

SENATE FINANCE COMMITTEE

April 9, 2025

9:01 a.m.

9:01:47 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Mike Cronk
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

None

ALSO PRESENT

Senator Bill Wielechowski, Sponsor; Senator Forest Dunbar, Sponsor; Liz Harpold, Staff, Senator Donny Olson; David Dunsmore, Staff, Senator Wielechowski; Sonja Kawasaki, Legal Counsel, Senate Majority; Carol Beecher, Director, Division of Elections, Office of the Lieutenant Governor; Cathy Giessel, Sponsor; Doug Woodby, Self, Juneau; Kara Moriarty, President and Chief Executive Officer, Alaska Oil and Gas Association, Juneau; Leila Kimbrell, President and Chief Executive Officer, Resource Development Council, Juneau.

PRESENT VIA TELECONFERENCE

Tom Stewart, Director of Policy, Secure Democracy USA, Baltimore; Kendra Kloster, Director of Government Relations, Alaska Federation of Natives, Anchorage; Randy Ruedrich, Self, Anchorage; Mike Garvey, Policy Director, American Civil Liberties Union Alaska, Anchorage; Barbara Warner, Executive Director, National Vote at Home

Institute, Portland; John LeTourneau, Certified Public Accountant, Thomas Head and Greisen, Anchorage.

SUMMARY

SB 39 LOANS UNDER \$25,000; PAYDAY LOANS

CSSB 39(FIN) was REPORTED out of committee with three "do pass" recommendations, four "no recommendations"; and one new fiscal note from the Department of Commerce, Community and Economic Development.

SB 64 ELECTIONS

SB 64 was HEARD and HELD in committee for further consideration.

SB 92 CORP. INCOME TAX; OIL & GAS ENTITIES

SB 92 was HEARD and HELD in committee for further consideration.

SB 113 APPORTION TAXABLE INCOME;DIGITAL BUSINESS

SB 113 was REPORTED out of committee with three "do pass" recommendations, two "do not pass" recommendations, two "no recommendations", and with one new fiscal note from the Department of Revenue.

CSHB 56(FIN) am(brf sup maj fld)
APPROP: SUPPLEMENTAL; FUND CAP

CSHB 56(FIN) am(brf sup maj fld) was SCHEDULED but not HEARD.

#sb113
SENATE BILL NO. 113

"An Act relating to the Multistate Tax Compact; relating to apportionment of income to the state; relating to highly digitized businesses subject to the Alaska Net Income Tax Act; and providing for an effective date."

9:03:09 AM

SENATOR BILL WIELECHOWSKI, SPONSOR, introduced the legislation. He summarized that the bill changed Alaska's corporate tax apportionment system to tax outside corporations similarly to in-state corporations. He emphasized that the bill did not raise taxes on any Alaskan corporations.

Senator Kaufman remarked that the bill was raising taxes on the products people procured in Alaska. He asked how to know if the taxes would be additive to the cost of products being purchased.

Senator Wielechowski replied that the apportionment system was in place for at least 36 other states. Historical experience in other states was that there was not an increase in taxes for consumers. He relayed that the system dealt generally with internet companies and noted that generally the companies did not target states to tax them.

Senator Kaufman remarked that he often felt targeted and mentioned companies that did not ship to Alaska. He was concerned about adding to the problem. He expressed concern for taxation in general and mentioned that the state didn't have a spending cap.

Senator Wielechowski challenged Senator Kaufman to close the \$677.1 million deficit without taxing outside corporations.

Senator Kaufman did not agree with embracing every spending plan that came through the legislature and felt that there needed to be moderation on both sides.

Senator Kiehl MOVED to REPORT SB 113 from committee with individual recommendations and attached fiscal note. There being NO OBJECTION, it was so ordered.

SB 113 was REPORTED out of committee with three "do pass" recommendations, two "do not pass" recommendations, two "no recommendation" recommendations, and with one new fiscal note from the Department of Revenue.

[9:07:28 AM](#)

AT EASE

[9:09:21 AM](#)

RECONVENED

#sb39

SENATE BILL NO. 39

"An Act relating to loans in an amount of \$25,000 or less; relating to the Nationwide Multistate Licensing System and Registry; relating to deferred deposit advances; and providing for an effective date."

