

ALASKA STATE LEGISLATURE

EDUCATION

ETHICS

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RULES

WORLD TRADE



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Senate Bill 13

Oil and Gas Property Tax

Sponsor Statement

Senate Bill 13

Version: 32-LS0147\B

The State of Alaska can no longer draw on savings accounts to fill budget deficits without risking the sustainability of the Permanent Fund. After several failed attempts to pass new revenue measures, public interest has returned to the oil industry. However, frequent changes to taxes on variable commodity prices can make it difficult for the oil and gas industry to make investment decisions. Instead, SB 13 proposes to raise a fixed, existing cost for the industry: the petroleum property tax, which has not been raised since it was established in 1973.

SB 13 proposes to increase the maximum mill rate from 20 mills to 30 mills on the full and true value of oil and gas property taxes under Alaska Statute 43.56. Currently, the total mill rate is capped at 20 mills and municipalities may collect taxes up to that amount. The State collects the property tax not otherwise collected by municipalities. Under SB 13, a municipality's mill rate cap would remain at 20 mills, but the state would tax up to an additional 10 mills.

Depending on the price of oil, the property tax increase would be offset by existing oil production taxes and royalties. Given that offset, the State would net up to approximately \$275 million in new revenue under this bill.

SB 13 suggests three tiers of designated appropriation, while not dedicating the funds:

- 50 percent to the Capital Income Fund to help pay down the deferred maintenance backlog;
- 25 percent to municipalities to reimburse the Senior Citizen and Disabled Veteran property tax exemptions, which has not been paid by the State since 1997; and
- 25 percent to the Higher Education Investment Fund, to further endow the merit-based Alaska Performance Scholarship and the needs-based Alaska Education Grant.

SB 13 increases an existing, predictable revenue source to help protect Alaskans' quality of life and build opportunities for future generations. Thank you for your consideration.