

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 14, 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

Representative Ky Holland

COMMITTEE CALENDAR

SENATE BILL NO. 97

"An Act establishing a big game guide concession area permit program on land in the state; relating to the duties of the Big Game Commercial Services Board, the Board of Game, the Department of Fish and Game, and the Department of Natural Resources; requiring the Board of Game to establish an initial big game guide concession area; and providing for an effective date."

- MOVED SB 97 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

SENATE BILL NO. 105

"An Act relating to the lease and sale of state land for recreational cabin sites; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: SB 97

SHORT TITLE: BIG GAME PERMIT PROGRAM

SPONSOR(s): RESOURCES

02/12/25	(S)	READ THE FIRST TIME - REFERRALS
02/12/25	(S)	RES, FIN
02/28/25	(S)	RES AT 3:30 PM BUTROVICH 205
02/28/25	(S)	-- MEETING CANCELED --
03/05/25	(S)	PRIME SPONSOR CHANGED - SENATE RESOURCES COMMITTEE
03/05/25	(S)	REPLACED SENATE RULES COMMITTEE
03/10/25	(S)	RES AT 3:30 PM BUTROVICH 205
03/10/25	(S)	Heard & Held
03/10/25	(S)	MINUTE(RES)
03/14/25	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 92

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

SPONSOR(s): RESOURCES

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
02/19/25	(S)	Heard & Held
02/19/25	(S)	MINUTE(RES)
03/03/25	(S)	RES AT 3:30 PM BUTROVICH 205
03/03/25	(S)	Heard & Held
03/03/25	(S)	MINUTE(RES)
03/14/25	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

INTIMAYO HARBISON, Staff
Senator Cathy Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 97 on behalf of the Senate Resources Committee, Chair Giessel.

Sonja Kawasaki, Legal Council
Senate Majority Caucus
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 97

INTIMAYO HARBISON, Staff

Senator Cathy Giessel

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented SB 92 on behalf of the Senate Resources Committee, Chair Giessel.

MICHAEL WILLIAMS, Corporate Tax Manager

Tax Division

Department of Revenue (DOR)

Anchorage, Alaska

POSITION STATEMENT: Answered questions on SB 92.

JOHN LETOURNEAU, Certified Public Accountant (CPA)

Thomas, Head, and Greisen

Anchorage, Alaska

POSITION STATEMENT: Testified by invitation in support of SB 92.

JERRY WEBRE, President

Little Red Services

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 92.

HOLLIS FRENCH, representing self

Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 92.

BOB SHAVELSON, representing self

Homer, Alaska

POSITION STATEMENT: Testified in support of SB 92.

MADDIE HALLORAN, representing self

Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 92.

BEN BOETTGER, Energy Specialist

Cook InletKeeper

Soldotna, Alaska

POSITION STATEMENT: Testified in support of SB 92 on behalf of the Cook Inletkeeper organization.

SARAH FURMAN, representing self

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 92.

NATALIE KILEY-BERGEN, Energy Lead
Alaska Public Interest Research Group
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 92.

GEORGIA HOUDE, representing self
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 92.

ACTION NARRATIVE

[3:30:31 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 Myers, Claman, Dunbar, Hughes and Chair Giessel. Senators Wielechowski and Senator Kawasaki arrived shortly thereafter.

SB 97-BIG GAME PERMIT PROGRAM

[3:31:15 PM](#)

CHAIR GIESSEL announced the consideration of SENATE BILL NO. 97 "An Act establishing a big game guide concession area permit program on land in the state; relating to the duties of the Big Game Commercial Services Board, the Board of Game, the Department of Fish and Game, and the Department of Natural Resources; requiring the Board of Game to establish an initial big game guide concession area; and providing for an effective date."

[3:31:30 PM](#)

INTIMAYO HARBISON, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, called attention to written public testimony on SB 97 received by the committee since the last hearing.

[3:31:57 PM](#)

CHAIR GIESSEL solicited a motion.

[3:32:02 PM](#)

SENATOR MYERS moved to adopt Amendment 1, work order 34-LS0445\A.1, to SB 97:

34-LS0445\A.1
Nauman
3/11/25

AMENDMENT 1

OFFERED IN THE SENATE

BY SENATOR MYERS

Page 4, line 28, through page 5, line 2:
Delete all material and insert:

"(e) A concession permit may not be transferred. A big game guide who holds a concession permit under this section may, during the term of the permit, relinquish the permit to the commissioner. If the Big Game Commercial Services Board established under AS 08.54.591 is aware that a big game guide is no longer able to guide in the concession area, the board shall notify the commissioner. The commissioner may revoke the permit under (f) of this section after providing the permittee with written notice and an opportunity to be heard. The department shall immediately reissue a permit revoked under this section."

