

# 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				
			FY17	FY18	FY19	FY20	FY21
<b>OPERATING EXPENDITURES</b>	<b>FY16</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**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)							
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS**

Full-time							
Part-time							
Temporary							

**CHANGE IN REVENUES**

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**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? no  
 If yes, by what date are the regulations to be adopted, amended, or repealed? n/a Discuss details in analysis section.

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

Prepared by Jerry Burnett, Deputy Commissioner  
 Division Commissioner's Office  
 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  
2015 LEGISLATIVE SESSION

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.