

SENATE BILL NO. 280

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/20/26

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the taxation of certain natural gas pipeline property; relating to
2 municipal taxation limitations; establishing an alternative volumetric tax on natural gas
3 throughput; relating to the allocation of revenue from the alternative volumetric tax;
4 and providing for an effective date."

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

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

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

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

10 (6) "local contribution" means appropriations and the value of in-kind
11 services made by a district; **"local contribution" does not include revenue received**
12 **by a municipality under AS 43.56.023;**

13 * **Sec. 3.** AS 29.45.080(c) is amended to read:

14 (c) A municipality may levy and collect a tax on the full and true value of that

1 portion of taxable property taxable under AS 43.56 as assessed by the Department of
 2 Revenue which value, when combined with the value of property otherwise taxable by
 3 the municipality, does not exceed the product of the percentage determined in (f) of
 4 this section of the average per capita assessed full and true value of property in the
 5 state multiplied by the number of residents of the taxing municipality. **A calculation**
 6 **made under this subsection shall exclude the amount of a tax levied under**
 7 **AS 43.56.022.**

8 * **Sec. 4.** AS 29.45.080 is amended by adding a new subsection to read:

9 (g) Notwithstanding any other provision of this section, AS 29.45.090, or the
 10 authority granted to a municipality under AS 29.45.050 to exempt or defer taxation, a
 11 municipality may not levy a tax under this section on property that is a qualified
 12 property as defined in AS 43.56.027.

13 * **Sec. 5.** AS 43.56.010(a) is amended to read:

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

17 * **Sec. 6.** AS 43.56.010(b) is amended to read:

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

24 * **Sec. 7.** AS 43.56.020(d) is amended to read:

25 (d) Taxable property of a **major component of a** natural gas pipeline project
 26 **that is a qualified property as defined in AS 43.56.027** [owned or financed by THE
 27 ALASKA GASLINE DEVELOPMENT CORPORATION or a joint venture,
 28 partnership, or other entity that included THE ALASKA GASLINE DEVELOPMENT
 29 CORPORATION] is exempt from state taxes levied or authorized under
 30 AS 43.56.010(a) and municipal taxes levied or authorized under AS 43.56.010(b)
 31 before the commencement of commercial operations of that **major component of the**

1 natural gas pipeline project. **The exemption under this subsection applies to real**
 2 **and personal property used or committed by contract or other agreement for the**
 3 **construction, operation, or maintenance of the qualified property.** In this
 4 subsection,

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

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

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

14 * **Sec. 8.** AS 43.56 is amended by adding new sections to read:

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

22 (1) the day after the qualified property achieves a throughput of
 23 1,000,000,000 cubic feet of natural gas per day, calculated as a rolling average over a
 24 consecutive 30-day period; or

25 (2) 10 years after the date of commencement of commercial
 26 operations.

27 (b) During the ramp-up period described in (a) of this section, the owner of a
 28 qualified property shall submit quarterly reports to the department detailing the daily
 29 volume of natural gas throughput. Upon verification that the throughput threshold has
 30 been met and the ramp-up period has ended, the commissioner shall issue a written
 31 determination to the owner and to any municipality within which the qualified

1 property is located. The abatement provided in (a) of this section expires permanently
 2 upon the issuance of the written determination and does not resume if the daily gas
 3 volume subsequently decreases below the throughput threshold.

4 (c) The provisions of this section do not apply to a spur line. In this
 5 subsection, "spur line" means a natural gas transmission line or lateral line that
 6 branches from the main natural gas pipeline project to deliver natural gas to a local
 7 community or utility distribution system, including a line described in
 8 AS 31.25.005(4) and 31.25.390 or similar infrastructure not serving as the primary
 9 export or mainline transmission facility and not defined as a major component under
 10 AS 43.56.020(d). Taxable property associated with a spur line remains subject to
 11 taxation under AS 43.56.010 without the benefit of the abatement in (a) of this section.

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

16 (b) The rate of tax is \$0.06 per 1,000 cubic feet of natural gas throughput. The
 17 rate in this subsection increases by one percent of the rate imposed during the prior
 18 year on January 1 of each year following the first year of imposition.