[3:32:12 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[3:32:15 PM](#)

SENATOR MYERS explained that the intention with Amendment 1 was to remove the permit-transfer provision from SB 97. Professional hunting guides noted that some form of transfer was usually needed because permits were issued for 10 years, and guides may retire, stop operating, or pass away mid-term. Instead of allowing transfers, Amendment 1 would give the Big Game Commercial Services Board authority to recommend that the Commissioner of DNR revoke a permit, with public notice, and immediately reopen the area for a new permit application process. He said the intent is to keep the permit system open and prevent a small group from informally controlling permits, an issue in other limited-entry systems, while still ensuring that vacancies can be filled when guides leave before their permit term ends.

[3:34:16 PM](#)

SENATOR DUNBAR noted that Senate Bill 189, the predecessor to SB 97, became tied up with other bills at the end of the 2024 legislative session, became law and was now being challenged in court. He noted that legislators expressed a desire to re-

establish the programs [established by the contended legislation] through standalone bills to ensure they remain valid regardless of the court outcome. He asked whether passing new, independent bills might render the court case moot, and whether the likelihood of mooting the case was greater if the bills were passed in the same form as last year, "clean", rather than with amendments.

[3:36:09 PM](#)

SONJA KAWASAKI, Legal Counsel, Senate Majority Caucus, Alaska State Legislature, Juneau, Alaska, recommended that substantive provisions in SB 97 should stay very close to those originally enacted in Senate Bill 189. While amendments would not automatically prevent the case from becoming moot, passing an identical or nearly identical version avoids requiring the court and litigants to argue over whether the new provisions match the challenged ones, thereby increasing clarity and the likelihood of mooting the case.

[3:37:15 PM](#)

CHAIR GIESSEL sought to clarify that Senate Bill 189 had already passed and was in effect as law. She said SB 97 was affirming the passage of Senate Bill 189. She argued that the policy proposed in Amendment 1 might be a very good idea but was best done as an independent bill of its own.

[3:37:49 PM](#)

SENATOR DUNBAR agreed with Ms. Kawasaki's legal analysis and advocated for the intent to clarify matters before the court as they consider mootness. He said amending SB 97 would probably complicate matters. He affirmed the content of Amendment 1 but said he would not support it to avoid compromising the passage of SB 97.

[3:38:53 PM](#)

SENATOR HUGHES concurred with the concerns expressed about Amendment 1.

[3:39:11 PM](#)

SENATOR MYERS asked Ms. Kawasaki what the consequence would be if the lawsuit [challenging Senate Bill 189] was not mooted.

[3:39:28 PM](#)

MS. KAWASAKI answered that if the state could not successfully argue that the case was moot, the lawsuit would proceed. She explained that if some of the related bills currently before the

Senate were not passed into law, the court case would continue with respect to those unresolved bills.

[3:39:29 PM](#)

SENATOR KAWASAKI and SENATOR WIELECHOWSKI arrived.

[3:40:26 PM](#)

CHAIR GIESSEL maintained her objection and asked for a roll call vote.

A roll call vote was taken. Senator Myers voted in favor of Amendment 1, work order 34-LS0445\A.1 and Senators Claman, Hughes, Dunbar, Wielechowski, Kawasaki, and Giessel voted against it. The vote was 1:6.

[3:41:50 PM](#)

CHAIR GIESSEL announced that Amendment 1 failed on a vote of 1 yea and 6 nays.

[3:42:14 PM](#)

SENATOR MYERS moved to adopt Amendment 2, work order 34-LS0445\A.2, to SB 97:

34-LS0445\A.2
Nauman
3/11/25

AMENDMENT 2

OFFERED IN THE SENATE

BY SENATOR MYERS

Page 4, lines 9 - 10:

Delete "without the same open and competitive process provided by the department for the issuance of a concession permit under this subsection"

Insert ". The department shall use the same open and competitive process provided under this subsection for the issuance of a new concession permit after the previous concession permit has expired"

[3:42:17 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[3:42:21 PM](#)

SENATOR MYERS explained that Amendment 2 would remove automatic permit renewal after 10 years and instead require permit holders to reapply. He said this was meant to prevent routine renewals

that could effectively create lifetime permits in the guide community.

[3:43:15 PM](#)

CHAIR GIESSEL maintained her objection.

[3:43:20 PM](#)

SENATOR MYERS withdrew Amendment 2.

