

CS FOR SENATE BILL NO. 227(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 2/19/26

Referred: Finance

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxes; relating to the Multistate Tax Compact; relating to
2 apportionment of income to the state; establishing an income tax on certain entities
3 producing or transporting oil or gas in the state; relating to highly digitized businesses;
4 imposing an education tax on net earnings from self-employment and wages; relating to
5 the administration and enforcement of the education tax; relating to the oil and gas
6 production tax; establishing an infrastructure maintenance surcharge on oil; and
7 providing for an effective date."

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

9 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 LEGISLATIVE INTENT. It is the intent of the legislature that the revenue from
12 (1) the education head tax levied under AS 43.45.011, added by sec. 14 of this
13 Act, be appropriated each year by the legislature to the public education fund under

1 AS 14.17.300; and

2 (2) the infrastructure maintenance surcharge on oil levied under AS 43.55.320,
3 added by sec. 33 of this Act, be appropriated by the legislature each year for maintenance and
4 operation costs incurred by the state along the pipeline corridor.

5 * **Sec. 2.** AS 37.18.010 is amended to read:

6 **Sec. 37.18.010. Alaska Tax Credit Certificate Bond Corporation.** The
7 Alaska Tax Credit Certificate Bond Corporation is established in the Department of
8 Revenue. The corporation is a public corporation and government instrumentality
9 managed by a board of directors. The purpose of the corporation is to finance under
10 AS 43.55.028

11 (1) the purchase of

12 (A) transferable tax credit certificates issued under **former**
13 AS 43.55.023;

14 (B) production tax credit certificates issued under **former**
15 AS 43.55.025; and

16 (2) the payment of refunds and payments claimed under AS 43.20.046,
17 43.20.047, or 43.20.053.

18 * **Sec. 3.** AS 43.19.010 is amended to read:

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

22 ARTICLE I.

23 PURPOSES.

24 The purposes of this compact are to:

25 1. Facilitate proper determination of state and local tax liability of multistate
26 taxpayers, including the equitable apportionment of tax bases and settlement of
27 apportionment disputes.

28 2. Promote uniformity or compatibility in significant components of tax
29 systems.

30 3. Facilitate taxpayer convenience and compliance in the filing of tax returns
31 and in other phases of tax administration.

1 4. Avoid duplicative taxation.

2 ARTICLE II.

3 DEFINITIONS.

4 As used in this compact:

5 1. "State" means a state of the United States, the District of Columbia, the
6 Commonwealth of Puerto Rico, or any territory or possession of the United States.

7 2. "Subdivision" means any governmental unit or special district of a state.

8 3. "Taxpayer" means any corporation, partnership, firm, association,
9 governmental unit or agency or person acting as a business entity in more than one
10 state.

11 4. "Income tax" means a tax imposed on or measured by net income including
12 any tax imposed on or measured by an amount arrived at by deducting expenses from
13 gross income, one or more forms of which expenses are not specifically and directly
14 related to particular transactions.

15 5. "Capital stock tax" means a tax measured in any way by the capital of a
16 corporation considered in its entirety.

17 6. "Gross receipts tax" means a tax, other than a sales tax, which is imposed on
18 or measured by the gross volume of business, in terms of gross receipts or in other
19 terms, and in the determination of which no deduction is allowed which would
20 constitute the tax an income tax.

21 7. "Sales tax" means a tax imposed with respect to the transfer for a
22 consideration of ownership, possession or custody of tangible personal property or the
23 rendering of services measured by the price of the tangible personal property
24 transferred or services rendered and which is required by state or local law to be
25 separately stated from the sales price by the seller, or which is customarily separately
26 stated from the sales price, but does not include a tax imposed exclusively on the sale
27 of a specifically identified commodity or article or class of commodities or articles.

28 8. "Use tax" means a nonrecurring tax, other than a sales tax, which (a) is
29 imposed on or with respect to the exercise or enjoyment of any right or power over
30 tangible personal property incident to the ownership, possession or custody of that
31 property or the leasing of that property from another including any consumption,

1 keeping, retention, or other use of tangible personal property and (b) is complementary
2 to a sales tax.

3 9. "Tax" means an income tax, capital stock tax, gross receipts tax, sales tax,
4 use tax, and any other tax which has a multistate impact, except that the provisions of
5 Articles III, IV and V of this compact shall apply only to the taxes specifically
6 designated therein and the provisions of Article IX of this compact shall apply only in
7 respect to determinations pursuant to Article IV.

8 ARTICLE III.

9 ELEMENTS OF INCOME TAX LAWS.

10 TAXPAYERS OPTION, STATE AND LOCAL TAXES.

11 1. Any taxpayer subject to an income tax whose income is subject to
12 apportionment and allocation for tax purposes pursuant to the laws of a party state or
13 pursuant to the laws of subdivisions in two or more party states may elect to apportion
14 and allocate the taxpayer's income in the manner provided by the laws of such state or
15 by the laws of such states and subdivisions without reference to this compact, or may
16 elect to apportion and allocate in accordance with Article IV. This election for any tax
17 year may be made in all party states or subdivisions thereof or in any one or more of
18 the party states or subdivisions thereof without reference to the election made in the
19 others. For the purposes of this paragraph, taxes imposed by subdivisions shall be
20 considered separately from state taxes and the apportionment and allocation also may
21 be applied to the entire tax base. In no instance wherein Article IV is employed for all
22 subdivisions of a state may the sum of all apportionments and allocations to
23 subdivisions within a state be greater than the apportionment and allocation that would
24 be assignable to that state if the apportionment or allocation were being made with
25 respect to a state income tax.

26 TAXPAYER OPTION, SHORT FORM.

27 2. Each party state or any subdivision thereof which imposes an income tax
28 shall provide by law that any taxpayer required to file a return, whose only activities
29 within the taxing jurisdiction consist of sales and do not include owning or renting real
30 estate or tangible personal property, and whose dollar volume of gross sales made
31 during the tax year within the state or subdivision, as the case may be, is not in excess

1 of \$100,000 may elect to report and pay any tax due on the basis of a percentage of
 2 such volume, and shall adopt rates which shall produce a tax which reasonably
 3 approximates the tax otherwise due. The Multistate Tax Commission, not more than
 4 once in five years, may adjust the \$100,000 figure in order to reflect such changes as
 5 may occur in the real value of the dollar, and such adjusted figure, upon adoption by
 6 the commission, shall replace the \$100,000 figure specifically provided herein. Each
 7 party state and subdivision thereof may make the same election available to taxpayers
 8 additional to those specified in this paragraph.

