

DOR Response to House Resources Committee House Bill 381 Hearing on March 25, 2026

Department of Revenue

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Introduction

This testimony responds to four committee questions from the March 25th hearing:

- Would a Liquefied Natural Gas (LNG) import terminal be exempt from property taxes under this bill?
- Provide sensitivity matrix for municipal revenues.
- Provide potential state revenues from equity investment in the project.
- Provide expected state revenues and cost of supply at different throughput levels.

And to one subsequent follow-up question:

- Provide an assessment of revenue to municipalities under the Alternative Volumetric Tax (AVT) proposal in HB 381, broken up by project component (gas treatment/ACC plant, the pipeline itself, and the LNG facility).



Exemption of an LNG Import Terminal from Property Tax

- HB 381, exempts “qualified property” from property tax and many municipal taxes and fees, replacing those taxes and fees with an Alternative Volumetric Tax once construction and a subsequent ramp-up period are complete:
 - “... an Alaska liquified natural gas project as defined in AS 31.25.390 and any other facilities or sub-projects attendant or related to the project or integrated carbon capture, utilization, and storage infrastructure, that, at the commencement of construction of the first major component of the project, was 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 that commenced construction on or after January 1, 2026;”



Exemption of an LNG Import Terminal from Property Tax

- While under AS 31.25.390(1) in current law states:
 - *“Alaska liquefied natural gas project” means a natural gas project as described in AS 31.25.005(5) that includes collectively, the Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line, a gas pipeline, the gas treatment plant, a liquefied natural gas plant, and a marine terminal; in this paragraph...*
 - *(C) ‘liquefied natural gas plant’ means the facility for liquefying natural gas and includes structures, equipment, underlying land rights, other associated systems, storage, and facilities for off-loading liquefied natural gas;”*



Exemption of an LNG Import Terminal from Property Tax

- Therefore, to be a "qualified property" under the bill, an LNG plant would need to be:
 - Part of an Alaska LNG project that includes a pipeline from the North Slope
 - At commencement of construction, owned, financed or financially affiliated with an instrumentality of the state
 - A facility for liquefying natural gas and off-load of LNG.
- As such, a standalone LNG import facility would not be exempt from property taxes under HB 381. However, it is ambiguous whether an LNG import terminal designed for dual use or later conversion for export from an "Alaska liquefied natural gas project" that includes state financial involvement would be exempt, either partially or in full



Sensitivity Matrix; Cumulative Local Revenues through 2062, Nominal \$ millions

Spring 2026 Baseline

		Local Municipality					Total
		North Slope Borough	Fairbanks North Star Borough	Denali Borough	Matanuska-Susitna Borough	Kenai Peninsula Borough	
Alaska LNG Capital Cost	Base CAPEX	\$10,727	\$13	\$0	\$957	\$5,600	\$17,297
	+20%	\$12,522	\$16	\$0	\$1,147	\$6,700	\$20,384
	+40%	\$14,316	\$18	\$0	\$1,337	\$7,800	\$23,470
	+60%	\$16,110	\$21	\$0	\$1,526	\$8,900	\$26,557
	+80%	\$17,904	\$24	\$0	\$1,716	\$10,000	\$29,644
	+100%	\$19,698	\$26	\$0	\$1,906	\$11,100	\$32,731

Proposed Legislation

		Local Municipality					Total
		North Slope Borough	Fairbanks North Star Borough	Denali Borough	Matanuska-Susitna Borough	Kenai Peninsula Borough	
Alaska LNG Capital Cost	Base CAPEX	\$2,532	\$2	\$92	\$191	\$1,152	\$3,968
	+20%	\$2,532	\$2	\$92	\$191	\$1,152	\$3,968
	+40%	\$2,532	\$2	\$92	\$191	\$1,152	\$3,968
	+60%	\$2,532	\$2	\$92	\$191	\$1,152	\$3,968
	+80%	\$2,532	\$2	\$92	\$191	\$1,152	\$3,968
	+100%	\$2,532	\$2	\$92	\$191	\$1,152	\$3,968



Potential State Capital Costs for Equity Investment

State Share of Project Equity Capital Costs, 5% State Equity

Millions of Dollars	Nominal	Real (\$2026)
State Share of GTP Capital	\$211.18	\$194.07
State Share of Pipeline Capital	\$295.77	\$274.79
State Share of LNG Plant Capital	\$377.72	\$352.22
Total State Share of Project Capital	\$884.67	\$744.24

