

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version:	CSHB 280(FIN)
Fiscal Note Number:	1
(H) Publish Date:	3/27/2026

Identifier: HB280-DOR-TAX-2-6-26
 Title: APPORTION TAXABLE INCOME;DIGITAL BUSINESS
 Sponsor: RLS
 Requester: (H) FIN

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)

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates					
			FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
OPERATING EXPENDITURES								
Personal Services	280.9		280.9	280.9	280.9	280.9	280.9	280.9
Travel	5.0		5.0	5.0	5.0	5.0	5.0	5.0
Services	27.8		27.8	27.8	27.8	27.8	27.8	27.8
Commodities	8.0						8.0	
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	321.7	0.0	313.7	313.7	313.7	313.7	321.7	313.7

Fund Source (Operating Only)

1004 Gen Fund (UGF)	321.7		313.7	313.7	313.7	321.7	313.7
Total	321.7	0.0	313.7	313.7	313.7	321.7	313.7

Positions

Full-time	2.0		2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	***	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) 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 If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/27

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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 Agency: Department of Revenue

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FISCAL NOTE ANALYSIS

STATE OF ALASKA
2026 LEGISLATIVE SESSION

Analysis

Background Information

Currently, C-corporations doing business in the State of Alaska are subject to corporate income tax (CIT) under Alaska Statutes (AS) 43.19 and 43.20. This bill would make modifications to AS 43.19 and 43.20, which is essentially doing two things: First, the bill would make changes to the Multistate Tax Compact language adopted in AS 43.19 to add updated compact terms regarding apportionable income and market-based sourcing for sales, now termed "receipts." Currently, CIT taxpayers source their sales based on where the costs are incurred. This first change would source the sales of out of state corporations to Alaska instead of the lower 48 where the costs are incurred, which would increase the amount of taxable income in Alaska. Second, the bill would create an apportionment method for "highly digitized businesses" based on a single factor, the sales factor. The bill includes a specific threshold that a taxpayer must meet to be considered as engaged in a "highly digitized business." This second change would raise the apportionment factor for out-of-state corporations which would increase their taxable income in Alaska.

The effective date of the proposed legislation is retroactive to January 1, 2026. The bill provides authority for the department to adopt regulations to implement and interpret the provisions of this bill.

Revenue Impact

The revenue impact of this bill is indeterminate because there are many unknowns. However, the department estimates that the bill could generate total revenues to the state from \$25 million to \$65 million annually at full implementation. Broken out, the midpoint estimate for market-based sourcing is \$15 million per year, and the midpoint estimate for highly digitized businesses is \$30 million per year.

As can be seen from the broad range of possible revenues, there is a high degree of uncertainty about how a shift to market-based sourcing and applying a single sales factor to "highly digitized businesses" will impact revenue. There is also uncertainty about what companies will fall into the definition of "highly digitized business." Therefore, the department analyzed Securities and Exchange Commission ("SEC") public U.S. income data and applied a simple Alaska households vs. U.S. households scaling factor to estimate how much income would be apportioned to Alaska. The department then applied the 9.4 percent tax rate to the Alaska-scaled income to come up with a revenue impact range.

Implementation Cost

The initial fast-track need will be for the department to adopt regulations by January 1, 2027, to give adequate time for taxpayers who will be preparing their 2026 tax returns by the 2027 due date. The department will also need to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) system which allows a taxpayer to file a return online. The department will also need to update its corporate income tax forms and integrate those with national accounting and tax software vendors in order to update programs they use to prepare their Alaska CIT tax returns.

The department would use existing resources to make the necessary changes. The department expects to also engage in a robust taxpayer outreach and compliance program to ensure taxpayers understand and comply with their filing requirements. This additional workload requires the department to hire one new lead Tax Auditor 4 position and one new Tax Auditor 2 position. The department will have additional travel costs for training, outreach, and audit purposes, services costs for statewide and department-wide core service and overhead costs, initial information technology (IT) equipment, and ongoing business supply needs. Out-year commodity costs reflect IT equipment refresh needs.