

# Fiscal Note

State of Alaska  
2026 Legislative Session

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

Identifier: HB381CS(RES)-DOR-TAX-5-12-26  
Title: OIL & GAS PROPERTY TAX; MUNI TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: (H) FIN

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	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2027 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
<b>OPERATING EXPENDITURES</b>	<b>FY 2027</b>	<b>FY 2027</b>						
Personal Services	767.8		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	40.0
Services	55.6		55.6	55.6	55.6	55.6	55.6	55.6
Commodities	18.0		2.0	2.0	2.0	18.0	2.0	2.0
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>881.4</b>	<b>0.0</b>	<b>865.4</b>	<b>865.4</b>	<b>865.4</b>	<b>865.4</b>	<b>881.4</b>	<b>865.4</b>

**Fund Source (Operating Only)**

1004 Gen Fund (UGF)	881.4		865.4	865.4	865.4	881.4	865.4
<b>Total</b>	<b>881.4</b>	<b>0.0</b>	<b>865.4</b>	<b>865.4</b>	<b>865.4</b>	<b>881.4</b>	<b>865.4</b>

**Positions**

Full-time	4.0		4.0	4.0	4.0	4.0	4.0
Part-time							
Temporary							

**Change in Revenues**

None	***		***	***	***	***	***
<b>Total</b>	<b>***</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

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

**Estimated CAPITAL (FY2027) cost:** 500.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** Yes  
*(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If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/27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 House Resources Committee Substitute Version T. The main additions affecting the Tax Division include changes to exemption provisions; changes to the alternative volumetric tax (AVT) rates, inflation adjustments, and collection procedures; new provisions regarding elections by municipalities; and Department of Revenue (DOR) certification of project eligibility. Changes since version G relevant to DOR include extending the deadline for AVT eligibility and changing it to depend on construction; extending AVT sunset to 2056; excluding gas treatment plant from state oil and gas property tax; changing the tax allocation; creating a constitutional education fund, subject to voter approval; requiring property owners to commit to \$40 million in community impact fund; revised requirements for Fairbanks spur.

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Division:	Tax Division	Date:	05/12/2026
Approved By:	Janelle Earls, Acting Commissioner	Date:	05/12/26
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2026 LEGISLATIVE SESSION

BILL NO. CSHB 381 (RES)

### Analysis

#### Background Information

This bill makes changes to the oil and gas property tax as it relates to the proposed Alaska LNG (liquefied natural gas) project.

The bill would create a framework for replacing certain state and local property taxes related to a natural gas project with an Alternative Volumetric Tax (AVT), subject to several conditions:

- Eligibility for the framework is subject to DOR determination that owners of property subject to the AVT have committed to deposit \$40 million into a designated community impact fund, negotiate a project labor agreement for construction of the gas pipeline, and commit to construct a Fairbanks spur line.

- Plans for the project must include a spur line to the City of Fairbanks and Fairbanks North Star Borough that is of sufficient capacity, begins operation within two years after commencement of commercial operations of a major component of the project, connects to local infrastructure, and delivers gas safely and reliably at lowest reasonable cost, with related costs shared systemwide.

The bill would allow municipalities to partially or totally exempt from taxation, provide an alternate tax rate for, or defer taxes on property related to a natural gas project for a designated period. The bill would also allow municipalities to exempt a gas treatment plant, carbon capture facility, or liquefied natural gas plant from municipal taxation and potentially enter into agreements for an equity interest in lieu of taxation.

The bill would exempt the Gas Treatment Plant for the Alaska LNG project from state oil and gas property tax.

This bill would create a new tax type, an Alternative Volumetric Tax (AVT), of \$0.15 per thousand cubic feet (mcf) of natural gas transported through a gas pipeline. Beginning January 1 after the first full year of tax under the initial rate, an annual inflation adjustment would apply based on the change in CPI over the previous five calendar years. The tax would replace certain state and municipal property taxes related to the natural gas project.

The state would levy and collect the AVT. Each year, the legislature may appropriate 50% of the tax collected to municipalities and the unorganized borough through which the gas pipeline runs, proportionately divided based on pipeline miles. The legislature may also appropriate 50% of the tax collected to municipalities, reserves, and communities in the unorganized borough on a per-capita basis.

Eligibility for the AVT would terminate on January 1, 2032, if commencement of construction of the first 730 miles of the gas pipeline has not begun by that date. If the conditions required under the bill are met, provisions related to the AVT and associated tax changes would sunset effective January 1, 2056.

The bill would also exclude property subject to the AVT from the calculation of full and true value for school funding purposes. The bill would further exclude certain property tax revenue related to a gas treatment plant, carbon capture facility, liquefied natural gas facility, and appropriations of AVT revenue from the definition of local contribution for school funding purposes.