9:10:02 AM

SENATOR FOREST DUNBAR, SPONSOR, introduced the legislation, which involved regulations for payday lending businesses imposing a 36 percent cap and removing the current exemption. He continued that Alaska would join 19 other states that established the 36 percent APR cap. There were also federal laws that prevented businesses from targeting loans for service members and their families.

LIZ HARPOLD, STAFF, SENATOR DONNY OLSON, explained that the bill sponsor had submitted a couple of changes to the bill that would be incorporated into a Committee Substitute (CS) that the committee would consider. The changes clarified that pawnbroker business activities, unrelated to payday loans, were exempt from the legislation; and that mutual savings banks were not affected by the legislation as they were already governed by existing statutes.

Co-Chair Stedman MOVED to ADOPT the committee substitute for SB 39, Work Draft 34-LS0357\I. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman asked for clarification from the bill sponsor. He did not think the bill was time sensitive but wanted to make sure members understood the impacts of loans that were up to \$25,000. He thought the committee had not spent much time discussing larger loans with accumulating interest charges. He wanted to understand the impact on the marketplace. He understood that commercial banks were not in the market with the smaller loans and wanted to ensure there was still access.

Co-Chair Hoffman noted that there were three people online to answer questions.

9:14:13 AM

Senator Dunbar understood that in other states that had passed such legislation, there were more traditional lending institutions that would fill the gap. The entities that had done the rollover had done very small amounts. He thought there was a letter of support from a traditional lender in the state, which indicated that it did want to service a portion of the market. He discussed personal experience with taking out a relatively short-term loan from a traditional lender. He thought there were profits from traditional lenders in the space. He mentioned a study referenced by Senator Kiehl at the last bill hearing, which had compared individuals on the edge of qualifying for a loan. It was found that the individuals that qualified for the loan were more likely to default on the loan. He concluded that those that took out the loan had damage from the product and became more vulnerable than if they had not taken out the loan.

Senator Kiehl MOVED to REPORT CSSB 39(FIN) from committee with individual recommendations and attached fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 39(FIN) was REPORTED out of committee with three "do pass" recommendations, four "no recommendations"; and one new fiscal note from the Department of Commerce, Community and Economic Development.

[9:17:19 AM](#)

AT EASE

[9:19:07 AM](#)

RECONVENED

#sb64

SENATE BILL NO. 64

"An Act relating to elections; relating to voters; relating to voting; relating to voter preregistration for minors at least 16 years of age; relating to voter registration; relating to the Alaska Public Offices Commission; relating to synthetic media in electioneering communications; relating to campaign signs; relating to public official financial disclosures; relating to the crime of unlawful interference with voting in the first degree; and providing for an effective date."

[9:19:34 AM](#)

SENATOR BILL WIELECHOWSKI, SPONSOR, introduced the bill. He relayed that the bill was a comprehensive package of reforms aimed at removing barriers to voting, cleaning up voting rolls, reporting election results faster, and making needed changes to Alaska election laws. The bill included provisions from 12 previous bills by members of all four caucuses and the governor. The Senate State Affairs Committee had worked to refine the bill over 8 meetings. The bill removed barriers to voting by creating a ballot curing process that allowed voters to correct mistakes and repealed the witness signature requirement that disproportionately affected rural and military voters. The witness signature was never verified and had previously disenfranchised roughly 10 percent of the voters throughout rural Alaska in the special election in 2022. In 2024, Joint Base Elmendorf-Richardson (JBER) had more mail ballots rejected than any other district in the state. He did not think it was a partisan issue.

Senator Wielechowski continued that in 2022 it was estimated that the state voter registration list equaled 106 percent of the adult population. The bill clarified residency definitions for voting. It improved Alaska's voter roll clean up statutes and implemented a ballot tracking system. It included numerous provisions to improve the security and integrity of Alaska's elections. It included a provision requiring synthetic media to include a disclaimer on election communications. It included several provisions to allow election results to be reported faster and provide more transparency during the counting process.

Senator Wielechowski stressed that the bill required preliminary ranked choice voting tabulations to be released whenever updated results were released. It allowed election to be certified five days earlier by creating a uniform deadline for ballots to be received 10 days after the election. He thought the bill was a comprehensive package that would absolutely improve the state's election system.

Co-Chair Stedman wondered about automatic registration via the Permanent Fund Dividend (PFD) application.

