

Original sponsor: Rules Committee by  
request of the Governor

Offered: 11/2/73  
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 1

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act providing for taxes on property used in the  
7 exploration for, production of, or pipeline trans-  
8 portation of gas or unrefined oil; and providing  
9 for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 43 is amended by adding a new chapter to read:

12 CHAPTER 56. OIL AND GAS TRANSPORTATION PROPERTY TAX.

13 Sec. 43.56.010. LEVY OF TAX. An annual tax of 30 mills is  
14 levied each tax year beginning January 1, 1974, on the full and true  
15 value of taxable property taxable under this chapter.

16 Sec. 43.56.020. IN PLACE OF ALL OTHER TAXES. Except for the  
17 imposition of the oil and gas properties production tax (ch. 55 of  
18 this title), the tax imposed by this chapter is in place of all taxes  
19 imposed by

20 (1) the state or any of its political subdivisions upon

21 (A) producing oil or gas leases; or

22 (B) oil or gas produced or extracted in the state; or

23 (2) a political subdivision upon

24 (A) oil or gas in place;

25 (B) possessory interests in oil or gas leaseholds

26 whether producing or not;

27 (C) the value of intangible drilling and exploration  
28 expenses; or

29 (D) real and tangible personal property used within

1 this state primarily for an interborough common carrier pipeline  
2 system for the transportation of gas or unrefined oil (except  
3 gas pipeline systems operating as utilities and regulated by the  
4 Alaska Public Utilities Commission).

5 Sec. 43.56.030. STATE ASSESSMENT REVIEW BOARD. The State  
6 Assessment Review Board is created within the Department of Revenue.  
7 The board consists of three persons appointed by the governor to  
8 serve at his pleasure. Each board member

9 (1) must be a resident of the state and knowledgeable  
10 of assessment procedures; and

11 (2) is subject to confirmation by a majority of the members  
12 of the legislature in joint session.

13 Sec. 43.56.040. COMPENSATION; PER DIEM AND EXPENSES. Except  
14 for a state official or employee who is a member of the board, each  
15 member of the board shall receive a stipend of \$100 a day for each  
16 day in which he attends a board meeting or carries out his responsi-  
17 bilities under this chapter. All board members shall receive per  
18 diem and expenses authorized by law for boards and commissions.

19 Sec. 43.56.050. ASSESSMENT. (a) The department shall assess  
20 property for the taxes levied under sec. 10 of this chapter at its  
21 full and true value as of January 1 of the assessment year.

22 (b) The full and true value of taxable property used for a  
23 completed or partially completed interborough common carrier pipeline  
24 system for the transportation of gas or unrefined oil:

25 (1) until January 1 following the date the pipeline begins  
26 to transport gas or unrefined oil, the actual cost incurred or accrued  
27 with respect to the property as of the date of assessment;

28 (2) determined on each January 1 thereafter with due regard  
29 to the replacement cost of the pipeline the economic life of the

1 property, including the pipeline, based on the estimated life of the  
2 proven reserves of gas or unrefined oil then technically, economically  
3 and legally deliverable into the transportation facility; however, if  
4 the proven reserves of gas or unrefined oil then technically, economi-  
5 cally and legally deliverable indicate an economic life materially  
6 shorter than the estimated physical life of the transportation facility,  
7 the full and true value is the replacement cost reduced by an annual  
8 allowance for depreciation on a straight line basis over an economic  
9 life based on the actual elapsed life from the commencement of full  
10 operation to the date of assessment plus the estimated remaining life  
11 of the proven reserves of gas and unrefined oil then technically,  
12 economically and legally deliverable into the transportation facility  
13 as of the date of the assessment; and

14 (3) on the assessment date next following inability to use  
15 or construct all or a substantial part of the facility for a period of  
16 90 or more consecutive days because of natural disaster or legal pro-  
17 hibition, or other events beyond the control of a person having owner-  
18 ship or control of the property, adjusted to take into account any  
19 diminution in value.

20 (c) For purposes of this section "actual cost" and "replacement  
21 cost" do not include interest capitalized before or during the period  
22 of construction nor the value of intangible drilling and development  
23 expenses. In the case of taxable property partially completed or  
24 under construction, "actual cost" for purposes of this section means  
25 the costs incurred or accrued with respect to the property as of the  
26 date of assessment.

27 Sec. 43.56.060. RETURNS. (a) The department may require by  
28 notice every person having ownership or control of an interest in  
29 property taxable under sec. 10 of this chapter to submit a return

1 in the form prescribed by the department, based on property values  
2 existing on January 1, except as otherwise provided in this chapter.

3 (b) The department by written notice may require a person to  
4 provide additional information within 30 days of the notice.

5 Sec. 43.56.070. INVESTIGATION. (a) The department may make an  
6 investigation of property on which a return has been filed or of tax-  
7 able property upon which no return has been filed. In either case,  
8 the department may make its own valuation of the taxable property,  
9 which is prima facie evidence of full and true value.

