

Economic Sectors

Industry spending during future exploration, development, and production phases would increase the level of activity in the Alaska economy, not just in the oil and gas extraction sector but also in other economic sectors, including oil field support services; construction, engineering, environmental, and other professional technical services; air, water, ground, and pipeline transportation sectors; retail and wholesale trade sectors; rental and leasing sectors; warehousing; accommodations and food services; and communications, IT support, management, and other business support sectors.

Government Revenues

Future petroleum development in the program area is expected to generate revenues to the NSB government, the State, and the federal government from royalties, income taxes, production taxes, and property taxes. The projected annual average and total government revenues by type of revenue are presented in **Table 3-37**. The total represents the estimated revenues through 2050. Property taxes would start accruing during the development or construction phase, while royalties and other taxes would be generated during the production phase.

At the local level, the City of Kaktovik could receive increased bed tax revenues with higher hotel occupancy during the initial years of development. Also, local consultations are likely going to occur and while mobilization of construction equipment would be occurring, and even during operations. The City of Kaktovik has just started implementing a 12 percent bed tax for hotel/motel accommodations. The change in the level of hotel occupancy is difficult to quantify at this point because the timing and amount of local consultations and mobilization activities are uncertain and may vary.

**Table 3-37**  
**Projected North Slope Borough, State, and Federal Government Revenues**

| <b>Government Revenues (in Millions of Dollars, 2017)</b> | <b>Annual Average</b> | <b>Total</b> |
|---|-----------------------|--------------|
| NSB Property Taxes  | \$52                  | \$1,192      |
| State Royalties   | \$894                 | \$21,463     |
| State Taxes   | \$2,151               | \$49,473     |
| Federal Royalties   | \$894                 | \$21,463     |
| Federal Taxes   | \$462                 | \$11,082     |

Source: Northern Economics, Inc 2018 estimate

At the regional level, the NSB government is anticipated to receive increased property tax revenues. Property tax payments would start to accrue during the construction phase. The State imposes oil and gas property taxes at a rate of \$20 million. A local tax is levied on the State's assessed value for oil and gas property in the borough and is subject to local property tax limitations. The current NSB property tax rate is \$18.5 million (the state portion of the property tax is \$1.5 million). Total NSB property tax revenues through 2050 are estimated to amount to about \$1,192 million (in 2017 dollars).

At the State level, there are several potential sources of revenues that could be generated from petroleum development in the program area. State government revenues during the production phase would include royalty payments, corporate income tax payments, severance tax payments, and continuation of property tax payments. The property tax payments would be based on the assessed valuation of the facilities developed on-site.

The state property tax rate is \$20 million. A local tax is levied on the State's assessed value for oil and gas property in a city or borough and is subject to local property tax limitations. The current NSB property