Senator Wielechowski replied that the bill did not change or impact the automatic voter registration. He thought the

provision was added by voters via the initiative process, which he thought had passed by the highest number of voters in history.

[9:22:57 AM](#)

DAVID DUNSMORE, STAFF, SENATOR WIELECHOWSKI, relayed that the only provision in the bill related to PFD registration was added language to clarify that registering to vote via the PFD application was not considered to be contacting the division for purposes of the voter roll clean-up statutes.

Co-Chair Stedman had concerns related to automatic voter registration. He thought the matter needed to be discussed further.

Senator Kiehl asked about proposed changes to clean-up of voter rolls.

Mr. Dunsmore explained that there were several provisions in the bill related to the voter roll cleanup. He mentioned a provision clarifying the definition of residency, which Senate Majority counsel had worked on. There were provisions that expedited notice for those that had not voted. Several provisions were added related to individuals establishing residency in another state. Additional provisions added in the Senate State Affairs Committee related to hiring consultants to conduct regular reviews of voter rolls to identify areas of needed improvement.

[9:26:15 AM](#)

SONJA KAWASAKI, LEGAL COUNSEL, SENATE MAJORITY, explained that current law allowed that once a person established residency, an individual did not lose the right to vote if there was an intent to return. The change proposed in the bill would require a person that had an absence from the state have a reasonable and articulable plan to return to the state. The sponsor believed the provision would set a higher bar for residency. There were voter cleanup provisions that would address people that appeared to be no longer residents of Alaska. The individuals would be sent a notice that assurance was necessary to be considered a resident.

Senator Kaufman wanted to be sure about the concept of residency in the state. He wondered if the bill could be

misconstrued to require returning to the exact same address.

Ms. Kawasaki replied that current law required establishment of residence in the House district in which you were registered. Under the bill, if an individual left the state and had an articulable and reasonable plan to return at the residence at which they were registered, that individual would still meet the qualifications for voting in the House district. She thought that current law dictated that if one moved within a Senate district, the vote would count for statewide elections. The intent of the bill was to allow a person to still vote if they moved within the same House district.

Senator Kaufman asked if Ms. Kawasaki meant that a person had to have an intent to return to the same House district.

Ms. Kawasaki answered, "in order to vote for elections in that House district."

Senator Kaufman requested to follow up later.

[9:30:54 AM](#)

Senator Cronk asked about removal of the witness signature and asked about issues with the signature.

Senator Wielechowski reiterated that in the 2022 special election, roughly 10 percent of rural voters in the state had votes thrown out for failing to provide a witness signature. He discussed challenges in obtaining a witness signature and noted that it disproportionately affected people in rural areas and military districts. He understood the rationale for a witness signature but pointed out that it was not verified. He described a hypothetical situation he discussed with the Division of Elections. He relayed that the bill was a remedy for those that were disenfranchised.

Senator Cronk shared that he had never had a constituent call to describe the problem.

Mr. Dunsmore elaborated that the witness signature requirement for absentee voting in the state law was a unique provision. For other purposes, the division allowed self-certification. He mentioned the ballot initiative

booklet. The witness signature did not provide election integrity as there was no requirement that the person signing verify the identity of the voter. He mentioned service members overseas or Peace Corps volunteers. He mentioned 2,700 ballots that were thrown out during the special election.

Senator Kaufman asked how signatures were handled with paper registration scanned and emailed.

Mr. Dunsmore asked if Senator Kaufman was referring to voter registration.

Senator Kaufman answered affirmatively.

Mr. Dunsmore replied that he thought the division accepted voter registration forms submitted electronically.

[9:36:10 AM](#)

CAROL BEECHER, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF THE LIEUTENANT GOVERNOR, replied that for voter registration forms, the signature was verified against motor vehicle records or other identifiers if the signature was not available.

Senator Kaufman asked if there was any provision for an electronic signature.

Ms. Beecher replied in the negative but thought there was an electronic signature provision in the bill. She noted that the verifier signature was an image of the Division of Motor Vehicles signature.

Co-Chair Stedman discussed automatic registration and thought it had created problems for the Division of Elections.

Ms. Beecher asked for more detail.

Co-Chair Stedman relayed that he was talking about automatic voter registration through the PFD application.

