

**CS FOR SENATE BILL NO. 280(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to oil and gas; relating to local contribution for public school funding;**  
2 **relating to limitations on municipal oil and gas property taxes; relating to the regulation**  
3 **of liquefied natural gas import facilities and utility rates approved by the Regulatory**  
4 **Commission of Alaska; relating to the Alaska Gasline Development Corporation;**  
5 **establishing an income tax on certain entities producing or transporting oil or gas in the**  
6 **state; relating to the taxation of certain natural gas pipeline property and related**  
7 **facilities; establishing an infrastructure maintenance surcharge on oil and a related**  
8 **pipeline corridor maintenance fund; relating to an alternative volumetric throughput**  
9 **tax on certain natural gas pipelines and related facilities and a pipeline community**  
10 **impact fee; and providing for an effective date."**

11 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

12 \* **Section 1.** AS 14.17.510 is amended by adding a new subsection to read:

(d) In this section, the full and true value of the taxable real and personal property does not include a qualified property as defined in AS 43.59.100.

\* Sec. 2. AS 14.17.990(6) is amended to read:

(6) "local contribution"

(A) means appropriations and the value of in-kind services made by a district;

(B) does not include appropriations of tax revenue received by a municipality under AS 43.59.050;

\* Sec. 3. AS 29.45.080(c) is amended to read:

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of the percentage determined in (f) of this section of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality. Property subject to the alternative volumetric tax levied under AS 43.59.010 or the community impact fee assessed under AS 43.59.020 is not included in the value of property for the purpose of making the calculation under this subsection.

\* Sec. 4. AS 29.45.080(c), as amended by sec. 3 of this Act, is amended to read:

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of the percentage determined in (f) of this section of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality. [PROPERTY SUBJECT TO THE ALTERNATIVE VOLUMETRIC TAX LEVIED UNDER AS 43.59.010 OR THE COMMUNITY IMPACT FEE ASSESSED UNDER AS 43.59.020 IS NOT INCLUDED IN THE VALUE OF PROPERTY FOR THE PURPOSE OF MAKING THE CALCULATION UNDER THIS SUBSECTION.]

\* Sec. 5. AS 29.45.080 is amended by adding a new subsection to read:

(g) Notwithstanding any other provision of this section, AS 29.45.090, or the

1 authority granted to a municipality under AS 29.45.050 to exempt or defer taxation, a  
2 municipality may not levy a tax under this section on qualified property, as defined in  
3 AS 43.59.100, if the qualified property is subject to the alternative volumetric tax  
4 levied under AS 43.59.010.

5 \* **Sec. 6.** AS 29.60.860(a) is amended to read:

6 (a) Subject to (b) of this section, if the amount available for distribution under  
7 AS 29.60.850(c) exceeds the amount needed to fully fund all the basic community  
8 assistance payments, the balance, **combined with the amount appropriated under**  
9 **AS 43.59.050**, shall be distributed on a per capita basis to municipalities, to reserves,  
10 and to communities in the unorganized borough.

11 \* **Sec. 7.** AS 29.60.860(a), as amended by sec. 6 of this Act, is amended to read:

12 (a) Subject to (b) of this section, if the amount available for distribution under  
13 AS 29.60.850(c) exceeds the amount needed to fully fund all the basic community  
14 assistance payments, the balance [, COMBINED WITH THE AMOUNT  
15 APPROPRIATED UNDER AS 43.59.050,] shall be distributed on a per capita basis to  
16 municipalities, to reserves, and to communities in the unorganized borough.

17 \* **Sec. 8.** AS 31.25.010 is amended to read:

18 **Sec. 31.25.010. Structure.** The Alaska Gasline Development Corporation is a  
19 public corporation and government instrumentality acting in the best interest **and as a**  
20 **fiduciary** of the state for the purposes required by AS 31.25.005, located for  
21 administrative purposes in the Department of Commerce, Community, and Economic  
22 Development, but having a legal existence independent of and separate from the state.  
23 The corporation may not be terminated as long as it has bonds, notes, or other  
24 obligations outstanding. The corporation may dissolve when no bonds, notes, or other  
25 obligations of the corporation or a subsidiary of the corporation are outstanding and  
26 the corporation or a subsidiary of the corporation is no longer engaged in the  
27 development, financing, construction, or operation of an in-state natural gas pipeline  
28 or an Alaska liquefied natural gas project. Upon termination of the corporation, its  
29 rights and property pass to the state.

30 \* **Sec. 9.** AS 31.25.040(b) is amended to read:

31 (b) The board shall **by regulation adopted under AS 44.62 (Administrative**

**Procedure Act**) adopt and publish procedures to govern the procurement by the corporation of supplies, services, professional services, and construction. The procurement procedures must

**(1) reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;**

**(2) include procurement methods to meet emergency and extraordinary circumstances;**

**(3) comply with the five percent preference under AS 36.30.321(a);**  
**and**

**(4)** provide for an Alaska veterans' preference that is consistent with the Alaska veterans' preference in AS 36.30.175.

\* **Sec. 10.** AS 42.05 is amended by adding a new section to read:

**Sec. 42.05.387. Rates charged by Alaska Gasline Development Corporation gas pipeline.** (a) An owner or operator of a gas pipeline advanced, operated, or owned, in whole or in part, by the Alaska Gasline Development Corporation, or a subsidiary of the corporation,

(1) may not recoup cost overruns from the construction or operation of the gas pipeline by increasing the rates charged to a utility; in this paragraph, "cost overrun" means a cost in excess of the costs initially projected before commencement of construction of the pipeline;

(2) may not charge a utility in the state more than

(A) \$12 for each 1,000 cubic feet of natural gas after completion of the gas pipeline, but before the completion of a related liquefied natural gas plant;

(B) \$5 for each 1,000 cubic feet of natural gas after completion of a liquefied natural gas plant related to the gas pipeline.

(b) The commission has jurisdiction to enforce this section to the extent not preempted by federal law.

(c) In this section,

(1) "gas pipeline" has the meaning given in AS 31.25.390;

1 (2) "liquefied natural gas plant" has the meaning given in  
2 AS 31.25.390.

3 \* **Sec. 11.** AS 31.25.080(a) is amended to read:

4 (a) In addition to other powers granted in this chapter, the corporation may

5 (1) determine the form of ownership and the operating structure of an  
6 in-state natural gas pipeline developed by the corporation and may, **subject to**  
7 **AS 31.25.120(b)**, enter into agreements with other persons for joint ownership, joint  
8 operation, or both of an in-state natural gas pipeline or an Alaska liquefied natural gas  
9 project;

10 (2) plan, finance, construct, develop, acquire, maintain, and operate a  
11 pipeline system and other transportation mechanism, including pipelines, compressors,  
12 storage facilities, and other related facilities, equipment, and works of public  
13 improvement, in the state to facilitate production, transportation, and delivery of  
14 natural gas or other related natural resources to the point of consumption or to the  
15 point of distribution for consumption;

16 (3) lease or rent facilities, structures, and properties;

17 (4) exercise the power of eminent domain and file a declaration of  
18 taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is  
19 necessary for an in-state natural gas pipeline or an Alaska liquefied natural gas project;  
20 the exercise of powers by the corporation under this paragraph may not exceed the  
21 permissible exercise of the powers by the state;

22 (5) acquire, by purchase, lease, or gift, land, structures, real or personal  
23 property, an interest in property, a right-of-way, a franchise, an easement, or other  
24 interest in land, or an interest in or right to capacity in a pipeline system determined to  
25 be necessary or convenient for the development, financing, construction, or operation  
26 of an in-state natural gas pipeline project or an Alaska liquefied natural gas project or  
27 part of an in-state natural gas pipeline project or an Alaska liquefied natural gas  
28 project;

29 (6) **subject to AS 31.25.120(b)**, transfer or otherwise dispose of all or  
30 part of an in-state natural gas pipeline project, an Alaska liquefied natural gas project,  
31 or an interest in an asset of the corporation;

1 (7) elect to provide transportation of natural gas as a contract carrier,  
2 common carrier, or otherwise;

3 (8) provide light, water, security, and other services for property of the  
4 corporation;

5 (9) conduct hearings to gather and develop data consistent with the  
6 purpose and powers of the corporation;

7 (10) advocate for new pipeline capacity before the Federal Energy  
8 Regulatory Commission;

