

# Senate Bill 280 – Senate Resources CS Version H

## Senate Resources Committee

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Department of Revenue

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# Acronyms and Definitions

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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

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



# Proposed Legislation and Revenue Impacts

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# Disclaimer

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



# Proposed Legislation

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Three broad categories of changes:

- Increased oversight and disclosure requirements for AGDC
  - And related DOR commercial analysis support
- Firmer language to ensure the state receives fair value for oil and gas for royalty and tax purposes
  - And related DOR reporting requirements
- Changes to taxes related to gas and LNG
  - (combination of various increases, decreases, and new taxes)



## DOR specific impacts

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1. AKLNG Property Tax Exemption
2. Alternative Volumetric Tax (AVT)
3. Community Impact Fee
4. Infrastructure Maintenance Surcharge
5. Passthrough Entity Tax
6. Utility rate provisions
7. New valuation and disclosure requirements
8. Requirement to assist with state investment decisions



## Note on Revenue Impacts/ Fiscal Note

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



# AKLNG Property Tax Exemption

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- Bill would exempt certain qualifying natural gas pipeline project property from state and local property taxes
- Property tax exemption provisions would repeal if construction does not begin before January 1, 2028, or if at least one major project component does not commence commercial operations before January 1, 2032
- AKLNG project is not included in the official Spring 2026 revenue forecast, so zero revenue impact per official forecast
- If the project were to proceed under current law, state property tax revenue is estimated at \$24 million initially in 2029, ramping up to \$244 million in 2033



## Alternative Volumetric Tax (AVT)

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- Along with related property tax provisions, the AVT would repeal if construction does not begin before January 1, 2028, or if at least one major project component does not commence commercial operations before January 1, 2032
- AVT would apply beginning the day after commencement of commercial operations for each component at rates of \$0.15/mcf for gas treatment plant throughput, \$0.15/mcf for pipeline throughput, and \$0.25/mcf for LNG plant throughput. Rates for each project component would be fixed for 10 years after commencement of commercial operations, then adjusted annually based on urban Alaska CPI
- AVT would be levied by the state and shared 50% with municipalities for qualifying property located within a municipality. The remaining 50% of pipeline-related AVT would be distributed on a per capita basis to municipalities and communities in the unorganized borough; the state would retain 50% of gas treatment plant and LNG plant related AVT



## Alternative Volumetric Tax (AVT), continued

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



## Community Impact Fee

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- \$1 million for each mile of gas pipeline installed during the previous calendar year
- Applies before commencement of commercial operations and is based on miles of pipeline “installed” during the previous calendar year
- Uncertainty regarding how fee would apply during the year that commercial operations begin and how installation would be defined
- Project envisions a 739-mile pipeline during the first phase, and a total of 807 miles of pipeline for the full project
- Funds would be designated for a grant program for impacted communities
- If project proceeds, maximum total revenue would be \$807 million
- Modeling assumes \$739 million over two years, could be less



## Infrastructure Maintenance Surcharge

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- Imposes a surcharge of \$0.30 per barrel of oil produced from each lease or property in the state
- Applies in addition to existing production taxes and surcharges under AS 43.55
- Tax credits may not be applied to reduce surcharge liability
- Establishes a pipeline corridor maintenance fund in the general fund; however, does not create a dedicated fund
- Legislature may appropriate fund revenue for maintenance and operation costs incurred by the state along the pipeline corridor
- Under the Spring 2026 forecast, surcharge revenue is expected to range from approximately \$51-62 million annually; additional liquid production associated with the AKLNG project would increase annual revenue by approximately \$4 million



# Passthrough Entity Tax

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



## Passthrough Entity Tax, continued

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



# Utility rate provisions

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- Establishes new RCA oversight authority for certain AGDC-related gas pipeline utility rates
- Prohibits recovery of pipeline construction or operating cost overruns through rates charged to Alaska utilities
- Limits utility gas charges to:
  - \$12/mcf after pipeline completion and before LNG export facility operations
  - \$5/mcf after commencement of LNG export facility operations
- Provides RCA authority to enforce these provisions to the extent not preempted by federal law



# New valuation and disclosure requirements

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- This provision would require that oil or gas sold at no cost or below prevailing value be subject to tax
  - Current law states DOR “may” require tax to be paid on such sales; the bill changes this language to “shall”
- Adds requirement that oil and gas value “must” be based on fair market value for production tax purposes
- DOR may publish aggregated information related to production, taxes, expenditures, and prevailing value determinations by lease or property, unit, or area
- Modeling assumes no material revenue impact
- Publication of information would remain subject to aggregation requirements and legal review
  - Potential concerns raised by industry