Ms. Beecher described the automatic registration process through the PFD application, which provided the division with a list of individuals that had indicated they were United States citizens on the application. The division did

not receive any forms from individuals that had noted they were not a US citizen. Anyone on the list that was a new registrant or had changed their address received a letter asking if they wanted to be registered to vote. If the letter was not answered, the individuals were automatically registered.

Co-Chair Stedman thought individuals should have the gumption to actively go register to vote and take an interest in democracy, as opposed to automatic registration. He found the process questionable.

Senator Kaufman mentioned that he had talked with a surprising number of people during political campaigns that relayed having not lived in the state for years but had names on the voter lists. He asked if the bill would address the problem.

[9:40:30 AM](#)

Ms. Beecher replied that the voter rolls would always appear to be bloated if looking at the perspective of how many eligible voters there were in Alaska compared to how many eligible voters there were. The reason was due to the intent to return language in statute. She listed examples of individuals that could reside overseas (in the military) or could be residing in another state and have the intent to return to the state and still be eligible to vote in the state. She discussed the amount of time it took to be completely removed from voter rolls, which was in federal law and lasted two general elections. If a person applied for the PFD, it would be sufficient activity to continue on the voter rolls.

Co-Chair Hoffman thought that individuals attending college out of state would be included.

Senator Kaufman thought that there was a financial incentive for staying on the voter rolls.

Co-Chair Stedman considered all 50 states and wondered about a comparison between Alaska's voter lists.

Ms. Beecher replied that she had spoken to a secretary of state from another state that experienced challenges with voter rolls due to summer employees.

Senator Kaufman wondered about drop boxes and asked about what might be in the bill.

Ms. Beecher responded that under the bill every region (there were five regions) would be required to have a drop box.

Senator Kaufman asked Ms. Beecher to repeat her answer.

Ms. Beecher relayed that the bill required drop boxes in each of the five regional locations.

Senator Kaufman asked if the bill only required a drop box in each of the five regions.

Ms. Beecher agreed.

[9:44:40 AM](#)

Senator Kiehl was curious about notices sent to inactive voters, and applying for the PFD being considered as sufficient voter action to remain on the list. He asked if Section 9 of the bill would address the issue.

Mr. Dunsmore replied in the affirmative.

Senator Kaufman asked about the cost of maintaining drop boxes.

Ms. Beecher replied that the fiscal note reflected an anticipated \$23,000 for the five drop boxes. There were also shipping costs and storage costs to store the drop boxes. The total was estimated to be \$30,000 for the additional purchase, with some costs ongoing.

[9:46:56 AM](#)

TOM STEWART, DIRECTOR OF POLICY, SECURE DEMOCRACY USA, BALTIMORE (via teleconference), spoke in support of the bill. He supported the CS from the Senate State Affairs Committee. He stressed that strengthening election security and improving voter freedoms were not mutually exclusive and were necessary to build public trust. His organization had worked with the legislature in a bipartisan manner since 2022 to review and pose improvements to election administration and voting integrity. He thought the bill would ultimately improve Alaska's trust and confidence in

future elections. He highlighted provisions such as list maintenance practices to help keep voter rolls accurate, improved voter registration practices, strengthened ballot tracking, speeding up reporting of results, and creating a uniform statewide ballot cure process.

Mr. Stewart referenced further bill provisions that would strengthen the election process. He discussed elimination of the witness signature requirement, which he considered was unfair in its application and disenfranchised rural and senior voters disproportionately. He thought there were better ways to verify voters.

[9:51:00 AM](#)

Co-Chair Hoffman OPENED public testimony.

[9:51:19 AM](#)

KENDRA KLOSTER, DIRECTOR OF GOVERNMENT RELATIONS, ALASKA FEDERATION OF NATIVES, ANCHORAGE (via teleconference), testified in support of the legislation. She noted that the Alaska Federation of Natives (AFN) was the largest native organization in the state. She discussed AFN's support of accessible elections and expressed concerns about voter disenfranchisement. She noted that the state had no ballot curing process. She mentioned proposed voter reforms supported by AFN, which would provide easier access. She cautioned for provisions that could limit access, such as repealing automatic voter registration. Additionally, she expressed concern about the idea of not counting votes received after election day. She mentioned mail difficulties, rural areas, and military members.

Co-Chair Stedman wondered if AFN saw a high correlation between Western Alaska and small towns in Southeast dealing with uncounted ballots due to lack of witness signature. He wanted to get a sense of the magnitude of the issue.