9 (11) make and execute agreements, contracts, and other instruments  
10 necessary or convenient in the exercise of the powers and functions of the corporation  
11 under this chapter, including a contract with a person, firm, corporation, governmental  
12 agency, or other entity;

13 (12) sue and be sued in its own name;

14 (13) adopt an official seal;

15 (14) adopt bylaws for the regulation of its affairs and the conduct of its  
16 business and adopt regulations and policies in connection with the performance of its  
17 functions and duties;

18 (15) employ fiscal consultants, engineers, attorneys, appraisers, and  
19 other consultants and employees that may, in the judgment of the corporation, be  
20 required and fix and pay their compensation from funds available to the corporation;

21 (16) procure insurance against a loss in connection with its operation;

22 (17) borrow money as provided in this chapter to carry out its  
23 corporate purposes and issue its obligations as evidence of borrowing;

24 (18) include in a borrowing the amounts necessary to pay financing  
25 charges, to pay interest on the obligations, and to pay the interest, consultant, advisory,  
26 and legal fees, and other expenses that are necessary or incident to the borrowing;

27 (19) receive, administer, and comply with the conditions and  
28 requirements of an appropriation, gift, grant, or donation of property or money;

29 (20) do all acts and things necessary, convenient, or desirable to carry  
30 out the powers expressly granted or necessarily implied in this chapter;

31 (21) invest or reinvest, subject to its contracts with noteholders and

1 bondholders, money or funds held by the corporation, including funds in the in-state  
2 natural gas pipeline fund (AS 31.25.100) and the Alaska liquefied natural gas project  
3 fund (AS 31.25.110), in obligations or other securities or investments in which banks  
4 or trust companies in the state may legally invest funds held in reserves or sinking  
5 funds or funds not required for immediate disbursement, and in certificates of deposit  
6 or time deposits secured by obligations of, or guaranteed by, the state or the United  
7 States;

8 (22) enter into, as it determines to be necessary or appropriate, any  
9 swap or hedge, cap, or other contract providing for payments based on levels of or  
10 changes in interest rates or indices or in the cost or price of any commodity, supply, or  
11 expense expected to be used or incurred in connection with the acquisition,  
12 construction, or operation of any facility or property owned, leased, or operated by the  
13 corporation, or an option with respect to any of the foregoing;

14 (23) except as provided in (g) of this section, acquire an ownership or  
15 participation interest in an Alaska liquefied natural gas project, natural gas treatment  
16 facilities, natural gas pipeline facilities, liquefaction facilities, marine terminal  
17 facilities related to the infrastructure of an Alaska liquefied natural gas project, or an  
18 entity or joint venture that has an ownership interest in or is engaged in the planning,  
19 financing, acquisition, maintenance, construction, and operation of an Alaska liquefied  
20 natural gas project;

21 (24) **after complying with AS 31.25.280, if applicable, and** after  
22 consultation with the commissioner of revenue and the commissioner of natural  
23 resources, enter into contracts relating to an Alaska liquefied natural gas project,  
24 including contracts for services related to operation, marketing, transportation, gas  
25 treatment, marine terminal operation, or liquefaction.

26 \* **Sec. 12.** AS 31.25.080 is amended by adding new subsections to read:

27 (h) The corporation shall, to the maximum extent possible, use contractors and  
28 suppliers in the state in order to benefit from the experience of workers and businesses  
29 in the state in arctic engineering and construction.

30 (i) A gas sales agreement entered into by the corporation, or a subsidiary of  
31 the corporation,

1 (1) shall require that a public utility in the state, or an entity shipping  
2 gas for delivery to a public utility in the state, have priority over sales to out-of-state  
3 purchasers if the transportation capacity of a gas pipeline is reduced; and

4 (2) may include other reasonable terms and conditions that are  
5 consistent with this chapter and that are for the mutual benefit of the gas pipeline and  
6 the public.

7 (j) A gas pipeline advanced, operated, or owned, in whole or in part, by the  
8 corporation, or a subsidiary of the corporation, must include a direct spur line to serve  
9 the City of Fairbanks and the Fairbanks North Star Borough.

10 (k) An owner or operator of a gas pipeline advanced, operated, or owned, in  
11 whole or in part, by the corporation, or a subsidiary of the corporation,

12 (1) may not recoup cost overruns from the construction or operation of  
13 the gas pipeline by increasing the rates charged to a utility; in this paragraph, "cost  
14 overrun" means a cost in excess of the costs initially projected before commencement  
15 of construction of the pipeline;

16 (2) may not charge a utility in the state more than

17 (A) \$12 for each 1,000 cubic feet of natural gas after  
18 completion of the gas pipeline, but before the completion of a related liquefied  
19 natural gas plant;

20 (B) \$5 for each 1,000 cubic feet of natural gas after completion  
21 of a liquefied natural gas plant related to the gas pipeline.

22 \* **Sec. 13.** AS 31.25.090(f) is amended to read:

23 (f) **Subject to the restrictions in this section, the** [THE] corporation may  
24 enter into confidentiality agreements necessary to acquire or provide information to  
25 carry out its functions. If a state agency determines that a law or provision of a  
26 contract to which the state agency is a party requires the state agency to preserve the  
27 confidentiality of the information and that delivering the information to the  
28 corporation would violate the confidentiality provision of that law or contract, the state  
29 agency shall

30 (1) identify the applicable law or contract provision to the corporation;

31 and

1 (2) obtain the consent of the person who has the right to waive the  
2 confidentiality of the information under the applicable law or contract provision before  
3 the state agency transfers the information to the corporation.

4 \* **Sec. 14.** AS 31.25.090 is amended by adding new subsections to read:

5 (j) A subsidiary of the corporation, whether wholly or partially owned, may  
6 not enter into a confidentiality agreement with any party.

7 (k) The parties to a confidentiality agreement entered into under (f) of this  
8 section may agree to waive confidentiality, in whole or in part, to allow the release of  
9 information to a legislator or a public agent or for publication. Information released  
10 under this subsection may include reasonable redactions. Information released under  
11 this subsection may include

12 (1) a contract or agreement or a specific term of a contract or  
13 agreement;

14 (2) a pending contract or agreement or a specific term of a pending  
15 contract or agreement;

16 (3) a record, file, or other information in possession of the corporation,  
17 a subsidiary of the corporation, or an entity partnered with the corporation; or

18 (4) the confidentiality agreement or terms of the confidentiality  
19 agreement.

20 (l) Notwithstanding (g) or (k) of this section, information subject to a  
21 confidentiality agreement entered into by the corporation may be discussed in a  
22 legislative committee in regular or executive session if the parties to the  
23 confidentiality agreement consent to the session, the consent is lawful, and one or  
24 more of the consenting parties is available to testify at the session.

25 (m) A confidentiality agreement entered into under (f) of this section may not

26 (1) prevent compliance with an administrative or court order  
27 mandating disclosure;

28 (2) make confidential contract terms, or prospective contract terms,  
29 that bind the corporation, a subsidiary of the corporation, or an entity with which the  
30 corporation, or a subsidiary of the corporation, has a legal relationship to assume fiscal  
31 or performance liability, obligation, or risk that could extend to or encumber the state

1 with that fiscal or performance liability, obligation, or risk, either directly or  
2 indirectly; in this paragraph, "legal relationship" means a partnership, joint venture,  
3 joint ownership agreement, or other legally binding business arrangement formed for  
4 the purpose of shared ownership or management of, or pooling of resources for, an  
5 entity in which the corporation, or a subsidiary of the corporation, has an ownership or  
6 management interest;

7 (3) except as provided in (n) of this section, make confidential  
8 information that may lead to a significant fiscal liability, obligation, or risk to the state,  
9 or a necessary policy decision by the state, including a decision related to  
10 appropriations or other state funding or in-kind payments or services from the state;

11 (4) make confidential contract terms governing the ownership or  
12 management structure of a subsidiary of the corporation; or

13 (5) make confidential information related to a state interest option  
14 under AS 31.25.125.

15 (n) A confidentiality agreement entered into under (f) of this section may  
16 make confidential specific known or reasonably anticipated project economics or costs  
17 related to the Alaska liquefied natural gas project only if the parties to the contract  
18 agree

19 (1) that release of the project economics or costs would cause  
20 commercial or competitive harm to an entity involved in the Alaska liquefied natural  
21 gas project; and

22 (2) to release reasonable estimated ranges or a summarization of  
23 project economics and costs sufficient for a legislator or a public agent to assess the  
24 fiscal liability, obligation, or risk to the state.