[3:43:26 PM](#)

CHAIR GIESSEL solicited a motion.

[3:43:29 PM](#)

SENATOR MYERS moved to adopt Amendment 3, work order 34-LS0445\A.3, to SB 97:

34-LS0445\A.3
Nauman
3/11/25

AMENDMENT 3

OFFERED IN THE SENATE

BY SENATOR MYERS

Page 5, line 15, following "appropriate":

Insert ", except that the commissioner may not delegate authority under this section to the Board of Game or the Big Game Commercial Services Board"

[3:43:32 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[3:43:34 PM](#)

SENATOR MYERS said under SB 97 the commissioner of DNR could choose to delegate the guide concession program, but Amendment 3 would prohibit delegating it to the Board of Game or the Big Game Commercial Services Board. The concern is that those boards include many licensed guides, and delegating authority back to them could recreate pre-1988 conditions from before the Owsichuk decision, effectively allowing guides to control their own permitting system again. The intent of Amendment 3 is to avoid that conflict of interest.

[3:44:47 PM](#)

SENATOR DUNBAR supported the intent of Amendment 5. He agreed that the DNR commissioner should not delegate authority back to

the Board of Game for the reasons stated. He emphasized this point for the legal record and to clarify that any withdrawal of the amendment was due to concerns about preserving mootness in the related lawsuit, not because of disagreement with its substance.

[3:45:26 PM](#)

CHAIR GIESSEL maintained her objection.

[3:45:29 PM](#)

SENATOR MYERS withdrew Amendment 3.

[3:45:35 PM](#)

CHAIR GIESSEL solicited a motion.

[3:45:37 PM](#)

SENATOR MYERS moved to adopt Amendment 4, work order 34-LS0445\A.5, to SB 97:

34-LS0445\A.5
Bullard/Nauman
3/12/25

AMENDMENT 4

OFFERED IN THE SENATE

BY SENATOR MYERS

Page 1, line 3, following "**Resources**";:

Insert "**relating to regulations adopted by the Board of Game**";

Page 1, following line 10:

Insert a new bill section to read:

"* **Sec. 2.** AS 16.05.255(j) is amended to read:

(j) This section authorizes the board to regulate regarding the conservation, development, or utilization of game in a manner that addresses whether, how, when, and where the public asset of game is allocated or appropriated. **However, the board may not adopt a regulation that adds additional species to those listed under AS 16.05.407(a) for which a nonresident may not hunt, pursue, or take unless the nonresident is personally accompanied as required by AS 16.05.407(a).**"

Renumber the following bill sections accordingly.

Page 6, line 13:

Delete "sec. 2"
Insert "sec. 3"

Page 6, line 20:
Delete "sec. 3"
Insert "sec. 4"

Page 6, line 21:
Delete "sec. 3"
Insert "sec. 4"

Page 6, line 26:
Delete "sec. 2"
Insert "sec. 3"

Page 6, line 27:
Delete "sec. 3"
Insert "sec. 4"

Page 6, line 29:
Delete "sec. 2"
Insert "sec. 3"

Page 6, line 31:
Delete "sec. 3"
Insert "sec. 4"

Page 7, line 13:
Delete "sec. 2"
Insert "sec. 3"

Page 7, line 15:
Delete "sec. 2"
Insert "sec. 3"

Page 7, lines 16 - 17:
Delete "sec. 2"
Insert "sec. 3"

Page 7, lines 19 - 20:
Delete "sec. 2"
Insert "sec. 3"

Page 7, line 21:
Delete "sec. 3"
Insert "sec. 4"

Page 7, line 22:
Delete "sec. 2"
Insert "sec. 3"

[3:45:42 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[3:45:48 PM](#)

SENATOR MYERS explained that Amendment 4 clarified that the Board of Game cannot add new must-be-guided species beyond those already defined in statute, currently four species, including sheep and grizzly bear. He noted ambiguity about whether the Board could expand this list using its authority over hunting methods and means. He said there was concern that the board might designate new must-be-guided species in a specific area, and then recommend a guide-concession program to the Department of Natural Resources, potentially creating an unfair advantage or giveaway to certain guides. Amendment 5 would ensure that adding must-be-guided species can only be done by the legislature, not by the Board of Game.

[3:47:11 PM](#)

SENATOR MYERS withdrew Amendment 4.

[3:47:29 PM](#)

CHAIR GIESSEL solicited the will of the committee.

[3:47:37 PM](#)

SENATOR WIELECHOWSKI moved to report SB 97, work order 34-LS0445\A, from committee with individual recommendations and attached fiscal note(s).