Ms. Kloster replied that she could provide a breakdown that she would send to the committee. In 2024's general election there was about an 8 percent rejected rate for mission signatures. Districts 38, 39, and 40 had an even higher rejected rate of about 14 percent.

[9:55:31 AM](#)

RANDY RUEDRICH, SELF, ANCHORAGE (via teleconference), spoke against the bill. He had worked on state elections for many years. He recounted that in 2001 there had been more people registered in the state of Alaska than there were of voting age. He thought the problem had been present for some time. He did not think automated voter registration created the problem. He discussed residency and pondered a "snowbird law" and a "dropout law." He thought it was nonsensical to expect voters that moved to return to the same residence.

Mr. Ruedrich discussed the witness signature requirement. He did not support elimination of the witness signature requirement. He considered the number of witness signature challenges in the 2024 election, which he did not think were numerous. He thought there was a complete mischaracterization of the problem with the required witness signature. He did not think the state needed a ballot cure process. He supported an election day deadline for ballots.

[10:01:56 AM](#)

MIKE GARVEY, POLICY DIRECTOR, AMERICAN CIVIL LIBERTIES UNION ALASKA, ANCHORAGE (via teleconference), spoke in support of the legislation. He thought the bill would help uphold the voting rights of Alaskans and improve the integrity of elections. He supported repealing the witness signature requirement and establishing a ballot curing system. He discussed the ballot curing provision. He cited data from the Division of Elections that indicated that in the 2024 general election, 242 ballots were rejected in districts of the committee members. He noted that the Alaska Superior Court recently ruled that the responsibility to implement a ballot curing system fell to the legislature. He thought counting every eligible vote was essential.

[10:04:53 AM](#)

BARBARA WARNER, EXECUTIVE DIRECTOR, NATIONAL VOTE AT HOME INSTITUTE, PORTLAND (via teleconference), testified in support of the bill. She thought the bill would expand access to mail ballots and the systems that supported voters' confidence in them. She discussed best practices proposed in the bill including eliminating the witness signature requirement, implementing ballot tracking and curing, providing drop boxes and prepaid postage for

returning ballots, and allowing for pre-processing of ballots for election day. She supported adding a provision to allow for a single sign-up, which would allow for voters to receive all mail-in ballots going forward. She thought the single sign up resulted in significant cost savings. She discussed the popularity of mail-in ballots. She referenced a resolution by the Anchorage Assembly that allowed for mail-in ballots.

Co-Chair Hoffman CLOSED public testimony.

[10:09:09 AM](#)

Senator Kiehl reviewed the fiscal notes. He listed a zero fiscal note from the Department of Administration, Alaska Public Offices Commission, OMB Component 70.

Senator Kiehl addressed FN 3 from the Office of the Governor, Division of Elections, OMB Component 21. The note did not show a cost for FY 26, but showed an FY 27 cost of \$338.8 thousand in UGF for one full-time position and five temporary positions. In the out years, the division levelized the even and odd years for an average of \$290.1 thousand. The one full-time position was constant, and the temporary positions were for every other year.

Senator Wielechowski thanked the committee.

[10:10:37 AM](#)

AT EASE

[10:11:08 AM](#)

RECONVENED

SB 64 was HEARD and HELD in committee for further consideration.

[10:11:20 AM](#)

AT EASE

[10:13:13 AM](#)

RECONVENED

#sb92

SENATE BILL NO. 92

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

[10:13:44 AM](#)

CATHY GIESSEL, SPONSOR, introduced the legislation. She discussed the presentation, "SB 92 version S S-Corporation Tax Structure" (copy on file). She pointed to slide 2:

C Corporations are taxed separately from their owners, meaning they pay taxes on their profits and then the shareholders pay taxes again on any dividends they receive.

S Corporations pass their profits and losses directly to their shareholders' personal tax returns, avoiding the perceived "double taxation" seen with C Corporations. S Corporations were created in the tax code on January 1, 1958.