25 (o) In this section, "public agent" means

26 (1) a public agency, as defined in AS 40.25.220, or an agent or  
27 contractor of a public agency;

28 (2) an agent or contractor of a member of the legislature or of a  
29 legislative committee.

30 \* **Sec. 15.** AS 31.25.120 is amended by adding a new subsection to read:

31 (b) Unless the legislature approves the action by law, the corporation may not

1 transfer, sell, or otherwise dispose of an ownership or management interest in a  
2 subsidiary of the corporation.

3 \* **Sec. 16.** AS 31.25 is amended by adding a new section to read:

4 **Sec. 31.25.125. Involvement in revenue-generating projects.** (a) If the  
5 corporation negotiates with another entity for participation by the corporation in a  
6 revenue-generating project, the corporation shall negotiate an option for the state to  
7 acquire an interest in the project. The corporation shall immediately notify the  
8 president of the senate, the speaker of the house of representatives, and the chairs of  
9 the finance committee of each house of the legislature on each occasion that an option  
10 is available for consideration by the legislature under (b)(1) of this section.

11 (b) An option negotiated under this section must

12 (1) before being agreed to, be approved by the legislature by law; and

13 (2) allow the state to exercise the option for at least 12 months after  
14 notification of the legislature under (d) of this section.

15 (c) At the request of the legislature, a state agency shall cooperate with and  
16 assist the legislature in determining whether to approve under (b)(1) of this section the  
17 terms of an option negotiated under (a) of this section.

18 (d) The corporation shall immediately notify the president of the senate, the  
19 speaker of the house of representatives, and the chairs of the finance committee of  
20 each house of the legislature on each occasion that the state may exercise an option  
21 negotiated under (a) of this section. The corporation shall notify the legislature under  
22 this subsection on the later of the date that

23 (1) the corporation determines, with reasonable assurance and  
24 considering the totality of circumstances, including review of all relevant financial  
25 information, that the revenue-generating project will be completed, with or without  
26 state investment; or

27 (2) a final investment decision is made for the revenue-generating  
28 project.

29 (e) The state may not acquire an interest in a revenue-generating project under  
30 this section unless the interest is approved by the legislature by law. When making an  
31 investment decision under this section, the legislature shall act as a prudent investor.

1 (f) The Department of Revenue shall cooperate with and assist the legislature  
2 in determining whether to acquire an interest in a revenue-generating project under (e)  
3 of this section by exercising an option negotiated under (a) of this section, including  
4 by identifying potential funding sources for exercising the option and potential fiscal  
5 effects on the state. If requested by the legislature, another state agency shall cooperate  
6 with and assist the legislature with making a determination under (e) of this section.

7 (g) The corporation, and any other entity participating in a revenue-generating  
8 project, shall

9 (1) cooperate with and assist the legislature in determining whether to  
10 approve the terms of an option negotiated under (a) of this section or to acquire an  
11 interest in the project by exercising an option negotiated under this section;

12 (2) provide information requested by the legislature related to the  
13 project, including

14 (A) information necessary for the legislature to act as a prudent  
15 investor; and

16 (B) financial records of or related to the revenue-generating  
17 project; and

18 (3) ensure that at least one representative of the corporation and of  
19 each participating entity are available to testify during public hearings of legislative  
20 committees requesting testimony.

21 (h) In this section,

22 (1) "corporation" includes a subsidiary of the corporation;  
23 notwithstanding the definition of "subsidiary of the corporation" in AS 31.25.390, a  
24 subsidiary of a corporation does not include a partially owned subsidiary for purposes  
25 of this section;

26 (2) "revenue-generating project" means a project, entity ownership,  
27 legal business arrangement, partnership, joint venture, or other commercial endeavor  
28 expected to generate revenue.

29 \* **Sec. 17.** AS 31.25.130(a) is amended to read:

30 (a) Except **as otherwise provided in this chapter and except** for  
31 AS 44.62.310 - 44.62.319 (Open Meetings Act), AS 44.62 (Administrative Procedure

1 Act) does not apply to this chapter. The corporation shall make available to members  
2 of the public copies of the regulations adopted under (b) - (e) of this section.

3 \* **Sec. 18.** AS 31.25 is amended by adding a new section to article 1 to read:

4 **Sec. 31.25.145. Separate accounting.** (a) The corporation shall deposit into  
5 separate accounts in the general fund revenue

6 (1) generated by a subsidiary of the corporation; and

7 (2) resulting from an option negotiated under AS 31.25.125.

8 (b) The legislature may appropriate the annual estimated balance in the  
9 accounts for operations of the corporation or for any other purpose.

10 \* **Sec. 19.** AS 31.25.160 is amended by adding a new subsection to read:

11 (g) The corporation, or a subsidiary of the corporation, may issue bonds only  
12 if the legislature approves issuance of the bonds, except for refunding bonds.  
13 Refunding bonds may be issued without further approval by the legislature in a  
14 principal amount sufficient to provide funds for the payment of all bonds to be  
15 refunded by the refunding bonds and, in addition, for the payment of all other amounts  
16 that the corporation considers appropriate in connection with the refunding, including  
17 expenses incident to the redeeming, calling, retiring, or paying of the outstanding  
18 bonds, the funding of reserves, and the issuance of the refunding bonds.

19 \* **Sec. 20.** AS 31.25.260(a) is amended to read:

20 (a) The exercise of the powers granted by this chapter is, in all respects, for  
21 the benefit of the people of the state, for the people's [THEIR] well-being and  
22 prosperity, and for the improvement of the people's [THEIR] social and economic  
23 conditions, and, except as provided in AS 43.59.010(e), the corporation is not  
24 required to pay a tax or assessment on any property owned by the corporation under  
25 the provisions of this chapter or on the income from it, including state taxes levied or  
26 authorized under AS 43.56.010(a) and municipal taxes under AS 43.56.010(b) as  
27 provided in AS 43.56.020.

28 \* **Sec. 21.** AS 31.25 is amended by adding new sections to read:

29 **Sec. 31.25.280. Legislative approval of relationships with foreign entities.**

30 (a) Unless the legislature approves the action by law, the corporation, or a subsidiary  
31 of the corporation, may not enter into a legal relationship with a foreign entity, either

1 directly or indirectly through another person or entity. Before a legal relationship is  
2 approved under this section, the corporation shall

3 (1) notify the president of the senate, the speaker of the house of  
4 representatives, and the chairs of the finance committee of each house of the  
5 legislature of the corporation's or subsidiary's request to enter into the legal  
6 relationship; and

7 (2) provide legislative committees the opportunity to hold public  
8 hearings relating to the proposed legal relationship.

9 (b) To facilitate approval under (a) of this section, to the greatest extent  
10 possible, the corporation or the subsidiary of the corporation, as applicable, shall  
11 cooperate with the legislature, including by

12 (1) providing all allowable information requested by the legislature or  
13 a committee of the legislature; and

14 (2) ensuring that a representative of the foreign entity is available, if  
15 requested, to testify relating to the proposed legal relationship during public hearings  
16 of legislative committees requesting testimony.

17 (c) In this section, "legal relationship" includes a partnership, joint venture,  
18 joint ownership agreement, merger, or other legal agreement made for the purpose of  
19 investing in, obtaining monetary returns from, or obtaining an ownership interest in

20 (1) a project developed by the corporation or a subsidiary of the  
21 corporation;

22 (2) a project in which the corporation or a subsidiary of the corporation  
23 has an ownership or management interest; or

24 (3) an entity engaged in a project described in (1) or (2) of this  
25 subsection.

26 **Sec. 31.25.285. Legislative notification of ownership change.** (a) The  
27 corporation shall promptly notify the president of the senate, the speaker of the house  
28 of representatives, and the chairs of the finance committee of each house of the  
29 legislature if

30 (1) an entity in a legal relationship with the corporation, or a subsidiary  
31 of the corporation, has a significant change in ownership structure; or

1 (2) the corporation becomes aware that an entity in a legal relationship  
2 with the corporation, or a subsidiary of the corporation, plans to make a significant  
3 change in ownership structure.

4 (b) In this section, "legal relationship" means a partnership, joint venture, joint  
5 ownership agreement, or other legally binding business arrangement

6 (1) of which the corporation, or a subsidiary of the corporation, has at  
7 least a 10 percent interest; or

8 (2) that has an interest in a third entity in which the corporation, or a  
9 subsidiary of the corporation, also has at least a 10 percent interest; and

10 (3) that formed for the purpose of shared ownership or shared  
11 management of, or pooling of resources for, an entity in which the corporation, or a  
12 subsidiary of the corporation, has an ownership or management interest.