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

20 (1) all taxes levied on taxable property, including property used or
 21 committed by contract or other agreement for use in the qualified property;

22 (2) taxes levied under AS 43.56.010;

23 (3) ad valorem taxes levied under AS 29.45.080; and

24 (4) during the construction, operation, or maintenance of the qualified
 25 property, any municipal sales or use tax levied under AS 29.45.650 or 29.45.700,
 26 municipal taxes on or measured by gross or net income, or any municipal license,
 27 excise, fee charge, or other tax on or pertaining to the purchase, use, consumption, or
 28 ownership of property or services.

29 (d) A return shall be filed with the department and to each municipality that
 30 taxes qualified property under this section on or before the last day of each month for
 31 the preceding month's throughput. The tax shall be paid to the department with the

1 return.

2 (e) A payment is considered late if not received by the last day of the month in
3 which the return is due.

4 (f) The provisions of AS 43.56.090, 43.56.100, 43.56.135, 43.56.140, and
5 43.56.150 do not apply to the alternative volumetric tax levied under this section.

6 (g) When the tax levied in this section becomes delinquent, a penalty of 10
7 percent shall be added. Interest on the delinquent taxes, exclusive of penalty, shall be
8 assessed at the rate specified in AS 43.05.225.

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

11 **Sec. 43.56.023. Allocation of alternative tax.** (a) A municipality shall levy
12 and collect the alternative volumetric tax on the portion of the qualified property
13 located within the municipality. The state shall levy and collect the alternative
14 volumetric tax on the portion of the qualified property located in the unorganized
15 borough.

16 (b) Revenue collected by the state under (a) of this section shall be deposited in
17 the general fund.

18 (c) The department shall adopt regulations providing for a methodology to
19 determine the amount that each municipality and the state may levy based on the
20 original cost of the portion of the qualified property located within each municipality
21 and the unorganized borough. If a portion of the qualified property is located within
22 both a borough and a city within that borough, the department shall develop a
23 methodology by regulation to allocate the tax revenue between the taxing
24 jurisdictions.

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

29 **Sec. 43.56.024. Administrative appeals.** (a) Notwithstanding AS 43.56.120, a
30 decision by the department regarding the imposition or calculation of the tax levied
31 under AS 43.56.022 may be appealed to the department for an informal conference

1 under AS 43.05.240, and a final decision may be appealed to the office of
2 administrative hearings under AS 43.05.405.

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

5 **Sec. 43.56.025. Termination of status.** The benefits and alternative tax status
6 provided for a qualified property under AS 43.56.021 and 43.56.022 terminate on
7 January 1, 2040, if the qualified property has not commenced commercial operations,
8 as defined in AS 43.56.020(d), on or before that date.

9 **Sec. 43.56.026. Regulations.** The department shall adopt regulations under
10 AS 44.62 (Administrative Procedure Act) to implement AS 43.56.021 - 43.56.027,
11 including procedures for throughput reporting, the determination of original cost for
12 allocation purposes, and the calculation of the rolling average. Regulations adopted
13 under this section shall further define throughput for the purposes of AS 43.56.021 -
14 43.56.027.

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

16 (1) "qualified property" means an Alaska liquified natural gas project
17 as defined in AS 31.25.390 and any other facilities or sub-projects attendant or related
18 to the project or integrated carbon capture, utilization, and storage infrastructure, that,
19 at the commencement of construction of the first major component of the project, was
20 owned or financed by an instrumentality of the state or a joint venture, partnership, or
21 other affiliated entity that included an instrumentality of the state that commenced
22 construction on or after January 1, 2026;

23 (2) "taxable property" has the meaning given in AS 43.56.210, except
24 it includes property used for the liquefaction of natural gas and carbon capture,
25 utilization, and storage infrastructure integrated with a natural gas pipeline project,
26 including a carbon dioxide storage facility under AS 41.06; "taxable property"
27 includes real and personal property used or committed by contract or other agreement
28 for the qualified property described in AS 43.56.020(d);

29 (3) "throughput" means the volume of natural gas measured by
30 summing all volumes sold or otherwise delivered at each outlet or offtake point along
31 the gas pipeline as defined in AS 31.25.390; "throughput" includes natural gas

1 consumed as fuel for the operation of a liquefaction facility but does not include
2 natural gas consumed as fuel for pipeline compression.

3 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).