

Senate Bill 280 – Senate Resources CS version G

Senate Resources Committee

Department of Revenue

April 27, 2026

Brandon Spanos

Acting Director, Tax Division
Alaska Department of Revenue

Dan Stickel

Chief Economist, Tax Division
Alaska Department of Revenue



Acronyms and Definitions

AGDC – Alaska Gasline Development Corporation

ANS – Alaska North Slope

AVT – Alternative Volumetric Tax

Bcf – Billion cubic feet

CAPEX – Capital expenditures

CIT – Corporate Income Tax

CY – Calendar Year

DNR – Department of Natural Resources

DOR – Department of Revenue

FID – Final Investment Decision

FY – Fiscal Year

GTP – Gas Treatment Plant

IRR – Internal Rate of Return

LNG – Liquefied Natural Gas

MTPA – Million Tons per Annum (year)

Mcf – Thousand cubic feet

Mmbtu – Million British thermal units (1 mcf \approx 1.038 mmbtu)

OPEX – Operating expenditures

PTV – Production Tax Value

Definitions

- Upstream – oil and gas exploration and production
- Midstream – oil and gas processing and transportation



Presentation Overview

- Proposed Legislation and Revenue Impacts
- Implementation Costs
- Detailed Project Modeling



Proposed Legislation and Revenue Impacts

Disclaimer

- Alaska's severance tax is one of the most complex in the world and this bill would add additional complexity and dispute
- This is a highly complex bill with multiple interacting provisions
- These numbers are based on our preliminary interpretation of bill provisions and how those would apply to the Spring 2026 Forecast and DOR's baseline AKLNG model
- Many provisions will need to be addressed through regulations
- This presentation is solely for informative purposes
 - Not an official statement as to any particular tax liability, interpretation, or treatment
 - Not tax advice or guidance



Proposed Legislation

- Three broad categories of changes:
- Increased oversight and disclosure requirements for AGDC
 - And related DOR commercial analysis support
- Firmer language for oil and gas royalty and tax valuation
 - And related DOR reporting requirements
- Overall tax increase for oil and gas taxes
 - (combination of various increases, decreases, and new taxes)



DOR specific impacts

1. AKLNG Property Tax Exemption
2. Alternative Volumetric Tax (AVT)
3. Community Impact Fee
4. Passthrough Entity Tax
5. Disallowance of North Slope gas costs from production tax
6. New valuation and reporting requirements
7. Requirement to assist with state investment decisions



Note on Revenue Impacts/ Fiscal Note

- The revenue impact of this bill is indeterminate. This is a complex bill with many different pieces and is difficult to analyze with certainty
- Uncertain whether AKLNG project proceeds with the changes in this bill – this bill is a slight tax decrease initially but a slight tax increase over life of project
- Uncertain how some provisions of this bill will be interpreted and applied
- In addition to direct impacts of this bill, AKLNG project would also impact production tax, corporate income tax, and royalty revenue both from the Alaska LNG project and associated new development.
- Municipalities would be impacted through property tax exclusion, shared AVT revenue, shared community impact fee revenue, and increased property tax revenue from associated new developments
- Further, there would be economic benefits and impacts for the state and municipalities far beyond the direct impacts of oil and gas revenue, if the project proceeds



AKLNG Property Tax Exemption

- Bill would exempt the entire Alaska LNG project from state and local property taxes
- Exemption would repeal if construction does not commence prior to January 1, 2028, or if commercial operations do not commence prior to January 1, 2032
- AKLNG project is not included in the official Spring 2026 revenue forecast, so zero revenue impact per official forecast
- If the project were to proceed without tax modifications, current law property tax revenue to the state is estimated at \$25 million initially in 2029, ramping up to \$244 million in 2033



Alternative Volumetric Tax (AVT)

- Along with the property tax exemption, the AVT would repeal if construction does not commence prior to January 1, 2028, or if commercial operations do not commence prior to January 1, 2032
- AVT would apply beginning the day after commencement of commercial operations at rates of \$0.15/mcf for gas treatment plant throughput, \$0.15/mcf for pipeline throughput, and \$0.25/mcf for LNG plant throughput. Rates would be fixed for 10 years then adjusted annually based on inflation
- AVT would be levied by the state and shared 50% with municipalities for property located within a municipality. The remaining 50% of pipeline related AVT would be shared per capita with all municipalities via community revenue sharing; the state would retain the 50% of gas treatment plant and LNG plant related AVT