9 COVERAGE.

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

12 ARTICLE IV.

13 DIVISION OF INCOME.

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

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

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

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

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

26 **(ii) any income that would be allocable to this state under the**
 27 **Constitution of the United States, but that is apportioned rather than allocated**
 28 **pursuant to the laws of this state** [OPERATIONS].

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

31 (c) "Compensation" means wages, salaries, commissions and any other form

1 of remuneration paid to employees for personal services.

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

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

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

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

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

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

26 2. Any taxpayer having income from business activity which is taxable both
27 within and outside this state, other than activity as a financial organization or public
28 utility or the rendering of purely personal services by an individual, shall allocate and
29 apportion net income as provided in this Article. If a taxpayer has income from
30 business activity as a public utility but derives the greater percentage of income from
31 activities subject to this Article, the taxpayer may elect to allocate and apportion the

1 taxpayer's entire net income as provided in this Article.

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

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

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

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

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

27 6.(a) Capital gains and losses from sales of real property located in this state
28 are allocable to this state.

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

1 taxable in the state in which the property had a situs.

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

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

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

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

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

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

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

29 11. Property owned by the taxpayer is valued at its original cost. Property
30 rented by the taxpayer is valued at eight times the net annual rental rate. Net annual
31 rental rate is the annual rental rate paid by the taxpayer less any annual rental rate

1 received by the taxpayer from subrentals.

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

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

9 14. Compensation is paid in this state if:

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

11 (b) the individual's service is performed both inside and outside the state, but
12 the service performed outside the state is incidental to the individual's service within
13 this state; or

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

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

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

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

26 (b) the property is shipped from an office, store, warehouse, factory, or other
27 place of storage in this state and (1) the purchaser is the United States Government or
28 (2) the taxpayer is not taxable in the state of the purchaser.

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

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

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

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

7 **(4) in the case of intangible property,**

8 **(i) that is rented, leased, or licensed, if and to the extent the**
 9 **property is used in this state, provided that intangible property utilized in**
 10 **marketing a good or service to a consumer is "used in this state" if that**
 11 **good or service is purchased by a consumer who is in this state; and**

12 **(ii) that is sold, if and to the extent the property is used in**
 13 **this state, provided that:**

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

18 **(B) sales from intangible property sales that are**
 19 **contingent on the productivity, use, or disposition of the intangible**
 20 **property shall be treated as a sale of the rental, lease, or licensing**
 21 **of such intangible property under subsection (a)(4)(i); and**

22 **(C) all other sales of intangible property shall be**
 23 **excluded from the numerator and denominator of the sales factor.**

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

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

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

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

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

11 (a) separate accounting;

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

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

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

17 ARTICLE V.

18 ELEMENTS OF SALES AND USE TAX LAWS.

19 TAX CREDIT.

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

26 EXEMPTION CERTIFICATES, VENDORS MAY RELY.

27 2. Whenever a vendor receives and accepts in good faith from a purchaser a
 28 resale or other exemption certificate or other written evidence of exemption authorized
 29 by the appropriate state or subdivision taxing authority, the vendor shall be relieved of
 30 liability for a sales or use tax with respect to the transaction.

31 ARTICLE VI.

1 THE COMMISSION.

2 ORGANIZATION AND MANAGEMENT.

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

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

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

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

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

28 (f) The commission shall elect annually, from among its members, a chairman,
29 a vice-chairman and a treasurer. The commission shall appoint an executive director
30 who shall serve at its pleasure, and it shall fix the duties and compensation of the
31 executive director. The executive director shall be secretary of the commission. The

1 commission shall make provision for the bonding of such of its officers and employees
2 as it may deem appropriate.

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

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

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

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

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

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

26 COMMITTEES.

27 2.(a) To assist in the conduct of its business when the full commission is not
28 meeting, the commission shall have an executive committee of seven members,
29 including the chairman, vice-chairman, treasurer and four other members elected
30 annually by the commission. The executive committee, subject to the provisions of
31 this compact and consistent with the policies of the commission, shall function as

1 provided in the bylaws of the commission.

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

7 (c) The commission may establish such additional committees as its bylaws
8 may provide.

9 POWERS.

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

12 (a) Study state and local tax systems and particular types of state and local
13 taxes.

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

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

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

22 FINANCE.

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

26 (b) Each of the commission's budgets of estimated expenditures shall contain
27 specific recommendations of the amounts to be appropriated by each of the party
28 states. The total amount of appropriations requested under any such budget shall be
29 apportioned among the party states as follows: one-tenth in equal shares; and the
30 remainder in proportion to the amount of revenue collected by each party state and its
31 subdivisions from income taxes, capital stock taxes, gross receipts, taxes, sales and use

1 taxes. In determining such amounts, the commission shall employ such available
2 public sources of information as, in its judgment, present the most equitable and
3 accurate comparisons among the party states. Each of the commission's budgets of
4 estimated expenditures and requests for appropriations shall indicate the sources used
5 in obtaining information employed in applying the formula contained in this
6 paragraph.

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

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

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

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

26 ARTICLE VII.

27 UNIFORM REGULATIONS AND FORMS.

28 1. Whenever any two or more party states, or subdivisions of party states, have
29 uniform or similar provisions of law relating to an income tax, capital stock tax, gross
30 receipts tax, sales or use tax, the commission may adopt uniform regulations for any
31 phase of the administration of such law, including assertion of jurisdiction to tax, or

1 paper, document, other record, property or stock of merchandise being examined in
2 connection with the audit. If the person is not within the jurisdiction, the person may
3 be required to attend for such purpose at any time and place fixed by the commission
4 within the state of which the person is a resident: provided that such state has adopted
5 this Article.

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

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

24 6. Information obtained by any audit pursuant to this Article shall be
25 confidential and available only for tax purposes to party states, their subdivisions or
26 the United States. Availability of information shall be in accordance with the laws of
27 the states or subdivisions on whose account the commission performs the audit, and
28 only through the appropriate agencies or officers of such states or subdivisions.
29 Nothing in this Article shall be construed to require any taxpayer to keep records for
30 any period not otherwise required by law.

