

House Bill 381 – House Resources CS

House Resources Committee

Department of Revenue

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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

- 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
- Based on draft Committee Substitute version G, supplemented by modeling request from committee based on expected changes
- Modeling and analysis is based on our preliminary understanding of policy intent
- 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

- This bill would:
 - Create a policy framework for exempting the AKLNG project from state property tax and some municipal property tax
- DOR-specific impacts:
 - Eligibility Conditions
 - Municipal Optionality
 - Property tax exemption
 - Alternative Volumetric Tax



Note on Revenue Impacts/ Fiscal Note

- The revenue impact of this bill is indeterminate.
- Uncertain whether AKLNG project proceeds – this bill is a tax decrease, the magnitude of which depends on municipal decisions, increasing uncertainty.
- 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 and/ or ownership 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.



Eligibility Conditions

- To be eligible for tax exemptions/ alternative tax, project developer must commit to:
 - entering into community benefit agreements with every community within 50 miles of the project,
 - setting aside a portion of project revenue for community impact payments,
 - entering into a project labor agreement to employ Alaskans, and
 - construction of a Fairbanks spur before Phase 2 LNG exports begin.



Eligibility Conditions, continued

- Plans for the project must include a Fairbanks spur line that:
 - is of sufficient capacity to meet demand,
 - is constructed before commencement of Phase 2 LNG export operations,
 - connects to local infrastructure,
 - delivers gas safely and reliably at lowest reasonable cost,
 - with related costs shared systemwide.
- The project must be designed to maximize in-state use of natural gas.



AKLNG Property Tax Exemption

- Bill would provide for a property tax exemption for the entire Alaska LNG project from state property taxes.
- Bill would exempt the pipeline component from municipal property taxes.
- Existing municipal property tax would apply to Gas Treatment Plant and LNG Facility.
- Municipalities MAY elect to exempt those components from property tax.
- If elected, municipality may negotiate for an ownership interest in lieu of property tax.
- Exemptions would repeal if commercial operations do not commence prior to January 1, 2030.



AKLNG Property Tax Exemption, continued

- 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.
- If the project were to proceed without tax modifications, current law property tax to municipalities is estimated at:
 - Total - \$50 million initially in 2029, \$497 million in 2033
 - Gas Treatment Plant - \$20 million in 2029, \$212 million in 2033
 - Pipeline - \$11 million in 2029, \$116 million in 2033
 - LNG facility - \$18 million in 2029, \$169 million in 2033



Alternative Volumetric Tax (AVT)

- An Alternative Volumetric Tax (AVT) would apply to the pipeline component beginning with first commercial production.
 - No ramp-up period or throughput threshold.
 - Applies to pipeline only.
- The AVT would be:
 - \$0.15 per mcf for the pipeline, and
 - Annual inflation adjustments based on 5-year average CPI beginning January 1 of the first year after the tax applies to the pipeline.



Alternative Volumetric Tax (AVT), continued

- The state would levy and collect the AVT.
- For the pipeline:
 - 50% of the tax would be shared proportionally with municipalities along the pipeline route based on miles of pipe, with the state retaining the unorganized borough portion.
 - 50% would be distributed per-capita to all communities across the state.
- Effective July 1, 2046, all provisions of the alternative framework would sunset and the current law property tax would apply.



Alternative Volumetric Tax (AVT), continued

- Total revenue from the \$0.15/ mcf AVT would be \$10 million in 2029 after start of commercial operations, increasing to \$196 million in 2033.
- The state would share 81% of the AVT revenue for the pipeline component.
- Unrestricted general fund revenue to the state would be \$2 million in 2029, increasing to \$37 million in 2033.
- Revenues would increase with inflation adjustments thereafter.

- At \$0.12/ mcf AVT, total revenue would be \$8 million in 2029, increasing to \$157 million in 2033.
- State share would be \$1 million in 2029, increasing to \$30 million in 2033.



