

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

February 19, 2025

3:30 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Matt Claman  
Senator Forrest Dunbar  
Senator Scott Kawasaki  
Senator Shelley Hughes  
Senator Robert Myers

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

SENATOR Kelly Merrick  
Representative Elexie Moore  
Representative Jubilee Underwood

**COMMITTEE CALENDAR**

SENATE SPECIAL CONCURRENT RESOLUTION NO. 1  
Disapproving Executive Order No. 136.

- MOVED SSCR 1 OUT OF COMMITTEE

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."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SSCR 1

SHORT TITLE: DISAPPROVE EO 136

SPONSOR(s): RULES

01/27/25	(S)	READ THE FIRST TIME - REFERRALS
01/27/25	(S)	RES, FIN
02/19/25	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 92

SHORT TITLE: CORP. INCOME TAX; OIL & GAS ENTITIES

SPONSOR(s): YUNDT

02/10/25 (S) READ THE FIRST TIME - REFERRALS  
02/10/25 (S) RES, FIN  
02/19/25 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

DUNCAN FIELDS, President  
Kodiak Livestock Co-op  
Kodiak, Alaska

**POSITION STATEMENT:** Testified in support of EO 136.

SENATOR ROBERT YUNDT, District N  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 92.

RYAN MCKEE, Staff  
Senator Robert Yundt  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the sectional analysis for SB 92.

DAN STICKEL, Chief  
Tax Economic Research Group  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on SB 92.

MICHAEL WILLIAMS, Manager  
Corporate Tax Division  
Department of Revenue (DOR)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on SB 92.

**ACTION NARRATIVE**

[3:30:25 PM](#)

CHAIR GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Dunbar, Myers, Kawasaki, Wielechowski and Chair Giessel. Senators Hughes and Claman arrived immediately thereafter.

**SSCR 1-DISAPPROVE EO 136**

**EO-136 - ESTABLISH DEPT OF AGRICULTURE**

[3:31:12 PM](#)

CHAIR GIESSEL announced the consideration of SENATE SPECIAL CONCURRENT RESOLUTION NO. 1 Disapproving Executive Order No. 136.

CHAIR GIESSEL read the resolution:

[Original punctuation provided.]

**SENATE SPECIAL CONCURRENT RESOLUTION NO. 1  
IN THE LEGISLATURE OF THE STATE OF Alaska  
THIRTY-FOURTH LEGISLATURE - FIRST SESSION**

BY THE SENATE RULES COMMITTEE

Introduced: 1/27/25 Referred: Resources, Finance

**A RESOLUTION**

Disapproving Executive Order No. 136.

**BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**WHEREAS** the governor, under authority of art. III, sec. 23, Constitution of the State of Alaska, has proposed in Executive Order No. 136, to establish a Department of Agriculture and transfer functions relating to agriculture that are currently performed by the Department of Natural Resources to the newly established Department of Agriculture; and

**WHEREAS** art. III, sec. 23, Constitution of the State of Alaska, provides that unless disapproved within 60 days of a regular session by resolution concurred in by a majority of the members of the legislature in joint session, an executive order becomes effective at a date designated by the governor; 11

**BE IT RESOLVED** by the Alaska State Legislature that Executive Order No. 136 is disapproved.

[3:33:17 PM](#)

CHAIR GIESSEL opened public testimony on SSCR 1.

[3:33:49 PM](#)

DUNCAN FIELDS, President, Kodiak Livestock Co-op, Kodiak, Alaska, testified in support of EO 136. He said the co-op, which operated a slaughter facility and included most local livestock raisers, has had a good working relationship with the [Department of Natural Resources (DNR)], Division of Agriculture but noted that funding has often been insufficient due to the division's low priority within the Department of Natural Resources. Despite concerns about costs, as indicated by a zero fiscal note, the co-op advocated for the creation of a separate department to support the agriculture industry in Alaska.

[3:35:16 PM](#)

CHAIR GIESSEL thanked Mr. Fields and sought to clarify that the zero fiscal note [from the Department of Natural Resources, OMB Component Number 0, dated February 18, 2025] was for SSCR 1 and that EO 136 had a [Statement of Cost, dated February 11, 2025] for \$2.7 million.

[3:36:06 PM](#)

CHAIR GIESSEL closed public testimony on SSCR 1.

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CHAIR GIESSEL solicited the will of the committee.

[3:36:18 PM](#)

SENATOR WIELECHOWSKI moved EO 136 with individual recommendations be reported from committee and SSCR 1, work order 34-LS045\A with individual recommendations and attached fiscal note(s) be reported from committee for further consideration in the Senate.