31 7. Other arrangements made or authorized pursuant to laws for cooperative

1 audit by or on behalf of the party states or any of their subdivisions are not superseded
2 or invalidated by this Article.

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

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

8 ARTICLE IX.
9 ARBITRATION.

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

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

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

26 4. The arbitration board shall be composed of one person selected by the
27 taxpayer, one by the agency or agencies involved, and one member of the
28 commission's arbitration panel. If the agencies involved are unable to agree on the
29 person to be selected by them, such person shall be selected by lot from the total
30 membership of the arbitration panel. The two persons selected for the board in the
31 manner provided by the foregoing provisions of this paragraph shall jointly select the

1 third member of the board. If they are unable to agree on the selection, the third
2 member shall be selected by lot from among the total membership of the arbitration
3 panel. No member of a board selected by lot shall be qualified to serve if the member
4 is an officer or employee or is otherwise affiliated with any party to the arbitration
5 proceeding. Residence within the jurisdiction of a party to the arbitration proceeding
6 shall not constitute affiliation within the meaning of this paragraph.

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

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

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

23 8. Unless the parties otherwise agree the expenses and other costs of the
24 arbitration shall be assessed and allocated among the parties by the board in such
25 manner as it may determine. The commission shall fix a schedule of compensation for
26 members of arbitration boards and of other allowable expenses and costs. No officer
27 or employee of a state or local government who serves as a member of a board shall be
28 entitled to compensation therefor unless the member is required on account of the
29 service as a board member to forego the regular compensation attaching to the public
30 employment, but any such board member shall be entitled to expenses.

31 9. The board shall determine the disputed apportionment or allocation and any

1 matters necessary thereto. The determinations of the board shall be final for purposes
2 of making the apportionment or allocation, but for no other purpose.

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

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

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

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

15 ARTICLE X.

16 ENTRY INTO FORCE AND WITHDRAWAL.

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

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

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

29 ARTICLE XI.

30 EFFECT ON OTHER LAWS AND JURISDICTION.

31 Nothing in this compact shall be construed to:

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

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

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

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

12 ARTICLE XII.

13 CONSTRUCTION AND SEVERABILITY.

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

24 * **Sec. 4.** AS 43.20 is amended by adding a new section to read:

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

28 If the taxable income is:	Then the tax is:
29 Less than \$1,000,000	zero
30 \$1,000,000 but less than \$2,000,000	5 percent of the
31	taxable income over \$1,000,000

1	\$2,000,000 but less than \$3,000,000	\$50,000 plus 6 percent of the
2		taxable income over \$2,000,000
3	\$3,000,000 but less than \$4,000,000	\$110,000 plus 7 percent of the
4		taxable income over \$3,000,000
5	\$4,000,000 but less than \$5,000,000	\$180,000 plus 8 percent of the
6		taxable income over \$4,000,000
7	\$5,000,000 or more	\$260,000 plus 9.4 percent of the
8		taxable income over \$5,000,000.

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

10 (1) taxable income of a qualified entity is determined under
 11 AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by
 12 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1,
 13 2026;

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

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

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

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

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

30 (e) In this section,

31 (1) "qualified entity" means a

- 1 (A) sole proprietorship;
 2 (B) partnership;
 3 (C) limited liability company; or
 4 (D) entity that has elected to file federal returns under 26
 5 U.S.C. 1361 - 1379 (Internal Revenue Code);

6 (2) "taxable income" means income from the production of oil or gas
 7 from a lease or property in the state or from the transportation of oil or gas by pipeline
 8 in the state.

9 * **Sec. 5.** AS 43.20.030(a) is amended to read:

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

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

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

18 * **Sec. 6.** AS 43.20.031(i) is amended to read:

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

24 * **Sec. 7.** AS 43.20.031 is amended by adding a new subsection to read:

25 (j) For purposes of calculating income under this chapter, a taxpayer may
 26 deduct from income a payment to the shareholder, owner, member, or partner of a
 27 qualified entity, as that term is defined in AS 43.20.019(e), if

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

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

31 (3) the payment is included in the shareholder's, owner's, member's, or

1 partner's income for the purposes of this chapter.

2 * **Sec. 8.** AS 43.20.143(a) is amended to read:

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

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

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

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

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

29 * **Sec. 9.** AS 43.20.144(a) is amended to read:

30 (a) All **apportionable** [BUSINESS] income of a taxpayer engaged in the
31 production of oil or gas from a lease or property in this state or engaged in the

1 transportation of oil or gas by pipeline in this state shall be apportioned to this state in
2 accordance with AS 43.19 (Multistate Tax Compact) as modified by this section.

3 * **Sec. 10.** AS 43.20.144(b) is amended to read:

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

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

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

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

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

21 * **Sec. 11.** AS 43.20.144(c) is amended to read:

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

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

31 (2) the apportionment factor of a taxpayer subject to this section but

1 not engaged in the pipeline transportation of oil or gas in this state during the tax
 2 period is a fraction, the numerator of which is the sum of the property factor under (e)
 3 of this section and the extraction factor under (f) of this section for the taxpayer for the
 4 tax period, and the denominator of which is two;

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

11 * **Sec. 12.** AS 43.20.145(e) is amended to read:

12 (e) The department may require a corporation that files under (a) of this
 13 section to file a report under AS 43.20.142, [AND] 43.20.143, and 43.20.148 prepared
 14 without regard to this section if the corporation or an affiliated corporation

15 (1) fails to comply with regulations adopted under this chapter,
 16 including domestic disclosure spread sheet filing requirements; or

17 (2) does not provide information that is requested by the department
 18 that is necessary for the department to audit the taxpayer's corporate return in a
 19 reasonable period of time.

20 * **Sec. 13.** AS 43.20 is amended by adding a new section to article 2 to read:

21 **Sec. 43.20.148. Highly digitized businesses.** (a) All apportionable income of a
 22 taxpayer engaged in a highly digitized business in the state shall be apportioned to this
 23 state in accordance with AS 43.19 (Multistate Tax Compact) as modified by this
 24 section.

