

16 (A) is related to the tax due under this chapter for a prior year,
 17 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or
 18 43.55.320 or the tax levied by AS 43.55.011(i) or 43.55.014; and

19 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution
 20 of the State of Alaska, been subject to an administrative proceeding or
 21 litigation.

22 * **Sec. 29.** AS 43.55.165(e)(11) is amended to read:

23 (11) surcharges levied under AS 43.55.201, [OR] 43.55.300, or
 24 43.55.320;

25 * **Sec. 30.** AS 43.55.201(b) is amended to read:

26 (b) The surcharge imposed by (a) of this section is in addition to the tax
 27 imposed by AS 43.55.011 and is due on the last day of the month on oil produced
 28 from each lease or property during the preceding month. The surcharge is in addition
 29 to the surcharge imposed by AS 43.55.300 - 43.55.310 and 43.55.320.

30 * **Sec. 31.** AS 43.55 is amended by adding new sections to article 3 to read:

31 **Sec. 43.55.320. Infrastructure maintenance surcharge on oil.** (a) Every

1 producer of oil shall pay a surcharge of \$.15 per barrel of oil produced from each lease
 2 or property in the state, less any oil the ownership or right to which is exempt from
 3 taxation.

4 (b) The surcharge imposed by (a) of this section is in addition to the tax
 5 imposed by AS 43.55.011 and the surcharges imposed by AS 43.55.201 and
 6 43.55.300.

7 (c) A tax credit authorized under this chapter may not be applied to reduce a
 8 producer's liability for the surcharge.

9 (d) The surcharge is due on the last day of the month on oil produced from
 10 each lease or property during the preceding month. The surcharge shall be paid at the
 11 same time and in the same manner as the surcharge imposed under AS 43.55.201.

12 **Sec. 43.55.325. Pipeline corridor maintenance fund.** (a) The pipeline
 13 corridor maintenance fund is established in the general fund.

14 (b) The legislature may appropriate to the fund the revenue collected under
 15 AS 43.55.320 and other money.

16 (c) Money in the fund may be appropriated for maintenance and operation
 17 costs incurred by the state along the pipeline corridor.

18 (d) Nothing in this section creates a dedicated fund.

19 * **Sec. 32.** AS 43.55.900(24) is amended to read:

20 (24) "surcharge" means

21 (A) when used in AS 43.55.201 - 43.55.299, the surcharge
 22 levied by AS 43.55.201;

23 (B) when used in AS 43.55.300 - 43.55.310, the surcharge
 24 levied by AS 43.55.300;

25 **(C) when used in AS 43.55.320 - 43.55.325, the surcharge**
 26 **levied by AS 43.55.320;**

27 * **Sec. 33.** AS 29.05.210(b)(1) is repealed.

28 * **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to
 29 read:

30 APPLICABILITY. AS 43.44.010, added by sec. 21 of this Act, applies to purchases
 31 made on or after the effective date of sec. 21 of this Act.

1 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 CONDITIONAL EFFECT. This Act takes effect only if the following legislation is
4 passed by the Thirty-Fourth Alaska State Legislature and enacted into law:

- 5 (1) version of HB 275 or similar bill;
6 (2) version of HB 274 or similar bill;
7 (3) version of HJR 30 or similar resolution.

8 * **Sec. 36.** If this Act takes effect under sec. 35 of this Act,

- 9 (1) secs. 26 - 32 of this Act take effect July 1, 2026;
10 (2) secs. 15, 17 - 20, 23, and 25 of this Act take effect January 1, 2027;
11 (3) sec. 16 of this Act takes effect January 1, 2031;
12 (4) sec. 22 of this Act takes effect January 1, 2034;
13 (5) sec. 24 of this Act takes effect on the earlier of the following:
14 (A) January 1, 2032; or
15 (B) January 1 of the calendar year following the first calendar year in
16 which the average daily throughput of the Trans-Alaska Pipeline System exceeds
17 650,000 barrels per day.

18 * **Sec. 37.** Except as provided in sec. 36 of this Act, if this Act takes effect under sec. 35 of
19 this Act, it takes effect 12 months after enactment.