## Requirement to assist with state investment decisions

- AGDC is required to negotiate options for the state to acquire an interest in a revenue-generating project
- DOR is required to cooperate with and assist the legislature in determining whether to acquire an interest, including identifying potential funding sources and potential fiscal effects on the state
- Legislature would be required to approve acquisition of a state ownership interest in a revenue-generating project
- Provision would require DOR to significantly expand commercial analysis expertise to prepare for these analyses



# Implementation Costs

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# Fiscal Note – Expenditures – Staffing Plan

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- The Tax Division would need to add four positions to implement the provisions of this bill:
  - Corporate Income Tax Auditor 3 to administer the new tax on pass-through entities
  - Tax Auditor 3 to administer the AVT and community impact fee
  - Oil & Gas Revenue Auditor 4 to administer increased valuation requirements and general increased audit requirements associated with major gas sales
  - Commercial Analyst to assist with required commercial analysis of gas project ownership decisions and general increased analytical requirements associated with major gas sales
- Additional service costs would include travel, training, and internal core service charges associated with the new positions



## Fiscal Note – Expenditures – Capital Request

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- \$1 million reflects an estimate for the Division’s contract with FAST Enterprises to make necessary changes to the Tax Revenue Management System (TRMS) and Revenue Online in a short amount of time
- Contractor work would include changes to associated databases, forms, communications, and integration with existing imaging, accounting, and collections modules
- \$250,000 reflects an estimate for outside expertise to assist with fiscal analysis of potential state gas project ownership options
- Some project investment analysis work could be performed with existing resources and added positions; outside expertise would supplement internal resources



# Fiscal Note – Expenditures

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates				
			FY2027	FY2028	FY2029	FY2030	FY2031
<b>OPERATING EXPENDITURES</b>							
Personal Services	739.5		739.5	739.5	739.5	739.5	739.5
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							
<b>TOTAL OPERATING</b>	<b>852.1</b>	<b>0.0</b>	<b>836.1</b>	<b>836.1</b>	<b>836.1</b>	<b>856.1</b>	<b>836.1</b>

Estimated CAPITAL (FY2027) costs

1,250.0 (separate capital appropriation required)



# Detailed Project Modeling

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# Key Assumptions

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- 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: \$46.2 billion (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

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- Current law scenario
- SB280 – as introduced
- CSSB280(RES) version H
  
- Modeling shows impact IF the full AKLNG project proceeds under each scenario, which is uncertain
- Modeling reflects our preliminary interpretation of version H and assumptions about possible implementation decisions



# Analysis Summary; Current Tax Law

## Cashflow Summary

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

## Cost of Supply Summary

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

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
<b>LNG Break-Even Price (2033)</b>	<b>\$9.07</b>	<b>\$7.63</b>



# Analysis Summary; SB 280 as Introduced

## Cashflow Summary

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

## Cost of Supply Summary

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

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
<b>LNG Break-Even Price (2033)</b>	<b>\$8.48</b>	<b>\$7.13</b>



# Analysis Summary; CSSB 280 (RES) version H

## Cashflow Summary

Total Cashflow Nominal (\$ millions)	State Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 10,918	\$ (2,333)	\$ 5,455	\$ 19,092	\$ 6,805
Cumulative to 2052	25,162	7,527	10,643	41,071	23,165
Cumulative to 2062	40,214	19,831	16,902	59,602	60,660