State Share of Project Equity Capital Costs, 25% State Equity

Millions of Dollars	Nominal	Real (\$2026)
State Share of GTP Capital	\$1,055.90	\$970.36
State Share of Pipeline Capital	\$1,478.83	\$1,373.97
State Share of LNG Plant Capital	\$1,888.61	\$1,761.11
Total State Share of Project Capital	\$4,423.35	\$3,721.21

State share assumes the same 70/30 debt to equity structure as other investors



Potential State Revenues from Equity Investment, 5% Ownership

Spring 2026 Baseline

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 10,093	\$ 360	\$ (2,254)	\$ 6,274	\$ 19,376	\$ 5,919
Cumulative to 2052	20,770	1,609	7,974	11,870	41,651	23,734
Cumulative to 2062	29,716	4,364	21,751	17,297	60,379	64,788

Proposed Legislation

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 7,482	\$ 367	\$ (2,259)	\$ 1,337	\$ 19,376	\$ 6,042
Cumulative to 2052	15,867	1,577	7,879	2,699	41,651	23,233
Cumulative to 2062	22,532	4,247	21,284	3,968	60,379	63,058



Modeling Assumes no change to Cost of Debt, Property Tax, or AVT from State Ownership

State Equity Revenues are net of capital investment

Midstream Owners column excludes State Equity Revenues

Potential State Revenues from Equity Investment, 25% Ownership

Spring 2026 Baseline

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 10,093	\$ 1,802	\$ (2,420)	\$ 6,274	\$ 19,376	\$ 4,073
Cumulative to 2052	20,770	8,045	6,699	11,870	41,651	15,440
Cumulative to 2062	29,716	21,821	18,367	17,297	60,379	42,495

Proposed Legislation

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 7,482	\$ 1,834	\$ (2,423)	\$ 1,337	\$ 19,376	\$ 4,166
Cumulative to 2052	15,867	7,886	6,624	2,699	41,651	15,076
Cumulative to 2062	22,532	21,236	17,998	3,968	60,379	41,243