13 \* **Sec. 22.** AS 31.25.390 is amended by adding new paragraphs to read:

14 (8) "foreign entity" means

15 (A) an entity whose primary operations are not physically  
16 located in the United States and that is not managed primarily by citizens of  
17 the United States; or

18 (B) a natural person who is not a citizen of the United States;

19 (9) "subsidiary of the corporation" includes a subsidiary partially  
20 owned by the corporation.

21 \* **Sec. 23.** AS 38.05.180 is amended by adding a new subsection to read:

22 (mm) Before taking oil or gas royalties in value, the commissioner shall  
23 determine that the value taken is based on the value of oil or gas of the same kind,  
24 quality, and character prevailing for that field, unit, or area during the calendar month  
25 the oil or gas is produced. The commissioner may take royalties on oil or gas that is  
26 produced but not sold and may take royalties on gas that is produced and stored in a  
27 gas storage facility. The commissioner may not, when making a value determination  
28 under this subsection, base a value for oil or gas on oil or gas sold at no cost or at a  
29 cost substantially lower than that of other oil or gas of the same kind, quality, and  
30 character.

31 \* **Sec. 24.** AS 43.20 is amended by adding a new section to read:

**Sec. 43.20.019. Tax on income of certain oil and gas pass-through entities.**

(a) Each taxable year, a tax is imposed on the entire taxable income derived from sources in the state of every qualified entity. The tax is computed as follows:

If the taxable income is:	Then the tax is:
Less than \$1,000,000	zero
\$1,000,000 but less than \$2,000,000	5 percent of the taxable income over \$1,000,000
\$2,000,000 but less than \$3,000,000	\$50,000 plus 6 percent of the taxable income over \$2,000,000
\$3,000,000 but less than \$4,000,000	\$110,000 plus 7 percent of the taxable income over \$3,000,000
\$4,000,000 but less than \$5,000,000	\$180,000 plus 8 percent of the taxable income over \$4,000,000
\$5,000,000 or more	\$260,000 plus 9.4 percent of the taxable income over \$5,000,000.

(b) For purposes of calculating taxable income under this section,

(1) taxable income of a qualified entity is determined under AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1, 2026;

(2) notwithstanding AS 43.20.021 and AS 43.20.036, a qualified entity may not apply as a credit or deduction against tax liability a credit or deduction allowed as to federal taxes under 26 U.S.C. (Internal Revenue Code), except that the qualified entity may take a credit or deduction allowed for a C corporation under (1) of this subsection.

(c) The tax under this section does not apply to a corporation subject to tax under AS 43.20.011 or to an entity that is part of a unitary business with a corporation subject to tax under AS 43.20.011.

(d) A public corporation is exempt from the tax under this section. If a qualified entity is held in part by a public corporation, income in proportion to the ownership interest held by the public corporation is exempt from the tax under this

1 section. The department may direct each owner of a qualified entity that is owned in  
2 part by the Alaska Gasline Development Corporation (AS 31.25) to file a return with  
3 the department. Notwithstanding AS 40.25.100(a) and AS 43.05.230(a), a return filed  
4 by the Alaska Gasline Development Corporation under this subsection is a public  
5 record and is not confidential.

6 (e) For the purpose of determining the tax due under this section, the  
7 department shall

8 (1) aggregate the taxable income of two or more entities if the  
9 department determines that, without the provisions of this section, the taxable income  
10 would reasonably be expected to be attributed to a single entity;

11 (2) except as provided in (c) of this section, include in the calculation  
12 of taxable income of the qualified entity income that is attributable to an entity that is  
13 part of a unitary business with the qualified entity paying tax under this section; and

14 (3) adopt regulations to prevent evasion of taxes imposed under this  
15 section.

16 (f) For purposes of calculating income under this section, a qualified entity  
17 may deduct from income a payment to the shareholder, owner, member, or partner of  
18 the qualified entity, if

19 (1) the shareholder, owner, member, or partner is a taxpayer under this  
20 chapter;

21 (2) the payment does not include a transfer of property;

22 (3) the payment is included in the shareholder's, owner's, member's, or  
23 partner's income for purposes of this chapter; and

24 (4) the payment was not made with the specific intent to reduce or  
25 evade the payment of tax under this chapter.

26 (g) In this section,

27 (1) "carbon capture" and "carbon storage" have the meanings given in  
28 AS 43.55.165(e)(23);

29 (2) "pipeline" means a pipeline that transports oil or gas from north of  
30 68 degrees North latitude to a location outside of the lease or property where the oil or  
31 gas is produced for the direct purpose of sale and delivery of the oil or gas to a

1 commercial market;

2 (3) "qualified entity"

3 (A) means a sole proprietorship, partnership, limited liability  
4 company, or entity that has elected to file federal returns under 26 U.S.C. 1361  
5 - 1379 (Internal Revenue Code) that

6 (i) has taxable income;

7 (ii) owns, operates, manages, or controls an entity that  
8 has taxable income;

9 (iii) holds an ownership, investment, or similar interest  
10 in an entity that has taxable income; or

11 (iv) owns an operating right, operating interest, or  
12 working interest in a mineral interest of an entity with taxable income;

13 (B) does not include a natural person;

14 (4) "taxable income" means income

15 (A) from the production of oil or gas from a lease or property  
16 in the state;

17 (B) from the transportation of oil or gas by pipeline in the state;

18 (C) from the supply of oil or gas for transportation by pipeline  
19 in the state, whether directly, to an intermediary, or as an intermediary;

20 (D) from gas treatment, carbon capture, or carbon storage  
21 activities in the state;

22 (E) from liquefied natural gas processing in the state;

23 (F) from the marine transportation of liquefied natural gas  
24 produced in the state; and

25 (G) of an entity that is part of a unitary business with a carrier  
26 or producer paying tax under this section as provided under (e)(2) of this  
27 section.

28 \* **Sec. 25.** AS 43.20.030(a) is amended to read:

29 (a) If a **taxpayer** [CORPORATION], or a partnership that has a **taxpayer**  
30 [CORPORATION] as a partner, is required to make a return under the provisions of  
31 the Internal Revenue Code, **the taxpayer** [IT] shall file with the department, within 30

1 days after the federal return is required to be filed, a return setting out

2 (1) the amount of tax due under this chapter, less credits claimed  
3 against the tax; and

4 (2) other information for the purpose of carrying out the provisions of  
5 this chapter that the department requires.

6 \* **Sec. 26.** AS 43.20.031(i) is amended to read:

7 (i) A **taxpayer that** [CORPORATION WHICH] is a member of a group of  
8 unitary corporations **or entities that** [WHICH] collectively has income from business  
9 activity taxable both inside and outside the state, or income from other sources both  
10 inside and outside the state, shall determine its income from sources in this state by  
11 use of the combined method of accounting.

12 \* **Sec. 27.** AS 43.55.020(f) is repealed and reenacted to read:

13 (f) The department, based on the value determined under (n) of this section,

14 (1) may require tax to be paid on oil or gas that is produced, but not  
15 sold;

16 (2) may require tax to be paid on gas that is produced and stored in a  
17 gas storage facility;

18 (3) shall require tax to be paid on oil or gas that is produced and sold at  
19 no cost or under circumstances where the sale price does not represent the prevailing  
20 value for oil or gas of like kind, quality, or character for the field, unit, or area from  
21 which the product is produced.

22 \* **Sec. 28.** AS 43.55.020 is amended by adding new subsections to read:

23 (n) When making a value determination for purposes of the payment of tax  
24 under (f)(3) of this section, the department

25 (1) shall base the value for oil or gas on the value of oil or gas of the  
26 same kind, quality, and character prevailing for that field, unit, or area during the  
27 calendar month of production or sale; and

28 (2) may not base a value for oil or gas on oil or gas sold at no cost or at  
29 a cost substantially lower than that of other oil or gas of the same kind, quality, and  
30 character.

