

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 28, 2025

9:02 a.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Carolyn Hall, Co-Chair
Representative Ashley Carrick
Representative Robyn Niayuq Burke
Representative Dan Saddler
Representative Julie Coulombe

MEMBERS ABSENT

Representative David Nelson

COMMITTEE CALENDAR

HOUSE BILL NO. 113

"An Act relating to a tax exemption for qualified small businesses; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 34

"An Act establishing the Alaska Innovation Council; and relating to financial disclosures for members of the Alaska Innovation Council."

- MOVED CSHB 34 (L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 113

SHORT TITLE: TAX EXEMPTION: SMALL BUSINESS

SPONSOR(S): LABOR & COMMERCE

02/24/25	(H)	READ THE FIRST TIME - REFERRALS
02/24/25	(H)	L&C, FIN
02/28/25	(H)	L&C AT 9:00 AM BARNES 124

BILL: HB 34

SHORT TITLE: AK INNOVATION COUNCIL

SPONSOR(S): HOLLAND

01/22/25	(H)	PREFILE RELEASED 1/10/25
01/22/25	(H)	READ THE FIRST TIME - REFERRALS
01/22/25	(H)	L&C, FIN
01/29/25	(H)	L&C AT 3:15 PM BARNES 124
01/29/25	(H)	<Bill Hearing Canceled>
02/10/25	(H)	L&C AT 3:15 PM BARNES 124
02/10/25	(H)	Heard & Held
02/10/25	(H)	MINUTE(L&C)
02/14/25	(H)	L&C AT 3:15 PM BARNES 124
02/14/25	(H)	Heard & Held
02/14/25	(H)	MINUTE(L&C)
02/24/25	(H)	L&C AT 3:15 PM BARNES 124
02/24/25	(H)	Heard & Held
02/24/25	(H)	MINUTE(L&C)
02/28/25	(H)	L&C AT 9:00 AM BARNES 124

WITNESS REGISTER

TRISTAN WALSH, Staff
 Representative Carolyn Hall
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Gave a PowerPoint presentation on HB 113, on behalf of the House Labor and Commerce Standing Committee, sponsor, on which Representative Hall serves as co-chair.

BRANDON SPANOS, Deputy Director
 Tax Division
 Department of Revenue
 Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 113 as an invited testifier.

REPRESENTATIVE KY HOLLAND
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Answered questions from committee members as prime sponsor of HB 34.

ACTION NARRATIVE

9:02:37 AM

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 9:02 a.m. Representatives Coulombe, Burke, Carrick, Saddler, Hall, and Fields were present at the call to order.

HB 113-TAX EXEMPTION: SMALL BUSINESS

9:02:50 AM

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 113, "An Act relating to a tax exemption for qualified small businesses; and providing for an effective date."

9:03:14 AM

CO-CHAIR HALL, on behalf of the House Labor and Commerce Standing Committee, sponsor of HB 113, gave the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

In 2012, the Alaska Legislature passed Senate Bill 23, which created the small business tax exemption under AS 43.20.012 for qualified small businesses and shortly thereafter, in 2013, passed Senate Bill 83, which provided for a real on July 1st, 2023.

Following the expiration of the tax exemption in FY 2024, small businesses began to advocate to re-instate it so that they could continue their operations in Alaska. The House Labor & Commerce Co-Chairs believe that helping small businesses thrive and do business in Alaska allows their payrolls to flow into communities and their commerce to continue to serve Alaskans.

Restoring this small business tax exemption will ensure revenue not collected by the state is returned several times into local communities.

9:04:08 AM

TRISTAN WALSH, Staff, Representative Carolyn Hall, Alaska State Legislature, gave a PowerPoint, titled "HB 113 Small Business Tax Exemption" [hard copy included in the committee packet], on behalf of the bill sponsor, the House Labor and Commerce Standing Committee, on which Representative Hall serves as co-chair. He moved to the second slide of the PowerPoint presentation, "HB 113 An Act Relating To A Tax Exemption for Qualified Small Businesses," which read as follows [original punctuation provided]:

In 2023, a small business tax exemption in AS 43.20.012 was allowed to expire.