Alternative Volumetric Tax (AVT), continued

- If the project proceeds, an increase to revenue estimated at \$9.8 million initially in 2029, ramping up to \$620 million in 2033
- The state would share 81% of the AVT revenue for the pipeline component and half of the revenue for the other project components with municipalities
- Unrestricted general fund revenue to the state would be \$1.85 million initially increasing to \$255 million per year upon full capacity export operations. Revenues would increase with inflation adjustments thereafter



Community Impact Fee

- \$1 million for each mile of the main pipeline installed during construction
- Based on the amount of pipeline “installed” during the previous calendar year and only prior to commercial operations
- Uncertainty regarding how fee would work in year that commercial operations begin, and how installation would be defined
- Project envisions a 739-mile pipeline during the first phase, and a total of 807 miles of pipeline for the full project
- Funds would be designated for a grant program for impacted communities
- If project proceeds, maximum total revenue would be \$807 million
- Modeling assumes \$739 million over two years, could be less



Passthrough Entity Tax

- Under current law, only C-Corporations doing business in the state are subject to corporate income tax under AS 43.20
- Bill creates a tax on all oil and gas pass-through entities (including S-corporations)
- Retroactive to January 1, 2026
 - Pass-through entities not involved in oil and gas activities would continue to be exempt
- Tax brackets starting at 5% of taxable income between \$1 and \$2 million and ranging to 9.4% of taxable income over \$5 million
- Provision would have material revenue and economic impacts regardless of if the project proceeds



Passthrough Entity Tax, continued

- DOR has estimated a range of \$0-100 million per year for a tax of this type
- Currently about two-thirds of oil and gas companies are subject to corporate income tax; this new tax would apply to the remaining companies
- With AKLNG, this tax could also apply to incremental upstream income from qualifying producers as well as to the midstream operator which is assumed not to be subject to corporate income tax in DOR's model
- Incremental AKLNG project revenue would be zero for several years due to expected net operating losses during construction and depreciation
- Revenue could exceed \$60 million annually in the late 2030's, increasing in the 2040s once all net operating loss balances are used up and capital expenditures are fully depreciated



Disallowance of North Slope gas costs from production tax

- Applies to the oil and gas production tax, the state's severance tax
- Under current law, North Slope producers calculate tax before credits for oil and gas separately
- Gas is subject to a 13% gross tax, with a 17.7 cent/ mcf ceiling for gas used in-state, while oil is subject to a 35% net profits tax
- A 4% gross tax floor based on the value of North Slope oil applies to the oil tax calculation but also sets a floor for application of tax credits statewide
- Under current law, lease expenditures on the North Slope relating to both oil and gas are allowed to be applied in the oil tax calculation
- Under this bill, lease expenditures for gas would be disallowed
- This provision would apply retroactive to January 1, 2026



Disallowance of North Slope gas costs from production tax, continued

- This provision adds another layer of complexity to what is already an incredibly nuanced and complicated tax system
- DOR would need to develop and implement a methodology for breaking out these costs
- Allocation of costs would require complex allocations and policymaking via regulation
- Bill dictates that DOR consider BTU-equivalent barrels allocation but this is only one possible option and would not cover all circumstances
- This provision would have material impacts regardless of if the project proceeds, impacting both tax liability economics of current production as well as project economics for new exploration and development
 - Note – Attempting to parsing out AKLNG-induced gas costs would add additional complexity and uncertainty



Disallowance of North Slope gas costs from production tax, continued

- Disallowing gas related costs would have an impact on current producers and explorers as well as on the AKLNG project
- Impact on Spring 2026 forecast is indeterminate, highly dependent on regulations to be developed
- Modeled AKLNG scenario: Assume that half of the incremental upstream costs in DOR's AKLNG modeling will be deemed to be gas costs
- This provision could increase revenue by between \$0 and \$50 million per year during most years
- Revenue impact varies by year and is highly uncertain, due to the difficulty in predicting how expenditures will be allocated between oil and gas
- Far less complex methods exist for generating equivalent incremental revenue