Implementation Costs

Fiscal Note – Expenditures – Staffing Plan

- The Tax Division would need to add four positions to fully implement the provisions of this bill and support AKLNG related work:
- An Appraiser 3 to carry out this additional workload associated with appraisal and valuation for the AKLNG project.
 - The addition of such a significant amount of new taxable property creates additional workload that cannot be absorbed and we cannot assume that all property will be exempt from current property tax.
- A Tax Auditor to administer the new AVT.
 - Even though the expected taxpayer base is small, these new tax types would create additional workload which could not be absorbed.
- An Oil & Gas Revenue Specialist to support increased valuation and audit work related with major gas sales as well as new regulations and gas expertise.
- A Commercial Analyst to assist with project certification and reports and to increase the department's commercial analysis capabilities relating to gas.



Fiscal Note – Expenditures – Capital Request

- \$500,000 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.
- The Department would also need to make amendments to existing regulations to fully implement the changes in this bill and update for major gas sales generally.
 - This work can be performed with existing resources, added positions, and support from the Department of Law.



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	767.8		767.8	767.8	767.8	767.8	767.8
Travel	40.0		40.0	40.0	40.0	40.0	40.0
Services	55.6		55.6	55.6	55.6	55.6	55.6
Commodities	17.0		1.0	1.0	1.0	21.0	1.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	880.4	0.0	864.4	864.4	864.4	884.4	864.4

Estimated CAPITAL (FY2027) costs 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
 - HB381 – as introduced
 - CSHB381(RES) *
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- Modeling shows impact IF the full AKLNG project proceeds under each scenario, which is uncertain.
 - Modeling reflects our preliminary interpretation of CS based on information from the committee.



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; HB 381 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; CSHB 381 (RES) version *

Cashflow Summary

Total Cashflow Nominal (\$ millions)	State Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 7,836	\$ (2,212)	\$ 6,745	\$ 19,376	\$ 6,585
Cumulative to 2052	16,671	8,180	13,693	41,651	25,247
Cumulative to 2062	23,857	22,128	20,918	60,379	68,594

Cost of Supply Summary

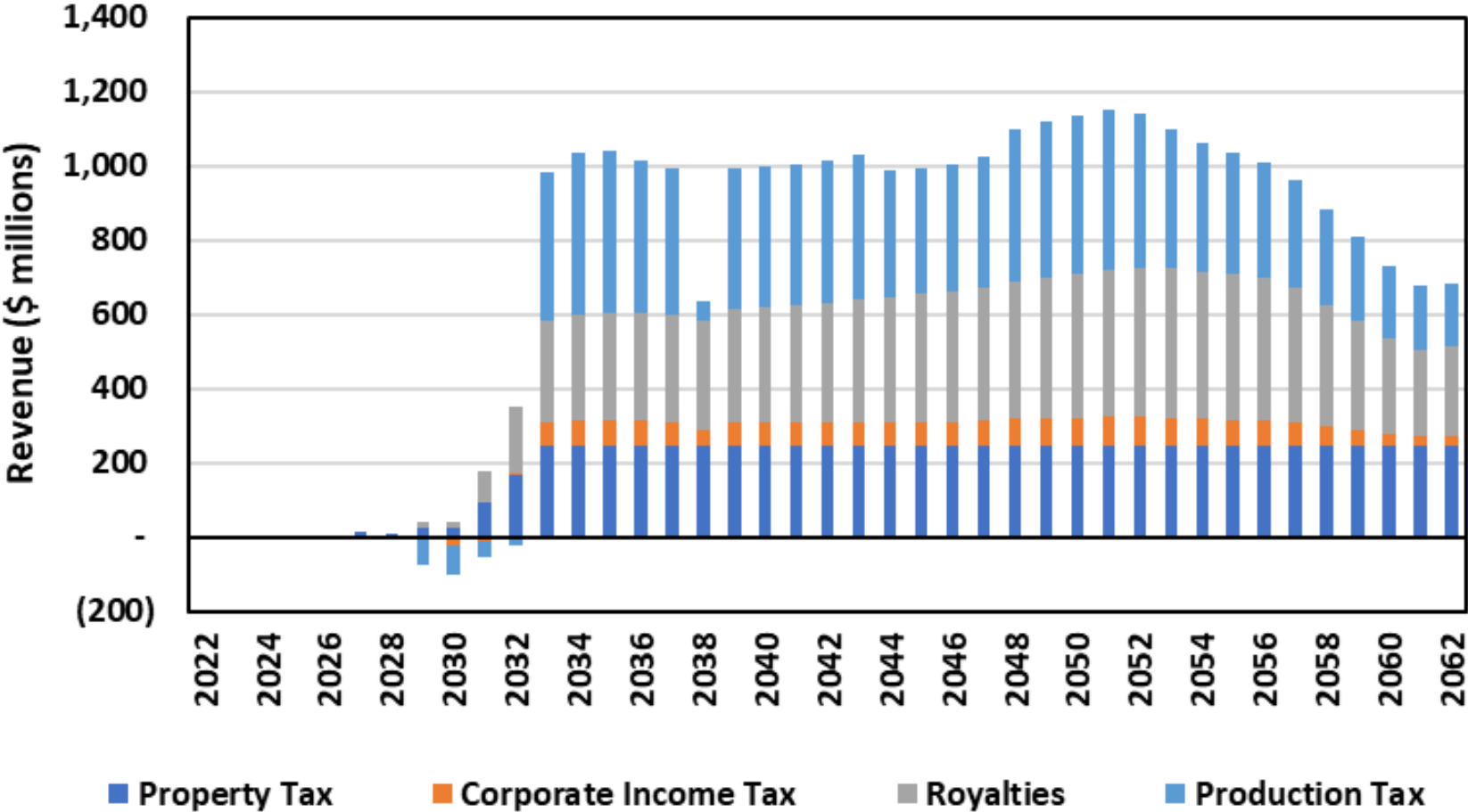
In-State Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$1.92	\$1.62
GTP Toll (\$/Mcf output)	\$1.12	\$0.94
Pipeline Toll (\$/Mcf output)	\$1.72	\$1.45
In State Gas Break-Even Price (2033)	\$4.76	\$4.01