The tax exemption applied only to qualified small businesses under IRS (Internal Revenue Service) code and had under \$50m in assets.

In FY23, this amounted to approximately \$2.5m across 47 beneficiaries.

MR. WALSH moved to the third slide and gave an overview of the eligibility criteria for HB 113, which read as follows [original punctuation provided]:

- The corporation must be engaged in an active business as described in 26 U.S.C.A §IRC 1202 (e);
- Corporate assets may not exceed \$50m of all affiliates (80% of which must be used in the active conduct of one or more trades or businesses.)
- Includes any business except: engineering, law, health, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services...(See Supporting Document IRS Federal Tax Code 26 USC 1202 (eff'd 2012), page 5)

MR. WALSH moved to the fourth slide, drawing committee members' attention to a table graph representing the tax brackets for the Alaska corporate net income tax. He noted that HB 113 essentially exempts qualified businesses from the Alaska corporate net income tax under AS.43.20.011.

MR. WALSH, noting that the proposed legislation is a reinstatement of an expired tax credit from 2012, moved to the fifth slide to give an overview of additional requirements, which read as follows [original punctuation provided]:

Qualification will be determined on the first day of the tax year for which the corporation claims it qualifies.

Must be incorporated in or authorized to do business in Alaska.

All corporations that are members of the same parent subsidiary-controlled group shall be treated as one corporation.

MR. WALSH moved to the sixth and final slide, drawing committee members' attention to a table graph representing "Corporate Income Tax Small Business Exemption History." He noted that the

revenue collected from tax was approximately \$2.5 million in fiscal year 2023 (FY 23). Mr. Walsh concluded by inviting questions from committee members.

[9:07:42 AM](#)

CO-CHAIR FIELDS commented that HB 113 came to fruition after the Chamber of Commerce and a local small business owner notified him of the expired tax credit.

[9:08:06 AM](#)

REPRESENTATIVE COULOMBE queried the reason for the original 10-year expiration date.

[9:08:26 AM](#)

MR. WALSH explained that the original bill, sponsored by former Senator Ellis, was Senate Bill 23, passed in 2012 [during the Twenty-Seventh Alaska State Legislature]; it was an omnibus tax credit bill, which began as a film tax credit and later included oil tax credits. He reported that the following year, in 2013, the provision for a 10-year expiration was added while correcting interest rates charged to construction companies. He stated that, in many cases, the legislature might include expiration provisions so that an issue can be reconsidered at a future date. He further stated that he did not know the exact intent behind the original 10-year expiration date.

[9:09:31 AM](#)

REPRESENTATIVE COULOMBE asked whether the loss of revenue would affect any local government.

[9:09:41 AM](#)

MR. WALSH offered his belief that the state would be primarily affected but deferred to Deputy Director Spanos.

[9:10:31 AM](#)

BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue, responded that all the revenue that would be forgone would otherwise be going into the general fund (GF) and subject to appropriation.

[9:10:57 AM](#)

REPRESENTATIVE CARRICK asked if all of the forgone revenue normally goes into the UGF (Unrestricted General Fund) and further asked the total of forgone revenue.

MR. SPANOS confirmed that the total forgone revenue typically goes to the UGF. He further stated that the total forgone revenue would be an estimated \$2,722,000, based on the last three fiscal years.

REPRESENTATIVE CARRICK asked for clarification that the exemptions are based on the Internal Revenue Service (IRS) tax code.

MR. WALSH answered yes.

[9:14:06 AM](#)

REPRESENTATIVE SADDLER asked the reason for removing the sunset clause and making the proposed legislation "permanent."

[9:14:23 AM](#)

CO-CHAIR HALL offered her belief that small businesses in Alaska should have exemptions to allow more dollars to circulate locally and contribute to a thriving local economy. She stated that she is not in favor of a sunset clause.

[9:14:49 AM](#)

REPRESENTATIVE SADDLER stated he understood the benefit of consistent tax credits. He further asked the cost of re-imposing the tax exemption.

