Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version:	CSSB 227(RES)
Fiscal Note Number:	2
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Identifier: 0496-DOR-TAX-1-23-26
Title: TAX COMPACT; SALES TAX; OIL & GAS TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

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				
OPERATING EXPENDITURES	**FY 2027**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**
Personal Services	4,398.9		8,797.7	8,797.7	8,797.7	8,797.7	8,797.7
Travel	75.0		62.5	20.0	20.0	20.0	20.0
Services	1,708.2		1,208.2	1,708.2	2,208.2	2,208.2	2,208.2
Commodities	810.5		140.5	6.5	6.5	97.0	97.0
Capital Outlay	32.0						32.0
Grants & Benefits							
Miscellaneous							
Total Operating	**7,024.6**	**0.0**	**10,208.9**	**10,532.4**	**11,032.4**	**11,122.9**	**11,154.9**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	7,024.6		10,208.9	10,532.4	11,032.4	11,122.9	11,154.9
Total	**7,024.6**	**0.0**	**10,208.9**	**10,532.4**	**11,032.4**	**11,122.9**	**11,154.9**

Positions

Full-time	34.0		67.0	67.0	67.0	67.0	67.0
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	80,000.0		898,000.0	916,000.0	947,000.0	714,000.0	359,000.0
1252 DGF Temp (DGF)	25,000.0		25,000.0	24,000.0	25,000.0	27,000.0	30,000.0
Total	**105,000.0**	**0.0**	**923,000.0**	**940,000.0**	**972,000.0**	**741,000.0**	**389,000.0**

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

Estimated CAPITAL (FY2027) cost: 10,000.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes

(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If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/27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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Division:	Tax Division	Date:	01/23/2026 12:00 PM
Approved By:	Janelle Earls, Administrative Services Director	Date:	01/23/26
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA]
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Analysis

Bill Analysis
This bill establishes a temporary statewide sales and use tax, temporarily raises the minimum tax floor for oil production on the north slope to six percent, imposes a new infrastructure maintenance surcharge of $0.15 per barrel, and updates the corporate income tax apportionment rules for the sales factor sourcing from cost-of-performance to market-based-sourcing then sets the corporate income tax rate to zero in 2031.

The state sales and use tax would apply at a rate of four percent from April through September and two percent from October through March on retail sales. While local governments retain the authority to levy sales and use taxes, the Department of Revenue would administer and collect the tax to streamline the process for taxpayers—remitting the local taxes collected to the local governments. Boroughs and cities retain the ability to administer excise taxes on items such as lodging, car rentals, alcohol, tobacco, fuel, fish, and marijuana. The bill provides exemptions for government purchases, food assistance programs, wages, health care services, insurance premiums, certain real property transactions, and other limited categories such as isolated or occasional sales. The bill also authorizes Alaska to join the Streamlined Sales and Use Tax Agreement to improve compliance and efficiency.

For oil and gas, the bill raises the minimum production tax floor for oil produced on the north slope from four percent to six percent starting in 2027, then reverts to four percent later under specified conditions. It also imposes a new infrastructure maintenance surcharge of $0.15 per barrel of oil produced, with proceeds directed to a pipeline corridor maintenance fund.

Corporate income tax would have updated apportionment rules under the Multistate Tax Compact and then be scheduled for elimination, with the rate set to zero percent effective January 1, 2031.

The general effective date is 12 months after enactment, with the infrastructure maintenance surcharge beginning July 1, 2026, the raising of the production tax floor effective January 1, 2027, corporate tax repeal in 2031, and the eventual repeal of the state sales tax scheduled for January 1, 2034.

