

ALASKA STATE LEGISLATURE

RESOURCES COMMITTEE

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SB 280 Version H

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. 53 is met.

Section 5: Prohibits municipalities from levying regular property taxes on qualified pipeline property 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. 53 is met.

Section 8: Amends the AGDC structure statute to designate AGDC as a fiduciary of the state.

Section 9: Amends AGDC's procurement statute to require adoption of regulations providing for competitive bidding and an Alaska bidder preference.

Section 10: Adds a new section to the RCA statutes prohibiting recouping construction cost overruns through utility rates and capping utility rates at \$12/mcf before LNG plant completion and \$5/mcf after. Gives the RCA jurisdiction to enforce these limits.

Section 11: Amends AGDC's general powers to conform with new legislative approval requirements added in Secs. 15 and 21.

Section 12: Adds new powers of AGDC: requires maximizing use of in-state contractors; requires gas sales agreements to prioritize in-state utilities over out-of-state purchasers if capacity is reduced; requires any AGDC pipeline to include a direct spur line to Fairbanks and the Fairbanks North Star Borough; prohibits recouping

construction cost overruns through utility rate increases; and caps utility rates at \$12/mcf before LNG plant completion and \$5/mcf after.

Section 13: Conforms AGDC's confidentiality authority to reflect the new restrictions added in Sec. 14.

Section 14: 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; allows information released to legislators to be discussed in legislative committee under certain conditions; prohibits 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 causes competitive harm and agree to release estimated ranges.

Section 15: Requires legislative approval for AGDC to transfer, sell, or dispose of an ownership or management interest in a subsidiary.

Section 16: Requires AGDC to negotiate a state participation option whenever it enters a revenue-generating project, subject to legislative approval, allowing the state at least 12 months to exercise it. Requires AGDC and state agencies to cooperate with the legislature in evaluating investment options.

Section 17: Makes AGDC subject to the Open Meetings Act. AGDC remains exempted from the Administrative Procedure Act.

Section 18: Requires revenue generated by AGDC subsidiaries and from project participation options to be deposited in separate general fund accounts subject to appropriation, which may be appropriated for AGDC's ongoing operations.

Section 19: Requires legislative approval for AGDC or any subsidiary to issue bonds, with an exception for refunding bonds.

Section 20: Clarifies that AGDC's existing tax-exempt status does not apply to the AVT and community impact fee established in this bill.

Section 21: Requires legislative approval before AGDC or a subsidiary may enter into an investment or ownership relationship with a foreign entity; this requirement does not apply to gas sales contracts. Requires legislative notification of any significant ownership change involving an entity in a legal relationship with AGDC or a subsidiary.

Section 22: Adds definitions for "foreign entity" and "subsidiary of the corporation," including partially owned subsidiaries.

Section 23: 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, prohibiting use of below-market or no-cost sales as the basis for valuation.

Section 24: Imposes a new corporate income tax on oil and gas pass-through entities with income from production, pipeline transportation, gas treatment, LNG processing, or marine transport of LNG in the state. Uses a bracketed rate structure from 0% under \$1 million to \$260,000 plus 9.4% over \$5 million. Excludes entities already subject to standard corporate income tax and exempts the portion of any qualified entity owned by AGDC.

Section 25: Conforming change replacing "corporation" with "taxpayer" in the return filing statute.

Section 26: Conforming change replacing "corporation" with "taxpayer" in the combined reporting statute.

Section 27: Repeals and reenacts the prevailing value provision of the production tax statute to require that tax be based on prevailing market value, prohibiting use of below-market or no-cost sales as the basis for valuation.

Section 28: Adds a subsection establishing the methodology for production tax prevailing value determinations.

Section 29: Conforming language in the qualified capital expenditure credit statute ensuring the new Dalton Highway surcharge cannot be offset by that credit.

Section 30: Conforming language in the exploration tax credit statute ensuring the new Dalton Highway surcharge cannot be offset by that credit.

Section 31: Conforming language ensuring a purchased tax credit certificate cannot be used to offset the new Dalton Highway surcharge.

Section 32: Conforming language ensuring the new Dalton Highway surcharge is not an allowable lease expenditure deduction for oil and gas production tax.

Section 33: Establishes that the Dalton Highway surcharge is due on the last day of each month on oil produced during the preceding month.

Section 34: Establishes a \$0.30/barrel surcharge on non-royalty oil produced in the state. Proceeds may be appropriated for maintenance and operation costs along the pipeline corridor. Establishes the pipeline corridor maintenance fund in the general fund.

Section 35: Adds prevailing value determinations to the list of aggregated data the Department of Revenue may publicly disclose when three or more companies are involved.

Section 36: Amends the definition of "surcharge" to include the new Dalton Highway surcharge.

Section 37: 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 38: Companion to Sec. 37. Restores the original, narrower pre-operations exemption if the failure contingency in Sec. 53 is met.

Section 39: Expands the petroleum property tax to apply to a liquefied natural gas plant and marine terminal used to export LNG.

Section 40: Conforming language requiring assessment of an LNG plant and marine terminal at full and true value.

Section 41: Conforming amendment to the definition of "taxable property" to include an LNG plant and marine terminal.

Section 42: Adds definitions for "liquefied natural gas plant" and "marine terminal" for purposes of the petroleum property tax.

Section 43: Establishes the AVT at \$0.15/mcf for GTP and pipeline throughput and \$0.25/mcf for LNG throughput, beginning the day after commencement of commercial operations for each component. If a property has multiple owners, each pays in proportion to their ownership. AGDC or its subsidiary is the responsible taxpayer. The rate is fixed for 10 years then adjusted annually by urban Alaska CPI, applied separately to each component based on its own commencement date. 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. Gas consumed in the refrigeration of LNG is not subject to the LNG plant's AVT. Provides definitions and appeals processes.

Section 44: Repeals the RCA restriction on LNG import facility regulation.

Section 45: Repeals the AVT, impact fee, and related conforming provisions if the failure contingency in Sec. 53 is met.

Section 46: Applicability: AGDC confidentiality, subsidiary, 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 47: Applicability: the pass-through entity income tax applies to tax years beginning on or after January 1, 2026.

Section 48: Applicability: the prevailing value provisions apply to oil and gas produced on or after the effective date of those sections.

Section 49: Transition: existing AGDC participation options must allow the state at least 180 days after the corporation notifies the legislature to exercise them. AGDC must notify legislative leadership of any existing options within 30 days of the effective date.

Section 50: 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 51: Authorizes the Department of Revenue to adopt regulations retroactively to implement the entity tax provisions.

Section 52: The entity tax and conforming income tax amendments are retroactive to January 1, 2026.

Section 53: Establishes the failure contingency: construction has not begun by January 1, 2028, or at least one major component of the Alaska LNG project has not commenced commercial operations 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."

Section 54: Conditional effective date of repeal provisions tied to the 2028 construction condition.

Section 55: Conditional effective date of repeal provisions tied to the 2032 commercial operations condition.

Section 56: Establishes July 1, 2027 as the effective date for the Dalton Highway surcharge and related conforming provisions.

Section 57: Immediate effective date for the remainder of the bill.