There are specific requirements and restrictions for an entity to qualify as an S Corporation:

- Does not have more than 100 shareholders
- Does not have a shareholder who is not an individual (with the exception for various tax-exempt organizations, estates and trusts)
- Does not have a nonresident alien as a shareholder
- Does not have more than one class of stock (DCCED, Div of Corp, business & prof licensing)

There are 11,700 S Corporations registered in Alaska. (Alaska Department of Revenue Indirect Expenditure Report 2024)

Senator Giessel pointed to slide 3, "Limited Liability Companies":

Limited Liability Company (LLC) were first introduced in Wyoming in 1977, but did not catch on until the 1990s. A limited liability company is a legal business entity, considered its own "person" by law, which exists separate from its members. An LLC shares the limited liability features of a corporation but has the management and tax efficiencies of a partnership. Members' liabilities are limited to their financial contributions meaning an individual members' liability

is only extends to what they contribute to the LLC. Limited liability does not shield owners of the LLC from negligence liability.

LLCs have an array of tax options. For example, members may file taxes as one of the following, but not limited to:

- Single member LLC taxed as Sole Proprietorships (Sole Prop)
- Partners in an LLC taxed as a Traditional Partnership (LLP)
- LLC taxed as a Corporation, including S Corporations or C Corporations (S-Corp, C-Corp)

LLCs can elect to be taxed as S Corporations if they meet the requirements, but they have more flexibility in structure and management compared to traditional S Corporations. So, if an LLC opts for S Corporation status, it's taxed similarly to other S Corporations, but with the added flexibility of the LLC framework.

According to the Department of Commerce, Community and Economic Development, as of 2024, there are 67,133 active LLCs registered in Alaska. This number can fluctuate with new formations and dissolutions

[10:17:39 AM](#)

Senator Giessel highlighted slide 4, "Alaska Linkage to Federal Code":

Federal Code Linkage: Alaska generally follows federal tax rules for federal tax purposes but does not have its own state income tax code. Instead, Alaska uses federal tax rules as a basis for compliance and reporting for businesses operating within the state. This means that while there's no separate state income tax code, businesses and individuals must adhere to federal tax regulations for their federal tax filings.

Both S Corporations and LLCs enjoy similar tax treatments in Alaska due to the state's lack of a state income tax.

Individual Income Tax Repeal: Alaska originally implemented an individual income tax in 1949. However, this income tax was repealed in 1979. The repeal came as a result of the state's new revenue source, the

Alaska Permanent Fund, which was established to manage oil revenues. The creation of the Permanent Fund reduced the need for individual income taxes.

Senator Giessel looked at slide 5:

AS 43.20.021

Current Statutes for companies filing as S Corporations

- "Under Alaska's adoption of the Internal Revenue Code [AS 43.20.021], corporations that have elected S Corporation status are generally not subject to tax.
 - Prior to 1980, the stakeholders' share of income was subject to Alaska's personal income tax.
 - Since the 1980 repeal of the state's personal income tax, the income is taxed neither at the corporate level nor at the shareholder level"
- Legislative Finance Division Indirect Expenditure Report January 2021

Senator Giessel looked at slide 6, "Nine States - No Personal Income Tax":

- Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming
- 14 states have a flat tax rate
- 27 have graduated rates similar to the federal tax system.

Senator Giessel highlighted slide 7, which showed the current structure for C-corporations, which were taxed based on profits. The shareholders were also taxed via personal tax on profits.

Senator Giessel pointed to slide 8, which showed what was proposed in the bill for S-corporations that were engaged in the oil and gas industry. There was a \$5 million credit (or deduction) for any taxes under \$5 million. At \$5 million or more, a company would fall under the top bracket of 9.4 percent. She thought the tax credit was significant went compared to C-corporations tax credit of \$222,000.

[10:21:24 AM](#)

Senator Giessel addressed slide 9, which showed a January 2021 indirect expenditure report from the Legislative Finance Division. In the report, the various taxes and sources of revenue were evaluated. The edition pictured made the suggestion that the S-corporation loophole be terminated. She read the statement from the report:

Without a state personal income tax, these corporations receive the legal benefits of incorporation without any state tax liability.

Senator Giessel discussed slide 10, which showed information presented by Department of Revenue (DOR) Commissioner Linda Mahoney. She recalled that Co-Chair Stedman and Senator Kiehl were part of the legislature's Fiscal Policy Working Group in 2021, which had proposed taxing oil and gas pass-through entities at the same rate as the current corporate income tax on C-corporations. She emphasized that what the bill proposed was not a new idea.

