

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

April 19, 2022

8:08 a.m.

**MEMBERS PRESENT**

Representative Sara Hannan, Co-Chair  
Representative Calvin Schrage, Co-Chair  
Representative Harriet Drummond (via teleconference)  
Representative Mike Prax  
Representative Ken McCarty  
Representative Kevin McCabe

**MEMBERS ABSENT**

Representative Josiah Patkotak, Vice Chair

**COMMITTEE CALENDAR**

HOUSE BILL NO. 411

"An Act relating to municipal tax exemptions and deferrals on economic development property."

- MOVED CSHB 411(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 167

"An Act relating to specie as legal tender in the state; and relating to borough and city sales and use taxes on specie."

- HEARD & HELD

HOUSE BILL NO. 349

"An Act relating to the establishment of oil and gas drilling units and patterns."

- MOVED CSHB 349(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 411

SHORT TITLE: MUNICIPAL TAX EXEMPTIONS/DEFERRALS

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

04/04/22	(H)	READ THE FIRST TIME - REFERRALS
04/04/22	(H)	CRA, L&C
04/05/22	(H)	CRA AT 8:00 AM BARNES 124

04/05/22 (H) -- MEETING CANCELED --  
04/07/22 (H) CRA AT 8:00 AM BARNES 124  
04/07/22 (H) -- MEETING CANCELED --  
04/12/22 (H) CRA AT 8:00 AM BARNES 124  
04/12/22 (H) Heard & Held  
04/12/22 (H) MINUTE(CRA)  
04/14/22 (H) CRA AT 8:00 AM BARNES 124  
04/14/22 (H) Heard & Held  
04/14/22 (H) MINUTE(CRA)  
04/19/22 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 167

SHORT TITLE: GOLD AND SILVER SPECIE AS LEGAL TENDER  
SPONSOR(s): MCCABE

04/09/21 (H) READ THE FIRST TIME - REFERRALS  
04/09/21 (H) CRA, STA, FIN  
03/29/22 (H) CRA AT 8:00 AM BARNES 124  
03/29/22 (H) -- MEETING CANCELED --  
04/05/22 (H) CRA AT 8:00 AM BARNES 124  
04/05/22 (H) -- MEETING CANCELED --  
04/12/22 (H) CRA AT 8:00 AM BARNES 124  
04/12/22 (H) Heard & Held  
04/12/22 (H) MINUTE(CRA)  
04/19/22 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 349

SHORT TITLE: HEARING ESTABLISH DRILLING UNITS/SPACING  
SPONSOR(s): RAUSCHER

02/22/22 (H) READ THE FIRST TIME - REFERRALS  
02/22/22 (H) CRA, RES  
03/29/22 (H) CRA AT 8:00 AM BARNES 124  
03/29/22 (H) -- MEETING CANCELED --  
04/05/22 (H) CRA AT 8:00 AM BARNES 124  
04/05/22 (H) -- MEETING CANCELED --  
04/07/22 (H) CRA AT 8:00 AM BARNES 124  
04/07/22 (H) -- MEETING CANCELED --  
04/12/22 (H) CRA AT 8:00 AM BARNES 124  
04/12/22 (H) Heard & Held  
04/12/22 (H) MINUTE(CRA)  
04/14/22 (H) CRA AT 8:00 AM BARNES 124  
04/14/22 (H) Heard & Held  
04/14/22 (H) MINUTE(CRA)  
04/19/22 (H) CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 411.

JILL DOLAN, Borough Attorney  
Fairbanks North Star Borough School District  
Fairbanks, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 411.

BRYCE WARD, Mayor  
Fairbanks North Star Borough  
Fairbanks, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 411.

JP CORTEZ, Policy Director  
Sound Money Defense League  
Charlotte, North Carolina

**POSITION STATEMENT:** Provided invited testimony during the hearing on HB 167.

LARRY HILTON, Co-founder/General Counsel  
Goldback Inc.  
Alpine, Utah

**POSITION STATEMENT:** Provided invited testimony during the hearing on HB 167.

JOHN NELSON, Financial Advisor  
Edward Jones  
Anchorage, Alaska

**POSITION STATEMENT:** Provided invited testimony during the hearing on HB 167.

JEREMY PRICE, Commissioner  
Alaska Oil and Gas Conservation Commission  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 349.