[9:15:31 AM](#)

MR. SPANOS replied that the costs to reprogram the system would include staff time. He noted that, because the exemption had existed previously, it would not take a lot of time.

[9:16:26 AM](#)

REPRESENTATIVE COULOMBE asked for clarification that the proposed legislation is the same as the prior exemption that expired.

MR. WALSH responded that the language in HB 113 is the same as the original legislation from 2012, without the sunset clause.

REPRESENTATIVE COULOMBE asked for an explanation of the salmon, salmon egg, and shellfish exemptions.

MR. WALSH responded that when the original bill in 2012 was receiving hearings, there was concern that non-profit hatcheries were having difficulty with the IRS and the exemptions for salmon, salmon egg, and shellfish were a result of an effort to hold the hatcheries harmless.

REPRESENTATIVE COULOMBE asked whether the exemptions were still necessary.

MR. WALSH replied that he would get back to the committee.

[9:18:09 AM](#)

REPRESENTATIVE SADDLER requested information on the effects and benefits of the proposed legislation.

[9:18:34 AM](#)

MR. WALSH replied that he would get back to the committee after working with the Department of Revenue (DOR). He remarked that, anecdotally, small businesses reported that they saw an increase in taxes of roughly \$2,000. He stated that for many small businesses, the repeal of the tax exemption came as a surprise.

[9:19:11 AM](#)

CO-CHAIR FIELDS noted that his office would share correspondence with small businesses regarding the discovery of the tax credit expiration.

[9:19:17 AM](#)

CO-CHAIR HALL offered her belief that it is very important to create stable fiscal environments for small businesses.

[9:19:43 AM](#)

REPRESENTATIVE SADDLER questioned whether DOR's information technology (IT) systems were up to the task.

[9:20:12 AM](#)

MR. SPANOS responded that DOR upgraded its system in 2014 and then upgraded the system again in 2024. He noted that taxpayers could use their phones to file tax returns, and the legislature requires electronic filing. He stated that DOR would need to make some adjustments to the program but would not need an entirely new system. He called the current system "state of the art."

[9:21:39 AM](#)

CO-CHAIR FIELDS announced that HB 113 was held over.

HB 34-AK INNOVATION COUNCIL

[9:22:01 AM](#)

CO-CHAIR FIELDS announced that the final order of business would be HOUSE BILL NO. 34, "An Act establishing the Alaska Innovation Council; and relating to financial disclosures for members of the Alaska Innovation Council." [Before the committee, adopted as a working document on 2/24/25, was the proposed committee substitute (CS) for HB 34, Version 34-LS0353\G, Gunter, 2/24/25 ("Version G").]

[9:22:12 AM](#)

The committee took an at-ease from 9:22 a.m. to 9:25 a.m.

[9:25:44 AM](#)

CO-CHAIR FIELDS invited questions from committee members. There being no questions, Co-Chair Fields invited amendments from committee members.

[9:26:01 AM](#)

REPRESENTATIVE COULOMBE moved to adopt Amendment [1] to HB 34, Version G, labeled 34-LS0353\G.3, Gunther, 2/27/25, which read as follows:

Page 3, line 16:

Delete "at least"

Insert "telephonically or by electronic means"

Page 3, line 17:

Delete "and place"

Delete "and places"

Page 3, lines 18 - 20:

Delete "A member of the council may attend a meeting telephonically or by electronic means if the member obtains approval from the chair."

Page 3, line 23:

Delete ", but are"

Insert "and are not"

Page 3, line 24:

Delete "as provided in"

Insert "under"

Page 3, lines 24 - 27:

Delete "A legislator serving on the council is entitled to only transportation and per diem expenses as provided in AS 39.20.180 when not otherwise entitled to transportation or per diem expenses by another law."

[9:26:07 AM](#)

CO-CHAIR FIELDS objected for the purpose of discussion.

[9:26:17 AM](#)

REPRESENTATIVE COULOMBE stated her primary concern with the proposed legislation was the cost. She further explained that she worked with the sponsor [Representative Holland] on Amendment 1. She explained that Amendment [1] would change the meetings under HB 34 from in-person to electronic, removing any costs associated with travel.