LNG Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$2.06	\$1.73
GTP Toll (\$/Mcf output)	\$1.20	\$1.01
Pipeline Toll (\$/Mcf output)	\$1.84	\$1.55
LNG Plant Toll (\$/Mcf output)	\$2.91	\$2.45
Alaska to Japan Shipping (\$/Mcf)	\$0.94	\$0.79
LNG Break-Even Price (2033)	\$8.96	\$7.54



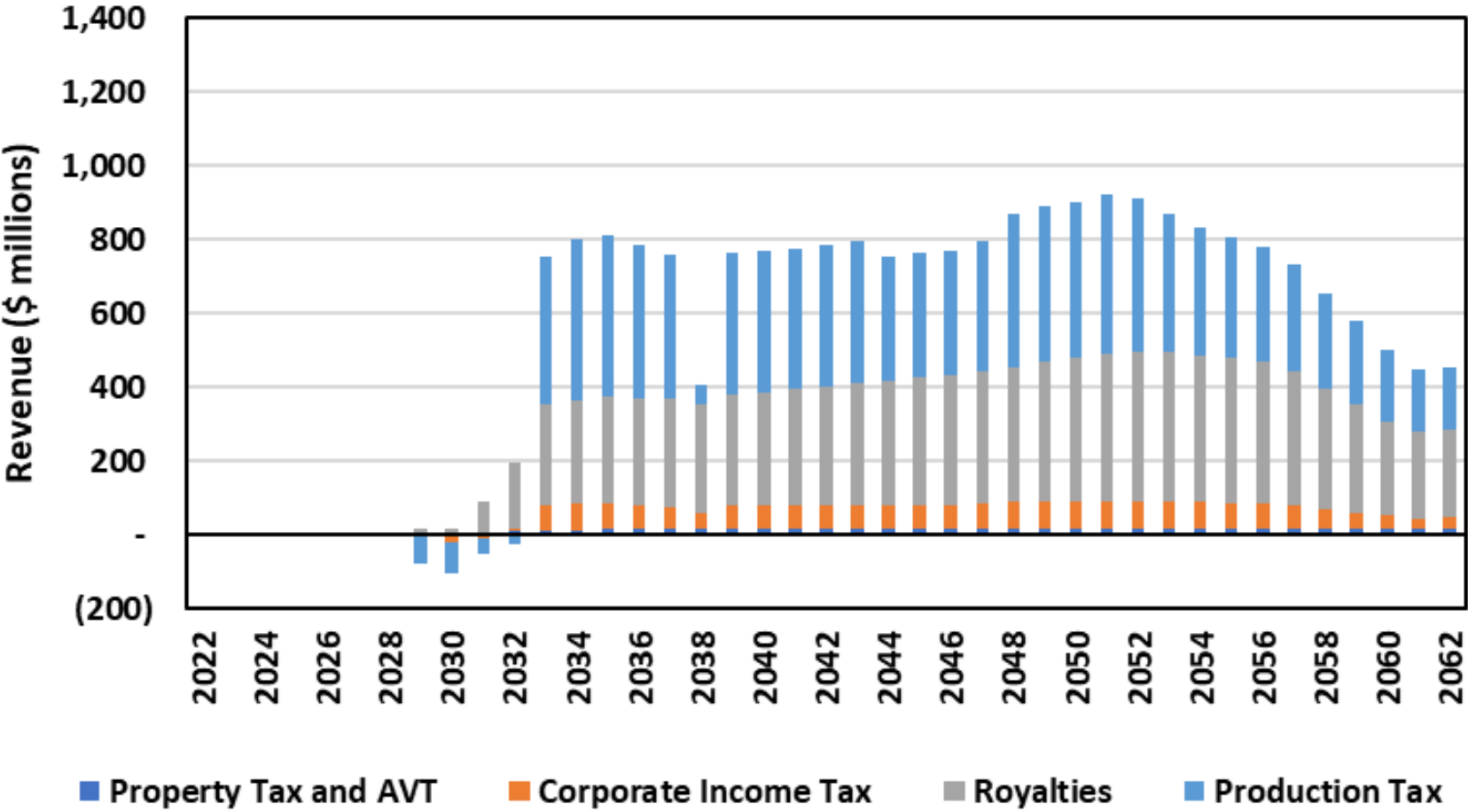
State Revenues by Year; Current Law

Annual State Revenues (\$ Nominal)



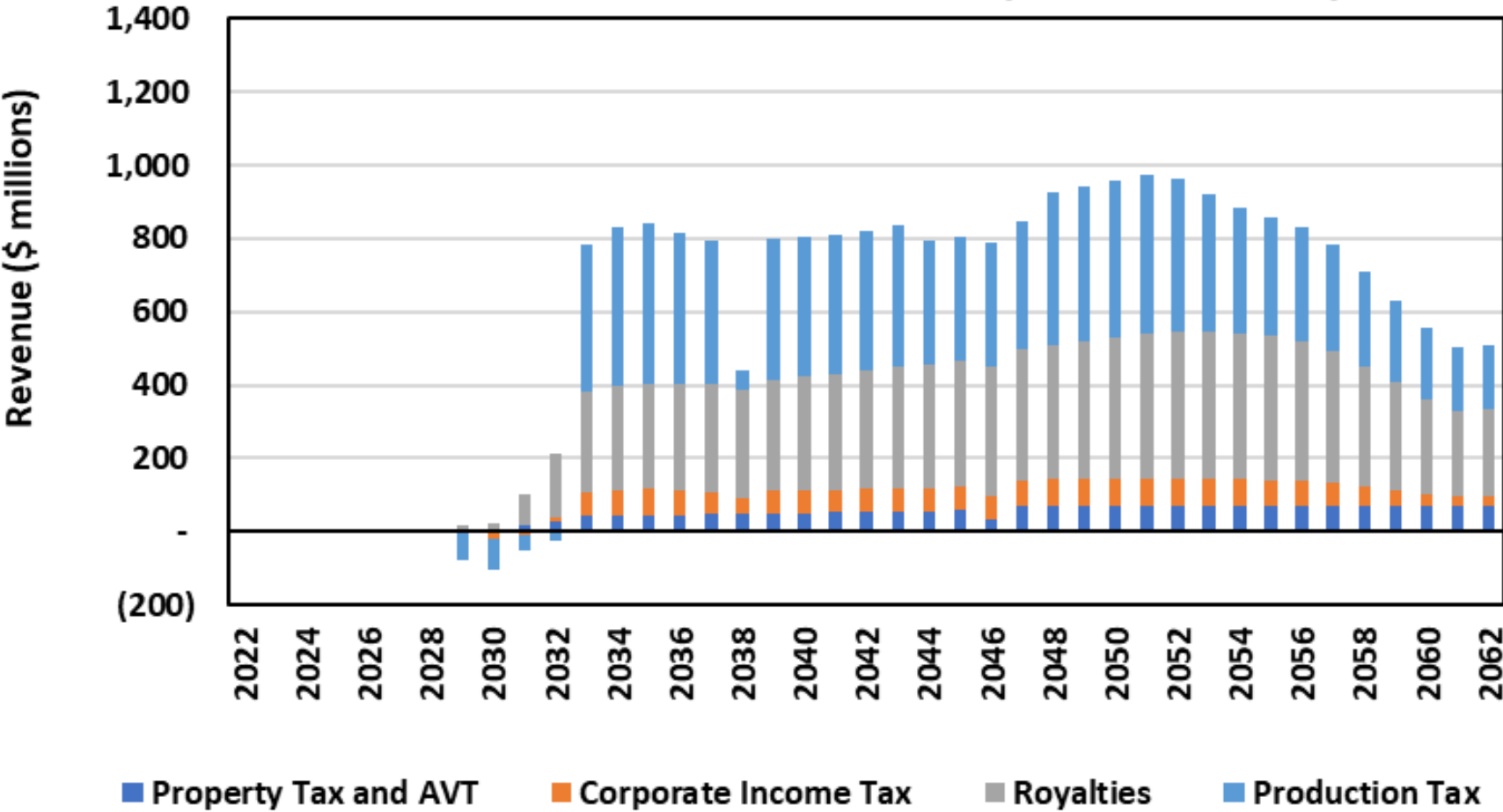
State Revenues by Year; HB 381 as Introduced