#### **ACTION NARRATIVE**

[8:08:36 AM](#)

CO-CHAIR CALVIN SCHRAGE called the House Community and Regional Affairs Standing Committee meeting to order at 8:08 a.m. Representatives McCarty, McCabe, Hannan, Drummond (via teleconference), Prax, and Schrage were present at the call to order.

HB 411-MUNICIPAL TAX EXEMPTIONS/DEFERRALS

8:09:32 AM

CHAIR SCHRAGE announced that the first order of business would be HOUSE BILL NO. 411, "An Act relating to municipal tax exemptions and deferrals on economic development property."

8:09:44 AM

CO-CHAIR SCHRAGE moved to adopt Amendment 1 to HB 411, labeled 33-LS1646\A.1, Dunmire, 4/13/22, which read:

Page 1, line 1, following "Act":

Insert "relating to municipal economic development; and"

Page 1, following line 3:

Insert a new bill section to read:

"\* **Section 1.** AS 29.35.110(c) is amended to read:

(c) Notwithstanding (a) of this section, a borough that has entered into an agreement with a city located in the borough to cooperatively or jointly provide for economic development may use borough revenue from taxes or funding from other sources [, WHETHER COLLECTED ON AN AREAWIDE OR NONAREAWIDE BASIS,] to carry out the terms of the agreement."

Page 1, line 4:

Delete "**Section 1**"

Insert "**Sec. 2**"

8:09:55 AM

CO-CHAIR HANNAN objected for the purpose of discussion.

8:10:00 AM

CO-CHAIR SCHRAGE explained that Amendment 1 would allow for funding from other sources and would simply clarify that funding

from other sources is permissible in statute to ensure there are not complications down the line.

8:10:33 AM

REPRESENTATIVE MCCARTY asked for a description of what funding from other sources would entail.

CO-CHAIR SCHRAGE replied federal funds, specifically.

REPRESENTATIVE MCCARTY asked for further clarification.

8:11:32 AM

The committee took a brief at-ease at 8:11 a.m.

8:12:10 AM

CO-CHAIR SCHRAGE offered his understanding that whether revenue is collected by the borough or federal funds, it can be mixed together and be used for economic development. The bill allows clarity that the funds can be intermixed, he said.

8:12:45 AM

NILS ANDREASSEN, Executive Director, Alaska Municipal League, answered questions during the hearing on HB 411. He stated that the idea is for second class boroughs, as they are limited in statute to what they can do, and during the COVID-19 pandemic, they struggled to be able to support businesses in their communities. To be able to use any types of revenue beyond just tax revenue for the purpose of economic development for supporting those businesses is the reason this amendment is being offered, he added.

8:13:50 AM

REPRESENTATIVE MCCARTY said that currently there is funding coming in that is targeted for infrastructure. He explained that he is unsure of how the amendment would solve the issue of funding when the service area is still going to need money to continue to operate.

MR. ANDREASSEN replied that the original intent of the bill is to address the service area issue, and the purpose of the proposed amendment is to allow for beyond the service area, or any municipality. He said the amendment also ties into a

forthcoming amendment, which gives a new definition for economic development. He explained that with both the amendments, the goal is to strengthen local governments' ability to foster economic development in communities that [legislators] represent.

[8:16:17 AM](#)

REPRESENTATIVE MCCARTY observed that the subject of HB 411 is about the tax exemption and deferral of economic development property, whereas the proposed amendment seems to be addressing something else. It is "economic development" but not regarding the service areas and properties.

CO-CHAIR SCHRAGE noted that Legislative Legal Services required a title change but he did not believe that it is an accurate interpretation of the single subject rule, as it does not branch outside of Title 29.

[8:17:15 AM](#)

CO-CHAIR HANNAN referred to the title change in Amendment 1 and said the bill as originally drafted only considered service area; however, the bill has been broadened.

CO-CHAIR SCHRAGE agreed, reiterating that the bill branches out.

[8:18:32 AM](#)

REPRESENTATIVE MCCARTY questioned the need for Amendment 1 since it appears it is doing something that we already can do.

CO-CHAIR SCHRAGE shared his understanding that it would remove ambiguity from the statute to clarify that they can intermix funds.

REPRESENTATIVE MCCARTY asked whether there are court issues or current litigation.

CO-CHAIR SCHRAGE replied there is no pending litigation that he is aware of. He said the proposed legislation prevents that from being the case in the future.

[8:19:37 AM](#)

MR. ANDREASSEN said while there may not be current litigation, it is an issue that has not been addressed, and "taking this up

now" does fix something very important for a number of local governments. He added that Ms. Dolan is available for further questions related to what the bill proposes to achieve.

