

# ALASKA STATE LEGISLATURE

## RESOURCES COMMITTEE

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Sen. Matt Claman  
Sen. Forrest Dunbar  
Sen. Scott Kawasaki  
Sen. George Rauscher  
Sen. Rob Myers

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### SB 280 Version G

#### **Sectional Analysis**

**Section 1** — Amends the education funding statutes to exclude qualified pipeline property from the property value calculation used to determine a district's required local contribution.

**Section 2** — Amends the definition of "local contribution" to ensure that pipeline tax revenue shared with municipalities under the new AVT provisions does not count toward a district's required local contribution.

**Section 3** — Amends the municipal petroleum property tax cap to exclude pipeline property subject to the AVT or community impact fee from the cap calculation.

**Section 4** — Companion to Sec. 3. Restores original language if the failure contingency in Sec. 45 is met.

**Section 5** — Prohibits municipalities from levying regular property taxes on qualified pipeline property that is subject to the AVT.

**Section 6** — Amends the Community Assistance distribution statute to include AVT revenue shared with municipalities as part of the per capita distribution.

**Section 7** — Companion to Sec. 6. Restores original language if the failure contingency in Sec. 45 is met.

**Section 8** — Amends AGDC's general powers to conform with the new legislative approval requirements added in Sec. 14 and the foreign entity provisions in Sec. 18.

**Section 9** — Adds new powers of AGDC: requires maximizing use of in-state contractors; requires transportation agreements to prioritize in-state utilities if capacity is reduced; requires AGDC to pursue a direct spur line to Fairbanks; prohibits recouping construction cost overruns through utility rate increases; and caps the gas sale price to Alaska utilities at \$12/mcf before LNG plant completion and \$5/mcf after.

**Section 10** — Conforms AGDC's confidentiality authority to reflect the new restrictions added in Sec. 13.

**Section 11** — Allows AGDC to enter into confidentiality agreements with legislators and legislative agents to facilitate release of confidential information to the legislature.

**Section 12** — Adds an exception to AGDC's confidentiality protections for information required to be publicly disclosed under Sec. 18.

**Section 13** — Adds new limitations on AGDC confidentiality agreements: prohibits subsidiaries from entering into confidentiality agreements; allows parties to waive confidentiality to release information to legislators or legislative agents; requires AGDC to enter into a confidentiality agreement with a legislator upon request to allow release of information; allows information released to legislators to be discussed in executive session under certain conditions; prohibits confidentiality agreements from concealing fiscal risks to the state, ownership structure, or the state's investment option; and allows economic information to be protected only if parties agree it would cause competitive harm and agree to release reasonable estimated ranges.

**Section 14** — Requires legislative approval before AGDC may transfer, sell, or dispose of an ownership or management interest in a subsidiary.

**Section 15** — Requires AGDC to negotiate a state investment option whenever it enters a revenue-generating project. The option must be approved by the legislature before being agreed to and must allow the state at least 12 months to exercise it. Requires AGDC and state agencies to cooperate with the legislature in evaluating investment options. Revenue from any option is deposited in a separate general fund account subject to appropriation.

**Section 16** — Requires revenue generated by an AGDC subsidiary to be deposited into a separate general fund account subject to appropriation rather than retained by AGDC.

**Section 17** — Requires legislative approval before AGDC or any subsidiary may issue bonds.

**Section 18** — Adds three new sections to the AGDC statutes: requires AGDC to maintain a publicly available searchable database disclosing ownership, investor, lender, creditor, and gas purchase agreement information for each project, updated at least quarterly; AGDC is shielded from civil liability for publishing required information, requires legislative approval before AGDC or a subsidiary may enter into a legal relationship with a foreign entity, requires AGDC to notify legislative leadership of any significant ownership change involving an entity in a legal relationship with AGDC or a subsidiary.

**Section 19** — Adds definitions for "foreign entity" and "subsidiary of the corporation," including partially owned subsidiaries.

**Section 20** — Requires DNR, before taking royalties in value, to base that value on prevailing market value for oil or gas of the same kind and quality for that field or area, and to publish the determination and supporting reasoning on the department's website for at least 10 years.

**Section 21** — Adds an exception to the prohibition on disclosure of taxpayer information to allow publication of prevailing value determinations as required by Sec. 27.

**Section 22** — Excludes the new AVT and community impact fee from the Tax Appeals Office's jurisdiction, consistent with the existing exclusion for petroleum property tax.

**Section 23** — Imposes a new corporate income tax on oil and gas pass-through entities — sole proprietorships, partnerships, LLCs, and S-corporations — with income from oil or gas production, transportation, treatment, LNG processing, or marine transport in the state. Uses a bracketed rate structure from 0% on income under \$1 million up to \$260,000 plus 9.4% on income over \$5 million. Excludes entities already subject to the standard corporate income tax or part of a unitary group with such a corporation.

