Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 219
Fiscal Note Number:
() Publish Date:

Identifier: SB219-DOR-TAX-04-14-14
Title: OIL & GAS PROPERTY TAX
Sponsor: FINANCE
Requester: (S) CRA

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)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2015**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(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? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial note.

Prepared By: Matt Fonder, Director Phone: (907)269-6628
Division: Tax Date: 04/11/2014 05:00 PM
Approved By: Angela M. Rodell, Commissioner Date: 04/14/2014
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB 219

Analysis

Bill Language:

This bill would amend certain DOR and municipal statutes relating to property taxes, and would raise one of the statutory variables that is part of the tax cap calculation (average per capita assessed full and true value of property in the state) from 225% to 375% in certain instances.

For background, the state levies 20 mills (2%) on the value of oil and gas properties located in Alaska. Municipalities and boroughs also levy a tax on the same oil and gas properties. The property owners pay the municipalities and boroughs, and take that as a credit against their state tax obligation. Currently, if a municipality levies 18.5 mills on property in its jurisdiction, the state would collect 1.5 mills on the oil and gas property located in that municipality.

Municipalities issue and apply a single mill rate to property tax values to levy and collect property tax revenues. That single mill rate (or property tax rate) is derived by:

1) calculating the amount of mills necessary to collect revenue to pay debt service (debt mills or debt funds) as provided by AS 29.45.100; and
2) calculating the amount of mills necessary to collect revenue for the municipalities operating budget (operating mills or operating funds) as provided by AS 29.45.080-090 and AS 43.56.010(c).

The two mill rates, debt mills and operating mills, are then added together to derive a single overall mill rate that is ultimately issued and applied to the property tax values. The current municipal property tax cap falls under AS 29.45.080-090, and only applies to operating mills and levies. This bill also only applies to the municipal property tax cap on operating mills and levies under AS 29.45.080-090 and AS 43.56.010(c). Debt mills and levies by municipalities as provided by AS 29.45.100 are currently not limited by statute.

Revenues:

The department believes that the current language in this bill may have a negative effect on property tax revenues collected by the state. According to the Department's analysis, holding everything constant (mill rates, debt service payments, etc.), should a municipality want to collect more operating funds than were collected in FY-14 (from TY-13), they would need to increase their mill rates, thereby reducing state property tax revenues. The department believes that this proposal may reduce state revenues by $10 million or more each year. In the event a municipality lowered their mill rate, it is possible the state would see an increase in oil and gas property tax revenue.

Expenditures:

The department can implement the provisions of this bill with existing resources.

Regulations:

The department does not expect that it will need to draft regulations if this legislation passes.