[9:26:44 AM](#)

REPRESENTATIVE KY HOLLAND, Alaska State Legislature, prime sponsor of HB 34, stated that he was supportive of Amendment 1 to HB 34. He stated that Amendment 1 would bring clarity to the proposed legislation.

[9:27:02 AM](#)

REPRESENTATIVE CARRICK asked whether the meetings would still take place in person with the option to telephone in, or whether the meeting would be entirely electronic. She voiced concerns about meetings taking place in the same place every time.

REPRESENTATIVE COULOMBE replied that it would be optional to meet in-person or electronically and that she intended to leave the decision up to the Alaska Innovation Council proposed under HB 34.

[9:27:43 AM](#)

REPRESENTATIVE SADDLER noted that HB 34 includes provisions stating that the proposed Alaska Innovation Council shall meet at least three times a year and does not designate an upper limit to the number of meetings. He offered his support for Amendment 1.

[9:28:07 AM](#)

CO-CHAIR FIELDS withdrew his objection to the motion to adopt Amendment 1 to HB 34, Version G. There being no further objection, Amendment 1 was adopted.

[9:28:18 AM](#)

REPRESENTATIVE COULOMBE moved to adopt Amendment [2] to HB 34, Version G, as amended, labeled 34-LS0353\G.5, Gunther, 2/27/25, which read as follows:

Page 1, line 11:

Delete "15"

Insert "12"

Page 2, lines 2 - 5:

Delete all material.

Renumber the following paragraphs accordingly.

Page 2, line 6:

Delete "five"

Insert "seven"

Page 2, line 12:

Delete "one member who is"

Insert "two members who are"

Page 2, line 16:

Delete "one member who has"

Insert "two members who have"

Delete "that was"

Page 2, line 17:

Delete "that used"

Insert "using"

Page 2, line 24, following "state;":

Insert "and"

Page 2, lines 25 - 28:

Delete all material.

Renumber the following paragraph accordingly.

Page 2, line 29:

Delete "two members"

Insert "one member"

Page 2, line 30:

Delete "represent"

Insert "represents"

Page 2, line 30, through page 3, line 1:

Delete "; the members appointed under this paragraph must include one member who is experienced in applied-research focused on the state and one member who"

Insert "and"

Page 3, line 3:

Delete "(b) (5) - (10) "

Insert "(b) (3) - (6) "

Page 3, lines 9 - 10:

Delete all material.

Reletter the following subsections accordingly.

Page 3, lines 24 - 27:

Delete "A legislator serving on the council is entitled to only transportation and per diem expenses as provided in AS 39.20.180 when not otherwise entitled to transportation or per diem expenses by another law."

Page 5, line 18:

Delete "AS 44.33.850(b) (5) "

Insert "AS 44.33.850(b) (3) (A) and (B) "

Page 5, line 20:

Delete "AS 44.33.850(b) (6), (7), and (10) "

Insert "AS 44.33.850(b) (3) (C) and (D) "

Page 5, line 22:

Delete "AS 44.33.850(b) (8) and (9) "

Insert "AS 44.33.850(b) (3) (E) and (4) - (6) "

Page 5, line 24:

Delete "AS 44.33.850(f) "

Insert "AS 44.33.850(e) "

[9:28:24 AM](#)

CO-CHAIR FIELDS objected for the purpose of discussion.

REPRESENTATIVE COULOMBE explained that Amendment 2 would reduce the total membership in the proposed Alaska Innovation Council by two. She explained that the proposed amendment would remove the executive director of the Alaska Industrial Development and Export Authority (AIDEA) or designee and the executive director of the Alaska Commission on Postsecondary Education (ACPE) or designee. She stated Amendment 2 would add two additional members to the private sector, one with a rural focus and one with an urban focus. She stated that Amendment 2 would also remove the legislators from the commission and reduce the number of members from the University of Alaska (UA) from two to one. She further explained that Amendment 2 would remove the member from UA who is experienced in applied research focused on the state. She advised that her intention in reducing the total membership of the proposed Alaska Innovation Council was to reduce the cost.