Senator Giessel spoke to slide 11, which showed a page from the state's latest revenue forecast. The page showed petroleum corporate income tax on C-corporations. She mentioned ConocoPhillips and Exxon Mobil. In FY 24, the tax amount was \$210 million. In FY 25 it was forecast to be \$190 million and in FY 26 it was estimated to be \$230 million. She explained that the tax was a substantial revenue for the state.

Senator Giessel displayed slide 12, which showed a table comparing Alaska Taxable Income and Tax Owed between C-corporations and S-corporations. She emphasized that DOR was restricted through confidentiality requirements to not be able to disclose how many S-corporations in the state would be liable under the bill for tax revenue. The Senate Resources Committee had asked a Certified Public Accountant (CPA) what it would look like to apply the provisions of the bill to a company making \$1 billion in profits. She noted that the CPA was available to present the calculations to the committee.

[10:26:21 AM](#)

Senator Giessel pointed to slide 13, "Hilcorp investment locations." She noted that Texas and Wyoming were the two states other than Alaska that did not have personal income tax. The chart on the slide came from the website of a

large S-corporation (Hilcorp) operating in the state in the oil and gas industry. The chart showed the six locations in which Hilcorp did work, and reflected state and local taxes paid, number of barrels per day, gross acres of production, and other information. She noted that Alaska was at the bottom of the chart and had "N/A" listed under "state and local taxes paid."

Senator Giessel thought the argument had been stated that if the tax was updated it would be incredibly burdensome for the state's S-corporations because of the challenging and expensive environment. She noted that the average royalty in Texas fields was over 20 percent, while Alaska's royalty rate was 16.6 percent and 12 percent. She thought it had been stated that it was ten times more expensive to work in Alaska, while others had confirmed that total costs were closer to two times higher. She thought many of the companies were invested in all three of Alaska's oil producing regions. She mentioned companies' investment in different parts of the state, and the lack of information available due to DOR's confidentiality restrictions.

[10:30:26 AM](#)

Co-Chair Stedman thought it would be helpful for the committee to look at the matter from a different perspective than offered by the sponsor. He suggested looking back to the passage of SB 21, a major oil and gas tax reorganization bill passed in 2013. At the time, the legislature had considered the net revenue for the state and federal government. In considering the sharing relationship with the industry, the state's share was comprised of four major components of corporate income tax, property tax, royalties, and severance tax. Corporate income tax had a smaller weighting than the other components. He thought corporate income tax was not discussed much as it was mostly static. The three major players in the state had been ExxonMobil, ConocoPhillips, and BP.

Co-Chair Stedman continued that as BP phased out of the state, it sold to Hilcorp, which was an S-corporation. The state had hypothetically lost a third of the corporate income tax, which had reduced the state's share and created an imbalance. He pondered the marginal benefit of losing the revenue with the marginal increase in production that Hilcorp brought to the state with its lower overhead and

more nimble production. He thought there was an undeniable increase in marginal production since Hilcorp was present. He pondered the net benefit between the lost revenue and new production. He thought corporate income tax was a few hundred million. He pondered how to calculate the net gain and loss. He mentioned the perceived instability from changing the tax structure.

Co-Chair Hoffman agreed.

[10:36:23 AM](#)

Senator Giessel replied that the Senate Resources Committee had asked the Department of Natural Resources (DNR) to come to the table, which it had. The agency had compared (at \$68/bbl) the difference in revenue and pointed out there would be a 2 percent decrease in producer take home, which would equate to a .40 cent decrease in take home per barrel at the same oil price with state corporate income tax put in place. She noted that DNR had more extensive slides that the committee would find of interest. She thanked Co-Chair Stedman for his ideas.

Senator Kaufman pondered the net total return and whether the bill incentivized or disincentivized production. He agreed with Co-Chair Stedman's perspective.

Senator Kiehl thought it was difficult to set tax policy by looking at the past. He considered the category of those that paid taxes and taxing those in the same category the same. He pondered if the category should be oil and gas companies or should rather be corporate structure or investment activity. He thought of C-corporations that were investing heavily and would be paying the tax. He posed the question of how to look at the category of taxation.

[10:39:20 AM](#)

Senator Giessel thought it would be difficult to attempt to reach an equal or fair tax between C-corporations and S-corporations. She reminded that corporations paid the tax as an entity, and shareholders also paid taxes on dividends. She noted that S-corporations received a \$5 million credit before any tax liability. She pointed out that it was the purview of the committee to change the bill in any way it wished. She noted that the bill included entities that were in the transportation industry. She used

the hypothetical of a C-corporation with subsidiaries, which would be unitized and not taxed separately. She noted that there were more complex facets of the bill than were presented.