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SENATOR HUGHES objected.

[3:36:39 PM](#)

CHAIR GIESSEL invited Senator Hughes to speak to her objection.

[3:36:44 PM](#)

SENATOR HUGHES emphasized the once in a multi-generational opportunity to establish a Department of Agriculture, citing its potential benefits and cost-effectiveness compared to existing departments. She highlighted support from producers and the Alaska Food Strategy Task Force, noting the department's potential to contribute to the state's GDP and address new agricultural opportunities due to climate change.

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SENATOR HUGHES discussed the limitations of the current Division of Agriculture. She said the current commissioner indicated that he could not handle the 35 or 36 recommendations from the task force due to other priorities within his department. She emphasized the importance of having a seat at the cabinet table for future governors, emphasizing the long-term benefits.

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SENATOR HUGHES argued that petty politics should not hinder the establishment of the Department of Agriculture, citing past support from legislators and the importance of supporting farmers and ranchers. She noted federal support for locally grown nutritious food and the potential for exports to countries like Japan.

SENATOR HUGHES suggested delaying the establishment of the Department of Agriculture could put Alaska in a disadvantageous position in the future and said it was an issue of life and safety, arguing that good, nutritious food was essential for community health and education. She argued against comparing the Department of Agriculture to education funding, stating that the Department of Agriculture was crucial for providing nutritious food for children in schools.

SENATOR HUGHES reiterated the small financial impact of the Department of Agriculture and the tremendous bipartisan support it had in the public. She said she hoped members would not let petty politics prevent the establishment of the Department of Agriculture, emphasizing its long-term benefits.

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SENATOR CLAMAN raised a point of order. He objected to references to "petty politics", and said it impugned the motives of other members of the committee and the legislature.

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SENATOR HUGHES urged members to consider what was best for Alaskans and the [agriculture] industry, a responsive and efficient system to remove barriers and coordinate activities like transportation and product movement. She concluded by stating she would vote against moving the rejection out of committee.

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CHAIR GIESSEL recognized the presence of Senator Kelly Merrick, Representative Elexie Moore and Representative Jubilee Underwood in the audience.

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SENATOR WIELECHOWSKI clarified that voting to move [SSCR 1] out of the committee was not a rejection of [EO 1] but a necessary step to send it to the Finance Committee. He explained the unique constitutional structure that allows for a joint vote. He emphasized that 13 positions created by EO 1 were not related to farming but were part of a new bureaucracy within the government. He highlighted the significant fiscal note attached to EO 1, amounting to \$2.7 million to start, with expected additional costs of millions more in following years. He pointed out the \$500 million deficit expected in the next two years and the Finance Committee's scrutiny of bills with fiscal notes. He said there was a possibility he would vote for [EO 1] in the end but stressed the importance of evaluating the financial implications first. He concluded by urging members to support the motion's referral to the Finance Committee.

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SENATOR CLAMAN said he would be voting to move [SSCR 1] to the Finance Committee. He also said it would be appropriate for a joint session to take up. He said supporting [SSCR 1] or voting not to support a Department of Agriculture was not equivalent with a lack of support for the [agriculture] industry in Alaska. He pointed out that current initiatives proposed and presented to the legislature would be supported by the current [Division of Agriculture] structure. He urged passing [SSCR 1] to the next committee.

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SENATOR KAWASAKI noted his participation in the Food and Farm Caucus and said creating a Department of Agriculture was often discussed; he emphasized the complexity of creating a new department. He noted that he had co-sponsored a bill introduced by Representative Thompson in 2011, and he supported an agriculture department separate from the current DNR structure. He argued that the creation of a new department should be debated in a deliberative committee setting rather than on the floor of the house or during a joint session. He expressed support for advancing the issue to the Finance Committee for further consideration.

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SENATOR HUGHES relayed clarification from the Farm Bureau that the administrative positions referred to in the Statement of Cost for EO 136 would be relieved of administrative duties that they now do to increase their opportunity to focus on the producers. She said the deputy commissioner and commissioner [of

the new department] would be focused on working with the producers and the ranchers rather than on administration.

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CHAIR GIESSEL found the objection was maintained and asked for a roll call vote.

A roll call vote was taken. Senators Dunbar, Claman, Wielechowski, Kawasaki and Giessel voted in favor of reporting SSCR 1 with individual recommendations and attached fiscal note from committee for further consideration and Senators Myers and Hughes voted against it. The vote was 5:2.