[3:47:54 PM](#)

SENATOR MYERS objected.

[3:47:56 PM](#)

A roll call vote was taken. Senators Dunbar, Hughes, Wielechowski, Claman, and Giessel voted in favor of SB 97 and Senators Kawasaki and Myers voted against it. Therefore, SB 97 was reported from the Senate Resources Standing Committee by a vote of 5:2.

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

[3:48:38 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 noted that this was the fourth hearing of SB 92 by the Senate Resources Committee, and that the committee was now the sponsor of SB 92.

[3:49:17 PM](#)

INTIMAYO HARBISON, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, moved to slide 1 and explained that the purpose of the presentation was to address concerns that SB 92 could be applied to S corporations (S-Corps) unrelated to oil and gas production.

[3:50:08 PM](#)

MR. HARBISON moved to and narrated slide 2:

[Original punctuation provided.]

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 the Alaska. (Alaska Department of Revenue Indirect Expenditure Report 2024)

[3:51:45 PM](#)

MR. HARBISON moved to and narrated slide 3:

[Original punctuation provided.]

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)

[3:53:16 PM](#)

MR. HARBISON continued to narrate slide 3:

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.

[3:54:03 PM](#)

SENATOR MYERS asked to be provided with the number of S-Corps and LLCs based in Alaska versus based outside the state.

[3:54:20 PM](#)

MR. HARBISON affirmed that he could obtain those numbers from the Department of Commerce, Community and Economic Development (DCCED).

[3:54:31 PM](#)

SENATOR CLAMAN asked to be provided with the number of C corporations (C-Corps) in Alaska.

[3:54:46 PM](#)

MR. HARBISON said he would pass the number of C-Corps in Alaska to the committee when it was received from the DCCED.

[3:55:02 PM](#)

MR. HARBISON moved to and narrated slide 4:

[Original punctuation provided.]

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 and provide annual dividends to Alaskans. The creation of the Permanent Fund reduced the need for individual income taxes.

[3:56:18 PM](#)

MR. HARBISON moved to and narrated slide 5:

[Original punctuation provided.]

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

[3:57:04 PM](#)

MR. HARBISON moved to and narrated slide 6:

[Original punctuation provided.]

AS 43.20.011 (e)

Current Statute for
companies filing as
C Corporations

*Last amended 2013

<u>If the taxable income is:</u>	<u>Then the tax is:</u>
Less than \$25,000	0 percent of the taxable income
\$25,000 but less than \$49,000	2 percent of the taxable income over \$25,000
\$49,000 but less than \$74,000	\$480 plus 3 percent of the taxable income over \$49,000
\$74,000 but less than \$99,000	\$1,230 plus 4 percent of the

	taxable income over \$74,000
\$99,000 but less than \$124,000	\$2,230 plus 5 percent of the taxable income over \$99,000
\$124,000 but less than \$148,000	\$3,480 plus 6 percent of the taxable income over \$124,000
\$148,000 but less than \$173,000	\$4,920 plus 7 percent of the taxable income over \$148,000
\$173,000 but less than \$198,000	\$6,670 plus 8 percent of the taxable income over \$173,000
\$198,000 but less than \$222,000	\$8,670 plus 9 percent of the taxable income over \$198,000
\$222,000 or more	\$10,830 plus 9.4 percent of the taxable income over \$222,000

[3:57:45 PM](#)

MR. HARBISON moved to and narrated slide 7. He noted that the tax structure for C-Corps would not change under SB 92 and reiterated that SB 92 only applies to oil and gas companies:

[Original punctuation provided.]

SB 92 Changes

Proposed changes
for companies filing
as S Corporations

*No change to C
Corporation tax

If the taxable income is:

Less than \$25,000

\$25,000 but less than \$49,000

Then the tax is:

0 percent of the
taxable income

0 percent of the

	taxable income over \$25,000
\$49,000 but less than \$74,000	\$0 plus 0 percent of the taxable income over \$49,000
\$74,000 but less than \$99,000	\$0 plus 0 percent of the taxable income over \$74,000
\$99,000 but less than \$124,000	\$0 plus 0 percent of the taxable income over \$99,000
\$124,000 but less than \$148,000	\$0 plus 0 percent of the taxable income over \$124,000
\$148,000 but less than \$173,000	\$0 plus 0 percent of the taxable income over \$148,000
\$173,000 but less than \$198,000	\$0 plus 0 percent of the taxable income over \$173,000
\$198,000 but less than \$5,000,000	\$0 plus 0 percent of the taxable income over \$198,000
\$5,000,000 or more	\$0 plus 9.4 percent of the taxable income over \$5,000,000

[3:58:47 PM](#)

SENATOR DUNBAR asked whether taxable income, in the context of SB 92, was the gross revenue or if it was the net revenue after deducting some or all costs.