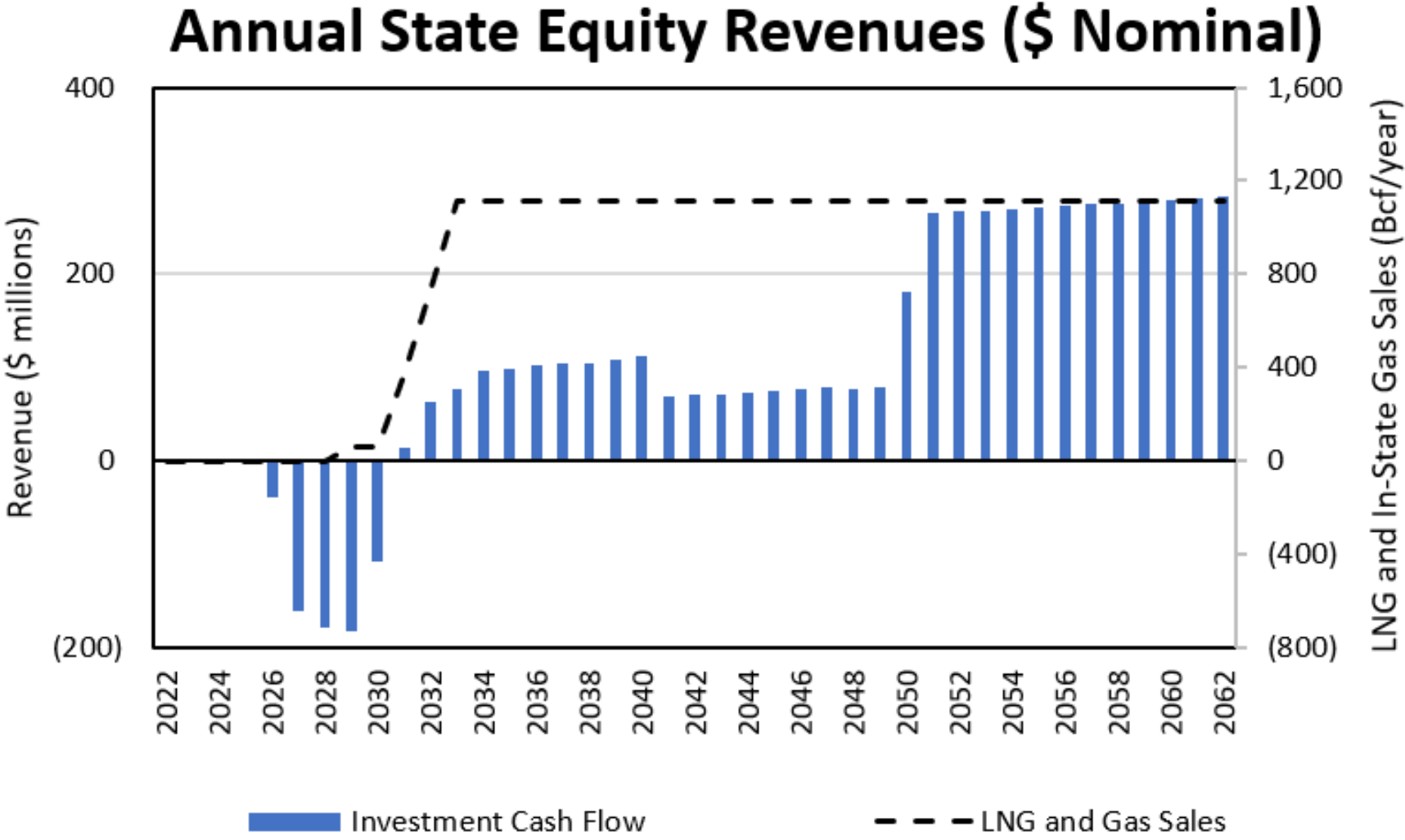


Modeling Assumes no change to Cost of Debt, Property Tax, or AVT from State Ownership

State Equity Revenues are net of capital investment