## Cost of Supply Summary

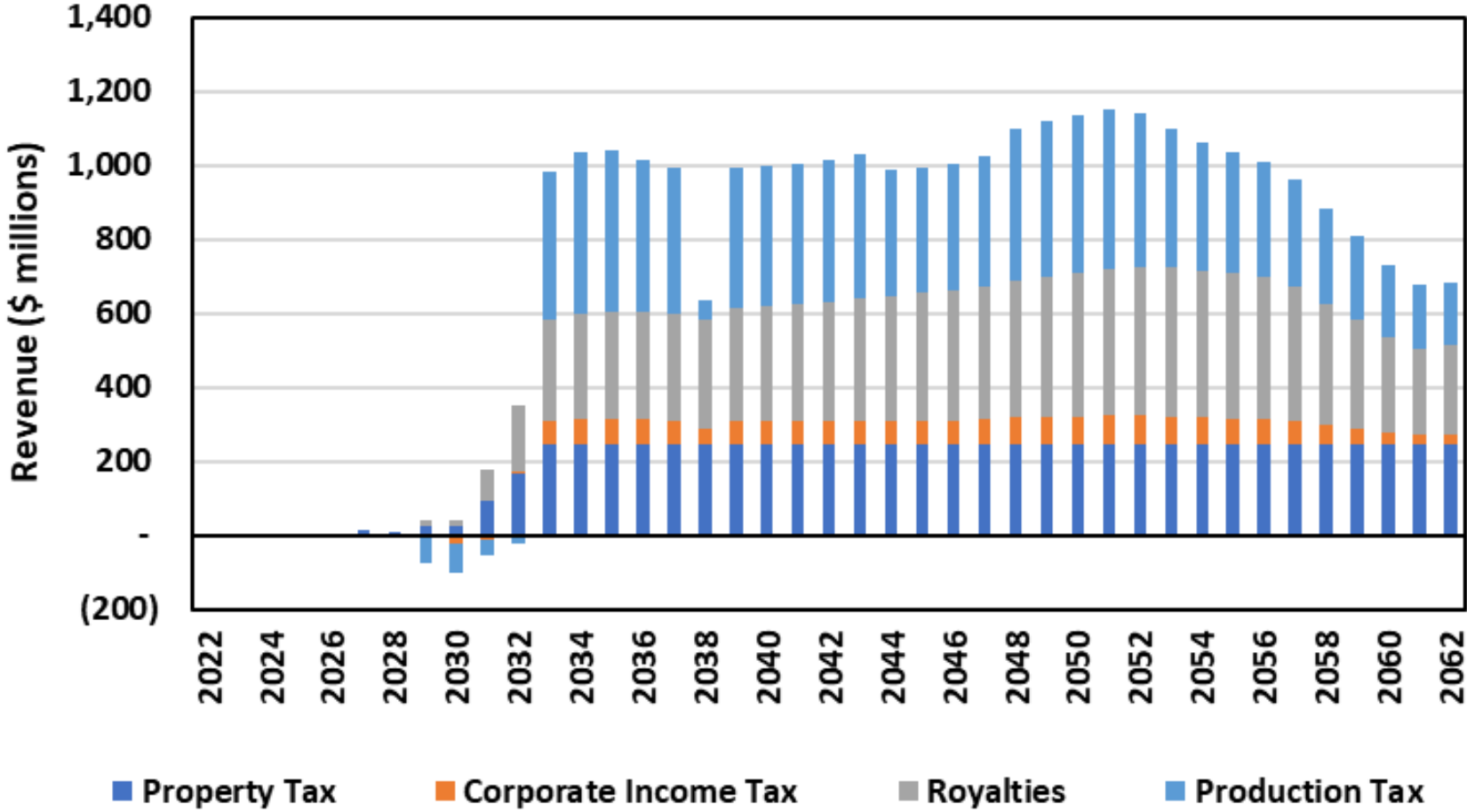
In-State Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$1.92	\$1.62
GTP Toll (\$/Mcf output)	\$1.10	\$0.93
Pipeline Toll (\$/Mcf output)	\$1.79	\$1.50
<b>In State Gas Break-Even Price (2033)</b>	<b>\$4.81</b>	<b>\$4.05</b>

LNG Break-Even Price (for 2033)	Nominal	Real (\$2026)
Gas Commodity Charge (\$/Mcf output)	\$2.06	\$1.73
GTP Toll (\$/Mcf output)	\$1.18	\$0.99
Pipeline Toll (\$/Mcf output)	\$1.91	\$1.61
LNG Plant Toll (\$/Mcf output)	\$3.01	\$2.54
Alaska to Japan Shipping (\$/Mcf)	\$0.94	\$0.79
<b>LNG Break-Even Price (2033)</b>	<b>\$9.11</b>	<b>\$7.66</b>