**Section 24** — Conforming amendment replacing "corporation" with "taxpayer" in the income tax return filing statute.

**Section 25** — Conforming amendment replacing "corporation" with "taxpayer" in the combined reporting statute.

**Section 26** — Repeals and reenacts the prevailing value provision of the production tax statute to require that tax be based on prevailing market value for oil or gas of the same kind and quality for the relevant field or area, prohibiting use of below-market or no-cost sales as the basis for valuation.

**Section 27** — Adds subsections establishing the methodology for production tax prevailing value determinations and requiring the department to publish each determination and its reasoning on the department's website for at least 10 years.

**Section 28** — Excludes, for oil produced on or after January 1, 2026, costs related to North Slope gas exploration and development from deductible lease expenditures for oil production tax purposes.

**Section 29** — Conforming amendment to the lease expenditure statute reflecting the exclusion of gas costs from oil lease expenditure deductions.

**Section 30** — Codifies the exclusion of North Slope gas lease expenditures from oil production tax deductions and directs the department to establish an allocation method between oil and gas costs, including consideration of BTU equivalent barrel allocation.

**Section 31** — Modifies the pre-operations property tax exemption for natural gas pipeline property to cover all property used or committed for construction, operation, or maintenance of a pipeline project subject to the new AVT or impact fee, enabling the community impact fee to apply during construction.

**Section 32** — Companion to Sec. 31. Restores the original, narrower pre-operations exemption if the failure contingency in Sec. 45 is met.

**Section 33** — Adds a new chapter establishing the Alternative Volumetric Tax and Community Impact Fee. The AVT applies beginning the day after commencement of commercial operations at rates of \$0.15/mcf each for the gas treatment plant and pipeline throughput and \$0.25/mcf for LNG plant throughput, fixed for 10 years then adjusted annually by the urban Alaska CPI. The AVT replaces all other property taxes on qualified property and does not apply to spur lines. The community impact fee is \$1 million per mile of pipeline installed in the prior year, due during construction. Returns and payments are monthly for the AVT and annual for the impact fee; late payments accrue a 10% penalty plus interest. AVT revenue is allocated as follows: GTP — 50% to the North Slope Borough, 50% to the state; pipeline — 50% divided among communities along the route by mileage, 50% statewide per capita through the Community Assistance formula; LNG — 50% to the Kenai Peninsula Borough, 50% to the state. Impact fee revenue is appropriated to DCCED for grants to municipalities experiencing direct impacts from pipeline construction or operation. Includes appeals, throughput measurement regulations, and definitions.

**Section 34** — Repeals the statutory restriction on RCA regulation of LNG import facilities, currently in SB 180.

**Section 35** — Repeals the AVT, community impact fee, and related conforming provisions if the failure contingency in Sec. 45 is met.

**Section 36** — Applicability. The AGDC confidentiality, subsidiary, notification, and foreign entity provisions apply to agreements and relationships entered into on or after the effective date of those sections. New confidentiality rules apply to existing subsidiary agreements as if the subsidiary were the corporation.

**Section 37** — Applicability. The public disclosure requirements in Sec. 18 apply retroactively to ownership and gas purchase agreement information received by AGDC since July 1, 2024.

**Section 38** — Applicability. The pass-through entity income tax applies to tax years beginning on or after January 1, 2026.

**Section 39** — Applicability. The prevailing value provisions apply to oil and gas produced on or after the effective date of those sections.

**Section 40** — Transition. Existing AGDC participation options must allow the state at least 180 days after the effective date to exercise them. AGDC must notify legislative leadership of any existing options within 30 days of the effective date.

**Section 41** — Transition. AGDC must make its first public disclosure publication by January 1, 2027, covering ownership and gas purchase agreement information since July 1, 2024.

**Section 42** — Transition. Waives interest and penalties for the entity tax for tax years ending before January 1, 2027. Tax due for those years must be paid by January 1, 2027.

**Section 43** — Authorizes the Department of Revenue to adopt regulations retroactively to implement the entity tax and lease expenditure provisions.

**Section 44** — Retroactivity. The entity tax, conforming income tax amendments, and lease expenditure exclusions are retroactive to January 1, 2026.

**Section 45** — Establishes the failure contingency: the repeal provisions in Sec. 35 take effect if construction of a natural gas pipeline has not begun by January 1, 2028, or commercial operations have not commenced by January 1, 2032. Requires the Commissioner of Revenue to notify the revisor of statutes of each condition's status. Defines "construction of a natural gas pipeline" as requiring both steel pipe laid and welded in an excavated trench and at least one work camp established along the route.

**Section 46** — Repeals AVT and property tax exemptions if the construction condition is not met by January 1, 2028.

**Section 47** — Repeals AVT and property tax exemptions if the commercial operations condition is not met by January 1, 2032.

**Section 48** — All other provisions take effect immediately upon enactment.