Revenue Impact
Seasonally Adjusted Sales and Use Tax:
At full implementation, revenue is estimated to be about $735 million annually. That number is based on a model using a tax base similar to that of South Dakota. First collections would occur in FY2028 and grow at a 2.5 percent annual inflation rate over time. Because the incidence of the tax is dependent on taxable spending by individuals, households, and businesses, the relative burden of such a tax will vary widely among these groups.
The sales tax revenue estimate is based on an estimate for sales tax provided by Chainbridge, a consultant, using their PolicyLinks model. The PolicyLinks model estimate was based on a tax base similar to South Dakota's for tax year 2022. The estimate was scaled up to 2025 based on economic drivers produced by the U.S. Bureau of Economic Analysis (BEA). The PolicyLinks model does not address elasticity of demand, interactions that may occur with existing city or municipal sales taxes or impacts on the economy from implementing a state sales tax.
This fiscal note incorporates a seasonal sales tax rate structure. From January 2027 through December 2033 (seven full years), the sales tax rate will vary by season: four percent during the period of April through September, and two percent during the period of October through March. The tax rate is reduced to zero effective January 1, 2034.
Corporate Income Tax Rate Change:
The replacement of the current corporate income tax brackets to a tax rate to zero percent in January 2031 is estimated to reduce revenue FY2031 corporate income tax revenue by half, or $260 million. In FY2032, the first full year of zero percent tax rate, the anticipated revenue impact is a decrease of $540 million. These figures are based on the Department of Revenue's Fall 2025 revenue forecast for oil and gas corporate income tax and non-oil and gas corporate income tax.

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Analysis

Impacts to revenue from the changes to apportionment of income to the state from implementing market-based sourcing in January 2027 are estimated to be an increase of $15 million after full implementation. For FY2027 the half year of implementation is anticipated to increase revenue by $7.5 million. Revenue impact based on information provided from Chainbridge, who used a micro-data-based approach analyzing the top 100 2020 taxpayers by sales from existing tax returns supplemented with SEC Form 10-K information to calculate how market-based sourcing would change sales apportionment factors. Revenue impacts were inflated over time at a 2.5 percent growth rate and then reduced by half in FY2031 and then eliminated in FY2032 onwards to account for the corporate income tax rate change.

Production Tax Change Minimum Tax:

At full implementation, the change in the top rate of minimum production tax for oil produced on the North Slope to six percent is estimated to be an increase in revenue of about $147 million in FY2028, the first full year of impact. Due to the 1/1/2027 effective date the FY2027 revenue impacts are anticipated to be approximately half of that, or $73 million. The potential revenue impact is based on Fall 2025 forecasts for oil production, oil prices, transportation costs, and company spending/investment. The estimated revenue impact shows the increase in production tax revenue due to the production tax changes, holding all else equal per the Fall 2025 Forecast. The revenue estimate does not account for any potential changes to company investment or production as a result of the tax changes.

The top rate of the minimum tax would revert to four percent either by 1/1/2032 or when production exceeds 650,000 barrels per day, whichever comes first. Based on the Fall 2025 Forecast, production exceeds 650,000 barrels per day in CY2032. Therefore, the top rate is assumed to revert to four percent effective 1/1/2032.

Infrastructure Surcharge:

A $0.15 surcharge is levied on each taxable barrel of oil beginning. In FY2027 this surcharge is estimated to be $25 million. Overtime revenue collected from this surcharge is expected to change proportionally to the Department of Revenue's forecasted taxable barrels of oil produced in the state. Proceeds of this surcharge are deposited in the newly created pipeline corridor maintenance fund and are reported as designated general fund revenue in this report.

Implementation Costs

Seasonally Adjusted Sales and Use Tax:

The initial need would be for the department to seek assistance from a sales and use tax expert to work with department leadership on creating an implementation plan with more refined estimates of staffing, space, supply, and equipment needs. The department would also require expert help in drafting regulations. The FY2027 services cost includes $500,000 to enable the department to hire an expert, develop a plan, and begin working on regulations.