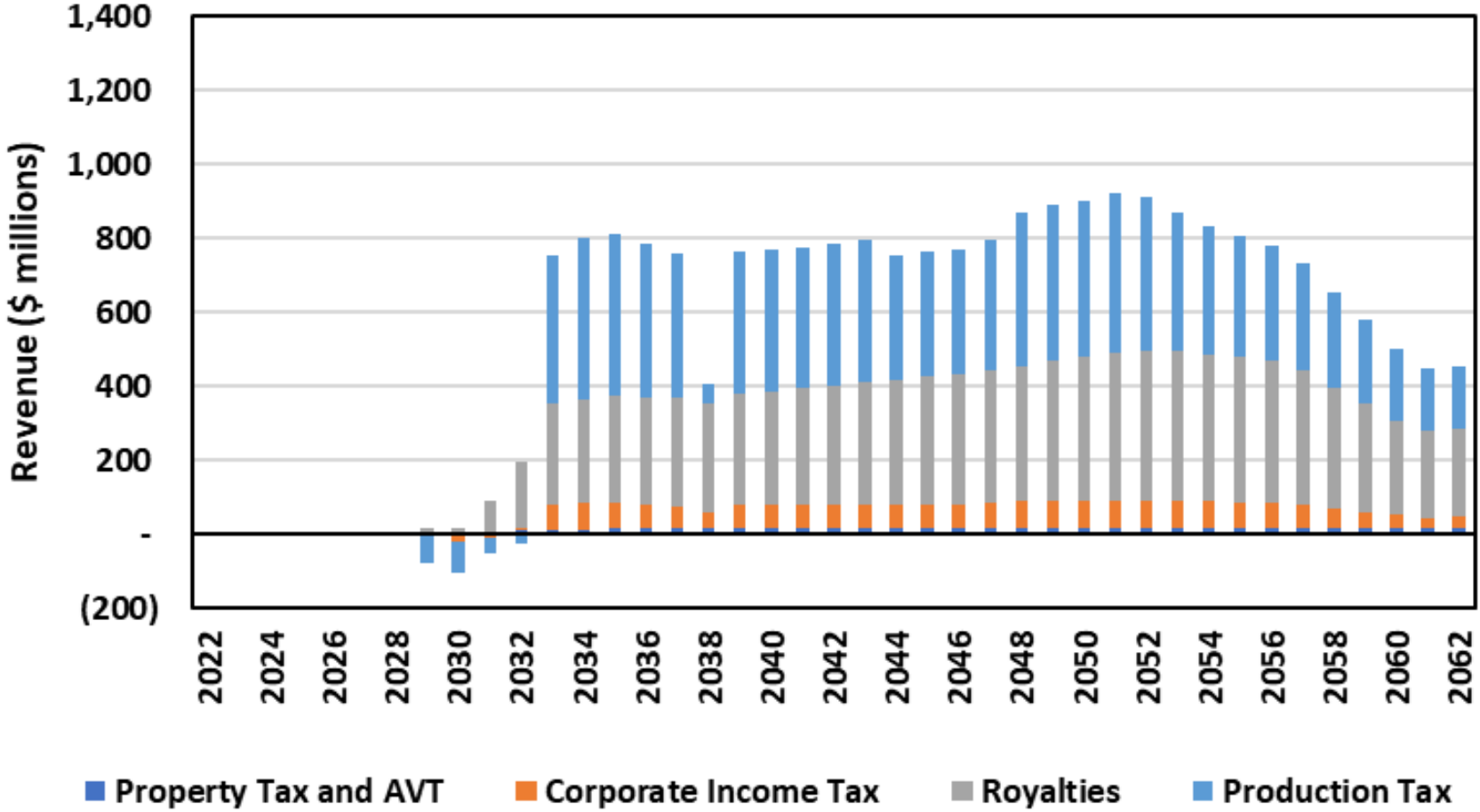
# State Revenues by Year; Current Law

## Annual State Revenues (\$ Nominal)



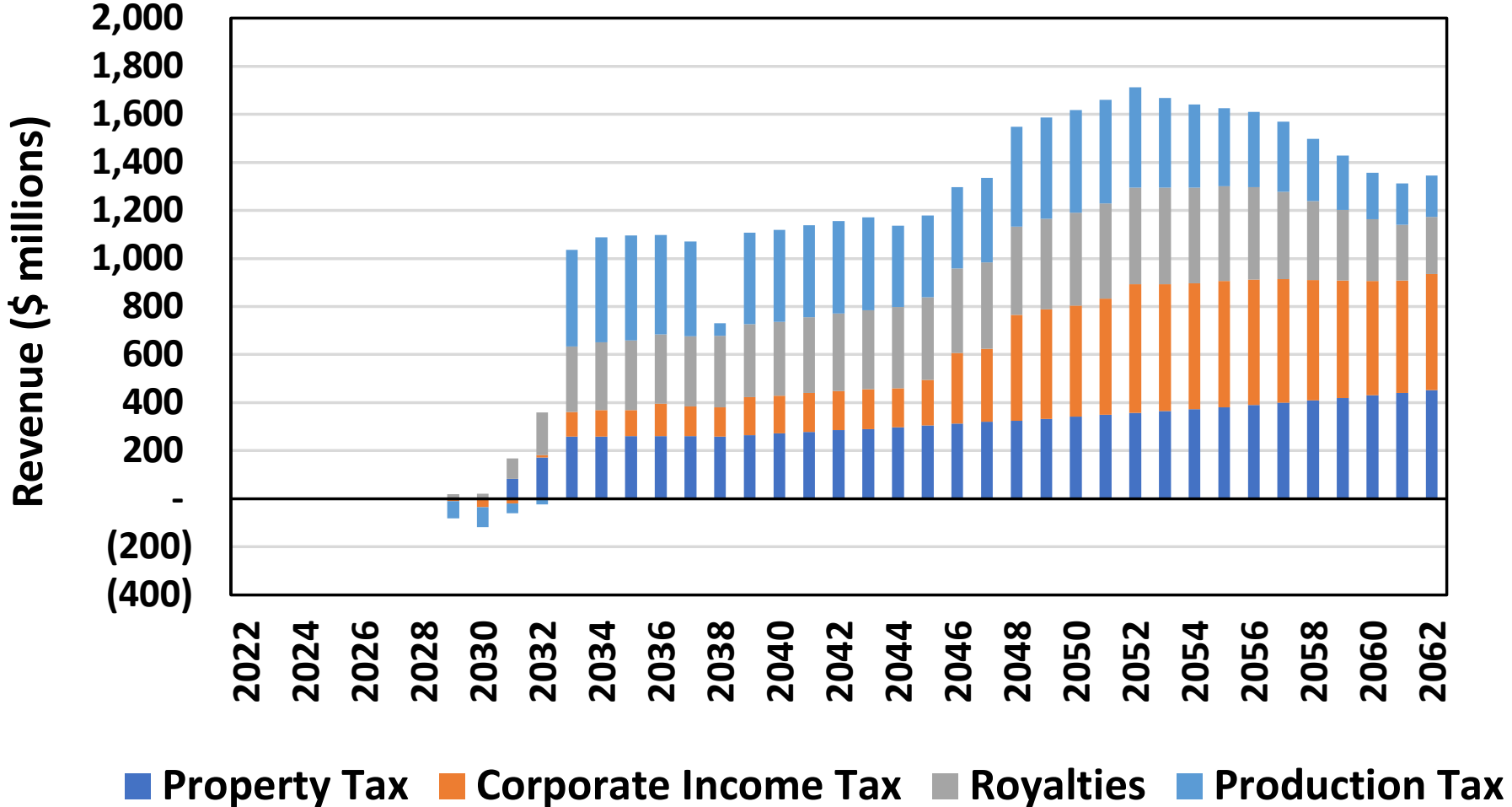
# State Revenues by Year; SB 280 as Introduced

## Annual State Revenues (\$ Nominal)



# State Revenues by Year; CSSB 280 (RES) version H

## Annual State Revenues (\$ Nominal)



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

**Current Law**

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

**SB280  
as introduced**

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

**CSSB280 (RES)  
version H**

		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	\$4.15	\$4.81	\$5.49	\$6.16	\$6.83	\$7.51	\$8.18	\$8.86	\$9.53
	+20%	\$4.64	\$5.32	\$5.99	\$6.67	\$7.34	\$8.02	\$8.69	\$9.37	\$10.04
	+40%	\$5.14	\$5.82	\$6.50	\$7.17	\$7.85	\$8.52	\$9.20	\$9.87	\$10.55
	+60%	\$5.65	\$6.33	\$7.01	\$7.68	\$8.35	\$9.03	\$9.70	\$10.38	\$11.05
	+80%	\$6.15	\$6.84	\$7.51	\$8.19	\$8.86	\$9.54	\$10.21	\$10.89	\$11.56