31 \* **Sec. 29.** AS 43.55.023(c) is amended to read:

1 (c) A credit or portion of a credit under this section

2 (1) may not be used to reduce a person's tax liability under  
3 AS 43.55.011(e) for any calendar year below zero;

4 (2) may, if not used under this subsection, be applied in a later  
5 calendar year;

6 (3) may, regardless of when the credit was earned, be used to satisfy a  
7 tax, interest, penalty, fee, or other charge that

8 (A) is related to the tax due under this chapter for a prior year,  
9 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or  
10 43.55.320 or the tax levied by AS 43.55.011(i) or 43.55.014; and

11 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution  
12 of the State of Alaska, been subject to an administrative proceeding or  
13 litigation.

14 \* **Sec. 30.** AS 43.55.023(e) is amended to read:

15 (e) A person to which a transferable tax credit certificate is issued under (d) of  
16 this section may transfer the certificate to another person, and a transferee may further  
17 transfer the certificate. Subject to the limitations set out in (a) - (d) of this section, and  
18 notwithstanding any action the department may take with respect to the applicant  
19 under (g) of this section, the owner of a certificate may apply the credit or a portion of  
20 the credit shown on the certificate

21 (1) against a tax levied by AS 43.55.011(e); however, a credit shown  
22 on a transferable tax credit certificate may not be applied under this paragraph to  
23 reduce a transferee's total tax liability under AS 43.55.011(e) for oil and gas produced  
24 during a calendar year to less than 80 percent of the tax that would otherwise be due  
25 without applying that credit; any portion of a credit not used under this paragraph may  
26 be applied in a later period; or

27 (2) regardless of when the credit was earned, to satisfy a tax, interest,  
28 penalty, fee, or other charge that

29 (A) is related to the tax due under this chapter, except for a  
30 surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or 43.55.320 or  
31 the tax levied by AS 43.55.011(i) or 43.55.014;

1 (B) is for a calendar year before the year in which the  
2 certificate is applied; and

3 (C) has not, for the purpose of art. IX, sec. 17(a), Constitution  
4 of the State of Alaska, been subject to an administrative proceeding or  
5 litigation.

6 \* **Sec. 31.** AS 43.55.025(h) is amended to read:

7 (h) A producer that purchases a production tax credit certificate may apply the  
8 credits against its production tax levied by AS 43.55.011(e). Regardless of the price  
9 the producer paid for the certificate, the producer may receive a credit against its  
10 production tax liability for the full amount of the credit, but for not more than the  
11 amount for which the certificate is issued. A production tax credit or a portion of a  
12 production tax credit or a production tax credit certificate or a portion of a production  
13 tax credit certificate allowed under this section

14 (1) may not be applied more than once;

15 (2) may be applied in a later calendar year;

16 (3) may, regardless of when the credit was earned, be applied to satisfy  
17 a tax, interest, penalty, fee, or other charge that

18 (A) is related to the tax due under this chapter for a prior year,  
19 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, **or**  
20 **43.55.320** or the tax levied by AS 43.55.011(i) or 43.55.014; and

21 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution of the State of Alaska,  
22 been subject to an administrative proceeding or litigation.

23 \* **Sec. 32.** AS 43.55.165(e) is amended to read:

24 (e) For purposes of this section, lease expenditures do not include

25 (1) depreciation, depletion, or amortization;

26 (2) oil or gas royalty payments, production payments, lease profit  
27 shares, or other payments or distributions of a share of oil or gas production, profit, or  
28 revenue, except that a producer's lease expenditures applicable to oil and gas produced  
29 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net  
30 profit paid to the state under that lease;

31 (3) taxes based on or measured by net income;

1 (4) interest or other financing charges or costs of raising equity or debt  
2 capital;

3 (5) acquisition costs for a lease or property or exploration license;

4 (6) costs arising from fraud, wilful misconduct, gross negligence,  
5 violation of law, or failure to comply with an obligation under a lease, permit, or  
6 license issued by the state or federal government;

7 (7) fines or penalties imposed by law;

8 (8) costs of arbitration, litigation, or other dispute resolution activities  
9 that involve the state or concern the rights or obligations among owners of interests in,  
10 or rights to production from, one or more leases or properties or a unit;

11 (9) costs incurred in organizing a partnership, joint venture, or other  
12 business entity or arrangement;

13 (10) amounts paid to indemnify the state; the exclusion provided by  
14 this paragraph does not apply to the costs of obtaining insurance or a surety bond from  
15 a third-party insurer or surety;

16 (11) surcharges levied under AS 43.55.201, [OR] 43.55.300, or  
17 43.55.320;

18 (12) an expenditure otherwise deductible under (b) of this section that  
19 is a result of an internal transfer, a transaction with an affiliate, or a transaction  
20 between related parties, or is otherwise not an arm's length transaction, unless the  
21 producer establishes to the satisfaction of the department that the amount of the  
22 expenditure does not exceed the fair market value of the expenditure;

23 (13) an expenditure incurred to purchase an interest in any corporation,  
24 partnership, limited liability company, business trust, or any other business entity,  
25 whether or not the transaction is treated as an asset sale for federal income tax  
26 purposes;

27 (14) a tax levied under AS 43.55.011 or 43.55.014;

28 (15) costs incurred for dismantlement, removal, surrender, or  
29 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the  
30 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in  
31 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not

1 excluded under this paragraph if the dismantlement, removal, surrender, or  
2 abandonment for which the cost is incurred is undertaken for the purpose of replacing,  
3 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

4 (16) costs incurred for containment, control, cleanup, or removal in  
5 connection with any unpermitted release of oil or a hazardous substance and any  
6 liability for damages imposed on the producer or explorer for that unpermitted release;  
7 this paragraph does not apply to the cost of developing and maintaining an oil  
8 discharge prevention and contingency plan under AS 46.04.030;

9 (17) costs incurred to satisfy a work commitment under an exploration  
10 license under AS 38.05.132;

11 (18) that portion of expenditures, that would otherwise be qualified  
12 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that  
13 are less than the product of \$0.30 multiplied by the total taxable production from each  
14 lease or property, in BTU equivalent barrels, during that calendar year, except that,  
15 when a portion of a calendar year is subject to this provision, the expenditures and  
16 volumes shall be prorated within that calendar year;

17 (19) costs incurred for repair, replacement, or deferred maintenance of  
18 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
19 undertaken in response to a failure, problem, or event that results in an unscheduled  
20 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
21 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
22 equipment, other than a well, that is undertaken in response to, or is otherwise  
23 associated with, an unpermitted release of a hazardous substance or of gas; however,  
24 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
25 and (b) of this section may be treated as lease expenditures if the department  
26 determines that the repair or replacement is solely necessitated by an act of war, by an  
27 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
28 inevitable, and irresistible character, the effects of which could not have been  
29 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
30 negligent act or omission of a third party, other than a party or its agents in privity of  
31 contract with, or employed by, the producer or an operator acting for the producer, but

1 only if the producer or operator, as applicable, exercised due care in operating and  
2 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
3 precautions against the act or omission of the third party and against the consequences  
4 of the act or omission; in this paragraph,

5 (A) "costs incurred for repair, replacement, or deferred  
6 maintenance of a facility, a pipeline, a structure, or equipment" includes costs  
7 to dismantle and remove the facility, pipeline, structure, or equipment that is  
8 being replaced;

9 (B) "hazardous substance" has the meaning given in  
10 AS 46.03.826;

11 (C) "replacement" includes renovation or improvement;

12 (20) costs incurred to construct, acquire, or operate a refinery or crude  
13 oil topping plant, regardless of whether the products of the refinery or topping plant  
14 are used in oil or gas exploration, development, or production operations; however, if  
15 a producer owns a refinery or crude oil topping plant that is located on or near the  
16 premises of the producer's lease or property in the state and that processes the  
17 producer's oil produced from that lease or property into a product that the producer  
18 uses in the operation of the lease or property in drilling for or producing oil or gas, the  
19 producer's lease expenditures include the amount calculated by subtracting from the  
20 fair market value of the product used the prevailing value, as determined under  
21 AS 43.55.020(f), of the oil that is processed;

22 (21) costs of lobbying, public relations, public relations advertising, or  
23 policy advocacy;

24 (22) costs incurred as part of a capital expenditure or other action taken  
25 for a carbon management purpose under AS 38.05.081 or a carbon offset project under  
26 AS 38.95.400 - 38.95.499;

27 (23) costs incurred for carbon capture or carbon storage, including fees  
28 incurred under AS 41.06.160, surcharges incurred under AS 41.06.175, or costs  
29 associated with obtaining, operating, or maintaining a license or lease under  
30 AS 38.05.700 - 38.05.795; in this paragraph,

31 (A) "carbon capture" means the process of capturing carbon

1           dioxide from a chemical, mechanical, or industrial process, or directly from the  
2           ambient atmosphere, and reducing the carbon dioxide to a concentrated form,  
3           including a supercritical fluid; "carbon capture" does not include gas  
4           processing or gas treatment;

5           (B) "carbon storage" means the long-term geologic storage of carbon dioxide in a  
6           carbon storage facility permitted under AS 41.06.120 or a Class VI injection well, as  
7           defined in 40 C.F.R. 146.5(f).