Midstream Owners column excludes State Equity Revenues

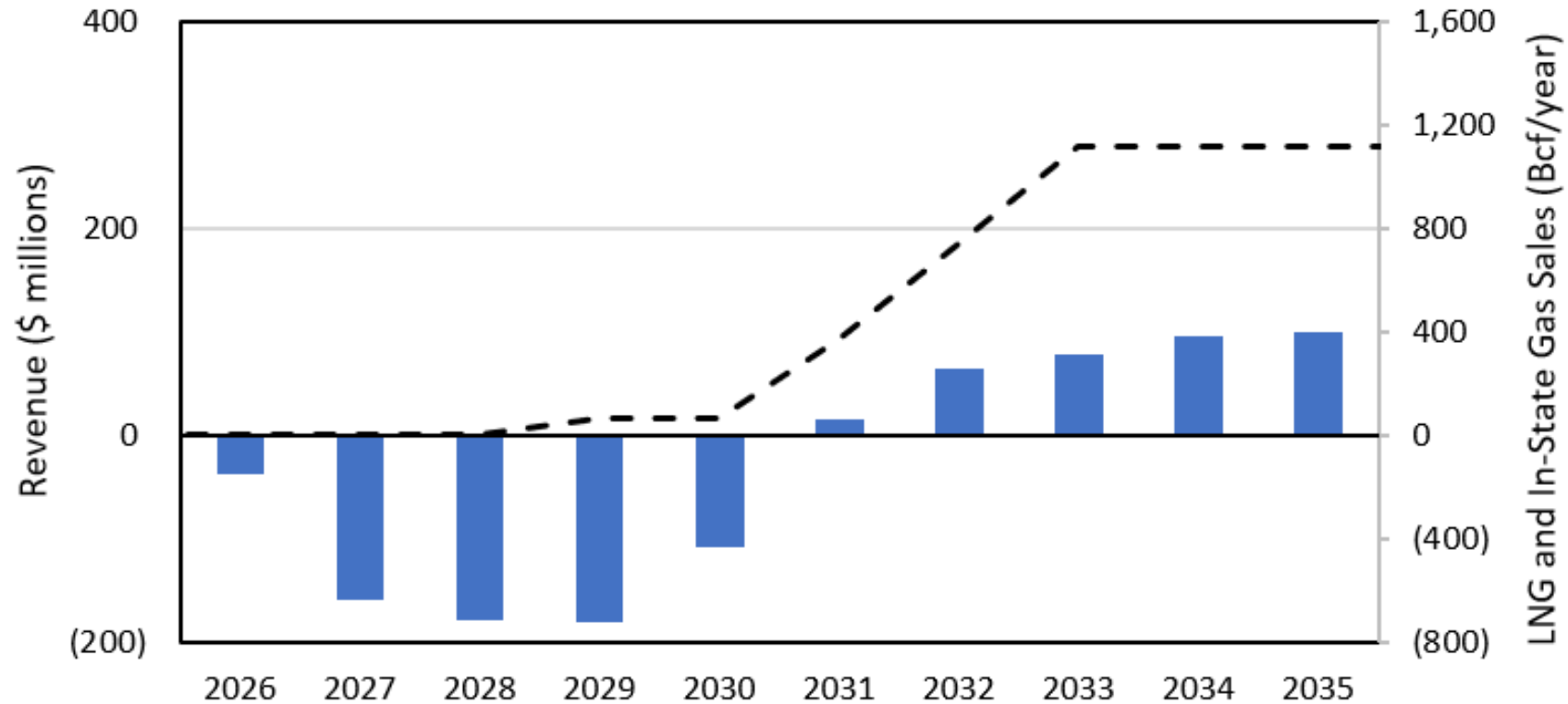
Annual State Equity Revenues (\$ Nominal), 5% Ownership