[3:59:35 PM](#)

MR. HARBISON said the tax would apply to income after companies had taken their deductions for costs.

[3:59:55 PM](#)

CHAIR GIESSEL asked for confirmation from the Department of Revenue (DOR).

[4:00:08 PM](#)

MICHAEL WILLIAMS, Corporate Tax Manager, Tax Division, Department of Revenue (DOR), Anchorage, Alaska, affirmed that the tax proposed by SB 92 would apply to the net income, or the income less expenses.

[4:00:34 PM](#)

SENATOR MYERS referred to slides 6 and 7 and noted there did not seem to be parity between C-Corps and S-Corps. He asked why SB 92 did not cause the two different tax brackets to match.

[4:01:34 PM](#)

SENATOR WIELECHOWSKI concurred and suggested amending SB 92, so the two brackets match.

[4:01:59 PM](#)

CHAIR GIESSEL announced invited testimony on SB 92.

[4:02:36 PM](#)

JOHN LETOURNEAU, Certified Public Accountant (CPA), Thomas, Head, and Greisen, Anchorage, Alaska, testified by invitation in support of SB 92.

[4:02:57 PM](#)

MR. LETOURNEAU moved to slide 1, describing the hypothetical parameters of his presentation:

[Original punctuation provided.]

SB 92: Tax analysis

By John Letourneau, CPA, Thomas, Head and Greisen

Assume the following for an entity with operations entirely sourced to Alaska

- \$50 million gross income
- \$40 million qualified expenses and deductions

Resulting in \$10 million pre tax taxable income

[4:03:43 PM](#)

MR. LETOURNEAU moved to and narrated slide 2.

[Original punctuation provided.]

Current tax structure: Alaska State Corporate Income Tax

	<u>C-Corps</u>	<u>S-Corps & LLCs</u>
Taxable Income	\$10,000,000	\$10,000,000
Alaska Corporate Tax owed*	\$930,150	\$0

*tax is \$10,830 on the first \$220,000 and 9.4% on everything above \$220,000

MR. LEOURNEAU explained that:

- A C-Corp with \$10 million in taxable income owes roughly \$930,000 in Alaska corporate income tax (at about 9.4 percent, with slight reductions due to bracket "stair steps").
- An S-Corp or LLC owes no Alaska tax at the entity level because these are pass-through entities, their income flows to the owners.
- Since Alaska has no individual income tax, S-corp owners pay no tax on that income in Alaska.
- An LLC owned by a taxable C-Corp would become part of that corporation's overall taxable income, and tax would then be collected from the C-Corp rather than the LLC itself.

[4:05:45 PM](#)

MR. LETOURNEAU moved to slide 3:

[Original punctuation provided.]

**Current tax structure: Federal taxes - 2025
Current Federal Law**

Federal corporate income tax

	<u>C-Corps</u>
Pre AK tax Federal taxable income	\$10 million
Gross Alaska	\$930,150
Federal taxable income after Alaska Corporate tax, expenses and deductions	\$9,069,850

encourage business activity and risk-taking. He said the deduction was limited in scope and would not apply to interest, dividends, or other passive income, but only to specific types of active business income Congress wanted to encourage.

[4:10:07 PM](#)

SENATOR HUGHES referred to the figures for C-Corps on slide 3. She noted that deductions for intangible drilling costs and for reserve depletion were not included and asked whether Mr. Letourneau was aware of them.

[4:10:33 PM](#)

MR. LETOURNEAU explained that the assumed \$40 million deduction in the hypothetical included those deductions.

[4:10:55 PM](#)

SENATOR HUGHES noted that the hypothetical included the same deductions for the S-Corps, but it was her understanding that S-Corps did not receive them at the federal level.

[4:11:08 PM](#)

MR. LETOURNEAU noted that S-Corp owners likely received many of the same deductions, such as intangible drilling cost deductions, but that he did not analyze the specific components of the applicable deductions. He explained that the presentation was intended as a high-level overview of C-Corp vs. S-Corp tax structure, not a detailed walkthrough of the tax rules. He offered to follow up.

[4:11:50 PM](#)

SENATOR HUGHES said she did not think an S-Corp would receive the full \$40 million expense deduction proposed by the hypothetical. She argued that the S-Corps starting amount would be higher because they could not take the intangible drilling cost deduction or the reserve depletion deduction.