8           \* **Sec. 33.** AS 43.55.201(b) is amended to read:

9           (b) The surcharge imposed by (a) of this section is in addition to the tax  
10          imposed by AS 43.55.011 and is due on the last day of the month on oil produced  
11          from each lease or property during the preceding month. The surcharge is in addition  
12          to the surcharge imposed by AS 43.55.300 - 43.55.310 **and 43.55.320.**

13          \* **Sec. 34.** AS 43.55 is amended by adding new sections to article 3 to read:

14                 **Sec. 43.55.320. Infrastructure maintenance surcharge on oil.** (a) Every  
15          producer of oil shall pay a surcharge of \$0.30 per barrel of oil produced from each  
16          lease or property in the state, less any oil the ownership or right to which is exempt  
17          from taxation.

18                 (b) The surcharge imposed by (a) of this section is in addition to the tax  
19          imposed by AS 43.55.011 and the surcharges imposed by AS 43.55.201 and  
20          43.55.300.

21                 (c) A tax credit authorized under this chapter may not be applied to reduce a  
22          producer's liability for the surcharge.

23                 (d) The surcharge is due on the last day of the month on oil produced from  
24          each lease or property during the preceding month. The surcharge shall be paid at the  
25          same time and in the same manner as the surcharge imposed under AS 43.55.201.

26                 **Sec. 43.55.325. Pipeline corridor maintenance fund.** (a) The pipeline  
27          corridor maintenance fund is established in the general fund.

28                 (b) The legislature may appropriate to the fund the revenue collected under  
29          AS 43.55.320 and other money.

30                 (c) Money in the fund may be used by the legislature to make appropriations  
31          for maintenance and operation costs incurred by the state along the pipeline corridor.

1 (d) Nothing in this section creates a dedicated fund.

2 \* **Sec. 35.** AS 43.55.890 is amended to read:

3 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary  
4 provision of AS 40.25.100, and regardless of whether the information is considered  
5 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of  
6 particular returns or reports, the department may publish the following information  
7 under this chapter, if aggregated among three or more producers or explorers, showing  
8 by month or calendar year and by lease or property, unit, or area of the state:

9 (1) the amount of oil or gas production;

10 (2) the amount of taxes levied under this chapter or paid under this  
11 chapter;

12 (3) the effective tax rates under this chapter;

13 (4) the gross value of oil or gas at the point of production;

14 (5) the transportation costs for oil or gas;

15 (6) qualified capital expenditures, as defined in AS 43.55.023;

16 (7) exploration expenditures under AS 43.55.025;

17 (8) production tax values of oil or gas under AS 43.55.160;

18 (9) lease expenditures under AS 43.55.165;

19 (10) adjustments to lease expenditures under AS 43.55.170;

20 (11) tax credits applicable or potentially applicable against taxes levied  
21 by this chapter;

22 **(12) the prevailing value of oil or gas determined under**  
23 **AS 43.55.020(n).**

24 \* **Sec. 36.** AS 43.55.900(24) is amended to read:

25 (24) "surcharge" means

26 (A) when used in AS 43.55.201 - 43.55.299, the surcharge  
27 levied by AS 43.55.201;

28 (B) when used in AS 43.55.300 - 43.55.310, the surcharge  
29 levied by AS 43.55.300;

30 **(C) when used in AS 43.55.320 - 43.55.325, the surcharge**  
31 **levied by AS 43.55.320;**

1 \* **Sec. 37.** AS 43.56.020(d) is amended to read:

2 (d) **Real or personal property used or committed by contract or other**  
3 **agreement for the construction, operation, or maintenance** [TAXABLE  
4 PROPERTY] of a natural gas pipeline project [OWNED OR FINANCED BY THE  
5 ALASKA GASLINE DEVELOPMENT CORPORATION OR A JOINT VENTURE,  
6 PARTNERSHIP, OR OTHER ENTITY THAT INCLUDES THE ALASKA  
7 GASLINE DEVELOPMENT CORPORATION] is exempt from state taxes levied or  
8 authorized under AS 43.56.010(a) and municipal taxes levied or authorized under  
9 AS 43.56.010(b) [BEFORE THE COMMENCEMENT OF COMMERCIAL  
10 OPERATIONS OF THAT NATURAL GAS PIPELINE PROJECT]. In this  
11 subsection, **"natural gas pipeline project" means a natural gas pipeline project**  
12 **subject to, or expected by the department to be subject to, the tax under**  
13 **AS 43.59.010 or the fee under AS 43.59.020** ["COMMENCEMENT OF  
14 COMMERCIAL OPERATIONS" MEANS THE FIRST FLOW OF NATURAL GAS  
15 IN THE PROJECT THAT GENERATES REVENUE TO THE OWNERS OF THE  
16 NATURAL GAS PIPELINE PROJECT].

17 \* **Sec. 38.** AS 43.56.020(d), as amended by sec. 37 of this Act, is amended to read:

18 (d) **Taxable property** [REAL OR PERSONAL PROPERTY USED OR  
19 COMMITTED BY CONTRACT OR OTHER AGREEMENT FOR THE  
20 CONSTRUCTION, OPERATION, OR MAINTENANCE] of a natural gas pipeline  
21 project **owned or financed by the Alaska Gasline Development Corporation or a**  
22 **joint venture, partnership, or other entity that includes the Alaska Gasline**  
23 **Development Corporation** is exempt from state taxes levied or authorized under  
24 AS 43.56.010(a) and municipal taxes levied or authorized under AS 43.56.010(b)  
25 **before the commencement of commercial operations of that natural gas pipeline**  
26 **project.** In this subsection, **"commencement of commercial operations" means the**  
27 **first flow of natural gas in the project that generates revenue to the owners of the**  
28 **natural gas pipeline project** ["NATURAL GAS PIPELINE PROJECT" MEANS A  
29 NATURAL GAS PIPELINE PROJECT SUBJECT TO, OR EXPECTED BY THE  
30 DEPARTMENT TO BE SUBJECT TO, THE TAX UNDER AS 43.59.010 OR THE  
31 FEE UNDER AS 43.59.020].

1 \* **Sec. 39.** AS 43.56.030 is amended to read:

2 **Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed under  
3 AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

4 (1) all other ad valorem taxes or other taxes imposed by a municipality  
5 on property subject to tax under this chapter or exempted from taxation by  
6 AS 43.56.020; and

7 (2) all other taxes imposed by a municipality on or with respect to the  
8 property subject to tax under this chapter or exempted from taxation by AS 43.56.020,  
9 including [, BUT NOT LIMITED TO,]

10 (A) taxes on the retail sale or use of the property except for the  
11 retail sales tax on the first \$1,000 of each sale;

12 (B) taxes on the sale or use of gas, **including liquefied natural**  
13 **gas,** or unrefined oil;

14 (C) taxes on the sale or use of services used in or associated  
15 with the property or in its maintenance or operation except for the sales tax on  
16 the first \$1,000 of each sale;

17 (D) taxes on or measured by gross or net income from the  
18 property, including income from

19 **(1)** the exploration for, production of, or pipeline transportation of gas  
20 or unrefined oil or property;

21 **(2) a liquefied natural gas plant;**

22 **(3) a marine terminal;** and

23 (E) any license, excise, fee, charge or other tax on or pertaining  
24 to the property or services.