[8:20:25 AM](#)

REPRESENTATIVE MCCARTY redirected his previous questions to Ms. Dolan.

[8:20:39 AM](#)

JILL DOLAN, Borough Attorney, Fairbanks North Star Borough School District, explained that the Fairbank North Star Borough had looked into economic development issues holistically throughout Title 29, and as far as the particular change, there were issues as a second-class borough.

[8:22:05 AM](#)

REPRESENTATIVE MCCARTY asked who determines how the federal money received is spent.

MS. DOLAN replied they have non-area-wide economic development powers, and because of a section in Title 29, the borough can spend tax revenue.

[8:23:17 AM](#)

REPRESENTATIVE PRAX recalled that the issue in the Fairbanks North Star Borough was whether the borough government could spend money from, for example, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) within the city limits of Fairbanks/North Pole, Alaska. He asked whether the bill is designed to rectify this.

MS. DOLAN confirmed that is correct.

[8:24:05 AM](#)

CO-CHAIR HANNAN removed her objection to Amendment 1 to HB 411. There being no further objection, Amendment 1 was adopted.

[8:24:20 AM](#)

CO-CHAIR SCHRAGE moved to adopt Amendment 2 to HB 411, labeled 33-LS1646\A.1, Dunmire, 4/13/22, which read:

Page 1, line 2, following "property":

Insert "; and relating to economic development"

Page 2, lines 8 - 10:

Delete "In this subsection, "economic development property" means real or personal property, including developed property conveyed under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act),"

Insert "[IN THIS SUBSECTION, "ECONOMIC DEVELOPMENT PROPERTY" MEANS REAL OR PERSONAL PROPERTY, INCLUDING DEVELOPED PROPERTY CONVEYED UNDER 43 U.S.C. 1601 ET SEQ. (ALASKA NATIVE CLAIMS SETTLEMENT ACT),"

Page 2, lines 11 - 30:

Delete all material and insert:

"(1) TO WHICH ONE OR MORE OF THE FOLLOWING APPLY:

(A) THE PROPERTY HAS NOT PREVIOUSLY BEEN TAXED AS REAL OR PERSONAL PROPERTY BY THE MUNICIPALITY;

(B) THE PROPERTY IS USED IN A TRADE OR BUSINESS IN A WAY THAT

(i) CREATES EMPLOYMENT IN THE MUNICIPALITY;

(ii) GENERATES SALES OUTSIDE OF THE MUNICIPALITY OF GOODS OR SERVICES PRODUCED IN THE MUNICIPALITY; OR

(iii) MATERIALLY REDUCES THE IMPORTATION OF GOODS OR SERVICES FROM OUTSIDE THE MUNICIPALITY;

(C) AN EXEMPTION OR DEFERRAL ON THE PROPERTY ENABLES A SIGNIFICANT CAPITAL INVESTMENT IN PHYSICAL INFRASTRUCTURE THAT

(i) EXPANDS THE TAX BASE OF THE MUNICIPALITY; AND

(ii) WILL GENERATE PROPERTY TAX REVENUE AFTER THE EXEMPTION EXPIRES; OR

(2) THAT HAS NOT BEEN USED IN THE SAME TRADE OR BUSINESS IN ANOTHER MUNICIPALITY FOR AT LEAST SIX MONTHS BEFORE THE APPLICATION FOR DEFERRAL OR EXEMPTION IS FILED; THIS PARAGRAPH DOES NOT APPLY IF THE PROPERTY WAS USED IN THE SAME TRADE OR BUSINESS IN AN AREA THAT HAS BEEN ANNEXED TO THE MUNICIPALITY WITHIN SIX MONTHS BEFORE THE APPLICATION FOR DEFERRAL OR EXEMPTION IS FILED; THIS PARAGRAPH DOES NOT APPLY TO INVENTORIES.]

\* **Sec. 2.** AS 29.71.800 is amended by adding a new paragraph to read:

(26) "economic development" means an action intended to result in an outcome that causes an increase in, or avoids a decrease of, economic activity, gross domestic product, or the tax base."

[8:24:26 AM](#)

CO-CHAIR HANNAN objected for the purpose of discussion.