[4:12:25 PM](#)

SENATOR HUGHES asked that Mr. LeTourneau research [the qualified deductions for S-Corps] and correct the hypothetical. She urged that it would illustrate the lack of parity.

[4:12:54 PM](#)

MR. LETOURNEAU moved to slide 4 and pointed out that the C-Corp and S-Corp end up with similar total tax burdens:

[Original punctuation provided.]

Current structure: Total Gross Income Tax liability

	<u>C-Corps</u>	<u>S-Corps & LLCs</u>
Alaska corporate income tax	\$930,150	-
Federal corporate income tax (2026 Current IRC)	\$1,904,669	-
Federal individual income tax (2026 Current IRC)	-	\$2,884,063
Total	\$2,834,819	\$2,884,063

MR. LETOURNEAU noted the earlier discussion about double taxation and explained that the C-Corp number shown only reflects the first level of tax, the corporate-level tax. He said the second layer would occur if the C-Corp distributed profits as dividends to shareholders, creating a double-taxation effect.

[4:14:31 PM](#)

MR. LETOURNEAU moved to and narrated slide 5, a summary of the impact of SB 92.

[Original punctuation provided.]

SB 92 tax structure: Alaska Income Tax

	<u>C-Corps</u>	<u>S-Corps & LLCs</u>
Alaska taxable income	\$10,000,000	\$5,000,000*
Tax owed	\$930,150	\$470,000**

*SB 92 exempts the first \$5,000,000 from taxation

** Tax rate is 9.4% on all taxable income over \$5,000,000

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MR. LETOURNEAU moved to and narrated slide 6. He highlighted that under SB 92, a C-Corp would pay about \$1.9 million in federal tax on \$10M income after Alaska deductions, while an S

Corporation's individual shareholder would pay \$2.7 million in federal tax, assuming Alaska state taxes were federally deductible:

[Original punctuation provided.]

**SB 92 tax structure: Federal taxes - 2025 Current IRC
Federal corporate income tax**

	<u>C-Corps</u>
Pre AK tax Federal taxable income	\$10 million
Gross Alaska	\$930,150
Federal taxable income after Alaska Corporate tax, expenses and deductions	\$9,069,850
Gross Federal Corporate income tax*	\$1,904,669

Federal individual income tax

	<u>S-Corps</u>
Federal taxable income before Alaska tax & 199A deduction	\$10,000,000
Alaska Qualified Entity income tax	\$470,000
Federal taxable income**	\$7,624,000
Tax on first \$751,600	\$202,155
Tax on income above \$751,600***	\$2,681,908
Total federal individual income tax	\$2,884,063

* Federal corporate tax rate is 21 percent

** Includes a 199A deduction of 20 percent

*** Highest marginal tax rate is 37 percent

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MR. LETOURNEAU moved to slide 7, summarizing the tax patterns for C-Corps and S-Corps under SB 92. He emphasized that the federal income tax would be paid by the individual, not by the entity:

[Original punctuation provided.]

Under SB 92: Total gross income tax liability

	<u>C-Corps</u>	<u>S-Corps & LLCs</u>
State Corporate Income tax	\$930,150	-
State Qualified Entity Income Tax		\$470,000
Federal corporate income tax	\$1,904,669	-
Federal individual income tax	-	\$2,744,943
Total	\$2,834,819	\$3,214,943

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SENATOR HUGHES commented that if S-Corps were unable to claim the same deductions as C-Corps then the total tax paid by S-Corps would be higher. She requested that the hypothetical and calculations be re-done to demonstrate this.

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CHAIR GIESSEL noted that supporting documents submitted by Mr. Letourneau included detailed calculations beyond what was on the slides, showing tax deductions applied to the \$470,000 state tax on \$50 million income, which could further reduce state taxes. She said the documents were available to committee members and to the public online.

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SENATOR DUNBAR sought clarification on the impact of the 9.4 percent corporate tax proposed by SB 92. He expressed concern that the tax might appear to increase the total tax burden by

9.4 percent. He asked for confirmation that the actual increase is less due to the interaction between state and federal taxes.

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MR. LETOURNEAU concurred and explained that because the new tax was imposed at the entity level, individual owners can deduct that state tax on their federal tax returns. This deduction would reduce their individual federal taxable income and provide a federal tax benefit, roughly lowering the after-tax cost of the state tax from about \$470,000 to around \$330,000 in the example.

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SENATOR DUNBAR asked for confirmation that the ratio isn't one-to-one, i.e. the individual could not deduct the entire state tax increase from its federal taxes. However, they would still receive a partial federal deduction, which means the actual overall increase in their total tax burden would be smaller than the full state-level tax increase. He asked if this understanding was correct.