25 \* **Sec. 40.** AS 43.56.060(a) is amended to read:

26 (a) The department shall assess, **at its full and true value as of January 1 of**  
27 **the assessment year,** property for the tax levied under AS 43.56.010(b) and  
28 AS 29.45.080 on property used or committed by contract or other agreement for use

29 **(1)** for the pipeline transportation of gas or unrefined oil or for the  
30 production of gas or unrefined oil;

31 **(2) as part of or related to a liquefied natural gas plant;**

**(3) as part of or related to a marine terminal** [AT ITS FULL AND TRUE VALUE AS OF JANUARY 1 OF THE ASSESSMENT YEAR].

\* **Sec. 41.** AS 43.56.210(5) is amended to read:

(5) "taxable property"

(A) means real and tangible personal property used or committed by contract or other agreement for use within this state primarily in the exploration for, production of, or pipeline transportation of gas or unrefined oil (except for property used solely for the retail distribution or liquefaction of natural gas), or in the operation or maintenance of facilities used in the exploration for, production of, or pipeline transportation of gas or unrefined oil; "taxable property" includes

(i) machinery, appliances, supplies, and equipment;

(ii) drilling rigs, wells (whether producing or not), gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, and processing units;

(iii) roads, tank farms, tanker terminals, docks and other port facilities, and air strips;

(iv) aircraft and motor vehicles owned by a person whose principal business in the state is the exploration for, production of, or pipeline transportation of gas or unrefined oil and whose operation of the aircraft or motor vehicle directly relates to the conduct of that business;

(v) maintenance equipment and facilities, and maintenance camps and other related facilities; and

(vi) communications facilities owned by a person whose principal business in the state is the exploration for, production of, or pipeline transportation of gas or unrefined oil and whose operation of the communications facilities directly relates to the conduct of that business;

**(B) means a liquefied natural gas plant;**

**(C) means a marine terminal;**

**(D)** does not include

(i) permanent residences;

(ii) office buildings requiring substantial local government services;

(iii) oil and gas pipeline systems owned and operated by a public utility that is certificated under AS 42.05.221 and is regulated by the Regulatory Commission of Alaska;

(iv) aircraft and motor vehicles, except aircraft and motor vehicles taxable under (A)(iv) of this paragraph; and

(v) communications facilities, except communications facilities taxable under (A)(vi) of this paragraph;

\* **Sec. 42.** AS 43.56.210 is amended by adding new paragraphs to read:

(7) "liquefied natural gas plant" means a facility for liquefying natural gas and includes structures, equipment, underlying land rights, other associated systems, storage, and facilities for off-loading liquefied natural gas;

(8) "marine terminal" means the terminal and those facilities required to receive liquefied natural gas from the boundary of the liquefied natural gas plant for marine transportation, including auxiliary vessels used in the operation of the terminal.

\* **Sec. 43.** AS 43 is amended by adding a new chapter to read:

**Chapter 59. Pipeline Volumetric Tax and Community Impact Fee.**

**Sec. 43.59.010. Alternative volumetric tax.** (a) The owner of a qualified property shall pay an alternative volumetric tax on the throughput of a qualified property. The alternative volumetric tax applies beginning the day after the commencement of commercial operations of the qualified property. If a qualified property has multiple owners, each owner shall pay the tax in proportion to ownership.

(b) The volumetric tax is

(1) \$0.15 for each 1,000 cubic feet of natural gas transported through a gas treatment plant or carbon capture facility;

(2) \$0.15 for each 1,000 cubic feet of natural gas transported through a gas pipeline;

(3) \$0.25 for each 1,000 cubic feet of natural gas processed by a

1 liquefied natural gas plant.

2 (c) Beginning January 1 following 10 years after the commencement of  
3 commercial operations, and every year thereafter, the department shall adjust each tax  
4 rate under (b) of this section based on the percentage increase during the previous  
5 calendar year in the Consumer Price Index for all urban consumers for urban Alaska,  
6 as determined by the United States Department of Labor, Bureau of Labor Statistics.  
7 The inflation adjustment under this subsection applies to (b)(1), (2), and (3) of this  
8 section separately, based on the commencement of commercial operations for the  
9 applicable category under (b) of this section.

10 (d) The tax levied under this section is in place of all property taxes levied on  
11 qualified property, including taxes levied under AS 43.56.010 and AS 29.45.080.

12 (e) The Alaska Gasline Development Corporation (AS 31.25), or a subsidiary  
13 of the corporation, shall pay the tax levied under this section.

14 (f) The alternative tax under this section does not apply to a spur line. Property  
15 associated with a spur line remains subject to taxation under AS 43.56.010. In this  
16 subsection, "spur line" means a natural gas transmission line or lateral line

17 (1) that branches from the main natural gas pipeline project to deliver  
18 natural gas to a local community or utility distribution system; or

19 (2) described in AS 31.25.005(4), or similar infrastructure not serving  
20 as the primary export or mainline transmission facility.

21 **Sec. 43.59.020. Community impact fee.** Before commencement of  
22 commercial operations of a gas pipeline, the owner of a gas pipeline shall pay a  
23 community impact fee of \$1,000,000 for each mile or portion of a mile installed in the  
24 previous calendar year.

25 **Sec. 43.59.030. Returns; payment of tax and fee.** (a) Every person having  
26 direct ownership or control of an interest in qualified property subject to tax under  
27 AS 43.59.010 shall file a return with the department on or before the last day of each  
28 month. The return must state the throughput, in cubic feet of natural gas per day, of the  
29 qualified property for the month preceding the month in which the return is due. The  
30 owner of the qualified property shall, at the time the return is filed, pay the tax due  
31 under AS 43.59.010 for the month preceding the return. A payment under this

1 subsection is considered late if the payment is not received by the department on or  
2 before the last day of the month in which the return is due.

3 (b) The owner of a gas pipeline subject to the fee under AS 43.59.020 shall  
4 file a return with the department on or before March 31 each year after construction of  
5 the gas pipeline has begun and ending March 31 of the year following the completion  
6 of construction of the gas pipeline. The return must state the number of miles or  
7 portion of miles of gas pipeline installed in the preceding calendar year. The owner of  
8 the gas pipeline shall pay the fees due under AS 43.59.020 to the department at the  
9 time the return is filed. A payment under this subsection is considered late if the  
10 payment is not received by the department on or before March 31 of the year in which  
11 the return is due.

12 (c) If a tax or fee levied under AS 43.59.010 or 43.59.020 is delinquent, the  
13 department shall assess a penalty of 10 percent of the amount of delinquent taxes and  
14 interest on the delinquent taxes, exclusive of penalty, at the rate specified in  
15 AS 43.05.225.

16 **Sec. 43.59.040. Remedy.** The remedy of distraint of property set out in  
17 AS 43.20.270 applies to the tax and fee levied under AS 43.59.010 and 43.59.020.  
18 However, only the qualified property may be distrained.

19 **Sec. 43.59.050. Allocation of volumetric tax.** The department shall separately  
20 account for the tax collected under AS 43.59.010(b)(1), (2), and (3). Each year, the  
21 legislature may appropriate

22 (1) to the North Slope Borough, 50 percent of the tax collected on the  
23 throughput of a gas treatment plant or carbon capture facility under  
24 AS 43.59.010(b)(1);

25 (2) 50 percent of the tax collected on pipeline throughput under  
26 AS 43.59.010(b)(2) to affected areas of the state, with appropriations proportionately  
27 divided among the municipalities and the unorganized borough through which the gas  
28 pipeline runs; to determine the proportional distribution under this paragraph, the  
29 length of pipeline in a municipality is divided by the total length of the pipeline; the  
30 state shall retain the portions of the tax for the proportion of the pipeline in the  
31 unorganized borough;

1 (3) 50 percent of the tax collected on pipeline throughput under  
2 AS 43.59.010(b)(2) to municipalities, to reserves, and to communities in the  
3 unorganized borough, distributed on a per capita basis under AS 29.60.860;

4 (4) to the Kenai Peninsula Borough, 50 percent of the tax collected on  
5 the throughput of a liquefied natural gas plant under AS 43.59.010(b)(3).

6 **Sec. 43.59.060. Allocation of community impact fee.** (a) The department  
7 shall separately account for the fees collected under AS 43.59.020. Each year, the  
8 legislature may appropriate to the Department of Commerce, Community, and  
9 Economic Development the amount of fees collected under AS 43.59.020 for grants  
10 for activities, services, and facilities to municipalities that are experiencing or will  
11 experience the most direct or severe impact as a result of the construction or operation  
12 of the gas pipeline.

13 (b) The Department of Commerce, Community, and Economic Development  
14 shall fund all meritorious grant applications out of the money appropriated to it each  
15 year under (a) of this section. Within 10 days after the convening of each regular  
16 session of the legislature, the Department of Commerce, Community and Economic  
17 Development shall submit to the legislature a list of all municipalities that have  
18 received grants, a list of all municipalities determined by the Department of  
19 Commerce, Community, and Economic Development to be eligible for further grants,  
20 a recommendation of the amount of money to be granted for those additional  
21 applications, and written justification of each past and potential grant.