New valuation and reporting requirements

- This provision would require that oil or gas sold at no or low value would be subject to tax
 - Currently such sales “may” be subject to tax but this provision changes the language to state that they “shall” be subject to tax
- Adds requirement that oil and gas value “must” be based on “fair market value” for production tax purposes
- DOR required to publish a monthly report with information about determination of value for oil and gas by field, unit, or area
- Modeling assumes no material revenue impact
- Details of exactly what is published would be subject to regulations and legal review
 - Potential concerns raised by industry



Requirement to assist with state investment decisions

- AGDC is required to negotiate state purchase options for the gas project
- DOR is required to cooperate with and assist the legislature in determining whether to acquire said interest, including analyzing funding sources and providing fiscal analysis of the investment opportunities
- Provision would require DOR to significantly expand commercial analysis expertise to prepare for these analyses



Implementation Costs

Fiscal Note – Expenditures – Staffing Plan

- The Tax Division would need to add eleven positions to fully implement the provisions of this bill:
 - Corporate Income Tax Auditor 3 to administer the new tax on passthrough entities
 - Tax Auditor 3 to administer the new AVT and community impact fee
 - Oil & Gas Revenue Specialist, and two Oil & Gas Revenue Auditor 4 positions to administer and implement increased valuation requirements and increased complexity of tax administration and audit
 - Three Commercial Analysts to comply with increased analysis and reporting requirements, increased complexity of tax analysis and forecasting, and required commercial analysis of gas project ownership decisions
 - Analyst Programmer 5 to support increased reporting requirements and general increased support needs with the staffing increments needed to implement this bill
 - Administrative Assistant 2 for general increased support needs with the staffing increments needed to implement this bill
 - Appeals Officer 2 to manage additional expected appeals, litigation, and complexity



Fiscal Note – Expenditures – Capital Request

- \$1 million reflects an estimate for the Division’s contract with FAST Enterprises to make the necessary changes to the Tax Revenue Management System (TRMS) in a short amount of time
- \$500,000 reflects an estimate for outside expertise to assist with highly complex regulations and for outside expertise to assist with the fiscal analysis of state purchase options for gas projects
 - Some of the work on regulations can be performed with existing resources, added positions, and support from the Department of Law
 - Some of the work on project investment decisions can also be performed with existing resources and added positions
 - Capital cost would be for expertise above and beyond internal resources and it is anticipated that some of these monies would be utilized across multiple fiscal years



Fiscal Note – Expenditures

Expenditures/Revenues		(Thousands of Dollars)					
Note: Amounts do not include inflation unless otherwise noted below.							
	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY2027	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Personal Services	2,136.5		2,136.5	2,136.5	2,136.5	2,136.5	2,136.5
Travel	105.0		105.0	105.0	105.0	105.0	105.0
Services	152.9		152.9	152.9	152.9	152.9	152.9
Commodities	45.0		1.0	1.0	1.0	21.0	1.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	2,439.4	0.0	2,395.4	2,395.4	2,395.4	2,415.4	2,395.4

Estimated CAPITAL (FY2027) costs 1,500.0 *(separate capital appropriation required)*



Detailed Project Modeling

Key Assumptions

- Model timeframe: 32 years from first LNG sale in 2031
 - It is anticipated that the project will continue beyond the modeled period
- Tolls equal to total cost of service providing an equity return (IRR) of 10% pre-tax for tolling agreement period of 20 years
Construction costs: \$46.2B (2026 base year)
- Unprocessed gas price: \$1.50 per Mcf (2026 base year)
- Phase 1 production from non-Great Bear field, requiring treatment
- Phase 2 production from Prudhoe Bay (PBU) and Point Thomson (PTU) and Phase 1 source, based on AGDC estimates
 - Impact on oil production at PBU assumed to be zero. PTU liquids production increased by 270 million barrels over life of project



Scenarios Modeled

- Current law scenario
- SB280 – as introduced
- CSSB280(RES) version G

- Modeling shows impact IF the full AKLNG project proceeds under each scenario, which is uncertain
- Modeling reflects our preliminary interpretation of version G and assumptions about possible implementation decisions



Analysis Summary; Current Tax Law

Cashflow Summary

Total Cashflow Nominal (\$ millions)	State Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 10,093	\$ (2,213)	\$ 6,274	\$ 19,376	\$ 6,381
Cumulative to 2052	20,770	8,293	11,870	41,651	25,807
Cumulative to 2062	29,716	22,597	17,297	60,379	70,361