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CHAIR GIESSEL announced that EO 136 and SSCR 1 were reported from committee on a vote of 5 yeas and 2 nays.

**SB 92-CORP. INCOME TAX; OIL & GAS ENTITIES**

[3:51:04 PM](#)

CHAIR GIESSEL announced the consideration of 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."

CHAIR GIESSEL gave an overview of S corporations in Alaska. She pointed to the Department of Commerce, Community and Economic Development (DCCED), Division of Corporations, business and professional licensing website for a definition of S corporations: small business entities that opt to be taxed under subchapter S of the Internal Revenue Code.

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CHAIR GIESSEL continued with her overview of S corporations in Alaska and explained that S corporations do not pay federal income taxes; instead, taxes are levied on shareholders based on their ownership percentage. She listed some of the criteria to qualify as an S corporation.

[3:53:21 PM](#)

CHAIR GIESSEL said Alaska adopted the federal tax code when it became a state eliminated and eliminated its personal income tax in 1980. This meant that S corporations were no longer subject to corporate income tax. S corporations were relatively rare at the time but have since become quite common in Alaska and elsewhere and the resulting tax structure surrounding these entities became known as the S corporation loophole. She said closing the S corporation loophole has been recommended since

2014, including a recent recommendation in the Department of Revenue's January 2021 Indirect Expenditure Report for the state. The Department of Revenue estimated that over fiscal years 2022 and 2023, Alaska lost \$194 million in revenue due to this loophole.

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CHAIR GIESSEL noted that the owners of S corporations, typically high-income earners, usually own large companies and pay the top marginal income tax rate to the federal government. She said the owners would benefit from a 37 percent reduction in federal income taxes if the loophole were closed. She mentioned a [August 28,] 2019 news article by KTUU which reported the lost revenue for the State of Alaska resulting from the sale of British Petroleum's leases on the North Slope to HilCorp [a privately owned S corporation].

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CHAIR GIESSEL explained that this background information was intended to provide history about the impacts of S corporations on Alaska as they were the subject of SB 92.

[3:58:07 PM](#)

CHAIR GIESSEL invited Senator Yundt to introduce SB 92.

[3:58:32 PM](#)

SENATOR ROBERT YUNDT, District N, Alaska State Legislature, Juneau, Alaska, Sponsor of SB 92 paraphrased the sponsor statement:

[Original punctuation provided.]

#### **Sponsor Statement**

Senate Bill 92 works to level the playing field and ensure that all oil companies that come to Alaska to extract our mineral wealth are charged at the same rate regardless of whether they are designated as an S corporation or a C corporation. The new 9.4 percent tax would apply only to entities making over \$5 million in profits from oil production or pipeline transportation. Other S corporations operating in Alaska that do not work in oil production or transportation would not be included in SB 92.

[3:59:06 PM](#)

SENATOR YUNDT said closing the unintentionally created, decades old loophole pertaining to S corporation oil developers and gas

developers would only apply to entities making over \$5 million in profits from oil and gas production or pipeline transportation. He emphasized that other S corporations operating in Alaska that do not work in oil and gas production or pipeline transportation would not be included in SB 92.

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SENATOR YUNDT said he filed SB 92 before he received a response from the Department of Revenue (DOR). He said it was not personal and he was not attacking any one company. He said everyone should be treated the same. He expected to review numbers from the DOR and he emphasized that the discussion would be about real money with real impacts to average Alaska families. He advocated for the public [legislative] process.

CHAIR GIESSEL clarified witness availability with the sponsor of SB 92 and recommended the presentation of the sectional analysis for SB 92.

[4:02:45 PM](#)

RYAN MCKEE, Staff, Senator Robert Yundt, Alaska State Legislature, Juneau, Alaska, provided the sectional analysis for SB 92:

[Original punctuation provided.]

### **Sectional Analysis SB 92**

#### **Section 1: Tax on income attributable to a qualified entity; energy and electrical grid projects or upgrades fund**

This section establishes a tax on business entities making profits in state on petroleum production or pipeline transportation that are not established as C corporations (C-corps) for tax purposes under Internal Revenue Service (IRS) tax code. Sole proprietorships, partnerships, entity's that has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Internal Revenue Code); must pay a tax of 9.4 percent annually mirroring the percent tax that C-corps pay to the state, but only on profits over \$5 million.

The Commissioner of Revenue shall aggregate the taxable income of two or more entities when their income could be reasonably attributable to a single entity.

And finally, revenue from the tax is deposited into a fund for use on energy and electrical grid projects or upgrades.