25 (b) The apportionment factor of a taxpayer subject to this section is the sales
 26 factor. The sales factor is determined in accordance with AS 43.19 (Multistate Tax
 27 Compact).

28 (c) A taxpayer is engaged in a highly digitized business in this state when 50
 29 percent or more of the taxpayer's sales in this state consist of any combination of sales
 30 of

31 (1) intangible property delivered by electronic transmission in this

1 state;

2 (2) services delivered by electronic transmission in this state;

3 (3) services related to computers, electronic transmissions, or Internet
4 technology delivered in this state; or

5 (4) tangible personal property delivered in this state from Internet
6 sales, if the Internet is the primary mode of customer access in this state.

7 (d) The department may require a taxpayer to apportion income under this
8 section if the department determines that the taxpayer's business activity in this state
9 may be otherwise characterized as a highly digitized business.

10 (e) This section does not apply to a

11 (1) public utility allocating and apportioning income under
12 AS 43.20.146; or

13 (2) utility furnishing telecommunications services.

14 (f) In this section,

15 (1) "delivered" includes delivered to or on behalf of a customer or
16 delivered through a customer;

17 (2) "electronic transmission" includes transmission by wire, lines,
18 cable, fiber optics, electronic signals, satellite transmission, audio or radio waves, or
19 similar means, whether or not the provider owns, leases, or otherwise controls the
20 transmission equipment;

21 (3) "intangible property" includes licenses and sublicenses for data
22 access, streaming or other electronic transmission of music, videos, books, games, or
23 other digital goods, and remote access software;

24 (4) "Internet sales" includes sales through an Internet website,
25 application, or other electronic means, including sales made by computer, tablet,
26 telephone, or other similar device.

27 * **Sec. 14.** AS 43.45 is amended by adding new sections to read:

28 **Chapter 45. Education Tax.**

29 **Sec. 43.45.011. Tax imposed.** (a) A tax is imposed on wages and on net
30 earnings from self-employment of every

31 (1) resident individual; and

1 (2) nonresident and part-year resident individual with income from a
2 source in the state.

3 (b) For an individual whose wages, net earnings from self-employment, or
4 combined wages and net earnings from self-employment are

5 (1) less than \$30,000, the tax is \$20 a year;

6 (2) \$30,000 or more, but less than \$90,000, the tax is \$30 a year;

7 (3) \$90,000 or more, but less than \$150,000, the tax is \$40 a year;

8 (4) \$150,000 or more, the tax is \$60 a year.

9 (c) For purposes of (b) of this section, the wages and the net earnings from
10 self-employment of a

11 (1) resident are the total annual wages and the net earnings from self-
12 employment of the resident;

13 (2) nonresident or part-year resident are the annual wages and the net
14 earnings from self-employment of the nonresident or part-year resident that are
15 attributable to a source in the state.

16 **Sec. 43.45.021. Collection of tax by employer.** (a) An employer shall deduct
17 and withhold one-half of the estimated taxes due under AS 43.45.011 from an
18 employee's wages subject to withholding under 26 U.S.C. 3401 - 3406 from each of
19 the third and fourth regular payrolls of the calendar year. If the employee's third and
20 fourth payrolls are insufficient to cover the estimated tax due, the employer shall
21 continue to deduct and withhold from subsequent payrolls until the tax due under this
22 chapter is fully withheld. The employer shall withhold any outstanding amount of tax
23 due under AS 43.45.011 from the final regular payroll of the calendar year.

24 (b) An employer is liable for the tax required to be withheld from an employee
25 unless the employer can demonstrate that the employer relied on proof provided by the
26 employee that the total tax for the calendar year imposed under AS 43.45.011 had
27 already been withheld under this section or paid under AS 43.45.031. A deduction of
28 the tax may not be made from the wages of an individual who provides proof to the
29 employer that the entire tax imposed under AS 43.45.011 on that individual for the
30 calendar year has already been withheld or paid under AS 43.45.031. The department
31 may impose a civil penalty on an employer in an amount up to five times the amount

1 of tax due from employees but not remitted to the department. The penalty shall be
2 imposed in the manner provided by AS 43.05.245.

3 (c) Tax withheld by an employer becomes due and shall be paid by an
4 employer to the department in accordance with regulations adopted by the department.

5 (d) An employer shall maintain a record of the amount deducted from the
6 wages of each employee and shall furnish an annual statement of the deductions to
7 each employee and to the department in accordance with regulations adopted by the
8 department.

9 (e) The department shall, if it will result in cost savings for the state in the
10 administration of the tax, for employers in the administration of the tax, or for both,
11 coordinate collection and reporting of the tax imposed in this chapter with the
12 collection and reporting of employment security contributions by the Department of
13 Labor and Workforce Development, including permitting the Department of Labor
14 and Workforce Development to collect the tax payments and remit them to the
15 department.

16 **Sec. 43.45.031. Payment of tax by self-employed individual.** A self-
17 employed individual shall remit to the department the tax due under AS 43.45.011 in
18 accordance with regulations adopted by the department until the entire tax has been
19 paid.

20 **Sec. 43.45.041. Refund of overpayments.** (a) If an individual pays to the
21 department, directly or through withholding by an employer, an amount exceeding the
22 total tax imposed under this chapter during a calendar year and the individual applies
23 for a refund in accordance with regulations adopted by the department, the department
24 shall refund the overpayment to the individual.

25 (b) Interest on an overpayment may not be allowed under AS 43.05.280 if the
26 department refunds the overpayment within 90 days after the date the individual
27 correctly files the refund claim.

28 (c) The Department of Revenue may adopt regulations to coordinate refunds
29 of overpayments under this section with refunds of employment security contributions
30 under AS 23.20.165.

31 (d) An individual may apply for a refund under this section only during the

1 calendar year immediately following the calendar year in which the excess was paid.

2 **Sec. 43.45.051. Report of payments to self-employed individuals.** A person
3 required to report a payment to a self-employed individual to the federal government
4 under 26 U.S.C. shall also report that payment to the department in accordance with
5 regulations adopted by the department.

6 **Sec. 43.45.061. Accounting of tax proceeds.** The tax and penalties collected
7 by the department under this chapter shall be deposited into the general fund and
8 accounted for separately.

