

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: HB 379  
Fiscal Note Number: 1  
(H) Publish Date: 4/1/14

Identifier: HB379-DOR-TAX-03-30-14  
Title: OIL & GAS PROPERTY TAX  
Sponsor: COMMUNITY & REGIONAL AFFAIRS  
Requester: (H) 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                  | Included in               | Out-Year Cost Estimates |                |                |                |                |
|-------------------------------|-------------------------|---------------------------|-------------------------|----------------|----------------|----------------|----------------|
|                               | Appropriation Requested | Governor's FY2015 Request | FY 2016                 | FY 2017        | FY 2018        | FY 2019        | FY 2020        |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2015</b>          | <b>FY 2015</b>            | <b>FY 2016</b>          | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> | <b>FY 2020</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 (Operating Only)

|              |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None         |            |            |            |            |            |            |            |
| <b>Total</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> |

## Positions

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

|                           |     |  |     |     |     |     |     |
|---------------------------|-----|--|-----|-----|-----|-----|-----|
| <b>Change in Revenues</b> | *** |  | *** | *** | *** | *** | *** |
|---------------------------|-----|--|-----|-----|-----|-----|-----|

**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 version.

|  |                                  |
|--|----------------------------------|
| Prepared By: <u>Matt Fonder, Director</u>          | Phone: <u>(907)269-6628</u>      |
| Division: <u>Tax</u>                               | Date: <u>03/30/2014 09:00 PM</u> |
| Approved By: <u>Angela M. Rodell, Commissioner</u> | Date: <u>03/30/14</u>            |
| Agency: <u>Department of Revenue</u>               |                                  |

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. HB 379

**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 20 mills on property in its jurisdiction, the state will not collect any property taxes from 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. While it is difficult to predict what action municipalities would take with their mill levies if this bill became law, the department believes that this proposal may reduce state revenues by \$10 million or more each year.

**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.