[9:29:40 AM](#)

REPRESENTATIVE HOLLAND shared that he is supportive of the changes in Amendment 2 but stated that the proposed changes are not without cost. He offered his belief that Alaska's future would be dependent on how research translates to practical ventures and the proposed amendment would remove the seat that would bring in more focused research. He recalled that some of the goals of the proposed Alaska Innovation Council were to

identify opportunities from commercialized research. He additionally stated his hope that legislators would be involved in the proposed Alaska Innovation Council, as well as AIDEA playing a larger role in supporting economic diversification and emerging sectors. He acknowledged the desire to reduce the size of the proposed Alaska Innovation Council, thereby reducing the fiscal note. He offered his hope in recognizing that the meetings that would take place under HB 34 would be purposeful in inviting the individuals that are taken off the council in the legislative process. He further noted that the proposed Alaska Innovation Council was not meant to be a tight, functioning group; rather, it would serve as a convening of individuals.

[9:32:18 AM](#)

REPRESENTATIVE CARRICK clarified that Amendment 2 would result in a net reduction of three individuals. She further asked how much the amendment would reduce the fiscal note.

[9:32:29 AM](#)

REPRESENTATIVE COULOMBE replied that the proposed amendments could bring the fiscal note down to \$130,000 from the original fiscal note of \$500,000.

[9:32:48 AM](#)

CO-CHAIR FIELDS withdrew his objection to Amendment 2 to HB 34, Version G, as amended.

[9:32:55 AM](#)

REPRESENTATIVE CARRICK objected.

REPRESENTATIVE CARRICK stated that she appreciates the work that the amendment sponsor put into reducing the fiscal note and shares concern over costs. She further stated that the bill sponsor made a good argument related to retaining the research position from UA and the executive director of ACPE, as essential to the innovation environment. She further clarified that she would oppose the amendment, with some hesitation, due to the removal of those two specific aforementioned members.

[9:33:43 AM](#)

REPRESENTATIVE COULOMBE reminded members that the proposed Alaska Innovation Council was being requested "on the states dime." She asserted that the removed members could be invited to meetings. She urged committee members to vote yes.

[9:34:22 AM](#)

CO-CHAIR FIELDS stated that he understood Representative Carrick's concerns but would vote yes because he worked with the amendment sponsor in good faith.

[9:34:36 AM](#)

REPRESENTATIVE SADDLER stated that he appreciated the amendment and felt that it was reflective of the state's fiscal environment.

REPRESENTATIVE CARRICK maintained her objection to Amendment 2 to HB 34, Version G, as amended.

[9:35:31 AM](#)

A roll call vote was taken. Representatives Coulombe, Saddler, Burke, Hall, and Fields voted in favor of the motion to adopt Amendment 2 to HB 34, Version G, as amended. Representatives Carrick voted against it. Therefore, Amendment [2] was adopted by a vote of 5-1.

[9:35:41 AM](#)

REPRESENTATIVE SADDLER shared concerns about the powers of the proposed Alaska Innovation Council. He further stated that, philosophically, he felt uncomfortable with the legislature formalizing and channeling drive for innovation.

[9:37:12 AM](#)

CO-CHAIR FIELDS entertained a motion.

[9:37:18 AM](#)

CO-CHAIR HALL moved to report CSHB 34, Version 34-LS0353\G, Gunter, 2/24/25, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

[9:37:33 AM](#)

REPRESENTATIVE SADDLER objected.

A roll call vote was taken. Representatives Burke, Carrick, Coulombe, Hall, and Fields voted in favor of the motion to report CSHB 34, Version 34-LS0353\G, Gunter, 2/24/25, as amended, out of committee with individual recommendations and the accompanying fiscal notes. Representative Saddler voted against it. Therefore, CSHB 34(L&C) was reported out of the House Labor and Commerce Standing Committee by a vote of 5-1.

[9:38:18 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [9:38] a.m.