Cost of Supply Summary

In-State Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$1.92	\$1.62
GTP Toll (\$/Mcf output)	\$1.14	\$0.96
Pipeline Toll (\$/Mcf output)	\$1.79	\$1.51
In State Gas Break-Even Price (2033)	\$4.86	\$4.09

LNG Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$2.06	\$1.73
GTP Toll (\$/Mcf output)	\$1.22	\$1.03
Pipeline Toll (\$/Mcf output)	\$1.92	\$1.61
LNG Plant Toll (\$/Mcf output)	\$2.92	\$2.46
Alaska to Japan Shipping (\$/Mcf)	\$0.94	\$0.79
LNG Break-Even Price (2033)	\$9.07	\$7.63



Analysis Summary; SB 280 as Introduced

Cashflow Summary

Total Cashflow Nominal (\$ millions)	State Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 7,482	\$ (2,218)	\$ 1,337	\$ 19,376	\$ 6,510
Cumulative to 2052	15,867	8,193	2,699	41,651	25,272
Cumulative to 2062	22,532	22,106	3,968	60,379	68,512

Cost of Supply Summary

In-State Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$1.92	\$1.62
GTP Toll (\$/Mcf output)	\$0.96	\$0.81
Pipeline Toll (\$/Mcf output)	\$1.54	\$1.30
In State Gas Break-Even Price (2033)	\$4.43	\$3.73

LNG Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$2.06	\$1.73
GTP Toll (\$/Mcf output)	\$1.03	\$0.87
Pipeline Toll (\$/Mcf output)	\$1.65	\$1.39
LNG Plant Toll (\$/Mcf output)	\$2.79	\$2.35
Alaska to Japan Shipping (\$/Mcf)	\$0.94	\$0.79
LNG Break-Even Price (2033)	\$8.48	\$7.13



Analysis Summary; CSSB 280 (RES) version G

Cashflow Summary

Total Cashflow Nominal (\$ millions)	State Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 11,643	\$ (1,888)	\$ 5,455	\$ 21,218	\$ 6,576
Cumulative to 2052	26,522	8,277	10,643	43,982	23,540
Cumulative to 2062	42,126	21,144	16,902	62,946	62,721

Cost of Supply Summary

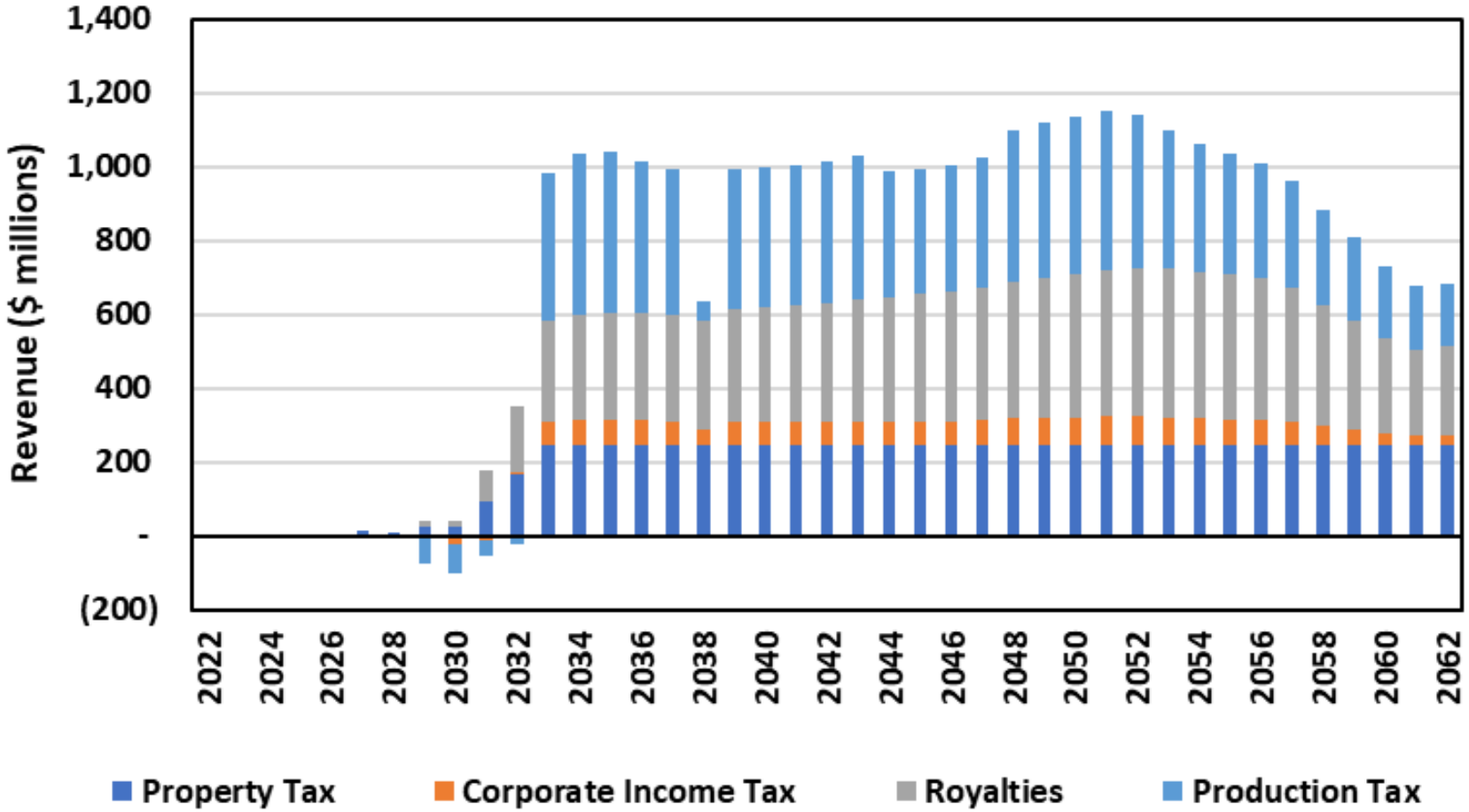
In-State Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$1.92	\$1.62
GTP Toll (\$/Mcf output)	\$1.10	\$0.93
Pipeline Toll (\$/Mcf output)	\$1.76	\$1.48
In State Gas Break-Even Price (2033)	\$4.78	\$4.03