**Section 2:** Deletes the word "**corporation**" and replaces it with "**taxpayer**" as it relates to the IRS reporting requirements.

**Section 3:** changes "**corporation**" to "**taxpayer that**" and "**or entities that**" as relates to taxable activity both inside and outside the state.

**Section 4:** deletes "**corporation**" and adds "**taxpayer**" and "**entities**" as it relates to reporting requirements to the IRS.

**Section 5:** deletes "**corporation**" and adds "**taxpayer**" as it relates to what shall be excluded when computing taxable income for the "**taxpayer**".

**Section 6:** deletes "**corporation**" and adds "**taxpayer**" as it relates to dividends and royalties taxable to a "**taxpayer**".

**Section 7:** deletes "**corporation**" and adds "**taxpayer**" as it relates to a "taxpayer" failing to comply with this chapter.

**Section 8:** Deletes "**corporation**" and adds "**an entity**" as it relates to tax obligations from royalty agreements with the Alaska Legislature per AS 43.82.

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MR. MCKEE continued to present the sectional analysis for SB 92:

**Section 9:** Amends the uncodified law of the State of Alaska by adding a new section that reads as follows; "APPLICABILITY. This Act applies to an entity with qualified taxable income over \$5,000,000 for a tax year beginning on or after January 1, 2025."

**Section 10:** Amends the uncodified law of the State of Alaska by adding a new section related to the transition, payment of tax.

**Section 11:** Amends the uncodified law of the State of Alaska by adding a new section related to retroactivity of regulations.

**Section 12:** Sets a retroactive date to January 1st 2025

**Section 13:** Set the effective date.

[4:06:09 PM](#)

SENATOR DUNBAR asked for clarification of the fiscal note from the Department of Revenue (DOR), OMB Component Number 2476, dated February 14, 2025. He noted that there was a \$180 million increase anticipated for FY 2026 as a result of SB 92. He asked for clarification regarding calendar year and fiscal year calculations.

[4:07:08 PM](#)

DAN STICKEL, Chief, Tax Economic Research Group, Department of Revenue (DOR), Juneau, Alaska, explained that SB 92 as currently written would be retroactive to January 1 of 2025. DOR assumed that all revenues for calendar 2025 associated with SB 92 would be received in fiscal year 2026, probably as a true-up payment when 2025 annual returns were filed. He said the fiscal year 2026 estimate, if the bill were to be effective July 1, 2025, would be about \$133 million. The additional \$53 million estimated revenue was for the period January through June of 2025.

[4:08:05 PM](#)

SENATOR DUNBAR noted that the drop in anticipated revenue between FY 26 and FY 27 was not because of an anticipated drop in [oil and gas] production, but because of the timing [of SB 92's effective date]. He asked how much production tax was paid or would be paid [in FY 26] by entities that would be included in the withdrawal from the current exemption.

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MR. STICKEL said he could not speak to specific entities due to taxpayer confidentiality. However, he explained that about two-thirds of production comes from C corporations, specifically 65 percent for fiscal year 2026, with this share expected to increase. He said a ballpark estimate for the production tax forecast for fiscal year 2026 is \$441 million, with the implication that non-C corporations contribute the remaining one-third of the production tax.

[4:10:32 PM](#)

SENATOR DUNBAR asked whether \$441 million was the production tax paid by all entities or just by C corporations.

[4:10:44 PM](#)

MR. STICKEL said \$441 million was the fall 2024 forecast for production tax from all entities.

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SENATOR DUNBAR noted that one-third [of \$441] was about \$150 million, the amount forecast to be paid by current S corporations [if SB 92 passed]. He said S corporations appear to pay about 40 percent less in taxes than [C corporations]. He emphasized the scale of the legal distinction [between S corporations and C corporations] and the potential impact of SB 92.

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SENATOR WIELECHOWSKI asked DOR which entities would be affected by SB 92.

[4:12:38 PM](#)

MR. STICKEL deferred the question to a DOR technical expert.

[4:13:06 PM](#)

MICHAEL WILLIAMS, Manager, Corporate Tax Division, Department of Revenue (DOR), Anchorage, Alaska, referred to SB 92, Section 1, subsection (e) which identified the entities targeted by SB 92, any entity operating as a sole proprietorship partnership as defined under 26 USC, 1361.

[4:13:47 PM](#)

SENATOR WIELECHOWSKI asked for the names of those entities.