Estimated Impact of Omnibus Tax Bill, based on the Fall 2025 Forecast ($millions)						
Provision	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**
Sales Tax	$0	$735	$755	$775	$795	$815
Non-Oil and Gas Corporate Income Tax Elimination	$0	$0	$0	$0	-$145	-$295
Oil and Gas Corporate Income Tax Elimination	$0	$0	$0	$0	-$115	-$245
Implement Market-Based Sourcing on Corporate Income Tax	$8	$15	$16	$16	$8	$0
Raise Production Tax Floor to 6% and back down to 4%	$73	$147	$146	$156	$171	$84
Total UGF Impact	**$80**	**$898**	**$916**	**$947**	**$714**	**$359**
Infrastructure Surcharge of $0.15	$25	$25	$24	$25	$27	$30
Total Fiscal Impact	**$105**	**$922**	**$940**	**$972**	**$741**	**$389**

The department will also need to engage FAST Enterprises, the Tax Revenue Management Services (TRMS) contractor, to build a sales and use tax module into TRMS, with provisions for a seller's permit and resale and business inputs exemption certificate application module. While the updates needed to TRMS would be a multi-year process, the system would need to be ready for accepting returns and payments twelve months after enactment. The TRMS system would require much reconfiguration to add a sales tax return module with associated databases, an examination and audit module, communications, and integration with existing imaging, accounting, and collections modules.

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Analysis

The seller’s permit and resale and business inputs exemption certificate application module would need to be completed well in advance of the tax return due date, to ensure sellers are registered and know their collection and remittance requirements.
The $10 million capital cost in FY2027 is an estimate for the needed contract with FAST Enterprises to add a sales and use tax module along with the seller's permit and resale certificate modules. TRMS would also need to be updated for integration of sales tax revenue reporting into the State's accounting system.
The department would need to immediately start hiring and training new employees to administer this new tax program. The department estimated staffing needs based on what other states' staffing levels are for their statewide sales and use tax administration. South Dakota has a population of 924,669 and Wyoming has a population of 587,618, in addition to having sales and use tax structures, both have comparable populations to Alaska. In 2025, South Dakota and Wyoming reported that they have 92 and 59 employees respectively that work exclusively on sales tax. Based on staffing levels reported by South Dakota and Wyoming, and scaled to Alaska population, 74 employees is a fair and reasonable estimate of what the department would need to administer a sales and use tax in Alaska. However, with the advances in the department's modernized tax system, there is a lower need for data processors and other administrative positions. Therefore, this fiscal note reflects a need of 67 permanent full-time positions required to successfully administer a sales and use tax program in Alaska.

An initial analysis of the additional staff needs is as follows:
(2) Revenue Audit Supervisors
(25) Tax Auditors
(2) Tax Technician Supervisors
(20) Tax Technicians
(2) Sales & Use Tax Specialists
(4) Revenue Appeals Officers
(2) Commercial Analysts
(1) Accountant
(3) Accounting Technicians
(2) Administrative Assistants
(2) Analysts/Programmers
(2) Imaging Operator & Office Assistant
Services costs are primarily internal core services paid to other state agencies and additional office space needed due to the substantial growth in the overall size of the Tax Division. New employees would be split between the Juneau and Anchorage offices. Services would increase in FY2029 and forward as it would be the first full year of additional maintenance and support of the new TRMS modules after rollout, which would be approximately $1,000.0 per year.
Commodities are primarily for costs associated with additional office supplies and equipment needs for 67 new employees. Additional travel will be needed in the first two years after implementation to train new employees and for public education efforts. Travel costs in later years would be for ongoing training, audit travel, and enforcement efforts.
This fiscal note assumes that one half of the needed staff is hired in FY2027 and the remaining are hired in FY2028 for cost projection purposes.
Oil and Gas Production Tax:
The changes to the production tax would require updating our TRMS and ROL systems but would not require hiring additional staff. The costs of updating the programs would be absorbed by the Tax Division.
Corporate Income Tax:
The changes to the apportionment rules would require a big lift to draft new regulations. These costs would be absorbed by the Tax Division using existing resources. Eliminating the corporate income tax would not immediately result in staff reductions as the tax is due the year following the year in which the income is earned. There is also a three-year statute of limitations on amended returns and assessments, some of which are extended. Therefore, staff reassignments and reductions would likely begin after 2035.