Modeling Assumes no change to Cost of Debt, Property Tax, or AVT from State Ownership
 State Investment Cash Flow Revenues are net of capital investment

Annual State Equity Revenues (\$ Nominal), 5% Ownership 2026 to 2035

Annual State Equity Revenues (\$ Nominal)



Investment Cash Flow

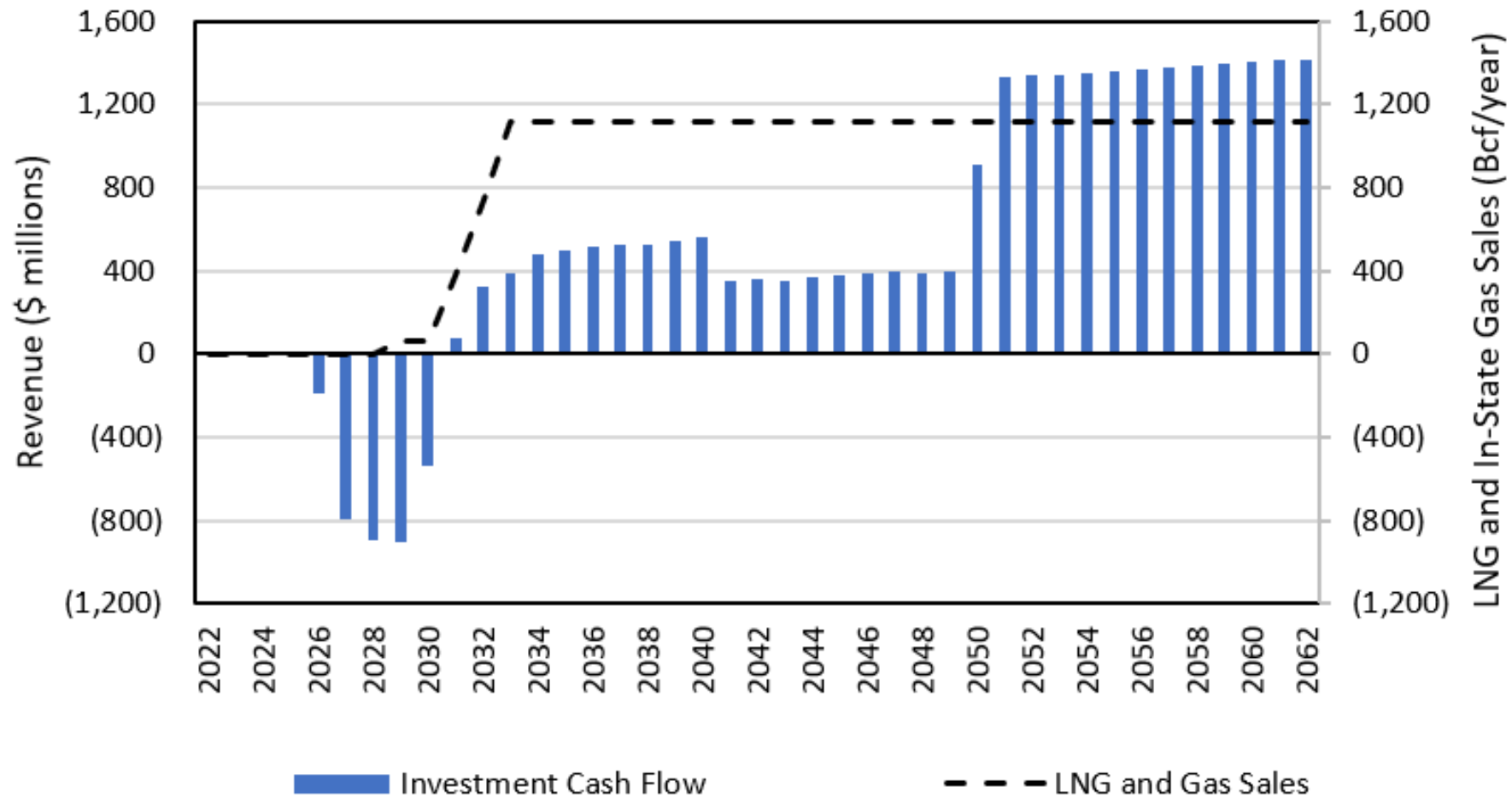
LNG and Gas Sales

Modeling Assumes no change to Cost of Debt, Property Tax, or AVT from State Ownership
 State Investment Cash Flow Revenues are net of capital investment



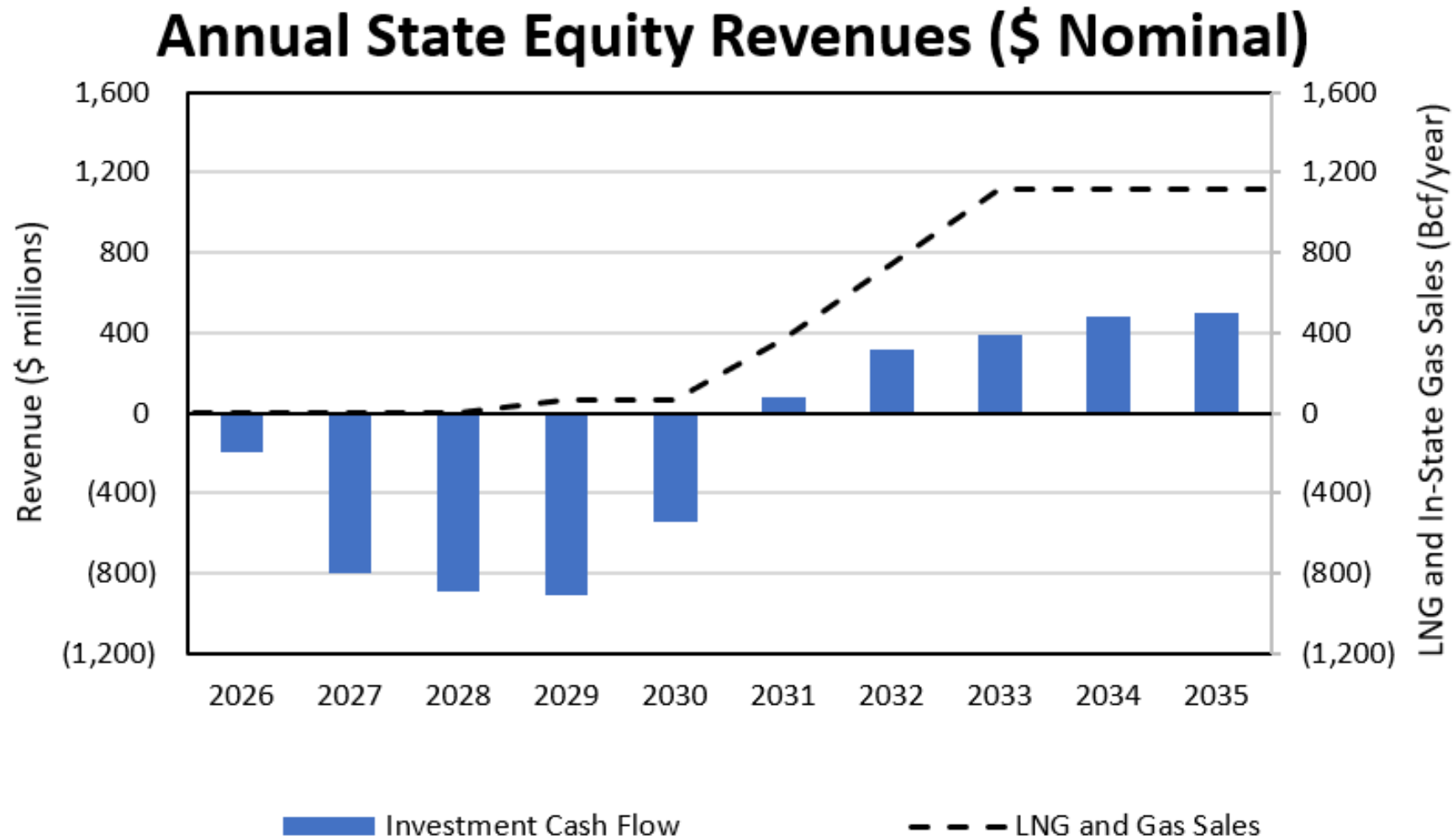
Annual State Equity Revenues (\$ Nominal), 25% Ownership