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MR. WILLIAMS said those were the qualified entities under SB 92, but he could not name any entities specifically. He said he was limited under the provisions of AS 43.05.320 to speak about the entities generally, but not specifically. He reiterated that the entities defined under the [federal] Internal Revenue Code were operating as either sole proprietorship partnership or an S corporation.

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SENATOR WIELECHOWSKI stated that it was not known which entity or entities would be affected by SB 92 or that DOR representatives were legally bound not to tell [legislators]. He asked whether DOR could tell the committee how much profit was made in Alaska by the entities which would be addressed by SB 92.

[4:15:11 PM](#)

MR. WILLIAMS said that figure was provided by Mr. Stickel as part of the estimate for revenue provided in the fiscal note. He said he could not speak to the profit otherwise.

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SENATOR WIELECHOWSKI acknowledged that the committee was provided a figure for the tax. He asked Mr. Stickel to provide the figure for the [estimated] profit.

[4:15:41 PM](#)

MR. STICKEL, providing for taxpayer confidentiality, explained that DOR took the existing corporate income tax forecast for the companies that were currently subject to the corporate income tax and extrapolated an estimated tax base that included the companies that would be added under SB 92. It was assumed the added companies would have a similar level of profitability on a per barrel equivalent of production basis.

[4:17:06 PM](#)

SENATOR MYERS asked why the Department of Revenue (DOR) was projecting a drop in revenue, reflected in the fiscal note by Department of Revenue (DOR), OMB Component Number 2476, dated February 14th, 2025.

[4:17:33 PM](#)

MR. STICKEL said the projected decrease had to do with the estimated share of production expected to come from C corporations versus non-C corporations. He said after fiscal year 2026 DOR expected a growing share of the total production to come from companies subject to the corporate income tax.

[4:18:04 PM](#)

SENATOR MYERS said the amount of tax an entity pays isn't determined by the level of production, but by the amount of money made. He said if one entity is producing more oil, it does not mean a neighboring entity would produce less. He asked for clarification about the projected tax drop.

[4:18:36 PM](#)

MR. STICKEL explained that DORs revenue forecasts reflect the expectation that production from non-C corporations would decline over the time horizon of the fiscal note.

[4:19:08 PM](#)

SENATOR CLAMAN asked Senator Yundt to which companies SB 92 would apply.

SENATOR YUNDT responded that it did not matter to him; any [company] that was not a C corporation that was pulling away a lot of the ground.

[4:19:31 PM](#)

SENATOR CLAMAN asked whether Senator Yundt expected SB 92 to apply to Hilcorp.

SENATOR YUNDT answered possibly.

[4:19:39 PM](#)

SENATOR CLAMAN asked for confirmation of his understanding that under the current structure, C corporations, whether in the oil business or in other sectors, pay the same taxes.

[4:20:32 PM](#)

MR. STICKEL deferred the question.

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MR. WILLIAMS clarified that his licensure was as an enrolled agent, like a CPA. He suggested that the question be re-phrased to ask whether the entities currently pay any corporate income tax. He said they do not because Alaska does not currently have a personal income tax. He said these were pass-through entities where the profits pass through to the shareholders and the shareholders bear the burden of any personal income tax at the federal level and at the state level. Because there is no [Alaska] state income tax, there is no state income tax for the shareholders of the entities.

[4:21:44 PM](#)

SENATOR CLAMAN clarified that his question was regarding C corporations rather than S corporations. He asked to compare a C corporation that is in the oil business and one that is not in the oil business. He noted that C corporations are taxed in Alaska and asked whether they would both be taxed the same, based on their profits.

[4:22:11 PM](#)

MR. WILLIAMS said C corporations in different businesses are taxed using different apportionment models. He affirmed that all C corporations do pay corporate income tax.

[4:22:42 PM](#)

SENATOR CLAMAN asked, under SB 92, would the S corporations in the oil and gas business pay corporate income tax while the S corporations in business other than oil and gas (continue) not pay corporate income tax.

[4:23:21 PM](#)

MR. WILLIAMS said it was his understanding that SB 92 was targeted only at oil and gas entities. He said any S corporation that was not an oil and gas producer, or transporter would not be subject to [corporate income tax].

[4:23:44 PM](#)

SENATOR CLAMAN posed a hypothetical for which a current S corporation has a single share-holder. He said that S corporations would not pay state [corporate income tax] but would pay federal tax on their personal tax returns. He asked whether that was correct.

MR. WILLIAMS said he was correct.

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SENATOR CLAMAN altered the hypothetical. He asked whether the state tax paid by an S corporation would directly reduce the shareholders' federal tax liability if the S corporation was included under the provisions of SB 92.