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MR. LETOURNEAU concurred and clarified that the federal benefit was a deduction, not a dollar-for-dollar credit. The state tax can be deducted like any other qualified expense on the individual's return, but it does not reduce federal taxes by the full amount, only by the value of the deduction.

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SENATOR CLAMAN referred to slide 7 and asked whether the difference in tax liability for S-Corps vs. C-Corps might incentivize companies to switch from being an S-Corp to C-Corp.

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MR. LETOURNEAU said he did not expect many S-Corps or LLCs to convert to C-Corps. He explained that converting to a C-Corp was easy, but converting back to an S-Corp was difficult under federal law. He also noted that C-Corps faced double taxation and lost certain tax advantages available when selling or liquidating a flow-through business. Because of these disadvantages, he said he would be surprised if many businesses chose to switch.

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SENATOR CLAMAN suggested that although Senator Hughes' questions about specific deductions were interesting, they weren't the focus of Mr. LeTourneau's hypothetical. The purpose of his

example was simply to compare tax liability at the entity level, not to analyze every deduction. He suggested it wouldn't be necessary to ask for more detailed work on deductions.

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CHAIR GIESSEL concurred and pointed out that slide 7 showed C-Corps would pay about \$930,000 in state corporate tax, while comparable S-Corps would pay roughly half that under SB 92. She noted the hypothetical assumed \$50 million in income and \$40 million in deductions. She referred to the fiscal note for SB 92, by Department of Revenue, OMB Component Number 2476, dated February 14, 2025, which estimated about \$126.5 million in revenue in FY27. She observed that if each example S-Corp paid about \$470,000, it would take many such entities to reach the projected statewide revenue.

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SENATOR CLAMAN restated his position that the hypothetical wasn't meant to reflect actual earnings or expenses from oil production. Its purpose was to illustrate what the tax situation would look like at the entity level under SB 92. He acknowledged the numbers were illustrative and higher values could have been used. He noted that while more detail could be obtained if entities shared their tax returns with the committee that was unlikely to happen.

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CHAIR GIESSEL asserted that the hypothetical for the presentation satisfied the committees' question from the previous hearing on SB 92. It compared the current tax situation for both C-Corps and S-Corps under current law with the tax situation under SB 92 and demonstrated that the tax consequence for S-Corps would remain about half.

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CHAIR GIESSEL solicited questions on the presentation and thanked Mt. LeTourneau.

[4:30:37 PM](#)

CHAIR GIESSEL concluded invited testimony on SB 92.

[4:30:42 PM](#)

CHAIR GIESSEL opened public testimony on SB 92.

[4:31:31 PM](#)

JERRY WEBRE, President, Little Red Services, Anchorage, Alaska, explained that he was not a tax expert, but that he drew on

decades of experience in Alaska's oil and gas industry. He said Little Red Services provided hot oil pumping, well testing, and coil tubing services exclusively on the North Slope, and he expressed strong opposition to SB 92. He noted that Hilcorp's North Slope fields were active and production at Milne Point had increased significantly since Hilcorp's gained ownership from BP. He argued that SB 92 would sharply raise taxes on both large and small oil and gas companies, increase energy costs, and harm Alaska-based suppliers and jobs. He said SB 92 would potentially worsen energy insecurity, particularly in Southcentral, where utilities already struggle to secure sufficient natural gas. He concluded by reiterating that their team firmly discourages passage of the bill.

[4:34:14 PM](#)

HOLLIS FRENCH, representing self, Anchorage, Alaska, expressed strong support for SB 92, arguing that Alaska was the only state that did not tax S-Corps and that this longstanding omission should be fixed. He emphasized the state's need for revenue, citing visible decline in public institutions and local conditions, including the university, the city, and rising homelessness in neighborhoods. He pointed out the city's [Anchorage] dependence on state assistance. He concluded by urging the committee to pass SB 92 and said he would watch the vote closely.

[4:35:34 PM](#)

BOB SHAVELSON, representing self, Homer, Alaska, concurred with prior testimony in support of SB 92. He argued that taxing S-Corps was common sense and would level the playing field, particularly for companies like Hilcorp that profit in Alaska. He cited polling from Data for Progress showing broad public backing: 77 percent of Alaskans and 66 percent of Republicans for such a change. He urged passage of SB 92, noting Alaska was the only state that did not tax S-Corps and emphasized the importance of fair contributions amid large budget deficits.