[8:24:29 AM](#)

CO-CHAIR SCHRAGE explained that Amendment 2 would delete the old definition of "economic development" property listed in statute and replace it with a broader definition that is less specific or not specific to the municipalities' tax exemption or deferral and redefines economic development. The amendment is being offered because the broader definition in the proposed amendment would allow funds to be used for economic development but not necessarily for just "new development."

[8:26:06 AM](#)

REPRESENTATIVE PRAX expressed his confusion and pointed out the adoption of Amendment 1. He directed attention to the addition on page 1, line 2.

CO-CHAIR SCHRAGE acknowledged his concern and noted that Legislative Legal Services is authorized to make conforming changes.

REPRESENTATIVE PRAX sought to confirm the amendment on page 2, 8-10 - that it appears that is what replaced what is on lines 5-8.

REPRESENTATIVE MCCABE acknowledged the lines are a bit confusing, but what it does is redefine what "economic development" is.

[8:29:23 AM](#)

CO-CHAIR HANNAN pointed out that the terms "tax exemptions" and "referrals" would be removed, and asked whether that would result in changing the substance.

CO-CHAIR SCHRAGE replied that he did not see the exemption of those terms, he saw only adding to the title.

CO-CHAIR HANNAN commented that she tried to make sense of the impact of Amendment 1, which has been adopted.

CO-CHAIR SCHRAGE said it is quite redundant; however, all the key components will still remain.

CO-CHAIR HANNAN emphasized that the committee's intent is for "tax exemptions and referrals" language to remain.

[8:32:06 AM](#)

REPRESENTATIVE MCCARTY directed attention to page 2, line 22 of the amendment, and asked who was involved in the process of the language.

CO-CHAIR SCHRAGE expressed his understanding that this amendment would broaden the definition of what falls within "economic development." This is a program facilitated by our local municipalities and boroughs, but there is still a requirement to go through the public process.

REPRESENTATIVE MCCARTY clarified his question. He expressed his concern that while economic development is encouraged, it is still up to the free enterprise to succeed or fail, and it is not the onus of the government to save it.

REPRESENTATIVE MCCABE explained, for example, that if the rail going to the Port of Alaska is not finished, then there will be a decrease in economic development. He opined that the rail must be finished so there is an increase in economic development. There is a responsibility to "finish what we started," he said.

[8:35:56 AM](#)

MR. ANDREASSEN commented that we must recognize that local governments have a variety of tools to foster support of economic development and maintain a healthy economy through a number of means. Having this amendment in place allows governments to respond to emergencies and community needs and opens up opportunity when it comes to the infrastructure package.

[8:38:14 AM](#)

REPRESENTATIVE MCCARTY clarified that he would like to avoid the government saving any decreases in economic activity. He asked

an additional question about the language and expressed his concern about the lack of definition.

CO-CHAIR SCHRAGE empathized with Representative McCarty's concern and stated that he held some of the same concerns. He explained that he saw the amendment as giving local municipalities or boroughs more control over how they want to establish their program. He added that it loosens sideboards on the state level; however, the municipality still must go through the public process.

[8:41:08 AM](#)

REPRESENTATIVE PRAX asked for confirmation that page 2, lines 11-30 would be deleted and replaced by new a three-line paragraph.

CO-CHAIR SCHRAGE confirmed that is correct.

[8:41:48 AM](#)

REPRESENTATIVE PRAX referenced a building in Fairbanks that is vacant and hypothetically turned into a parking lot, which would increase economic activity. He noted other abandoned buildings in Fairbanks with the same intention being to tear them down or get rid of nuisance properties. He asked whether the proposed legislation intended to allow spending on these activities.

CO-CHAIR SCHRAGE replied it would provide the flexibility to offer economic incentives.

REPRESENTATIVE PRAX directed his question to Ms. Dolan.

MS. DOLAN said there is a different exemption that would be more applicable to the situation to which Representative Prax is referring.

[8:44:39 AM](#)

BRYCE WARD, Mayor, Fairbanks North Star Borough, said the discussion is about "development," so something has to be constructed but probably more applicable to something like the Polaris Building in Fairbanks, Alaska.

REPRESENTATIVE PRAX, specifically using the Polaris Building as an example, queried whether it would enable the borough to receive money to tear the building down and make a parking lot.

MAYOR WARD replied that Amendment 2 wouldn't address that; however, Amendment 1 would with outside funding. The proposed amendment is looking at broadening the definition of economic development, which currently does not exist in Title 29.

REPRESENTATIVE PRAX gave an example of turning his garage into a transmission repair shop which is zoned in an area where he could do it, and he asked whether he could, in turn, get a tax exemption.