[4:25:06 PM](#)

MR. WILLIAMS said the entity would be responsible for the [state] tax liability, not the shareholder. He said the entity could take a deduction for state income tax on its federal tax return.

[4:25:29 PM](#)

SENATOR CLAMAN observed that the entity [S corporation] would be paying [corporate income] tax at the state level and the owner [shareholder of the entity] would pay [income tax] at the federal level. He asked whether the individual share-holder's federal tax obligation would be reduced by the equivalent amount the entity paid for state corporate tax.

[4:26:08 PM](#)

MR. WILLIAMS affirmed that the entity would deduct the tax paid to Alaska, lowering the distributable share of its income to the shareholder. The shareholder would then have less reportable income resulting in commensurate reduction in federal tax.

[4:26:39 PM](#)

SENATOR CLAMAN asked whether the reduction would be the exact same amount; for example, if [the entity] paid \$50 million to the state of Alaska, would the [shareholders] federal tax be reduced by \$50 million.

[4:26:58 PM](#)

MR. WILLIAMS said it would not be an exact dollar for dollar reduction because the deduction [for the individual shareholder] would be taken before computing federal taxable income.

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SENATOR HUGHES acknowledged the opening comments for SB 92 and clarified that the fiscal plan working group did not recommend the specific measure in question but only considered it as part of a broader package including a spending cap and budget control measures.

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SENATOR HUGHES requested a copy of the book referenced by the chair and emphasized the distinction between a recommendation and a consideration. She recalled a public panel discussion and questioned the sponsor of SB 92 about his apparent change in stance regarding oil taxes, particularly concerning Hilcorp. She inquired whether the sponsor consulted with major North Slope operators like Conoco, Exxon, Santos, and others before proposing the bill and suggested consultations did not occur.

[4:30:04 PM](#)

SENATOR YUNDT said he had no recollection of the referenced panel and asked that it be shared publicly.

[4:30:13 PM](#)

SENATOR HUGHES asked whether the sponsor of SB 92 was aware of independent modeling analysis on the consequences of passing SB 92. She noted potential impacts to specific companies, Alaska's economy, oil production, job growth, investment, and attracting other companies and businesses to the state.

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SENATOR YUNDT said he was not aware of any and he looked forward to reviewing the results of modeling as part of the public [legislative] process.

[4:31:00 PM](#)

CHAIR GIESSEL affirmed that there would be modeling and referred to a presentation by Commissioner Lucinda Mahoney, Department of Revenue (DOR), on August 10, 2021, in which the commissioner cites concern about \$67 million pass-through tax consequences for FY 2022. She also noted that British Petroleum (BP) Alaska concurrently reported paying \$804 million in taxes and royalties to the state of Alaska in 2018. She acknowledged the sum included production taxes and royalties.

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SENATOR WIELECHOWSKI, with permission from the chair, quoted DOR Commissioner Lucinda Mahoney, August 5, 2021: "These are some of the revenue options that the governor would support, as long as there was support from the legislature. Some of our oil and gas producing companies are not paying corporate income taxes due to the way their legal structure is set up. We are proposing that those entities begin to pay corporate income taxes and establish parity in the oil industry."

[4:32:41 PM](#)

SENATOR WIELECHOWSKI addressed Department of Revenue (DOR) representatives and noted that [the legislature] did not know which entities do not pay taxes. He asked whether DOR could disclose which companies do [pay taxes], for example, ConocoPhillips as a C corporation.

[4:33:05 PM](#)

MR. STICKEL said DOR could not say whether any particular company does or does not pay taxes. He said DOR takes confidentiality very seriously.

[4:33:27 PM](#)

SENATOR WIELECHOWSKI argued that it was a matter of public record that ConocoPhillips was a C corporation. He challenged whether DOR could state that on the record.

[4:33:37 PM](#)

MR. STICKEL said he was not positive whether that was or was not a matter of public record.

[4:33:48 PM](#)

CHAIR GIESSEL suggested asking Legislative Research Services for a list of C corporations.

[4:33:58 PM](#)

SENATOR WIELECHOWSKI asked whether it was a fair statement to say the vast majority of oil-producing companies in Alaska were C corporations.

[4:34:14 PM](#)

MR. STICKEL affirmed that about two thirds of oil and gas production in Alaska is by companies that are C corporations.

