

# Summary of Changes: HB 381 ver G, House Resources CS

---

House Resources Committee, April 27  
Rep. Robyn Frier, Co-Chair; Rep Maxine Dibert, Co-Chair

# Section 1: Legislative Findings

New intent language added as Section 1:

The legislature finds that the tax treatment in this Act is necessary to advance a major natural gas project and to ensure that

- (1) the project maximizes the benefit to the state by ensuring direct and affordable access to natural gas to the residents of the state; and
- (2) communities affected by the natural gas project are protected from the negative effects of the project.

# Alt. Volumetric Tax (AVT) and Equity Options

- Three major project components now taxed separately
  - Gas Treatment Plant/Arctic Carbon Capture Facility on the North Slope (GTP)
  - Pipeline
  - LNG Import/Export Facility in Nikiski (LNG Facility)
- Ramp up period: taxes abated for 6 years, or until 250,000,000 cubic feet of average daily throughput achieved.
- Sections 6 and 16 create an ‘equity or AVT’ option for the North Slope Borough and the Kenai Peninsula Borough.
  - GTP and LNG Facility would be taxed under AS 29.45 until an option is chosen, though taxes are still abated during ramp up period.

# AVT and Equity Options, Continued

- Pipeline AVT set at 5 cents per 1,000 cubic feet of throughput.
  - 50% of AVT revenue to be distributed proportionally to municipalities and the State based on the percentage of pipeline within property tax jurisdiction.
  - 50% of AVT revenue to be distributed according to population to municipalities.
- Conditional GTP AVT set at 5 cents per 1,000 cubic feet of throughput
  - Current language has revenue distributed to communities on a per capita basis.
- Conditional LNG Facility AVT set at 10 cents per 1,000 cubic feet of throughput
  - Current language has same revenue distribution as GTP.

# AVT and Equity Options, Continued

- AVT now adjusted for inflation annually using Anchorage CPI, smoothed over 5 years. First adjustment comes one year after ramp up period ends.
  - Version A increased AVT by 1 percent each year after the ramp up period.
- Delinquent tax penalty for AVT set at 15 percent of the delinquent amount and interest on the delinquent taxes.
  - Version A of HB 381 had a penalty of 10 percent, but 5 percent penalty from AS 43.05.220 also applied.

# Eligibility for AVT and tax abatement

- To be eligible for AVT and tax abatement in the bill, the project must
  - Include plans for a lateral spur line to Fairbanks, scheduled to begin operations two years after the first component of the project begins commercial operations.
  - The costs of financing, construction, operations or maintenance of the spur line must be shared across the pipeline system.
    - The RCA is directed to certify that the project is designed to maximize the in-state use of natural gas, and that other conditions for abatement have been met, including cost-sharing.
- If commercial operations of the project have not commenced by 2030, the abatements and AVT expire.

# New Conditional Effect Language

- Before HB 381 takes effect, the Commissioner of Revenue must determine that
  - The project developer has committed to enter into Community Benefit Agreements with communities within 50 miles of the pipeline corridor
    - Where borough governments exist, one Community Benefit Agreement would be required between the borough government and the project developer on behalf of the communities within the borough.
  - Committed to creating an impact fund to compensate communities for actual and direct costs associated with the project, as negotiated in Community Benefit Agreements.
  - Committed to negotiate a project labor agreement.
  - Committed to begin construction on a Fairbanks spur line within two years of the completion of the first 750 miles of pipeline.

# Provisions of Version A removed from Version G

- Language exempting the project from all municipal sales and use taxes was removed from the bill.
- Broad exemptions from AS 29.45 property taxes were narrowed to apply only during the ramp up period and to project components where an AVT is collected instead.

Redline comparison of Version A and Version G available on BASIS

Thank you!

Questions?

[House.Resources@akleg.gov](mailto:House.Resources@akleg.gov)