9 **Sec. 43.45.099. Definitions.** In this chapter,

10 (1) "employee" has the meaning given in 26 U.S.C. 3401, as that
11 section read on January 1, 2026;

12 (2) "employer" has the meaning given in 26 U.S.C. 3401, as that
13 section read on January 1, 2026;

14 (3) "net earnings from self-employment" has the meaning given in 26
15 U.S.C. 1402, as that section read on January 1, 2026;

16 (4) "wages" has the meaning given in 26 U.S.C. 3401, as that section
17 read on January 1, 2026.

18 * **Sec. 15.** AS 43.55.011(e) is repealed and reenacted to read:

19 (e) There is levied on the producer of oil or gas a tax for all oil and gas
20 produced each calendar year from each lease or property in the state, less any oil and
21 gas the ownership or right to which is exempt from taxation or constitutes a
22 landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as
23 otherwise provided under (j), (k), (o), and (p) of this section, the tax for

24 (1) oil is equal to 17.5 percent of the gross value at the point of
25 production of the taxable oil; if the gross value at the point of production of oil
26 produced from a lease or property is less than zero, that gross value at the point of
27 production is considered zero for purposes of this paragraph;

28 (2) gas is equal to 13 percent of the gross value at the point of
29 production of the taxable gas; if the gross value at the point of production of gas
30 produced from a lease or property is less than zero, that gross value at the point of
31 production is considered zero for purposes of this paragraph.

1 * **Sec. 16.** AS 43.55.011(p) is amended to read:

2 (p) For the seven years immediately following the commencement of
3 commercial production of oil or gas produced from leases or properties in the state
4 that are outside the Cook Inlet sedimentary basin and that do not include land located
5 north of 68 degrees North latitude, where that commercial production began after
6 December 31, 2012, and before January 1, 2027, the levy of tax under (e) of this
7 section for oil and gas is [MAY NOT EXCEED] four percent of the gross value at the
8 point of production.

9 * **Sec. 17.** AS 43.55.014(b) is amended to read:

10 (b) A production tax levied by this section is equal to 13 percent of the gas
11 otherwise taxable under AS 43.55.011 [AS 43.55.011(e)(3)] produced from each oil
12 and gas lease to which an effective election under (a) of this section applies, when and
13 as that gas is produced. The producer shall pay the tax in gas by delivering that 13
14 percent of the gas to the state at the point of production.

15 * **Sec. 18.** AS 43.55.020(a) is repealed and reenacted to read:

16 (a) Unless otherwise specified under a regulation adopted by the department
17 under (n) of this section, a producer subject to tax under AS 43.55.011 shall pay an
18 installment payment of the estimated tax levied by AS 43.55.011, net of any tax
19 credits applied as allowed by law. The payment is due for each month of the calendar
20 year on the last day of the following month. The amount of the installment payment is
21 the sum of the following amounts, less 1/12 of the tax credits that are allowed by law
22 to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the
23 amount of the installment payment may not be less than zero:

24 (1) for oil produced from leases or properties in the state, 17.5 percent
25 of the gross value at the point of production of the oil produced from the leases or
26 properties during the month for which the installment payment is calculated, but not
27 less than zero;

28 (2) for gas produced from a lease or property in the state, 13 percent of
29 the gross value at the point of production of the oil produced from the leases or
30 properties during the month for which the installment payment is calculated, but not
31 less than zero.

1 * **Sec. 19.** AS 43.55.020(g) is amended to read:

2 (g) Notwithstanding any contrary provision of AS 43.05.225,

3 [(1) BEFORE JANUARY 1, 2014, AN UNPAID AMOUNT OF AN
4 INSTALLMENT PAYMENT REQUIRED UNDER (a)(1) - (3) OF THIS SECTION
5 THAT IS NOT PAID WHEN DUE BEARS INTEREST (A) AT THE RATE
6 PROVIDED FOR AN UNDERPAYMENT UNDER 26 U.S.C. 6621 (INTERNAL
7 REVENUE CODE), AS AMENDED, COMPOUNDED DAILY, FROM THE DATE
8 THE INSTALLMENT PAYMENT IS DUE UNTIL MARCH 31 FOLLOWING THE
9 CALENDAR YEAR OF PRODUCTION, AND (B) AS PROVIDED FOR A
10 DELINQUENT TAX UNDER AS 43.05.225 AFTER THAT MARCH 31;
11 INTEREST ACCRUED UNDER (A) OF THIS PARAGRAPH THAT REMAINS
12 UNPAID AFTER THAT MARCH 31 IS TREATED AS AN ADDITION TO TAX
13 THAT BEARS INTEREST UNDER (B) OF THIS PARAGRAPH; AN UNPAID
14 AMOUNT OF TAX DUE UNDER (a)(4) OF THIS SECTION THAT IS NOT PAID
15 WHEN DUE BEARS INTEREST AS PROVIDED FOR A DELINQUENT TAX
16 UNDER AS 43.05.225;

17 (2) ON AND AFTER JANUARY 1, 2014,] an unpaid amount of an
18 installment payment required under (a) [(a)(3), (5), (6), OR (7)] of this section that is
19 not paid when due bears interest (1) [(A)] at the rate provided for an underpayment
20 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from
21 the date the installment payment is due until March 31 following the calendar year of
22 production, and (2) [(B)] as provided for a delinquent tax under AS 43.05.225 after
23 that March 31; interest accrued under (1) [(A)] of this **subsection** [PARAGRAPH]
24 that remains unpaid after that March 31 is treated as an addition to tax that bears
25 interest under (2) [(B)] of this paragraph; an unpaid amount of tax due under (a)
26 [(a)(4)] of this section that is not paid when due bears interest as provided for a
27 delinquent tax under AS 43.05.225.

28 * **Sec. 20.** AS 43.55.020(h) is amended to read:

29 (h) Notwithstanding any contrary provision of AS 43.05.280,

30 (1) an overpayment of an installment payment required under (a)
31 [(a)(1), (2), (3), (5), (6), OR (7)] of this section bears interest at the rate provided for

1 an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,
 2 compounded daily, from the later of the date the installment payment is due or the date
 3 the overpayment is made, until the earlier of

4 (A) the date it is refunded or is applied to an underpayment; or

5 (B) March 31 following the calendar year of production;

6 (2) except as provided under (1) of this subsection, interest with
 7 respect to an overpayment is allowed only on any net overpayment of the payments
 8 required under (a) of this section that remains after the later of March 31 following the
 9 calendar year of production or the date that the statement required under
 10 AS 43.55.030(a) is filed;

11 (3) interest is allowed under (2) of this subsection only from a date that
 12 is 90 days after the later of March 31 following the calendar year of production or the
 13 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed
 14 if the overpayment was refunded within the 90-day period;

15 (4) interest under (2) and (3) of this subsection is paid at the rate and in
 16 the manner provided in AS 43.05.225(1).