	+100%	\$6.67	\$7.34	\$8.02	\$8.69	\$9.37	\$10.04	\$10.72	\$11.39	\$12.07

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

		Upstream Gas Price									
		\$1.00	\$1.50	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00	
<b>Current Law</b>	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
<b>SB280 as introduced</b>	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
<b>CSSB280 (RES) version H</b>	Alaska LNG Capital Cost	Base CAPEX	\$8.40	\$9.11	\$9.83	\$10.55	\$11.28	\$12.00	\$12.72	\$13.44	\$14.17
		+20%	\$9.36	\$10.09	\$10.81	\$11.53	\$12.26	\$12.98	\$13.70	\$14.43	\$15.15
		+40%	\$10.34	\$11.07	\$11.79	\$12.52	\$13.24	\$13.96	\$14.69	\$15.41	\$16.13
		+60%	\$11.32	\$12.05	\$12.78	\$13.50	\$14.22	\$14.95	\$15.67	\$16.39	\$17.12
		+80%	\$12.30	\$13.04	\$13.76	\$14.48	\$15.20	\$15.93	\$16.65	\$17.37	\$18.10
		+100%	\$13.29	\$14.02	\$14.74	\$15.46	\$16.19	\$16.91	\$17.63	\$18.36	\$19.08

# Conclusions

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



# THANK YOU

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