

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version:	CSHB 113(L&C)
Fiscal Note Number:	1
(H) Publish Date:	3/10/2025

Identifier: HB113-DOR-TAX-2-27-25
 Title: TAX EXEMPTION: SMALL BUSINESS
 Sponsor: LABOR & COMMERCE
 Requester: (H)L&C

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Tax Division
 OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2026	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2026 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
OPERATING EXPENDITURES	FY 2026	FY 2026					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	(2,722.4)		(2,722.4)	(2,722.4)	(2,722.4)	(2,722.4)	(2,722.4)
Total	(2,722.4)	0.0	(2,722.4)	(2,722.4)	(2,722.4)	(2,722.4)	(2,722.4)

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
 If yes, by what date are the regulations to be adopted, amended or repealed? **12/31/25**

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division:	Tax Division	Date:	02/26/2025 12:15 PM
Approved By:	Janelle Earls, Administrative Services Director	Date:	02/27/25
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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Analysis

Background and Summary

This bill would bring back the small corporation exemption for Alaska’s corporate net income tax for qualifying small corporations as that term is defined in Internal Revenue Code 1202(e). The exemption sunset on July 1, 2023.

Revenue Impact

Bringing back the small corporation exemption would have an estimated negative tax effect of \$2.7 million annually. This estimate was reached by computing the three-year average of tax returns that claimed the exemption in the final three years before the exemption sunset (FY2021-FY2023). This estimate differs slightly from what has been estimated in the past as FY2023 data from the Indirect Expenditures Report is now available. Below is a breakdown of the use of the exemption by industry back to FY2017, using data through FY2023:

Corporate Income Tax Small Business Exemption History							
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Marijuana	\$ 106,168	\$ 594,889	\$ 968,228	\$ 1,747,584	\$ 2,288,907	\$ 1,787,848	\$ 1,693,244
Other Retail	\$ 104,518	\$ 113,503	\$ 213,070	\$ 280,466	\$ 436,256	\$ 498,446	\$ 609,671
Services	\$ 33,556	\$ 97,600	\$ 186,068	\$ 121,072	\$ 409,662	\$ 203,721	\$ 199,331
Other	\$ 10,831	\$ 362	\$ 6,379	\$ 1,110	\$ 6,981	\$ 33,124	\$ -
Revenue Impact	\$ 255,073	\$ 806,354	\$ 1,373,745	\$ 2,150,232	\$ 3,141,806	\$ 2,523,139	\$ 2,502,246
Number of Beneficiaries	21	34	32	43	55	49	47

Implementation Cost

This bill would require the Department to make only minor changes to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file, pay, view their status, and communicate with the division online. Resources required to implement the changes would include staff time to update tax forms, TRMS, ROL, and other miscellaneous costs. These costs would be absorbed by the Tax Division using existing resources.