LNG Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$2.06	\$1.73
GTP Toll (\$/Mcf output)	\$1.18	\$0.99
Pipeline Toll (\$/Mcf output)	\$1.88	\$1.59
LNG Plant Toll (\$/Mcf output)	\$3.01	\$2.54
Alaska to Japan Shipping (\$/Mcf)	\$0.94	\$0.79
LNG Break-Even Price (2033)	\$9.08	\$7.64



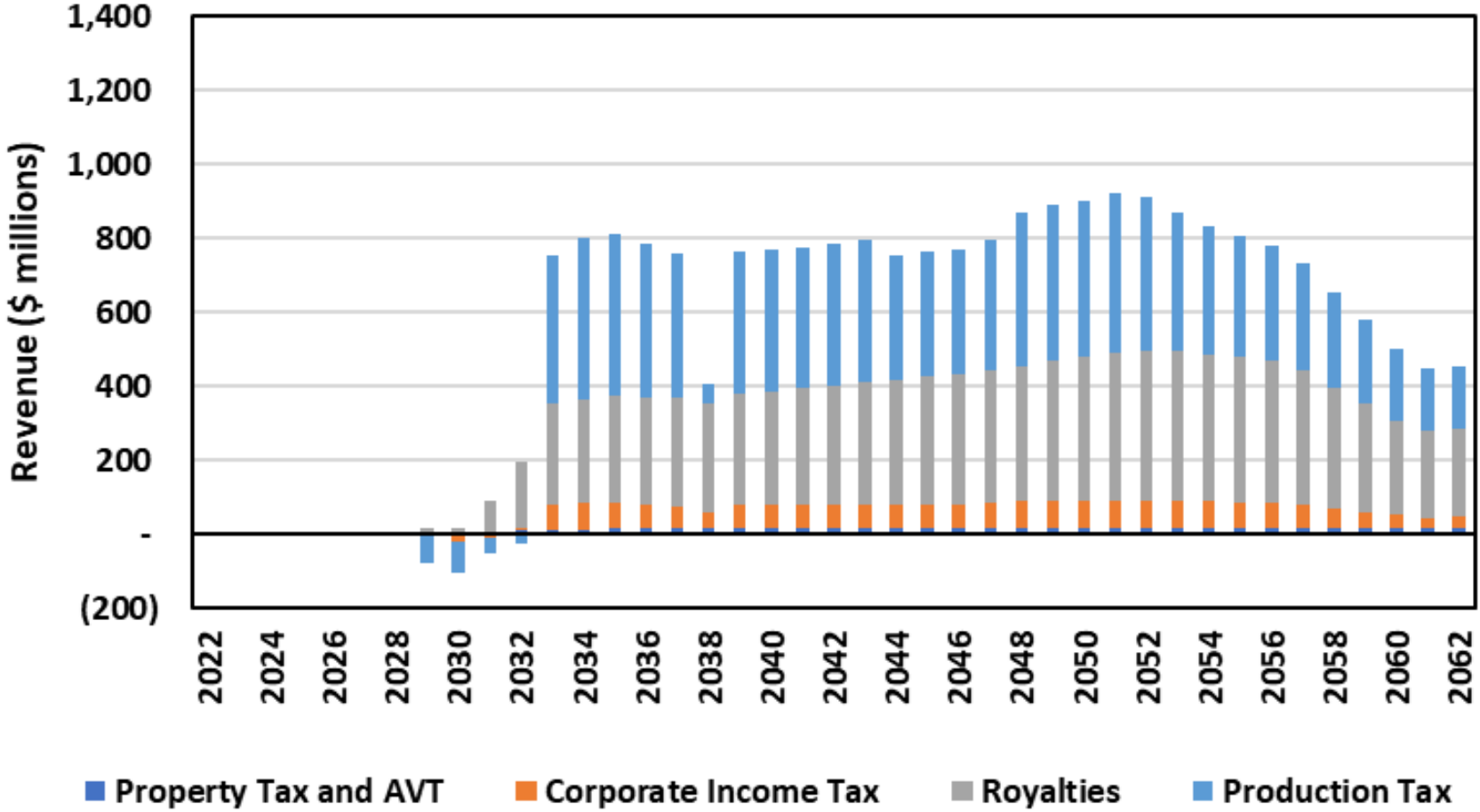
State Revenues by Year; Current Law

Annual State Revenues (\$ Nominal)



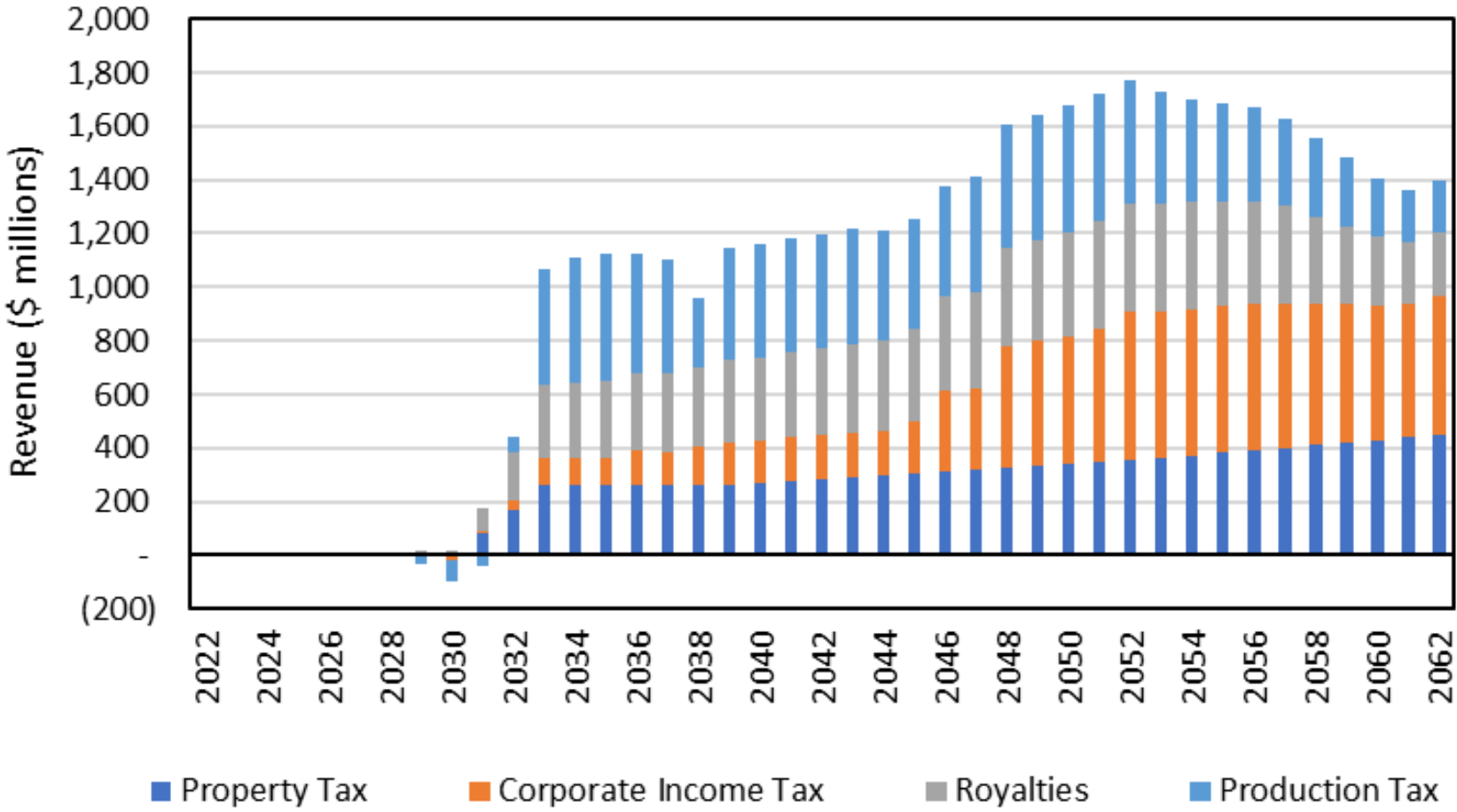
State Revenues by Year; SB 280 as Introduced