The bill would require a report from the Alaska Gasline Development Corporation reviewing the effects and effectiveness of this Act and suggesting additional changes to law.

The bill would also create an Alaska education fund, subject to passage of a constitutional amendment approved by the voters at the 2026 general election and subject to the conditions required under the bill. The bill would also repeal the Alaska affordable energy fund and allow the legislature to appropriate 20% of certain royalty gas revenue remaining after payment to the Alaska permanent fund to the renewable energy grant fund.

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#### Revenue Impact

The revenue impact of this bill is indeterminate. The revenue impact could be positive or negative and could impact state finances by hundreds of millions of dollars, or more, per year. Key uncertainties include the impact of this bill on whether the Alaska LNG project moves forward, detailed final project cost and timing, and future municipal actions related to property tax exemptions, alternate tax rates, tax deferrals, and equity interest agreements.

Following is specific discussion of the potential revenue impacts of the major tax changes. A range is provided reflecting the impacts if the project does or does not proceed with or without this bill. Estimates are based on the Spring 2026 version of the AKLNG model which assumes a \$46.2 billion construction cost in 2026 dollars (\$46.4 billion with spur line added), a \$1.50 per thousand cubic feet gas purchase price, first in-state gas in 2029, first export gas in 2031, and full 3.5 billion cubic feet per day throughput in 2033, among numerous other assumptions.

**1. Replacing certain state and municipal property taxes with an Alternative Volumetric Tax (AVT).** The AKLNG project is not included in the official Spring 2026 revenue forecast. For informational purposes, if the project proceeds without tax modifications, current law property tax revenue to the state is estimated at \$25 million initially following start of in-state commercial operations in 2029, ramping up to \$244 million upon full capacity export operations in 2033. The revenue impact would depend on future municipal actions related to property tax exemptions, alternate tax rates, tax deferrals, and equity interest agreements.

**2. Creating a new Alternative Volumetric Tax (AVT).** This provision would only have impacts if the project proceeds, and if the project meets the eligibility requirements laid out in the bill. If the project proceeds, the AVT would apply beginning on commencement of commercial operations of a major component of the project.

The bill would create an Alternative Volumetric Tax (AVT) of \$0.15 per thousand cubic feet of natural gas transported through a gas pipeline. Beginning January 1 after the first full year of tax under the initial rate, an annual inflation adjustment would apply based on the change in CPI over the previous five calendar years. Revenue collected under the AVT could be appropriated in part to municipalities and the unorganized borough through which the gas pipeline runs, proportionately divided based on pipeline miles. Revenue collected under the AVT could also be appropriated in part to municipalities, reserves, and communities in the unorganized borough on a per-capita basis.

If the project proceeds and the AVT applies, revenue would be \$10 million following start of commercial operations, increasing to \$196 million upon full capacity export operations in 2033. The state share retained as designated general fund revenue would depend on the final distribution of revenues appropriated under the bill. Unrestricted general fund revenue to the state would be \$2 million following start of commercial operations, increasing to \$37 million upon full capacity export operations in 2033. Revenues would increase with inflation adjustments thereafter.

Note, revenue estimates and impacts are based on the Spring 2026 forecast and related baseline AKLNG modeling. As mentioned, the fiscal impacts are uncertain even under the baseline assumptions. A further layer of uncertainty is introduced in that it is not possible to say how this bill would impact the overall economics, commercial environment, and Final Investment Decision for the AKLNG project.

In addition to the revenue discussed in this fiscal note, the AKLNG project would also impact production tax, corporate income tax, and royalty revenue both from the Alaska LNG project and associated new development. Municipalities could be impacted through property tax exemptions, alternate tax rates, tax deferrals, appropriations of AVT revenue, equity interest agreements, 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.

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#### Implementation Cost

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 to 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 3 in the Excise Tax group, 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 in the Oil & Gas Production Tax group, to support increased valuation and audit work related with major gas sales as well as new regulations and gas expertise.
- A Commercial Analyst in the Economic Research group, to assist with project certification and reports and to increase the department's commercial analysis capabilities relating to gas.

Services costs are primarily internal core services paid to other state agencies for the additional employees, and there would also be ongoing costs for travel and training. There is also a one-time cost for issuing a computer and related equipment to the new positions.

This legislation would require the Division to make changes to its Tax Revenue Management System. The \$500,000 capital cost reflects an estimate for the Division's contract with FAST Enterprises to make the necessary changes in a short amount of time. The contractor would need to provide changes for the associated databases, forms, communications, and integration with the Division's existing imaging, accounting, and collections modules. There would also need to be changes to Revenue Online, the online program that allows taxpayers to file, pay, and request refunds electronically.

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. The Department believes the work on regulations can be performed with existing resources, the additional staff requested in this note, and support from the Department of Law.