

CS FOR SENATE BILL NO. 280(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the taxation of certain natural gas pipeline property and related
2 facilities; relating to the calculation of the value of property for purposes of the local
3 contribution for public school funding; relating to limitations on municipal property
4 taxes; relating to an alternative volumetric tax on natural gas throughput; and
5 providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1.** AS 14.17.510 is amended by adding a new subsection to read:

8 (d) In this section, the full and true value of the taxable real and personal
9 property does not include a qualified property as defined in AS 43.56.027.

10 * **Sec. 2.** AS 14.17.990(6) is amended to read:

11 (6) "local contribution"

12 (A) means appropriations and the value of in-kind services
13 made by a district;

1 **(B) does not include appropriations of revenue received by**
2 **a municipality under AS 43.56.023;**

3 * **Sec. 3.** AS 29.10.200(56) is amended to read:

4 (56) AS 29.45.650(c), (d), (e), (f), (i), (j), (k), [AND] **(l), and (m)**
5 (sales and use tax);

6 * **Sec. 4.** AS 29.10.200(57) is amended to read:

7 (57) AS 29.45.700(d), (e), (g), [AND] **(h), and (i)** (sales and use tax);

8 * **Sec. 5.** AS 29.45.080(c) is amended to read:

9 (c) A municipality may levy and collect a tax on the full and true value of that
10 portion of taxable property taxable under AS 43.56 as assessed by the Department of
11 Revenue which value, when combined with the value of property otherwise taxable by
12 the municipality, does not exceed the product of the percentage determined in (f) of
13 this section of the average per capita assessed full and true value of property in the
14 state multiplied by the number of residents of the taxing municipality. **Property**
15 **subject to the alternative volumetric tax levied under AS 43.56.022 is not**
16 **included in the value of property for the purpose of making the calculation under**
17 **this subsection.**

18 * **Sec. 6.** AS 29.45.080 is amended by adding a new subsection to read:

19 (g) Notwithstanding any other provision of this section, AS 29.45.090, or the
20 authority granted to a municipality under AS 29.45.050 to exempt or defer taxation, a
21 municipality may not levy a tax under this section on qualified property as defined in
22 AS 43.56.027.

23 * **Sec. 7.** AS 29.45.650(a) is amended to read:

24 (a) Except as provided in AS 04.21.010(c), AS 29.45.750, and in (f), (h), (i),
25 (j), (k), [AND] **(l), and (m)** of this section, a borough may levy and collect a sales tax
26 on sales, rents, and services provided in the borough. The sales tax may apply to any
27 or all of these sources. Notwithstanding other statutes, exemptions may be granted by
28 ordinance. A borough may wholly or partially exempt a source from a borough sales
29 tax that is taxed by a city in that borough under AS 29.45.700.

30 * **Sec. 8.** AS 29.45.650 is amended by adding a new subsection to read:

31 (m) A borough may not levy or collect a sales or use tax on the purchase, use,

1 consumption, or ownership of property or services relating to qualified property as
2 defined in AS 43.56.027. This subsection applies to home rule and general law
3 municipalities.

4 * **Sec. 9.** AS 29.45.700(a) is amended to read:

5 (a) A city in a borough that levies and collects areawide sales and use taxes
6 may levy sales and use taxes on all sources taxed by the borough in the manner
7 provided for boroughs. Except as provided in (d), (e), (g), [AND] (h), **and (i)** of this
8 section, the assembly may by ordinance authorize a city to levy and collect sales and
9 use taxes on other sources.

10 * **Sec. 10.** AS 29.45.700 is amended by adding a new subsection to read:

11 (i) A city may not levy or collect a sales or use tax on the purchase, use,
12 consumption, or ownership of property or services relating to qualified property as
13 defined in AS 43.56.027. This subsection applies to home rule and general law
14 municipalities.

15 * **Sec. 11.** AS 43.56.010(a) is amended to read:

16 (a) **Except as provided in AS 43.56.021 and 43.56.022, an** [AN] annual tax
17 of 20 mills is levied each tax year beginning January 1, 1974, on the full and true
18 value of taxable property taxable under this chapter.

19 * **Sec. 12.** AS 43.56.010(b) is amended to read:

20 (b) **Subject to the restriction in AS 29.45.080(g), a** [A] municipality may
21 levy and collect a tax under AS 29.45.080 at the rate of taxation that applies to other
22 property taxed by the municipality. The tax shall be levied at a rate **not** [NO] higher
23 than the rate applicable to other property taxable by the municipality. A municipality
24 may not exempt from taxation property authorized to be taxed under this chapter.
25 Exemptions shall be limited to those in AS 29.45.030, 29.45.050, and AS 43.56.020.