[8:46:42 AM](#)

MAYOR WARD replied it would be up to the community to decide within the constraints of the statute, as well as the need within the community.

CO-CHAIR SCHRAGE agreed there would have to be a public process. A program has to be established and approved by the voters, he said.

REPRESENTATIVE PRAX asked Mayor Ward if he anticipates the assembly will meet and discuss the guidelines for the example of the Fairbanks North Star Borough.

MAYOR WARD confirmed any program that would be developed would need approval by the assembly, or depending on the program, approval by ordinance.

[8:49:15 AM](#)

REPRESENTATIVE MCCARTY sought to confirm that if the amendment were to pass, then the economic decision-making on taxation would be by the people.

MAYOR WARD suggested considering it in a different way. He explained that communities can do programs to incentivize new development within the constraints provided under statute, and he summarized certain requirements. He said the proposed amendment, with the definition, gives communities not just the ability to focus on new development, but to look at those businesses that find themselves in positions where they are no longer competitive or able to operate.

CO-CHAIR SCHRAGE expanded on Mayor Ward's statement and acknowledged the proposed amendment is somewhat confusing to track because it deals with two different things at the same

time. Nonetheless, he reiterated that it broadens the definition of "economic development."

[8:52:49 AM](#)

MR. ANDREASSEN stressed that the broader the definition, the more benefits local governments can accrue to their local economy. It is a strong benefit to Alaska's economy, he said.

[8:54:06 AM](#)

REPRESENTATIVE MCCABE offered his understanding that the amendment would just further define economic development and put taxing ability closer to local control.

[8:54:55 AM](#)

REPRESENTATIVE PRAX asked for clarification that the proposed legislation distinguishes between elected and appointed service area boards and applies broadly, not narrowly.

CO-CHAIR SCHRAGE replied yes, that is the intention.

[8:55:46 AM](#)

REPRESENTATIVE MCCARTY expressed his concern that the "side bars" are being removed and the committee is now making it vague in economic development; further, that it does not follow the original intent of the bill for service areas. He stated that he appreciated the intent but would vote no [on Amendment 2].

[8:56:58 AM](#)

REPRESENTATIVE PRAX suggested tabling the amendment until the next meeting, as there are details to sort out.

[8:57:15 AM](#)

CO-CHAIR HANNAN shared her understanding of the broadened definition despite seeming narrowly crafted. She stated that she thought this piece of it should be tweaked, and that it is neither a rewrite of Title 29 nor does it muddy the area between service area boards and municipal economic incentives. She confirmed her support for Amendment 2.

[8:59:36 AM](#)

CO-CHAIR HANNAN removed her objection to Amendment 2 to HB 411.

REPRESENTATIVE MCCARTY objected and maintained his objection.

[8:59:49 AM](#)

A roll call vote was taken. Representatives Drummond, Prax, McCabe, Hannan, and Schrage voted in favor of Amendment 2. Representative McCarty voted against it. Therefore, Amendment 2 was adopted by a vote of 5-1.

[9:00:36 AM](#)

REPRESENTATIVE MCCARTY moved to adopt Amendment 3 to HB 411, labeled 33-LS1646/A.5, Dunmire, 4/15/22, which read:

Page 2, line 9, following "means":

Insert "nonresidential"

[9:00:39 AM](#)

CO-CHAIR HANNAN objected for the purpose of discussion.

[9:00:44 AM](#)

REPRESENTATIVE MCCARTY explained that Amendment 3 on page 2, line 9, adds that a service area can look at tax exemptions only for nonresidential properties.

[9:01:34 AM](#)

CO-CHAIR HANNAN shared her understanding that the original bill specifically focused on residential incentives. For example, a resort community that struggles with housing for seasonal workers. She questioned whether the purpose was to exclude them for a reason.

REPRESENTATIVE MCCARTY explained that it is not targeting any particular location, but the service area is getting its revenue from residential properties.

[9:05:44 AM](#)

REPRESENTATIVE MCCABE referred to local control, adding that the state does not levy any property tax. He opined that the discussion was "frivolous" and stated he is not in support of the proposed amendment.

[9:06:42 AM](#)

REPRESENTATIVE MCCARTY replied that [the proposed legislation] is not taking away local control; however, he asked whether it fit in an equitable manner throughout the state.