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MADDIE HALLORAN, representing self, Anchorage, Alaska, said she had a lifelong connection to Anchorage and was concerned over declining public services, especially education. She viewed SB 92 as a way to help fund schools and balance the state budget by closing an unfair tax loophole. She noted estimates that SB 92 could generate about \$100 million annually from companies profiting off public resources. She referenced strong public support in Data for Progress polling and urged the committee to pass SB 92.

[4:38:16 PM](#)

BEN BOETTGER, Energy Specialist, Cook InletKeeper, Soldotna, Alaska, testified in support of SB 92 on behalf of the nonprofit advocating for water quality and strong communities in the Cook Inlet watershed. He argued that closing the S-Corp tax loophole was an important step toward stabilizing Alaska's fiscal situation and that taxing S-Corp oil and gas producers was unlikely to discourage investment, given the profitability of similar C-Corp operations. He emphasized that SB 92 would both reduce revenue losses contributing to budget deficits and promote basic tax fairness. He urged passage of SB 92.

[4:39:13 PM](#)

SARAH FURMAN, representing self, Fairbanks, Alaska, said she supported SB 92, and said she was deeply concerned over Alaska's projected \$500 million budget deficit. She noted impacts of the ongoing budget challenges in Fairbanks leading to school closures, insufficient bus student allocation, and unfunded energy system upgrades. She argued that SB 92 would generate much-needed revenue and correct an unfair loophole in which some profitable corporations paid state income tax while S-Corps did not. She emphasized that closing the loophole had been recommended for years and failing to act already cost the state hundreds of millions in revenue. She added that every other state taxed S-Corps, so the proposal was neither unusual nor extreme. She pointed out that public polling showed support for taxing S-Corps and urged the legislature to listen to the will of the people.

[4:41:06 PM](#)

NATALIE KILEY-BERGEN, Energy Lead, Alaska Public Interest Research Group (AKPIRG), Anchorage, Alaska, said AKPIRG supported SB 92 because it would create parity in Alaska's corporate income tax system and help address the state's severe revenue shortfalls. She contended the legislature should fix tax loopholes rather than cut services, raise taxes on Alaskans, or reduce PFDs. She rejected the idea that exempting large S corporations from income tax brings jobs or development, noting Alaska's ongoing Cook Inlet gas shortfall despite an S-Corp holding most leases. She argued that the legislature should guarantee that corporations invest in Alaska by imposing corporate taxes which support essential services that benefit businesses and communities. She highlighted that S-Corps paid income tax in every other state, and that polling showed strong public support, about 77 percent statewide, for requiring

companies like Hilcorp to pay. She said AKPIRG urged passage of SB 92.

[4:43:24 PM](#)

GEORGIA HOUDE, representing self, Fairbanks, Alaska, said she supported SB 92. She said she was in her mid-twenties and emphasized the need to fund the state in ways that help communities grow and make Alaska a place where young people can build stable futures. She argued that it was unfair that S corporations used Alaska's natural resources without paying state income tax, allowing profits to leave the state instead of benefiting residents. She noted Alaska was the only state that allowed S corporations to avoid corporate taxes, highlighting the need for reform. With the state budget in deep need of funds, she viewed SB 92 as a first step toward prioritizing and funding public services that catalyze growth in communities.

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CHAIR GIESSEL closed in-person public testimony on SB 92.

[4:45:18 PM](#)

CHAIR GIESSEL referred to testimony claiming that no other states tax S-Corps. She said there would be research to determine how other states do or do not tax S-Corps.

[4:45:40 PM](#)

SENATOR DUNBAR sought to clarify that the testimony claimed that every other state taxed S-Corps.

CHAIR GIESSEL concurred.

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SENATOR DUNBAR said Alaska may not be the only state that doesn't tax S-Corps, but it was likely the only, or one of very few states that had neither a personal income tax nor an S-Corp tax. He mentioned New Hampshire's unusual property tax system as a partial analogy to an income-tax structure. He said he would appreciate further research on the issue.

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SENATOR CLAMAN noted that most states did not tax S-Corps directly because they levy personal income taxes on the shareholders instead. He referred to Texas as an example of a state without a personal income tax that also does not tax S-Corps at the entity level. However, he said Texas imposed a broad franchise tax that applied to many types of business entities, not just S-Corps. He said he did not know the detailed

mechanics of the Texas franchise tax but expected forthcoming information to clarify how it functioned and how broadly it applied.

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CHAIR GIESSEL said GaffneyCline would provide modeling for SB 92 in a future committee hearing.

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[CHAIR GIESSEL held SB 92 in committee.]

[4:48:20 PM](#)

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 4:48 p.m.