[4:34:27 PM](#)

SENATOR WIELECHOWSKI emphasized Alaska's unique status as a resource development state, mandated by its constitution to maximize benefits from non-renewable resources like oil and gas. The state captures revenue through royalties, production taxes,

property taxes, and corporate income taxes. He argued that a loophole allowing one-third of production to avoid corporate income tax creates an unfair disparity, contradicting the constitutional obligation to optimize resource benefits. He said SB 92 aimed to address this issue.

[4:35:50 PM](#)

SENATOR MYERS said his information may be outdated, but it was his understanding that there were 28 non-C corporation oil and gas entities in Alaska. He asked how many of those 28 companies would be affected by SB 92.

[4:36:26 PM](#)

MR. STICKEL said he could not provide an exact number. He said the fiscal note analysis presented two scenarios, one of which assumed a single qualifying taxpayer and the other assumed ten qualifying taxpayers. He said the fiscal note addressed the single taxpayer scenario.

[4:37:13 PM](#)

SENATOR MYERS asked that the request for C corporation information from Legislative Research Services include all C corporations, not just oil and gas corporations.

[4:37:44 PM](#)

CHAIR GIESSEL affirmed the request and pointed to page 190 of the Indirect Expenditure Report, which said there were 11,700 S corporations in the state.

[4:38:02 PM](#)

SENATOR MYERS said he would like a list of C corporations, those which were taxed.

CHAIR GIESSEL asked whether the request could be refined to request a list of C corporations that make over \$5 million per year, those which would be affected by SB 92.

[4:38:17 PM](#)

SENATOR MYERS argued that fairness in taxation should be the primary focus, rather than the specific industry or method of making money. He suggested that if fairness was the goal, then the tax system should be evaluated without bias towards companies in the oil and gas sector or those structured as C Corporations. He noted that SB 92 under discussion would set a tax threshold for companies making over \$5 million, but points out that other C Corporations, which may be taxed at a lower rate, could also be considered in the discussion of fairness. The exact tax figures were not recalled, but he said the tax

rates for companies below the \$5 million threshold were significantly lower.

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CHAIR GIESSEL noted that the top tax bracket for Alaska, 9.4 percent, begins at \$222,000.00.

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SENATOR DUNBAR observed that C corporations do tend to be significantly larger than S corporations and because [Alaska] does not have a personal income tax, it just makes good sense for those small entities to become an LLC or an S corporation. If one of the S corporations were to purchase the assets of a C corporation, he asked whether those assets would fall under the S corporation.

MR. STICKEL affirmed that they would.

[4:40:27 PM](#)

SENATOR DUNBAR noted the projected reduction in revenue from S corporation entities under SB 92. He noted that if one of the S corporations were to purchase the assets of current C corporation entities, bringing the assets into the S corporations fold, he asked whether the increase in production would fall under the S corporation.

[4:41:12 PM](#)

MR. STICKEL affirmed that they would.

[4:41:20 PM](#)

SENATOR DUNBAR noted purchasing activity of corporations on the North Slope. He said if SB 92 did not pass, C corporation tax revenue would continue to fall and there would be no concomitant increase in S corporation tax revenue.

[4:41:51 PM](#)

SENATOR CLAMAN suggested that the legislature could benefit from an independent accountant's perspective on SB 92. He proposed that an accountant not affiliated with the Department of Revenue could provide a clearer understanding of how the bill might affect tax payments to the state of Alaska versus the federal government. He questioned whether the bill redistributes taxes or increases the overall tax burden for businesses, suggesting that a detailed analysis might be necessary to clarify this.

[4:44:06 PM](#)

CHAIR GIESSEL concurred. She further noted that the owners of an S corporation may live in a state that does levy a state income

tax and would then be taking profits made in Alaska and transferring them to another state. She counted this as another example of lost revenue to the state [of Alaska].

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SENATOR CLAMAN said a CPA should be able to answer that for the committee as well and he said DOR would be less able to provide this clarification.

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SENATOR CLAMAN referred to SB 73 sponsored by his office and the C corporation tax exemption which he said benefited smaller C corporations for a decade and was under consideration for reinstatement. He said there were over 100 C corporations in Alaska that the exemption applied to and a number of corporations that were not that big, that were subject to the S corporation tax.

[4:45:37 PM](#)

SENATOR HUGHES raised concern about the constitutionality of bills that target specific companies or industries. She suggested addressing this topic in a future meeting. She also questioned the fairness of SB 92, highlighting that large companies like Exxon Mobile and ConocoPhillips could deduct reserve depletion and intangible deduction costs from their federal taxes, while S corporations, which do not have these federal deductions, would be disadvantaged. She concluded by saying SB 92 might inadvertently create a new problem while trying to solve an existing one.

