

FISCAL NOTE

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Bill Version	LL 0832-2
Fiscal Note Number	
() Publish Date	

Identifier (file name)	0832-DOR-TAX-4-1-15	Dept. Affected	Revenue
Title	Property Tax North Slope natural gas project.	Appropriation	Tax and Treasury
		Allocation	Tax Division
Sponsor	Rules Committee		
Requester	Governor	OMB Component Number	2476

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY16 Appropriation Requested	Included in Governor's FY16 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY16	FY16	FY17	FY18	FY19	FY20	FY21
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

(Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1007	I/A Rcpts (Other)							
1156	Rcpt Svcs (DGF)							
		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 (FY15) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY16) costs _____ (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?	<u>no</u>
If yes, by what date are the regulations to be adopted, amended, or repealed?	<u>n/a</u> Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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Approved by	Randall Hoffbeck, Commissioner
Agency	Commissioner's Office

Phone 465-3669
Date/Time 4/1/15 12:00 AM
Date 4/1/2015

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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BILL NO. LL 0832-2

Analysis

Bill provides a framework for determining the taxable value of a North Slope natural gas project measured against the three criteria of clarity, robustness/durability, and lack of ambiguity. The following parameters were considered to meet these criteria, in the context of an LNG export project:

Original cost
Inflation
Design throughput
Actual throughput
Depreciation
Tax (Mill) rate

By combining these features, an output similar to what would have been derived under AS 43.56 is achieved without the incumbent uncertainties in interpretation, especially around Replacement Cost New (RCN), Obsolescence, and/or measuring sales or revenue.

The proposed basic construct of the formula is as follows:

Original cost x Inflation x Depreciation x (Actual throughput/Design throughput) x Mill rate

The fiscal impact of this bill is zero during the period covered by the fiscal note.

Upon completion of a North Slope natural gas project, the property tax revenues will be dependent on the inputs to the formula above. At this point the revenues are indeterminate.