Co-Chair Hoffman offered a hypothetical situation and considered what the committee would do if Conoco and Exxon became S-corporations. He thought the answer was clear, and in light of the hypothetical consideration, he was in support of the legislation.

[10:42:20 AM](#)

AT EASE

[10:43:46 AM](#)

RECONVENED

Co-Chair Hoffman relayed that the committee would hear invited testimony from the CPA referenced by Senator Giessel.

[10:44:14 AM](#)

JOHN LETOURNEAU, CERTIFIED PUBLIC ACCOUNTANT, THOMAS HEAD AND GREISEN, ANCHORAGE (via teleconference), addressed the legislation. He discussed the presentation, "CSSB 92(RES)S: Tax analysis" (copy on file), which was designed to illustrate the hypothetical situation of two similarly situated companies that had the same amount of taxable income but were taxed as a C-corporation and an S-corporation.

Mr. Letorneau looked at slide 2, which showed that for \$1 billion of federal taxable income, under current law a C-corporation would pay the state \$93 million while an S-corporation would pay nothing.

Mr. LeTourneau looked at slide 3, which showed the total gross income tax liability paid at the corporate level for C-corporations (\$93,990,150) versus S-corporations (\$0).

Mr. LeTourneau spoke to slide 4, which illustrated the impact of the bill as proposed with the hypothetical \$1 billion in taxable income and a C-corporation would pay almost \$94 million, and an S-corporation would pay slightly less, with the difference being the impact of \$5 million exemption.

Senator Kaufman wondered about the term, "loophole." He asked if the present tax policy was a loophole. He asked Mr. LeTourneau to discuss the concept.

Mr. LeTourneau replied that in tax parlance, a loophole was a benefit that someone received that another person does not receive. He used the example involving a person choosing a state of residence due to tax reasons.

Senator Kaufman wondered why the term "loophole" was used when the committee was discussing tax policy that was already in place. He pondered if the state wanted production, and what was it doing to enhance production and the total return. He did not know if using the term "loophole" was on the right track.

[10:48:54 AM](#)

Co-Chair Hoffman OPENED public testimony.

DOUG WOODBY, SELF, JUNEAU, supported the bill. He reasoned that the bill honored the constitution in telling the legislature to make sure the public received the maximum revenue for its resources. He thought the state needed the revenue badly. He noted that he was a grandfather with grandchildren in the Juneau school system. He thought the public school system was hurting.

[10:50:19 AM](#)

KARA MORIARTY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALASKA OIL AND GAS ASSOCIATION, JUNEAU, spoke against the legislation. She discussed the Alaska Oil and Gas Association (AOGA), which advocated for the long-term viability of the oil and gas industry. She relayed that AOGA firmly opposed targeted taxes, and thought the bill imposed a discriminatory and retroactive tax on select entities in the industry. She thought the legislation was trying to tax one company in particular and overlooked the company's efforts to increase production on the North Slope. She thought the bill undermined investor confidence in the state's fiscal stability. She thought the bill needed more modelling and analysis to know the full impact. She argued that the construction of the bill created confusion and ambiguity. She mentioned further technical

concerns with the bill. She offered to return to share the concerns in more detail at a future meeting.

10:54:07 AM

LEILA KIMBRELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, RESOURCE DEVELOPMENT COUCIL, JUNEAU, testified against the bill. She relayed that the Resource Development Council (RDC) was a non-profit trade association representing multiple industries. She asserted that RDC had long advocated that responsible fiscal policy, meaningful spending limit, a diverse private sector, and stable tax policies were critical for maintaining competitiveness for all industries. She contended that the bill unfairly targeted certain S-corporations and only one company. She thoguht the bill was retroactive and discriminatory and raised legal and constitutional issues. She thought the legislature should consider how the bill affected future development and the state's long-term competitiveness. She suggested that the bill threatened investment and opportunity in the state and would ultimately result in decreased jobs and revenue for the state.

Co-Chair Hoffman relayed that he would reopen the public hearing at a later time.

Co-Chair Hoffman CLOSED public testimony.

SB 92 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

10:57:04 AM

The meeting was adjourned at 10:57 a.m.