Annual State Revenues (\$ Nominal)



State Revenues by Year; CSSB 280 (RES) version G

Annual State Revenues (\$ Nominal)



Sensitivity Matrix; In-State Gas Break-Even Price, Nominal \$/Mcf in 2033

Current Law

		Upstream Gas Price								
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Alaska LNG Capital Cost	Base CAPEX	\$4.22	\$4.86	\$5.50	\$6.14	\$6.78	\$7.42	\$8.06	\$8.70	\$9.34
	+20%	\$4.79	\$5.43	\$6.07	\$6.71	\$7.35	\$7.99	\$8.63	\$9.27	\$9.92
	+40%	\$5.37	\$6.01	\$6.65	\$7.29	\$7.93	\$8.57	\$9.21	\$9.85	\$10.49
	+60%	\$5.95	\$6.59	\$7.23	\$7.87	\$8.51	\$9.15	\$9.79	\$10.43	\$11.07
	+80%	\$6.52	\$7.16	\$7.81	\$8.45	\$9.09	\$9.73	\$10.37	\$11.01	\$11.65
	+100%	\$7.10	\$7.74	\$8.38	\$9.02	\$9.66	\$10.30	\$10.94	\$11.58	\$12.22

**SB280
as introduced**

		Upstream Gas Price								
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Alaska LNG Capital Cost	Base CAPEX	\$3.79	\$4.43	\$5.07	\$5.71	\$6.35	\$6.99	\$7.63	\$8.27	\$8.91
	+20%	\$4.28	\$4.92	\$5.56	\$6.20	\$6.84	\$7.48	\$8.12	\$8.76	\$9.40
	+40%	\$4.76	\$5.40	\$6.04	\$6.68	\$7.32	\$7.96	\$8.60	\$9.24	\$9.89
	+60%	\$5.25	\$5.89	\$6.53	\$7.17	\$7.81	\$8.45	\$9.09	\$9.73	\$10.37
	+80%	\$5.74	\$6.38	\$7.02	\$7.66	\$8.30	\$8.94	\$9.58	\$10.22	\$10.86
	+100%	\$6.22	\$6.86	\$7.50	\$8.14	\$8.78	\$9.43	\$10.07	\$10.71	\$11.35

**CSSB280 (RES)
version G**

		Upstream Gas Price								
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Alaska LNG Capital Cost	Base CAPEX	\$4.14	\$4.78	\$5.42	\$6.07	\$6.71	\$7.35	\$7.99	\$8.63	\$9.27
	+20%	\$4.63	\$5.27	\$5.91	\$6.55	\$7.19	\$7.83	\$8.47	\$9.11	\$9.75
	+40%	\$5.12	\$5.76	\$6.40	\$7.04	\$7.68	\$8.32	\$8.96	\$9.60	\$10.24
	+60%	\$5.60	\$6.24	\$6.88	\$7.52	\$8.16	\$8.80	\$9.44	\$10.08	\$10.72
	+80%	\$6.09	\$6.73	\$7.37	\$8.01	\$8.65	\$9.29	\$9.93	\$10.57	\$11.21
	+100%	\$6.57	\$7.21	\$7.85	\$8.49	\$9.13	\$9.77	\$10.41	\$11.05	\$11.69

