



## Sectional Analysis

### House Bill 381 – OIL & GAS PROPERTY TAX; MUNI TAX

**Section 1:** Amends AS 14.17.510 to add a new subsection (d) to exclude “qualified property” from the calculation of taxable property for city or borough school funding purposes, in new AS 43.56.027 added with Section 8 of this bill.

**Section 2:** Amends the definition of “local contribution” in AS 14.17.990(6) to exclude revenue from the alternative tax allocation in new AS 43.56.023 added with Section 8 of this bill.

**Section 3:** Amends AS 29.45.080(c) to exclude from municipal tax calculations the taxes levied by imposing an alternative volumetric tax added under new AS 43.56.022 added with Section 8 of this bill.

**Section 4:** Amends AS 29.45.080 to add subsection (g) prohibiting municipalities from levying property tax on “qualified property” as defined in new AS 43.56.027 added with Section 8 of this bill.

**Section 5:** Amends AS 43.56.010(a) to levy an annual 20-mill tax except as provided in new AS 43.56.021 and AS 43.56.022 for temporary abatement and alternative volumetric tax, respectively, added with Section 8 of this bill.

**Section 6:** Amends AS 43.56.010(b) to limit municipal tax authority due to the exclusion of “qualified property” covered in Section 4 of this bill.

**Section 7:** Amends AS 43.56.020(d) to add language exempting major components of a natural gas pipeline project that is a qualified property as defined in new AS 43.56.027, added with Section 8 of this bill, from state and municipal taxes before commercial operations begin, and include in the exemption real and personal property used or committed by contract or agreement to the project; remove the requirement of ownership or financing by the Alaska Gasline Development Corporation; and add AS 43.56.020(d)(1), (2), and (3) to define “commencement of commercial operations” as when the first revenue-generating gas flow to owners of a major component of the natural gas pipeline project occurs; “major component of a natural gas pipeline project” to mean each part of an Alaska LNG project and an in-state natural gas pipeline, as each are defined in AS 31.25.390, as well as integrated carbon recapture, utilization and storage infrastructure, including a carbon storage facility; and “taxable property” as the meaning given in new AS 43.56.027, added with Section 8 of this bill.

**Section 8:** Amends AS 43.56 to add new sections AS 43.56.021–027 as follows:

**AS 43.56.021:** Introduces temporary abatement of property tax on qualified property during a ramp-up period, which begins on the date of commencement of commercial operations, as defined in new AS 43.56.020(d), and ends on the earlier of the day after the qualified property achieves a throughput of 1,000,000,000 cubic feet of natural gas per day, calculated as a rolling average over a consecutive 30-day period, or 10 years after the date of commencement of commercial operations.

**AS 43.56.022:** Adds an alternative volumetric tax imposed on the throughput of the qualified property after ramp-up at the rate of \$0.06 per 1,000 cubic feet of gas, increasing by 1% of the rate imposed during the prior year annually, and replacing all state and municipal property, ad valorem, and sales or use taxes on qualified property and municipal taxes on gross or net income, license fees, excise taxes, and other municipal charges on or pertaining to the purchase, use, consumption, or ownership of property or services, with tax returns and payments due monthly. This section excludes provisions for assessment roll, assessment notice, certification, supplementary assessment rolls, and collection and deposit under AS 43.56.090, 43.56.100, 43.56.135, 43.56.140, and 43.56.150, applies a 10% penalty for delinquent taxes and interest at the rate specified in AS 43.05.225, and remedy of distraint of qualified property as provided in AS 43.20.270.

**AS 43.56.023:** Requires allocation of the alternative volumetric tax to operate as follows: the levy and collection of the tax on qualified property located within a municipality by a municipality and the state to levy and collect the tax on the portion of the property located in an unorganized borough, the Department of Revenue to adopt regulations to establish a methodology for splitting the levy between a municipality and the state based on the original cost of the qualified property located in each municipality and the unorganized borough and between the taxing jurisdictions when property is located in both a borough and city within the borough, and assessment of the tax levied legally vesting in the Department of Revenue, with disputes, including regarding allocation or jurisdiction of the tax, treated administratively.

**AS 43.56.024:** Adds that appeals will be handled via informal conference and administrative hearings, with the State Assessment Review Board having no jurisdiction.

**AS 43.56.025:** Stipulates abatement and the alternative volumetric tax terminate if a qualified property, as defined under the new statutes, has not commenced commercial operations on or before January 1, 2040.

**AS 43.56.026:** Requires the Department of Revenue to adopt regulations to implement the new abatement statutes, specifically including procedures for throughput reporting, the determination of original cost, and the calculation of rolling average and further defining throughput.

**AS 43.56.027:** For new AS 43.56.021 – 43.56.027, added by this Section, adds the following statutory definitions: “qualified property” means an Alaska liquified natural gas project as defined in AS 31.25.390 and facilities or sub-projects attendant or related to the project or integrated carbon capture, utilization, and storage infrastructure owned

or financed by an instrumentality of the state or a joint venture, partnership, or other affiliated entity that included an instrumentality of the state when construction of the first major component commenced; “taxable property,” has the meaning in AS 43.56.210 and includes property used for liquefaction and natural gas and carbon capture, utilization, and storage infrastructure integrated with a natural gas pipeline project, including a carbon dioxide storage facility; and “throughput” means the volume of natural gas determined by summing all volumes sold or delivered at each outlet or offtake point along the natural gas pipeline as defined in AS 31.25.390 and natural gas consumed as fuel for operating a liquefaction facility, but not natural gas consumed as fuel for pipeline compression.

**Section 9:** Makes this Act effective immediately under AS 01.10.070(c).