Annual State Equity Revenues (\$ Nominal)



Modeling Assumes no change to Cost of Debt, Property Tax, or AVT from State Ownership
 State Investment Cash Flow Revenues are net of capital investment

Annual State Equity Revenues (\$ Nominal), 25% Ownership 2026 to 2035



Modeling Assumes no change to Cost of Debt, Property Tax, or AVT from State Ownership
 State Investment Cash Flow Revenues are net of capital investment

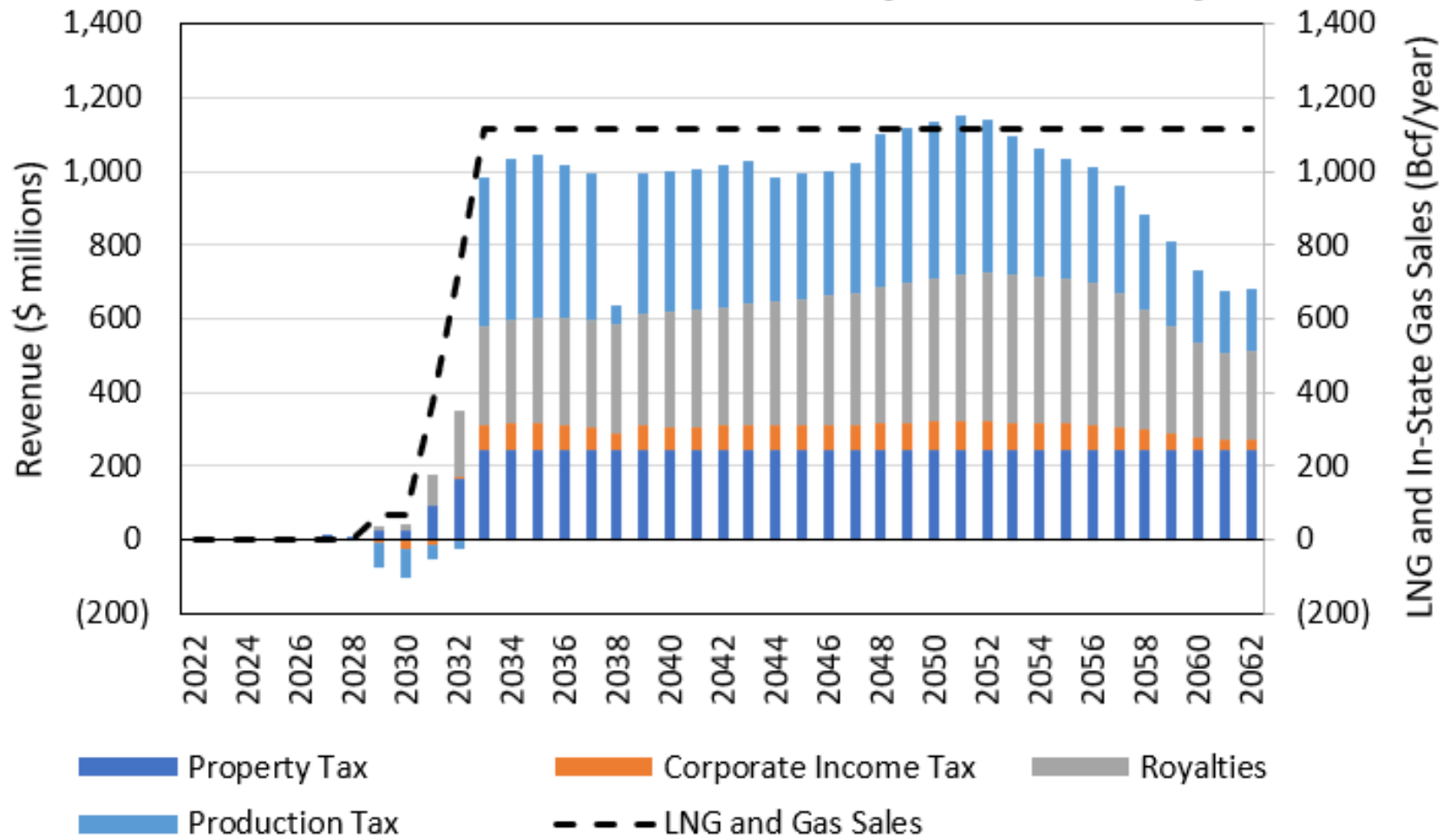
State Revenues at Different Throughput Levels

