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Governor Mike Dunleavy
STATE OF ALASKA

September 27, 2025

SEP 29 2025

The Honorable Gary Stevens
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau AK 99801-1182

Dear President Stevens:

Under the authority vested in me by Article II, Section 15, of the Alaska Constitution, I have vetoed the following bill:

SB 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.”

The state’s fiscal outlook has deteriorated in the face of decreasing oil prices and ongoing reductions in federal spending. In response to the state’s fiscal condition, several tax proposals have been introduced during this legislative session. However, a truly durable fiscal plan must include not only revenues but also clear guardrails: spending limits, statutory and regulatory reviews, and policies that make Alaska the most competitive state in the nation for investment and new business growth.

Equally important is the need to evaluate all current state spending and government functions – not only for efficiency, but for their relevance and long-term impact. Any serious effort to stabilize Alaska’s fiscal future must also focus on diversifying our economy and creating new industries, which in turn broadens the economic base for potential revenue. This bill is a simple tax bill that does not consider the comprehensive fiscal approach outlined above.

In addition, a component of this bill raises serious constitutional concerns because it singles out a class of highly digitized out-of-state businesses engaged in electronic commerce and imposes a less favorable tax system on them. States are prohibited from discriminating against interstate commerce. Additionally, by singling out electronic commerce, the bill may run afoul of the

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federal Internet Tax Freedom Act, which requires that states not tax e-commerce less favorably than similar industries not engaged in e-commerce.

For these reasons, I will not sign standalone tax measures without a complete fiscal framework. I could foresee incorporating the elements of this bill, which would withstand constitutional scrutiny, into a comprehensive fiscal approach this coming year. I agree that Alaska needs to stabilize its finances, and I plan on having a robust discussion this upcoming session on a sustainable fiscal plan, complete with elements outlined above, but it must protect Alaskans, and provide the resources to run government in a responsible manner, and survive constitutional scrutiny.

Sincerely,



Mike Dunleavy
Governor

Enclosure