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SENATOR WIELECHOWSKI noted that taxation [policy] was based on a rational basis test and he argued there was a rational basis [for SB 92] due to the constitutional mandate to maximize resource benefits. He noted that different companies were being treated differently. There was fundamental unfairness and he said SB 92 would balance the playing field. He suggested that if SB 92 tilted the field in the other direction, an S corporation could convert to a C Corporation if they felt they were being treated unfairly.

SENATOR WIELECHOWSKI asked DOR how many barrels of oil were being produced by S corporations.

[4:48:35 PM](#)

MR. STICKEL said he did not have an exact number, but for FY 2026 the estimated production [by S corporations] was about 35 percent on a barrel of oil equivalent statewide.

[4:49:49 PM](#)

SENATOR WIELECHOWSKI asked whether DOR knew the amount of investment in the Alaska oil industry by S corporations.

[4:50:00 PM](#)

MR. STICKEL said DOR had not broken out [oil industry investments] by C corporation vs. non-C corporation. He said the estimate for FY 2026 was about \$8.2 billion of statewide allowable use expenditures. He emphasized this estimate was for the total industry, encompassing all entities.

[4:50:36 PM](#)

SENATOR WIELECHOWSKI asked whether the estimates suggest S corporations were responsible for 35 percent of the \$8.2 billion investment.

[4:50:51 PM](#)

MR. STICKEL said DOR could not break out exactly how much of the investment was by C-corporations vs. non-C corporations. He said the 35 percent extrapolation would yield a ballpark estimate.

[4:51:18 PM](#)

SENATOR WIELECHOWSKI assumed a large portion of the \$8.2 billion investment was at Willow, owned by ConocoPhillips, and at Pica, owned by Santos. He concluded that the [oil and gas] S corporations were probably in Prudhoe Bay. He asked DOR to provide [oil and gas] investment numbers at Prudhoe Bay for the last 10 years by year, breaking down and specifying the percentage of investment by the S corporations.

[4:51:59 PM](#)

MR. STICKEL said DOR could provide the most recent version of the breakout of lease expenditures for Prudhoe Bay as had been provided to the legislature in the past. He said they could not specify how much of [the investment] was attributable to S corporations in particular but could provide the analysis for Prudhoe Bay versus other [indisc].

[4:52:37 PM](#)

SENATOR WIELECHOWSKI asked what the total Prudhoe Bay investment was and who the Prudhoe Bay producers were.

[4:52:48 PM](#)

MR. STICKEL said he did not have that information at hand but could provide it to the committee. He said the operator at Prudhoe Bay was Hilcorp and Exxon was a large working interest owner and he said there were other working interest owners as well. He said Department of Natural Resources (DNR) had detailed

information and Department of Revenue (DOR) would be happy to include that information in their response [to the committee] as well.

[4:53:30 PM](#)

SENATOR WIELECHOWSKI criticized the lack of transparency in Alaska, highlighting the inability of policymakers to access crucial data such as investment amounts, production percentages, and profits. He said independent experts have consistently rated Alaska's transparency laws as among the worst globally, hindering effective decision-making. He emphasized the need for reform to better understand the impact of policies on affected companies and improve policy-making accuracy. He referenced Governor Hickel's view that the legislature acts as the state's board of directors, making decisions without knowing who will be impacted or how. He said this was not the right way to make policy in this building or anywhere.

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CHAIR GIESSEL said the committee would get what data they could. She noted that the 35 percent figure was interesting and helpful.

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SENATOR MYERS requested the Department of Revenue (DOR) to provide figures from the fall 2018 revenue forecast for the Prudhoe Bay unit. He asked specifically for the projected royalty and production tax revenue from the fall 2018 forecast. He also requested the actual figures for the Prudhoe Bay unit as of fall 2024, focusing again on royalties and production tax revenue.

[4:56:25 PM](#)

SENATOR DUNBAR commended the sponsor of SB 92 for their work. He affirmed the challenge to make decisions when [the legislature] was not legally allowed to know how S corporations would be impacted by the \$5 million limit in SB 92 vs. \$10 billion or \$20 billion, for example. He suggested that the current figure seemed fair and anticipated further deliberation.

[4:57:23 PM](#)

CHAIR GIESSEL [held SB 92 in committee].

CHAIR GIESSEL reiterated that it was the legislature's responsibility to get the maximum benefit for the state's resources.

[4:58:04 PM](#)

There being no further business to come before the committee,  
Chair Giessel adjourned the Senate Resources Standing Committee  
meeting at [4:58] p.m.