[9:07:57 AM](#)

REPRESENTATIVE PRAX acknowledged that Representative McCarty had a valid point. He asked for confirmation from Mayor Ward about the borough considering tax deferrals or exemptions for residential property to meet what is thought to be a housing shortage for Eielson [Air Force Base].

MAYOR WARD replied the Fairbanks North Star Borough does have the ordinance in place that creates a housing tax incentive for residential construction, but this would restrict the ability for a local community to do those types of programs, which may be problematic to local goals.

[9:09:27 AM](#)

REPRESENTATIVE PRAX stated that as a state representative, he did not think it necessary to add this restriction to non-residential property. He said it would be left up to local control, which would generate robust discussions.

[9:10:28 AM](#)

CO-CHAIR HANNAN added that currently, local governments give residential incentives for development, and by changing this in statute, the legislature would put those programs into an illegal status.

[9:11:30 AM](#)

CO-CHAIR HANNAN maintained her objection to Amendment 3.

[9:11:36 AM](#)

A roll call vote was taken. Representative McCarty voted in favor of Amendment 3. Representatives McCabe, Drummond, Prax, Hannan, and Schrage voted against it. Therefore, Amendment 3 failed to be adopted by a vote of 1-5.

[9:12:09 AM](#)

CO-CHAIR SCHRAGE proceeded to the underlying bill, HB 411.

[9:12:17 AM](#)

CO-CHAIR HANNAN moved to report HB 411, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

[9:12:36 AM](#)

CO-CHAIR SCHRAGE objected for the purpose of discussion.

[9:12:40 AM](#)

The committee took a brief at-ease at 9:12 a.m.

[9:12:58 AM](#)

CO-CHAIR SCHRAGE removed his objection. There being no further objection, CSHB 411(CRA) was reported out of the House Community and Regional Affairs Standing Committee.

[9:13:14 AM](#)

The committee took an at-ease from 9:13 a.m. to 9:14 a.m.

**HB 167-GOLD AND SILVER SPECIE AS LEGAL TENDER**

[9:14:06 AM](#)

CO-CHAIR SCHRAGE announced that the next order of business would be HOUSE BILL NO. 167, "An Act relating to specie as legal tender in the state; and relating to borough and city sales and use taxes on specie."

CO-CHAIR SCHRAGE welcomed invited testimony.

[9:14:55 AM](#)

JP CORTEZ, Policy Director, Sound Money Defense League, gave invited testimony in support of HB 167, which is a measure that ensures that gold and silver coin remain tax free in boroughs and cities across Alaska. He said that people are looking for ways to save their wealth, and it is paramount to be able to preserve the purchasing power of their money. He strongly

encouraged Alaska and the committee to approve HB 167, and he offered to answer any questions.

[9:16:58 AM](#)

CO-CHAIR HANNAN asked Mr. Cortez whether he provided any research or data for the bill sponsor on what it would do to local governments' taxation base. She also asked how one would bifurcate one piece of gold from another, which could raise substantial concerns.

MR. CORTEZ explained that currently his company is also working on legislation in Tennessee, which had an associated fiscal note that ensures that the loss of revenue to cities and boroughs would likely not be substantial. He further explained that conventions and coin shows tend to stay away from districts or areas that charge sales tax. In regard to jewelry, there is a percentage threshold in most states with similar legislation, he said.

[9:20:27 AM](#)

CO-CHAIR HANNAN commented that she had two large operational gold processors in her district and expressed curiosity, being they are the largest private property taxpayers in her district. She asked if they decided to mill on site and change half in to process before bringing it into town, whether they would get a "workaround" from taxation.

REPRESENTATIVE MCCABE stated that this is gold to be used as legal tender, adding that one would not tax a \$50 bill. For example, if they were sold as collectibles, then they would be taxed, he shared.

[9:22:07 AM](#)

CO-CHAIR HANNAN provided an example of Alaska Mint and asked whether the bill would authorize that product to be legal tender; further, whether it would be exempt from or included in local taxation.

REPRESENTATIVE MCCABE believed that's where the 90 percent would come in; for example, if the Alaska Mint mints a copper coin and it is gold plated offered as a collectible, it would likely be taxed.