- The modeling prepared by the Department of Revenue assumes that the full Alaska LNG project's final investment decision and associated gas sales agreements are finalized before Phase 1 in-state natural gas deliveries commence
- In addition, the modeling assumes the cost of supply within those contracts represents a levelized cost of supply of natural gas over the model's tolling period, including the initial in-state only and LNG ramp up periods
- We have prepared the following summaries of the project as it transitions through its initial in-state only gas sales to full LNG capacity under the current project throughput profile. This covers a variety of throughput levels and provides information relating to state revenue over that time period



State Revenues at Different Throughput Levels, Full Project

Annual State Revenues (\$ Nominal)

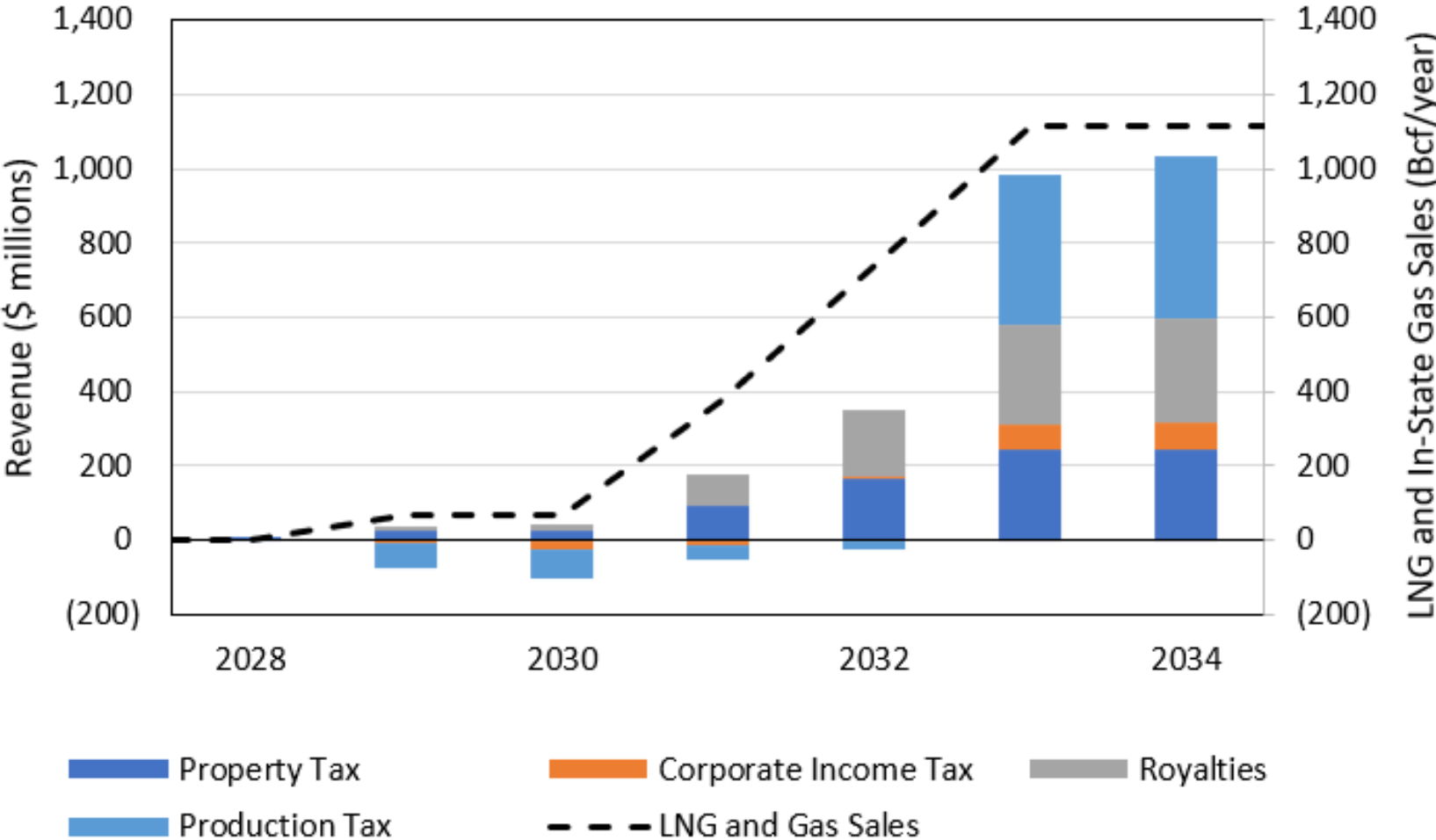


Note: In-State Cost of Supply \$4.86 per Mcf in 2033; LNG Cost of Supply \$9.07 per Mcf in 2033



State Revenues at Different Throughput Levels, 2028 to 2034

Annual State Revenues (\$ Nominal)



Note: In-State Cost of Supply \$4.86 per Mcf in 2033; LNG Cost of Supply \$9.07 per Mcf in 2033



State Revenues at Different Throughput Levels

State Revenue Summary in Nominal Millions	2028	2029	2030	2031	2032	2033	2034
Midstream Property Tax	\$10	\$23	\$23	\$90	\$160	\$239	\$239
Upstream State Prop. Tax	\$0	\$1	\$2	\$3	\$5	\$5	\$5
Total Property Tax	\$10	\$24	\$25	\$93	\$164	\$244	\$244
Upstream State Corporate Income Tax	\$0	-\$6	-\$22	-\$10	\$8	\$66	\$70
Upstream Oil Royalty	\$0	\$0	\$0	\$7	\$18	\$36	\$41
Upstream Gas Royalty	\$0	\$16	\$16	\$78	\$160	\$236	\$242
Total Royalties	\$0	\$16	\$16	\$85	\$178	\$272	\$283
Upstream Oil Production Tax	\$0	-\$82	-\$82	-\$42	-\$24	\$162	\$192
Upstream Gas Production Tax	\$0	\$10	\$0	\$0	\$0	\$239	\$244
Total Production Tax	\$0	-\$72	-\$82	-\$42	-\$24	\$402	\$437
Total State Traditional Revenue	\$10	-\$38	-\$62	\$125	\$326	\$984	\$1,034
Total LNG + Gas Sales (Bcf per Year)	-	65	65	371	741	1,112	1,112



Note: In-State Cost of Supply \$4.86 per Mcf in 2033; LNG Cost of Supply \$9.07 per Mcf in 2033

Mcf = thousand cubic feet, LNG = Liquefied Natural Gas

AVT Revenue by Project Component and State/ Municipality

Benefit to Governments (Nominal Millions of Dollars)	Through CY 2042	Through CY 2052	Through CY 2062
State Project AVT (Pipeline Only)	\$ 101	\$ 204	\$ 317
Local Project AVT	728	1,464	2,277
GTP North Slope Borough AVT	197	397	617
Pipeline North Slope Borough AVT	71	143	223
Pipeline Fairbanks North Star Borough AVT	1	1	2
Pipeline Denali Borough AVT	29	59	92
Pipeline Matanuska-Susitna Borough AVT	61	122	191
Pipeline Kenai Peninsula Borough AVT	14	29	44
LNG Plant Kenai Peninsula Borough AVT	354	712	1,108
Total Project AVT	\$ 829	\$ 1,668	\$ 2,594

