



# This Week in State Tax (TWIST)

June 9, 2025



## Alaska: Legislature Approves Market-Based Sourcing; Governor Indicates Possible Veto

The Alaska legislature recently adopted market-based sourcing for the sales of services and sales of other than tangible personal property. Currently, these sales are sourced to Alaska if a greater proportion of the income-producing activity is performed in Alaska (based on costs of performance). Under the revised sourcing rule, sales of services and other than tangible personal property would be considered in the state if the taxpayer's market for the sales is in the state. The market for the sale of a service would be in Alaska if the service is delivered to a location in the state. Intangible property that is utilized in marketing a good or a service to a consumer is considered used in the state and assigned to the state if that good or service is sold to a consumer in Alaska. In addition, if the state or states of assignment cannot be determined, the state of assignment shall be reasonably approximated, and if the state of assignment can be neither determined nor approximated, the sale shall be excluded from the denominator. The bill would also update the definition of apportionable income to be consistent with the latest recommendations of the Multistate Tax Commission.

The new legislation would also require taxpayers engaged in "highly digitized businesses" to calculate their Alaska apportioned income based solely on their Alaska sales factor, rather than using the default three factor apportionment formula. A taxpayer is engaged in a highly digitized business if 50 percent or more of its Alaska sales consist of: (1) intangible property delivered by electronic transmission; (2) services delivered by electronic transmission; (3) services related to computers, electronic transmissions, or Internet technology; or (4) tangible personal property delivered to Alaska from Internet sales, if the Internet is the primary mode of customer access in Alaska. The bill is currently before Governor Dunleavy. He has indicated he may veto the measure as part of a dispute with the Legislature involving public education funding. Please contact [Jonathan Edmonds](#) with questions about [S.B. 113](#).

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