17 * **Sec. 21.** AS 43.55.020(i) is amended to read:

18 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
 19 this section, if the amount of a tax payment, including an installment payment, due
 20 under (a) [(a)(1) - (4)] of this section is affected by the retroactive application of a
 21 regulation adopted under this chapter, the department shall determine whether the
 22 retroactive application of the regulation caused an underpayment or an overpayment of
 23 the amount due and adjust the interest due on the affected payment as follows:

24 (1) if an underpayment of the amount due occurred, the department
 25 shall waive interest that would otherwise accrue for the underpayment before the first
 26 day of the second month following the month in which the regulation became
 27 effective, if

28 (A) the department determines that the producer's
 29 underpayment resulted because the regulation was not in effect when the
 30 payment was due; and

31 (B) the producer demonstrates that it made a good faith

1 estimate of its tax obligation in light of the regulations then in effect when the
2 payment was due and paid the estimated tax;

3 (2) if an overpayment of the amount due occurred and the department
4 determines that the producer's overpayment resulted because the regulation was not in
5 effect when the payment was due, the obligation for a refund for the overpayment does
6 not begin to accrue interest earlier than the following, as applicable:

7 (A) except as otherwise provided under (B) of this paragraph,
8 the first day of the second month following the month in which the regulation
9 became effective;

10 (B) 90 days after an amended statement under AS 43.55.030(a)
11 and an application to request a refund of production tax paid is filed, if the
12 overpayment was for a period for which an amended statement under
13 AS 43.55.030(a) was required to be filed before the regulation became
14 effective.

15 * **Sec. 22.** AS 43.55.020(l) is amended to read:

16 (l) In [FOR OIL AND GAS PRODUCED ON AND AFTER JANUARY 1,
17 2022, IN] making settlement with the royalty owner for oil and gas that is taxable
18 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
19 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
20 time the tax becomes due to the amount of the tax paid. If the total deductions of
21 installment payments of estimated tax for a calendar year exceed the actual tax for that
22 calendar year, the producer shall, before April 1 of the following year, refund the
23 excess to the royalty owner. In making settlement with the royalty owner for gas that
24 is taxable under AS 43.55.014, the producer may deduct the amount of the gas paid as
25 in-kind tax on taxable royalty gas or may deduct the gross value at the point of
26 production of the gas paid as in-kind tax on taxable royalty gas. Unless otherwise
27 agreed between the producer and the royalty owner, the amount of the tax paid under
28 AS 43.55.011(e) on taxable royalty oil for a calendar year, other than oil the
29 ownership or right to which constitutes a landowner's royalty interest, is considered to
30 be the gross value at the point of production of the taxable royalty oil produced during
31 the calendar year multiplied by a figure that is a quotient, in which

1 (1) the numerator is the producer's total tax liability under
2 AS 43.55.011(e) [AS 43.55.011(e)(3)(A)] for the calendar year of production; and

3 (2) the denominator is the total gross value at the point of production
4 of the oil taxable under AS 43.55.011(e) produced by the producer from all leases and
5 properties in the state during the calendar year.

6 * **Sec. 23.** AS 43.55.020 is amended by adding a new subsection to read:

7 (n) The department shall adopt regulations to determine the monthly tax
8 payments under this section for oil and gas subject to AS 43.55.011(i), (j), (k), (o), and
9 (p). The regulations adopted under this subsection shall, when possible, be modeled
10 after AS 43.55.020(a), as that section read on January 1, 2026.

11 * **Sec. 24.** AS 43.55.028(a) is amended to read:

12 (a) The oil and gas tax credit fund is established as a separate fund of the state.
13 The purpose of the fund is to purchase transferable tax credit certificates issued under
14 former AS 43.55.023 and production tax credit certificates issued under former
15 AS 43.55.025 and to pay refunds and payments claimed under AS 43.20.046,
16 43.20.047, or 43.20.053. The oil and gas tax credit fund established under this
17 subsection may not be used to purchase a tax credit certificate for a credit earned
18 under this chapter for activity occurring on or after July 1, 2017.

19 * **Sec. 25.** AS 43.55.028(e) is amended to read:

20 (e) The department, on the written application of a person to whom a
21 transferable tax credit certificate has been issued under former AS 43.55.023(d) or
22 former AS 43.55.023(m) for an expenditure incurred before July 1, 2017, or to whom
23 a production tax credit certificate has been issued under former AS 43.55.025(f) for
24 an expenditure incurred before July 1, 2017, may use either available money in the oil
25 and gas tax credit fund or, subject to appropriation by the legislature, money disbursed
26 to the commissioner, or both, to purchase, in whole or in part, the certificate. The
27 department may not purchase with money from the oil and gas tax credit fund a total
28 of more than \$70,000,000 in tax credit certificates from a person in a calendar year.
29 The total amount of purchases made by the department with money from the oil and
30 gas tax credit fund from a person in a year may not exceed the assumed payment
31 amount for each year, as calculated under (l) of this section without the discount

1 provided in (m) of this section. Before purchasing a certificate or part of a certificate,
2 the department shall find that

3 (1) the calendar year of the purchase is not earlier than the first
4 calendar year for which the credit shown on the certificate would otherwise be allowed
5 to be applied against a tax;

6 (2) the application is not the result of the division of a single entity into
7 multiple entities that would reasonably be expected to apply as a single entity if the
8 \$70,000,000 limitation in this subsection did not exist;

9 (3) the applicant's total tax liability under AS 43.55.011(e), after
10 application of all available tax credits, for the calendar year in which the application is
11 made is zero;

12 (4) the applicant's average daily production of oil and gas taxable
13 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
14 the application is made was not more than 50,000 BTU equivalent barrels; and

15 (5) the purchase is consistent with this section and regulations adopted
16 under this section.