22 **Sec. 43.59.070. Throughput; regulations.** The department shall adopt  
23 regulations under AS 44.62 (Administrative Procedure Act) to implement this chapter,  
24 including procedures for measuring throughput, throughput reporting, and calculating  
25 the rolling average of throughput. For purposes of measuring throughput in regulations  
26 adopted under this section, natural gas

27 (1) sold or otherwise delivered at an outlet or offtake point along the  
28 gas pipeline is included in throughput;

29 (2) consumed as fuel for the operation of a liquefaction facility,  
30 including fuel consumed for refrigeration, is not included in throughput;

31 (3) consumed as fuel for pipeline compression is not included in

throughput.

**Sec. 43.59.100. Definitions.** In this chapter,

(1) "commencement of commercial operations" means the first flow of natural gas in the qualified property that generates revenue to the owners of the qualified property;

(2) "department" means the Department of Revenue;

(3) "gas pipeline" has the meaning given in AS 31.25.390;

(4) "gas treatment plant" has the meaning given in AS 31.25.390;

(5) "liquefied natural gas plant" has the meaning given in AS 31.25.390;

(6) "qualified property" means a major component of an Alaska liquefied natural gas project as defined in AS 31.25.390, taxed under AS 43.59.010(b)

(A) for which construction commenced on or after January 1, 2026; and

(B) that is owned by an instrumentality of the state or a joint venture, partnership, or other affiliated entity that includes an instrumentality of the state.

\* **Sec. 44.** AS 42.05.711(v) is repealed.

\* **Sec. 45.** AS 14.17.510(d), 14.17.990(6)(B); AS 29.45.080(g); AS 43.59.010, 43.59.020, 43.59.030, 43.59.040, 43.59.050, 43.59.060, 43.59.070, and 43.59.100 are repealed.

\* **Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY: ALASKA GASLINE DEVELOPMENT CORPORATION CONFIDENTIALITY AGREEMENTS, SUBSIDIARIES, NOTIFICATIONS, LEGAL RELATIONSHIPS. (a) AS 31.25.080(a)(1), (6), and (24), as amended by sec. 11 of this Act, apply to a transfer or disposition occurring on or after the effective date of sec. 11 of this Act.

(b) If a subsidiary of the Alaska Gasline Development Corporation, whether wholly or partially owned, entered into a confidentiality agreement before the effective date of sec. 14 of this Act, AS 31.25.090(k) - (n), added by sec. 14 of this Act, apply to the subsidiary as if the subsidiary were the corporation.

(c) The prohibition in AS 31.25.090(j), added by sec. 14 of this Act, on a subsidiary

1 of the Alaska Gasline Development Corporation, whether wholly or partially owned, from  
2 entering into a confidentiality agreement applies to an agreement entered into on or after the  
3 effective date of sec. 14 of this Act.

4 (d) AS 31.25.090(m) and (n), added by sec. 14 of this Act, apply to a confidentiality  
5 agreement entered into on or after the effective date of sec. 14 of this Act.

6 (e) AS 31.25.145, added by sec. 18 of this Act, applies to revenue generated on and  
7 after the effective date of sec. 18 of this Act.

8 (f) AS 31.25.280, added by sec. 21 of this Act, applies to a legal relationship with a  
9 foreign entity entered into on or after the effective date of sec. 21 of this Act. In this  
10 subsection, "legal relationship" has the meaning given in AS 31.25.280(c), added by sec. 21  
11 of this Act.

12 (g) AS 31.25.285, added by sec. 21 of this Act, applies to a legal relationship entered  
13 into on or after the effective date of sec. 21 of this Act. In this subsection, "legal relationship"  
14 has the meaning given in AS 31.25.285(b), added by sec. 21 of this Act.

15 \* **Sec. 47.** The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 **APPLICABILITY: OIL AND GAS ENTITY TAX.** The tax established under  
18 AS 43.20.019, added by sec. 24 of this Act, applies to a qualified entity for a tax year  
19 beginning on or after January 1, 2026. In this section, "qualified entity" has the meaning given  
20 in AS 43.20.019(g), added by sec. 24 of this Act.

21 \* **Sec. 48.** The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 **APPLICABILITY: OIL VALUATION.** AS 43.55.020(f), as repealed and reenacted by  
24 sec. 27 of this Act, and AS 43.55.020(n), added by sec. 28 of this Act, apply to oil and gas  
25 produced on and after the effective date of secs. 27 and 28 of this Act.

26 \* **Sec. 49.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 **TRANSITION: EXISTING OPTIONS.** (a) Within 30 days after the effective date of  
29 sec. 16 of this Act, the Alaska Gasline Development Corporation shall notify the president of  
30 the senate, the speaker of the house of representatives, and the chairs of the finance committee  
31 of each house of the legislature of any existing options to invest in a revenue-generating

1 project, as required under AS 31.25.125, added by sec. 16 of this Act.

2 (b) An option for state participation in a revenue-generating project negotiated by the  
3 Alaska Gasline Development Corporation agreed to before the effective date of AS 31.25.125,  
4 added by sec. 16 of this Act, must allow the state to exercise the option for at least 180 days  
5 after the corporation notifies the legislature under AS 31.25.125, added by sec. 16 of this Act.

6 \* **Sec. 50.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 TRANSITION: PAYMENT OF TAX. A person subject to the tax levied under  
9 AS 43.20.019, added by sec. 24 of this Act, before the effective date of sec. 24 of this Act,  
10 shall pay the balance of the tax due for a tax year ending before January 1, 2027, by  
11 January 1, 2027. Until January 1, 2027, the Department of Revenue shall waive interest that  
12 would otherwise accrue under AS 43.05.225 and civil and criminal penalties accruing under  
13 AS 43.05.220, 43.05.245, and 43.05.290, that are a result of the retroactivity of secs. 24 - 26  
14 of this Act.

15 \* **Sec. 51.** The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 RETROACTIVITY OF REGULATIONS. Notwithstanding a contrary provision of  
18 AS 44.62.240, if the Department of Revenue expressly designates in a regulation that the  
19 regulation applies retroactively to a specific date, a regulation adopted by the Department of  
20 Revenue to implement, interpret, make specific, or otherwise carry out secs. 24 - 26 of this  
21 Act applies retroactively to that date.

22 \* **Sec. 52.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 RETROACTIVITY. Sections 24 - 26, 47, and 50 of this Act are retroactive to  
25 January 1, 2026.

26 \* **Sec. 53.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 CONDITIONAL EFFECT; NOTIFICATION. (a) Sections 4, 7, 38, and 45 of this Act  
29 take effect if,

30 (1) by January 1, 2028, construction of a natural gas pipeline has not begun; or

31 (2) by January 1, 2032, at least one major component of the Alaska liquefied

1 natural gas project, as defined in AS 31.25.390, has been completed.

2 (b) The commissioner of revenue shall,

3 (1) on or before January 1, 2028, notify the revisor of statutes whether  
4 construction of a natural gas pipeline has not begun; and

5 (2) on or before January 1, 2032, notify the revisor of statutes whether one  
6 major component of the Alaska liquefied natural gas project has been completed.

7 (c) In this section,

8 (1) "construction of a natural gas pipeline" means

9 (A) laying and welding together in an excavated trench multiple  
10 sections of steel pipe that are intended for use as part of a gas pipeline; and

11 (B) establishment of at least one work camp along the gas pipeline  
12 route intended to provide crew quarters and services during construction of the  
13 project;

14 (2) "gas pipeline" has the meaning given in AS 31.25.390;

15 (3) "qualified property" has the meaning given in AS 43.59.100, added by sec.  
16 43 of this Act.

17 \* **Sec. 54.** If secs. 4, 7, 38, and 45 of this Act take effect under sec. 53(a)(1) of this Act, they  
18 take effect January 1, 2028.

19 \* **Sec. 55.** If secs. 4, 7, 38, and 45 of this Act take effect under sec. 53(a)(2) of this Act, they  
20 take effect January 1, 2032.

21 \* **Sec. 56.** Sections 29 - 34 and 36 of this Act take effect July 1, 2027.

22 \* **Sec. 57.** Except as provided in secs. 54 - 56 of this Act, this Act takes effect immediately  
23 under AS 01.10.070(c).