Annual State Revenues (\$ Nominal)



State Revenues by Year; CSHB 381 (RES) version *

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

**HB381
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

**CSHB381 (RES)
version ***

		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	\$4.12	\$4.76	\$5.40	\$6.04	\$6.68	\$7.32	\$7.96	\$8.60	\$9.24
	+20%	\$4.65	\$5.29	\$5.93	\$6.57	\$7.21	\$7.85	\$8.49	\$9.13	\$9.77
	+40%	\$5.18	\$5.82	\$6.46	\$7.10	\$7.74	\$8.38	\$9.02	\$9.66	\$10.30
	+60%	\$5.71	\$6.35	\$6.99	\$7.63	\$8.27	\$8.91	\$9.55	\$10.19	\$10.83
	+80%	\$6.23	\$6.87	\$7.51	\$8.15	\$8.79	\$9.43	\$10.07	\$10.72	\$11.36
	+100%	\$6.76	\$7.40	\$8.04	\$8.68	\$9.32	\$9.96	\$10.60	\$11.24	\$11.88

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

**HB381
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

**CSHB381 (RES)
version ***

		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	\$8.27	\$8.96	\$9.64	\$10.33	\$11.02	\$11.70	\$12.39	\$13.07	\$13.76
	+20%	\$9.31	\$9.99	\$10.68	\$11.36	\$12.05	\$12.74	\$13.42	\$14.11	\$14.80
	+40%	\$10.34	\$11.03	\$11.71	\$12.40	\$13.09	\$13.77	\$14.46	\$15.15	\$15.83
	+60%	\$11.38	\$12.06	\$12.75	\$13.44	\$14.12	\$14.81	\$15.49	\$16.18	\$16.87
	+80%	\$12.41	\$13.10	\$13.79	\$14.47	\$15.16	\$15.84	\$16.53	\$17.22	\$17.90
	+100%	\$13.45	\$14.14	\$14.82	\$15.51	\$16.19	\$16.88	\$17.57	\$18.25	\$18.94

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.
- HB 381 as introduced would materially decrease the cost of gas provided and make the project more attractive to investors.
- CSHB 381(RES) version * would be a tax decrease overall, but not as much as the original bill.
- CSHB 381(RES) version * would decrease the cost of gas provided and make the project more attractive to investors than current law, but not as significantly as the original bill.
- CSHB 381(RES) version * provides significant benefits for communities.



THANK YOU

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