Sensitivity Matrix; LNG Break-Even Price, Nominal \$/Mcf in 2033

Current Law

		Upstream Gas Price								
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Alaska LNG Capital Cost	Base CAPEX	\$8.38	\$9.07	\$9.75	\$10.44	\$11.12	\$11.81	\$12.50	\$13.18	\$13.87
	+20%	\$9.47	\$10.15	\$10.84	\$11.53	\$12.21	\$12.90	\$13.59	\$14.27	\$14.96
	+40%	\$10.56	\$11.24	\$11.93	\$12.62	\$13.30	\$13.99	\$14.67	\$15.36	\$16.05
	+60%	\$11.65	\$12.33	\$13.02	\$13.70	\$14.39	\$15.08	\$15.76	\$16.45	\$17.14
	+80%	\$12.73	\$13.42	\$14.11	\$14.79	\$15.48	\$16.17	\$16.85	\$17.54	\$18.22
	+100%	\$13.82	\$14.51	\$15.20	\$15.88	\$16.57	\$17.25	\$17.94	\$18.63	\$19.31

**SB280
as introduced**

		Upstream Gas Price								
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Alaska LNG Capital Cost	Base CAPEX	\$7.79	\$8.48	\$9.16	\$9.85	\$10.53	\$11.22	\$11.91	\$12.59	\$13.28
	+20%	\$8.75	\$9.44	\$10.12	\$10.81	\$11.49	\$12.18	\$12.87	\$13.55	\$14.24
	+40%	\$9.71	\$10.40	\$11.08	\$11.77	\$12.46	\$13.14	\$13.83	\$14.51	\$15.20
	+60%	\$10.67	\$11.36	\$12.04	\$12.73	\$13.42	\$14.10	\$14.79	\$15.48	\$16.16
	+80%	\$11.63	\$12.32	\$13.01	\$13.69	\$14.38	\$15.06	\$15.75	\$16.44	\$17.12
	+100%	\$12.59	\$13.28	\$13.97	\$14.65	\$15.34	\$16.03	\$16.71	\$17.40	\$18.08

**CSSB280 (RES)
version G**

		Upstream Gas Price								
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Alaska LNG Capital Cost	Base CAPEX	\$8.39	\$9.08	\$9.76	\$10.45	\$11.14	\$11.82	\$12.51	\$13.20	\$13.88
	+20%	\$9.35	\$10.04	\$10.72	\$11.41	\$12.10	\$12.78	\$13.47	\$14.16	\$14.84
	+40%	\$10.31	\$11.00	\$11.68	\$12.37	\$13.06	\$13.74	\$14.43	\$15.11	\$15.80
	+60%	\$11.27	\$11.96	\$12.64	\$13.33	\$14.02	\$14.70	\$15.39	\$16.07	\$16.76
	+80%	\$12.23	\$12.92	\$13.60	\$14.29	\$14.98	\$15.66	\$16.35	\$17.03	\$17.72
	+100%	\$13.19	\$13.88	\$14.56	\$15.25	\$15.94	\$16.62	\$17.31	\$17.99	\$18.68

Conclusions

- The Alaska LNG Project has the potential to provide tens of billions of dollars for the State of Alaska, the U.S. federal government, local governments, and the public sector
 - Beyond direct financial impacts, the project would enhance Alaska and America's energy security and create thousands of jobs
- SB 280 as introduced would materially decrease the cost of gas provided and make the project more attractive to investors
- CSSB 280(RES) version G would be a slight tax decrease initially, and a slight tax increase over life of project. It would not materially decrease the cost of gas provided or make the project more attractive to investors
- CSSB 280(RES) version G would almost certainly preclude an in-state only pipeline – AKLNG would be all-or-nothing



THANK YOU

Brandon Spanos
Acting Tax Director
Department of Revenue
brandon.spanos@alaska.gov
(907) 269-6736

Dan Stickel
Chief Economist
Department of Revenue
daniel.stickel@alaska.gov
(907) 465-3279



dor.alaska.gov

