Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: HB 381
Fiscal Note Number:
() Publish Date:

Identifier: HB381-DOR-TAX-3-24-26
Title: OIL & GAS PROPERTY TAX; MUNI TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: (H) RES

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2027**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**
Personal Services	147.5		147.5	147.5	147.5	147.5	147.5
Travel	5.0		5.0	5.0	5.0	5.0	5.0
Services	13.9		13.9	13.9	13.9	13.9	13.9
Commodities	4.0					1.5	1.5
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**170.4**	**0.0**	**166.4**	**166.4**	**166.4**	**167.9**	**167.9**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	170.4		166.4	166.4	166.4	167.9	167.9
Total	**170.4**	**0.0**	**166.4**	**166.4**	**166.4**	**167.9**	**167.9**

Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)						1,210.0	4,380.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,210.0**	**4,380.0**

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) cost: 250.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/27

Why this fiscal note differs from previous version/comments:

Updated to reflect Spring 2026 forecast and modeling.

Prepared By: Brandon Spanos, Acting Director
Phone: (907)269-6736
Division: Tax Division
Date: 03/24/2026 01:00 PM
Approved By: Janelle Earls, Acting Commissioner
Date: 03/24/26
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2026 LEGISLATIVE SESSION

BILL NO. HB 381

Analysis

Background Information

Alaska levies a property tax on qualifying oil and gas property in the state in the amount of 20 mills (2 percent). Municipal property taxes are allowed as a credit against the state tax, so that the total tax paid by the taxpayer does not exceed 20 mills. The state manages the appraisal process for all oil and gas property in the state.

The Alaska Liquified Natural Gas (LNG) project is a proposed megaproject that would consist of a gas treatment facility on the North Slope, an 800+ mile gas pipeline, and a LNG export facility in Cook Inlet. The project would provide a reliable source of natural gas for Alaskan consumers and businesses, and for trade partners around the world through exports.

The full 20 mills property tax places an economic burden on the project. Under current law, certain aspects of the project are eligible for tax benefits. Some of the project property would be exempt from state and local property tax prior to commercial sales if the Alaska Gasline Development Corporation (AGDC) is part of the project ownership. However, under current law, the property may become taxable before the full project is operational if in-state gas sales start first. Under current law, the LNG export facility component of the project is exempt from state property tax, but would be subject to local property tax.

This bill would exempt the entire Alaska LNG project from state and local property taxes. The bill could create a new alternative volumetric tax (AVT), which would apply to the project. The provisions would apply to the major components of the Alaska LNG project, but would specifically not apply to a spur line. If commercial operations do not commence, the exemption provisions would expire January 1, 2040.

During construction and during a "ramp up" period, no AVT would be imposed. The ramp up period would last the earlier of 10 years of commercial operations or until the project exceeds 1 billion cubic feet per day of throughput, calculated as a rolling average over a consecutive 30-day period measured from the sum of the outlets and offtake points of natural gas pipeline. The bill treats each major component of the project separately for determining commencement of commercial operations, so that completion of the pipeline for in state sales would not trigger taxation of the gas treatment plant and LNG export facility.

After the expiration of the ramp up period, the initial AVT would be $0.06 per thousand cubic feet (mcf) of pipeline throughput and would increase by one percent annually starting after the first year of imposition, thus reaching $0.0656 per mcf in year 10 and so on. Municipalities would levy and collect the entire amount of the AVT for qualified property in the municipalities, and the state would levy and collect the entire amount of the AVT for qualified property in the unorganized borough.

Revenue Impact

The revenue impact of this bill is positive because it assumed that the Alaska LNG project will not proceed without property tax relief. The revenue estimate shown represents the state share of AVT revenue based on the current scenario for the Alaska LNG pipeline project developed in collaboration with AGDC. This scenario assumes that project throughput would exceed 1 billion cubic feet per day starting in Calendar Year 2031, and full capacity of 3.5 billion cubic feet per day in 2033. This scenario assumes that the state would receive about 36.5% of the AVT for the pipeline and about 12.2% of the AVT for the entire Alaska LNG project.

In addition to the revenue shown on this fiscal note, the state would receive revenue through increased production tax, corporate income tax, and royalty revenue from the Alaska LNG project and associated new development. Municipalities would receive project related AVT revenue as well as increased property tax revenue from associated new developments. Further, there would be economic benefits for the state far beyond the direct benefits of oil and gas revenue.

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Implementation Cost
The creation of the AVT in this bill would create a new revenue type within the Tax Division. The Department will require an additional Tax Auditor 3 to carry out this additional workload of administering the new tax type. The fiscal note reflects this position as well as additional travel costs for training and outreach purposes, services costs for statewide and department-wide core service and overhead costs, initial IT equipment, and ongoing business supply needs.

The Department will need to engage FAST Enterprises, our Tax Revenue Management System (TRMS) contractor, to develop a volumetric tax module in TRMS and integrate the module with our existing accounting, and collections modules. The $250.0 in capital costs is an estimate for the needed contract with FAST Enterprises to develop the new module.

The Department will also need to update its property tax regulations to conform to and clarify the provisions of this bill. These tasks can be accomplished using a combination of existing resources and the added auditor position.