[9:23:29 AM](#)

LARRY HILTON, Co-founder/General Counsel, Goldback Inc., stated he believed he was looking at the current version of HB 167, which has a specific definition of specie and seemed clear to him. As Mr. Cortez had pointed out, he said, the vast majority of states do not impose a tax on gold and silvers, and beyond that, there has been judicial action, which he gave a brief example of. He also touched on using silver or gold coin for paying taxes. As for taxable and non-taxable gold, he noted that in Utah the legislature adopted an exemption stating that coin is used as currency. He stated the proposed legislation is broad enough to capture legal and non-legal tender currencies and would bring Alaska into line with fellow states. He highly recommended the adoption of the legislation.

[9:29:19 AM](#)

CO-CHAIR HANNAN assumed that Goldback Inc. was a producer of specie or a company advocating for it.

MR. HILTON confirmed yes, that is what Goldback distributes throughout the country.

CO-CHAIR HANNAN referred to page 2, line 24, and interpreted the language to indicate that gold and silver bullion would be exempt from taxation at the 90 percent threshold.

MR. HILTON explained that if the gold and silver product being produced by these mines is intended for circulation as money, that might be an issue, but severance tax would be untouched by the bill.

[9:35:35 AM](#)

CO-CHAIR HANNAN questioned whether any states are accepting Goldbacks as their taxation obligation for cannabis taxes.

MR. HILTON offered his understanding that it had not occurred in any states.

[9:37:06 AM](#)

REPRESENTATIVE MCCABE brought up a subject mentioned "last time," about counterfeiting, and asked Mr. Hilton whether he could give a quick "thumbnail" on why these bills are hard to counterfeit.

[9:38:10 AM](#)

MR. HILTON explained that there are a few anti-counterfeiting security measures built into the bill itself, and on the back of the Goldback, it is a structured, thin gold, and can be proven to be actual gold.

[9:40:17 AM](#)

REPRESENTATIVE PRAX sought to clarify whether Juneau is charging any sales tax or a severance tax.

CO-CHAIR HANNAN clarified that Juneau is not charging a sales tax.

[9:41:03 AM](#)

MR. HILTON continued on the subject of a royalty or severance tax, and said they could not do that without fraud, and would still be liable for severance tax.

[9:41:47 AM](#)

JOHN NELSON, Financial Advisor, Edward Jones, said he started looking for ways to protect his clients' net worth, which lead him to the public banking institute that speaks to local economy, currencies, and banking systems that are not tied with federal reserves. He stated he is an advocate; however, it needs to be separated from the federal reserve and the way to do that is local control. He recalled when he was introduced to the Goldback and thought it was an incredible way to take back control of and protect currency. He suggested that if the bill was adopted, consider adding a "c" and adding "Goldback Bucks" on the bill to recognize Goldbacks as legal tendered currency.

[9:47:08 AM](#)

CO-CHAIR SCHRAGE announced that HB 167 was held over.

**HB 349-HEARING ESTABLISH DRILLING UNITS/SPACING**

[9:47:11 AM](#)

CO-CHAIR SCHRAGE announced that the final order of business would be HOUSE BILL NO. 349, "An Act relating to the establishment of oil and gas drilling units and patterns."

[9:47:39 AM](#)

CO-CHAIR HANNAN moved to adopt Amendment 1 to HB 349, labeled 32-LS1542\A.1, Nauman, 4/18/22, which read as follows:

Page 1, lines 4 - 5:

Delete "the correlative rights of lessees in a pool"

Insert "[THE] correlative rights [OF LESSEES IN A POOL]"

Page 2, following line 9:

Insert a new bill section to read:

"\* **Sec. 3.** AS 31.05.100 is amended by adding a new subsection to read:

(f) The commission may adopt well spacing regulations to protect correlative rights in a pool without a drilling unit or units established under this section."

CO-CHAIR SCHRAGE objected for the purpose of discussion.

[9:47:47 AM](#)

CO-CHAIR HANNAN explained that in Amendment 1, "correlative rights" is specified in statute, as suggested. She further clarified that it was only spoken about in the regulations, not in the statute.

[9:48:45 AM](#)

JEREMY PRICE, Commissioner, Alaska Oil and Gas Conservation Commission, said there is a tweak in the beginning of the language regarding lessees in a pool, which was suggested by the Alaska Department of Law (DOL), and ends up being broader. In summary, he stated, he appreciated the committee considering the amendment.

CO-CHAIR SCHRAGE removed his objection. There being no further objection, Amendment 1 was adopted.

[9:50:49 AM](#)

CO-CHAIR HANNAN moved to report HB 349, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 349(CRA) was

reported out of the House Community and Regional Affairs Standing Committee.

[9:51:19 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:51 a.m.