17 * **Sec. 26.** AS 43.55.028(i)(2) is amended to read:

18 (2) "qualified capital expenditure" has the meaning given in **former**
19 AS 43.55.023;

20 * **Sec. 27.** AS 43.55.028(k) is amended to read:

21 (k) The department may negotiate a purchase, refund, or payment under this
22 section to be made from money disbursed to the commissioner. Before making a
23 purchase, refund, or payment, the department shall calculate the maximum amount for
24 a purchase, refund, or payment under (l) of this section. An applicant or claimant that
25 has requested a purchase, refund, or payment by the department from the fund shall
26 provide a notice of interest to the department by the date determined by the
27 commissioner if the applicant or claimant is interested in a purchase, refund, or
28 payment from money disbursed to the commissioner instead. An applicant or claimant
29 that requests a purchase, refund, or payment from the fund on or after July 1, 2018,
30 shall include any notice of interest in a purchase, refund, or payment from money
31 disbursed to the commissioner at the same time that the applicant or claimant requests

1 a purchase, refund, or payment by the department from the fund. The department may
 2 not use money disbursed to the commissioner for a purchase, refund, or payment
 3 under this section if the applicant or claimant fails to provide the department with a
 4 notice of interest in a purchase, refund, or payment from money disbursed to the
 5 commissioner. A notice of interest for a purchase, refund, or payment from money
 6 disbursed to the commissioner must include all of the requests for purchases, refunds,
 7 or payments made by the applicant or claimant and, if applicable, a statement
 8 indicating whether the applicant intends to meet a condition in (m)(1), (2), or (3) of
 9 this section. An applicant or claimant may not include in a notice of interest a request
 10 for purchase, refund, or payment from the fund if the request could have been included
 11 in a previous notice of interest under this subsection. The department shall make an
 12 offer of purchase, refund, or payment with money disbursed to the commissioner to an
 13 applicant or claimant that provides the department with a timely notice of interest. The
 14 department shall make an offer of purchase, refund, or payment from money disbursed
 15 to the commissioner at a time based on the anticipated schedule for disbursement of
 16 money to the commissioner. The applicant or claimant shall notify the department of
 17 acceptance of the offer of purchase, refund, or payment within 10 days after the offer
 18 is made. An offer of purchase, refund, or payment must be conditioned on the
 19 disbursement of money to the commissioner. A transferable tax credit certificate
 20 issued under **former** AS 43.55.023, production tax credit certificate issued under
 21 **former** AS 43.55.025, or claim for a refund or payment under AS 43.20.046,
 22 43.20.047, or 43.20.053 is not eligible for purchase by the department with money
 23 disbursed to the commissioner if the applicant or claimant

24 (1) fails to provide the department with a notice of interest of an offer
 25 of purchase, refund, or payment from money disbursed to the commissioner by the
 26 date determined by the commissioner under this subsection; or

27 (2) declines an offer of purchase, refund, or payment by the
 28 department with money disbursed to the commissioner for that transferable tax credit
 29 certificate, production tax credit certificate, or refund or claim for payment.

30 * **Sec. 28.** AS 43.55.028(m) is amended to read:

31 (m) For purposes of the calculation in (l) of this section, the department shall

1 discount the assumed payment amount each year after the first year by a discount rate.
 2 Unless another discount rate in this subsection applies, a discount rate of 10 percent
 3 applies to the assumed payment amount for a request for purchase of a transferable tax
 4 credit certificate issued under **former** AS 43.55.023 or a production tax credit
 5 certificate issued under **former** AS 43.55.025. An applicant's agreement to a discount
 6 rate under (1), (2), or (3) of this subsection is only consideration for the amount that
 7 the purchase exceeds the amount that would have been purchased in the absence of the
 8 agreement. For a refund or claim for payment under AS 43.20.046, 43.20.047, or
 9 43.20.053, the discount rate is the true interest cost plus 1.5 percent, but may not
 10 exceed 10 percent. For a purchase of a transferable tax credit certificate issued under
 11 **former** AS 43.55.023 or a production tax credit certificate issued under **former**
 12 AS 43.55.025, the discount rate is the true interest cost plus 1.5 percent, but may not
 13 exceed 10 percent, in total,

14 (1) for either a transferable tax credit certificate issued under **former**
 15 AS 43.55.023 for which the applicant submitted data required under **former**
 16 AS 43.55.025(f)(2) or a production tax credit certificate issued under **former**
 17 AS 43.55.025, if the applicant agrees as a condition of the purchase that the 10-year
 18 confidentiality period under **former** AS 43.55.025(f)(2)(C)(ii) that would otherwise
 19 apply to the seismic data or other geophysical data is waived by the applicant;

20 (2) if the applicant, or an entity related to the applicant with the
 21 applicant's consent, and the Department of Natural Resources agree to an overriding
 22 royalty interest agreement under AS 44.37.230; or

23 (3) if the applicant commits to incur, not later than 24 months after the
 24 purchase of the certificate, qualified capital expenditures in an amount greater than or
 25 equal to the purchase amount, and

26 (A) the applicant provides to the department evidence of the
 27 commitment and a plan to

28 (i) use the qualified capital expenditures for the purpose
 29 of increasing production of oil or gas from leases or properties in the
 30 state; and

31 (ii) maximize the hiring of state residents and use of

1 state businesses related to qualified capital expenditures;

2 (B) the applicant agrees in writing that, if the applicant does not
3 incur qualified capital expenditures in an amount greater than or equal to the
4 purchase amount within 24 months after the purchase of the certificate, the
5 applicant shall pay the department the lesser of the difference between the
6 purchase amount and the

7 (i) amount the applicant would have been paid had this
8 subsection not applied; or

9 (ii) actual amount of qualified capital expenditures
10 incurred by the applicant in the 24-month period; and

11 (C) after reviewing documents submitted under (A) and (B) of
12 this paragraph, the commissioner approves the reduced discount rate for the
13 purchase.

14 * **Sec. 29.** AS 43.55.028(o) is amended to read:

15 (o) An applicant or claimant may not use a transferable tax credit certificate
16 issued under **former** AS 43.55.023, production tax credit certificate issued under
17 **former** AS 43.55.025, or refund or claim for payment under AS 43.20.046, 43.20.047,
18 or 43.20.053 purchased by the department with money disbursed to the commissioner
19 against tax liability, even if the purchase, refund, or payment amount was less than the
20 total amount requested for purchase, refund, or payment.