26 * **Sec. 13.** AS 43.56.020(d) is amended to read:

27 (d) Taxable property of a **major component of a** natural gas pipeline project
28 **that is a qualified property as defined in AS 43.56.027** [OWNED OR FINANCED
29 BY THE ALASKA GASLINE DEVELOPMENT CORPORATION OR A JOINT
30 VENTURE, PARTNERSHIP, OR OTHER ENTITY THAT INCLUDES THE
31 ALASKA GASLINE DEVELOPMENT CORPORATION] is exempt from state taxes

1 levied or authorized under AS 43.56.010(a) and municipal taxes levied or authorized
 2 under AS 43.56.010(b) before the commencement of commercial operations of that
 3 **major component of the** natural gas pipeline project. **The exemption under this**
 4 **subsection applies to real and personal property used or committed by contract**
 5 **or other agreement for the construction, operation, or maintenance of the**
 6 **qualified property.** In this subsection,

7 (1) "commencement of commercial operations" means the first flow of
 8 natural gas in the **qualified property** [PROJECT] that generates revenue to the
 9 owners of **a major component of** the natural gas pipeline project;

10 (2) **"major component of a natural gas pipeline project" means**
 11 **each part of an Alaska liquefied natural gas project as defined in AS 31.25.390,**
 12 **an in-state natural gas pipeline as defined in AS 31.25.390, and integrated carbon**
 13 **capture, utilization, and storage infrastructure, including a carbon dioxide**
 14 **storage facility under AS 41.06;**

15 (3) **"taxable property" has the meaning given in AS 43.56.027.**

16 * **Sec. 14.** AS 43.56 is amended by adding new sections to read:

17 **Sec. 43.56.021. Temporary abatement.** (a) Taxable property of a qualified
 18 property and any real or personal property used or committed by contract or other
 19 agreement for the construction, operation, or maintenance of the qualified property is
 20 not subject to the tax levied under AS 43.56.010(a) or a municipal tax levied under
 21 AS 43.56.010(b) or AS 29.45.080 during the ramp-up period for that qualified
 22 property. For purposes of this section, the ramp-up period begins on the date of
 23 commencement of commercial operations, as defined in AS 43.56.020(d), and ends on
 24 the earlier of

25 (1) the day after the qualified property achieves a throughput of
 26 1,000,000,000 cubic feet of natural gas per day, calculated as a rolling average over a
 27 consecutive 30-day period; or

28 (2) 10 years after the date of commencement of commercial
 29 operations.

30 (b) During the ramp-up period, the owner of a qualified property shall submit
 31 quarterly reports to the department detailing the daily volume of natural gas

1 throughput. Based on the reports submitted under this subsection, the commissioner
2 shall determine whether the throughput threshold under (a)(1) of this section has been
3 met and the ramp-up period has ended. Upon termination of the ramp-up period under
4 either (a)(1) or (2) of this section, the commissioner shall issue a written determination
5 to the owner of the qualified property and to any municipality within which the
6 qualified property is located. The abatement provided in (a) of this section expires
7 permanently upon the issuance of the written determination and does not resume if the
8 daily gas volume later decreases below the throughput threshold.

9 (c) The tax abatement described in this section does not apply to a spur line.
10 Taxable property associated with a spur line remains subject to taxation under
11 AS 43.56.010 without the benefit of the abatement in (a) of this section. In this
12 subsection, "spur line" means a natural gas transmission line or lateral line that
13 branches from the main natural gas pipeline project to deliver natural gas to a local
14 community or utility distribution system, a natural gas transmission line or lateral line
15 described in AS 31.25.005(4), or similar infrastructure not serving as the primary
16 export or mainline transmission facility and not defined as a major component under
17 AS 43.56.020(d).

18 **Sec. 43.56.022. Imposition of alternative volumetric tax.** (a) The owner of a
19 qualified property shall pay an alternative volumetric tax on the throughput of the
20 qualified property. The alternative volumetric tax applies beginning on the day after
21 the expiration of the ramp-up period described in AS 43.56.021.

22 (b) For the first year the tax applies to throughput of a qualified property, the
23 rate of tax for throughput of that qualified property is \$0.06 per 1,000 cubic feet of
24 natural gas throughput. After the first year the tax applies to throughput of a qualified
25 property, the rate of tax for throughput of that qualified property increases on
26 January 1 of each year by one percent of the rate imposed during the preceding year.

27 (c) The tax levied under this section is in place of

- 28 (1) all taxes levied on taxable property, including property used or
29 committed by contract or other agreement for use in the qualified property;
30 (2) taxes levied under AS 43.56.010;
31 (3) taxes levied under AS 29.45.080; and

1 (4) during the construction, operation, or maintenance of the qualified
2 property, any municipal sales or use tax levied under AS 29.45.650 or 29.45.700,
3 municipal taxes on or measured by gross or net income, and any municipal license,
4 excise, fee, charge, or other tax on or relating to the purchase, use, consumption, or
5 ownership of property or services.