21 * **Sec. 30.** AS 43.55.075(b) is amended to read:

22 (b) A decision of a regulatory agency, court, or other body with authority to
23 resolve disputes that results in a retroactive change to [A LEASE EXPENDITURE,
24 TO AN ADJUSTMENT TO A LEASE EXPENDITURE, TO] costs of transportation
25 [, TO SALE PRICE], to **gross** [PREVAILING] value, or to consideration of quality
26 differentials relating to the commingling of oils has a corresponding effect, either an
27 increase or decrease, [AS APPLICABLE,] on the **gross** [PRODUCTION TAX] value
28 of oil or gas, [OR THE AMOUNT OR AVAILABILITY OF A TAX CREDIT] as
29 determined under this chapter. [FOR PURPOSES OF THIS SECTION, A CHANGE
30 TO A LEASE EXPENDITURE INCLUDES A CHANGE IN THE
31 CATEGORIZATION OF A LEASE EXPENDITURE AS A QUALIFIED CAPITAL

1 EXPENDITURE OR AS NOT A QUALIFIED CAPITAL EXPENDITURE.] The
2 producer shall

3 (1) within 60 days after the change, notify the department in writing;
4 and

5 (2) within 120 days after the change, file amended returns covering all
6 periods affected by the change, unless the department agrees otherwise or a stay is in
7 place that affects the filing or payment, regardless of the pendency of appeals of the
8 decision.

9 * **Sec. 31.** AS 43.55.180(a) is amended to read:

10 (a) The department shall study

11 (1) the effects of the provisions of this chapter on oil and gas
12 exploration, development, and production in the state, on investment expenditures for
13 oil and gas exploration, development, and production in the state, on the entry of new
14 producers into the oil and gas industry in the state, on state revenue, and on tax
15 administration and compliance [, GIVING PARTICULAR ATTENTION TO THE
16 TAX RATES PROVIDED UNDER AS 43.55.011, THE TAX CREDITS PROVIDED
17 UNDER AS 43.55.023 - 43.55.025, AND THE DEDUCTIONS FOR AND
18 ADJUSTMENTS TO LEASE EXPENDITURES PROVIDED UNDER AS 43.55.160
19 - 43.55.170]; and

20 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue
21 and on oil and gas exploration, development, and production on private land, and the
22 fairness of those tax rates for private landowners.

23 * **Sec. 32.** AS 43.55.201(b) is amended to read:

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

28 * **Sec. 33.** AS 43.55 is amended by adding new sections to article 3 to read:

29 **Sec. 43.55.320. Infrastructure maintenance surcharge on oil.** (a) Every
30 producer of oil shall pay a surcharge of \$.15 per barrel of oil produced from each lease
31 or property in the state, less any oil the ownership or right to which is exempt from

1 taxation.

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

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

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

10 **Sec. 43.55.325. Accounting of surcharge proceeds.** The surcharge collected
11 by the department under AS 43.55.320 shall be deposited into the general fund and
12 accounted for separately.

13 * **Sec. 34.** AS 43.55.900(24) is amended to read:

14 (24) "surcharge" means

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

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

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

21 * **Sec. 35.** AS 44.37.230(b) is amended to read:

22 (b) The department may enter into an overriding royalty interest agreement in
23 favor of the state with an applicant that requests a purchase by the Department of
24 Revenue under AS 43.55.028 from money disbursed to the commissioner of revenue
25 from the Alaska Tax Credit Certificate Bond Corporation reserve fund established in
26 AS 37.18.040 of a transferable tax credit certificate issued under **former**
27 AS 43.55.023 or production tax credit certificate issued under **former** AS 43.55.025.
28 The department may enter into an agreement only if the anticipated net present value
29 from the agreement to the state is equal to or greater than the remainder of the value of
30 the tax credit certificate requested for purchase at the proposed reduced discount rate
31 under AS 43.55.028(m)(2), subtracted from the value of the tax credit certificate

1 requested for purchase in the absence of the agreement.

2 * **Sec. 36.** AS 31.05.030(n); AS 43.20.044(a)(2); AS 43.55.011(f), 43.55.011(g),
3 43.55.020(k), 43.55.023, 43.55.024, 43.55.025, 43.55.029, 43.55.030(a)(6), 43.55.030(a)(7),
4 43.55.030(e), 43.55.030(f)(4), 43.55.075(d)(1), 43.55.160, 43.55.165, 43.55.170,
5 43.55.890(6), 43.55.890(7), 43.55.890(8), 43.55.890(9), 43.55.890(10), and 43.55.895(b)(2)
6 are repealed.

7 * **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 APPLICABILITY. (a) The tax established under AS 43.20.019, added by sec. 4 of this
10 Act, applies to a qualified entity for a tax year beginning on or after January 1, 2026. In this
11 subsection, "qualified entity" has the meaning given in AS 43.20.019(e).

12 (b) AS 43.20.148, added by sec. 13 of this Act, applies to a taxpayer that is filing a
13 return for a tax year beginning on or after January 1, 2026.

14 * **Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 TRANSITION: PAYMENT OF TAX. A person subject to the tax levied under
17 AS 43.20.019, added by sec. 4 of this Act, before the effective date of sec. 4 of this Act, shall
18 pay the balance of the tax due for a tax year ending before January 1, 2027, by January 1,
19 2027. Until January 1, 2027, the Department of Revenue shall waive interest that would
20 otherwise accrue under AS 43.05.225 and civil and criminal penalties accruing under
21 AS 43.05.220, 43.05.245, and 43.05.290 that are a result of the retroactivity of secs. 4 - 7 of
22 this Act.

23 * **Sec. 39.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

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

30 * **Sec. 40.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 RETROACTIVITY. Sections 4 - 7, 38, and 39 of this Act are retroactive to January 1,
2 2026.

3 * **Sec. 41.** Sections 4 - 7 and 38 - 40 of this Act take effect immediately under
4 AS 01.10.070(c).

5 * **Sec. 42.** Except as provided in sec. 41 of this Act, this Act takes effect January 1, 2027.