6 (d) The owner of a qualified property shall file a return with the department
7 and to each municipality that taxes qualified property under this section on or before
8 the last day of each month. The return must state the throughput, in cubic feet of
9 natural gas per day, of the qualified property. The owner of the qualified property shall
10 pay the tax due under this section to the department at the time the return is filed.

11 (e) A payment is considered late if the payment is not received by the
12 department on or before the last day of the month in which the return is due.

13 (f) AS 43.56.090 - 43.56.150 do not apply to the alternative volumetric tax
14 levied under this section.

15 (g) If the tax levied in this section is delinquent, the department or the
16 applicable municipality shall assess a penalty of 10 percent of the amount of
17 delinquent taxes and interest on the delinquent taxes, exclusive of penalty, at the rate
18 specified in AS 43.05.225.

19 (h) The remedy of distraint of property set out in AS 43.20.270 applies to the
20 tax levied in this section. However, only the qualified property may be distrained.

21 **Sec. 43.56.023. Allocation of alternative tax.** (a) A municipality shall levy
22 and collect the alternative volumetric tax imposed by AS 43.56.022 on the portion of
23 the qualified property located within the municipality. The department shall levy and
24 collect the alternative volumetric tax imposed by AS 43.56.022 on the portion of the
25 qualified property located in the unorganized borough.

26 (b) Revenue collected by the department under (a) of this section shall be
27 deposited in the general fund.

28 (c) The department shall adopt regulations under AS 43.56.026 providing for a
29 methodology to determine the amount that each municipality and the department may
30 levy based on the original cost of the portion of the qualified property located within
31 each municipality and in the unorganized borough. If a portion of the qualified

1 property is located within both a borough and a city within that borough, the
2 department shall develop a methodology by regulation to allocate the tax revenue
3 between the taxing jurisdictions.

4 (d) The assessment of the tax levied on qualified property for purposes of this
5 section is legally vested in the department. Any dispute regarding an assessment,
6 including the allocation or jurisdiction of the tax, shall be treated as an administrative
7 decision under AS 43.56.024.

8 **Sec. 43.56.024. Administrative appeals.** (a) A decision by the department
9 regarding the imposition or calculation of the tax levied under AS 43.56.022 may be
10 appealed to the department for an informal conference under AS 43.05.240, and a final
11 decision may be appealed to the office of administrative hearings under AS 43.05.405.

12 (b) The State Assessment Review Board established under AS 43.56.040 does
13 not have jurisdiction over qualified property.

14 **Sec. 43.56.025. Termination of status.** The tax abatement and alternative
15 volumetric tax applicable to a qualified property under AS 43.56.021 and 43.56.022
16 terminate on January 1, 2040, if commencement of commercial operations, as defined
17 in AS 43.56.020(d), has not begun by that date.

18 **Sec. 43.56.026. Regulations.** The department shall adopt regulations under
19 AS 44.62 (Administrative Procedure Act) to implement AS 43.56.021 - 43.56.027,
20 including procedures for

- 21 (1) measuring throughput;
22 (2) throughput reporting;
23 (3) calculating the rolling average of throughput.

24 **Sec. 43.56.027. Definitions.** In AS 43.56.021 - 43.56.027,

25 (1) "qualified property" means an Alaska liquefied natural gas project
26 as defined in AS 31.25.390 and any facility or sub-project attendant or related to the
27 project or integrated carbon capture, utilization, and storage infrastructure

28 (A) for which construction commenced on or after January 1,
29 2026; and

30 (B) that, at the commencement of construction of the first
31 major component of the natural gas pipeline project, as defined in

1 AS 43.56.020(d), was owned or financed by an instrumentality of the state or a
2 joint venture, partnership, or other affiliated entity that included an
3 instrumentality of the state;

4 (2) "taxable property" means

5 (A) "taxable property" as defined in AS 43.56.210;

6 (B) property used for the liquefaction of natural gas and carbon
7 capture, utilization, and storage infrastructure integrated with a natural gas
8 pipeline project;

9 (C) a carbon dioxide storage facility under AS 41.06; and

10 (D) personal property used or committed by contract or other
11 agreement for the qualified property described in AS 43.56.020(d);

12 (3) "throughput"

13 (A) means

14 (i) the volume of natural gas measured by summing all
15 volumes sold or otherwise delivered at each outlet or offtake point
16 along the gas pipeline as defined in AS 31.25.390; and

17 (ii) natural gas consumed as fuel for the operation of a
18 liquefaction facility;

19 (B) does not include natural gas consumed as fuel for pipeline
20 compression.

21 * **Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).