10 (b) An employee or agent of the department may enter any premise  
11 necessary for the investigation during reasonable hours and may examine  
12 property and appropriate records. The owner of the taxable property  
13 upon request shall furnish to the employee or agent of the department  
14 reasonable assistance required for the investigation. If refused  
15 entry, the department may seek a court order to compel entry.

16 (c) For the purpose of the investigation the owner of the taxable  
17 property or his representative may be required to present himself for  
18 examination under oath by the department.

19 Sec. 43.56.080. ASSESSMENT ROLL. The department shall prepare  
20 annually the only assessment roll for taxation under sec. 10 of this  
21 chapter. The roll shall contain:

- 22 (1) a description of all taxable property;  
23 (2) the assessed value of all taxable property;  
24 (3) the names and addresses of persons owning property  
25 subject to assessment and taxation.

26 Sec. 43.56.090. ASSESSMENT NOTICE. Before March 2 of each year,  
27 the department shall send to every owner of taxable property named  
28 in the assessment roll a notice of assessment, showing the assessed  
29 value of the property. Notice of assessment is effective on the date

1 of mailing.

2 Sec. 43.56.100. APPEAL TO THE DEPARTMENT. (a) An owner of  
3 taxable property receiving an assessment notice may object to the  
4 assessment by advising the department in writing of the objections  
5 to the assessment within 20 days of the effective date of the notice.

6 (b) The department shall provide by regulation for notices of  
7 appeals to interested persons.

8 (c) Following an objection the department may adjust the assess-  
9 ment and the assessment roll. An adjustment based on an objection  
10 from an owner of taxable property shall be made within 30 days of  
11 the effective date of the notice of assessment.

12 Sec. 43.56.110. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD.

13 (a) After a ruling by the department on an appeal made under sec. 100  
14 of this chapter, the owner may further appeal to the board. The appeal  
15 must be filed in writing within 50 days of the effective date of the  
16 notice of assessment.

17 (b) The board shall provide by regulation for notices of appeals  
18 to interested persons.

19 Sec. 43.56.120. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a)  
20 The board shall hear appeals filed under sec. 110(a) of this chapter.

21 (b) A majority of the board constitutes a quorum required to  
22 transact business.

23 (c) The board shall provide by regulation for notices of hearings  
24 to interested persons.

25 (d) If an appellant fails to appear at the hearing, the board  
26 may proceed with the hearing in his absence.

27 (e) The appellant bears the burden of proof at the hearing.

28 (f) The only grounds for adjustment of assessed value is proof  
29 of unequal, excessive or improper valuation or valuation not determined

1 in accordance with the standards set out in this chapter, based on  
2 facts stated in a written appeal timely filed or proved at the hearing.

3 (g) The board shall certify its determinations to the department  
4 within seven days of the hearing.

5 (h) The department shall enter the changes and certify the final  
6 assessment roll on or before June 1 of each year and by July 1 shall  
7 mail to the owner of taxable property or his authorized agent a  
8 statement of the amount of tax due.

9 (i) An owner may appeal to the superior court for, and is  
10 entitled to, trial de novo of the board's action.

11 Sec. 43.56.130. SUPPLEMENTARY ASSESSMENT ROLLS. The department  
12 shall include property omitted from the assessment roll on a supple-  
13 mentary roll, using the procedures set out in this chapter for the  
14 original roll.

15 Sec. 43.56.140. COLLECTION AND DEPOSIT. (a) The tax levied  
16 by sec. 10 of this chapter is payable to the department on or before  
17 September 30 of the tax year.

18 (b) The department may provide for voluntary prepayment and for  
19 payment by installments.

20 (c) All other taxes, interest and penalties collected under  
21 this chapter shall be deposited in the general fund.

22 Sec. 43.56.150. INTEREST AND PENALTY. When the tax levied by  
23 sec. 10 of this chapter becomes delinquent, a penalty of 10 per cent  
24 shall be added. Interest on the delinquent taxes, exclusive of penalty,  
25 shall be assessed at a rate of eight per cent a year.

26 Sec. 43.56.160. LIEN FOR TAX. The tax levied under sec. 10 of  
27 this chapter and the interest and penalty provided in sec. 150 of this  
28 chapter are first and paramount liens on the property subject to tax  
29 under this chapter.

1           Sec. 43.56.170. REMEDY. The remedy of distraint on property  
2 set out in AS 43.20.270 applies to the tax levied by sec. 10 of this  
3 chapter. However, only property subject to the tax may be distrained.

4           Sec. 43.56.180. PENALTIES. A person who knowingly fails to  
5 file a return when due or who makes a false statement in a return  
6 required under this chapter with intent to evade taxation is guilty of  
7 a misdemeanor and upon conviction is punishable by a fine of not more  
8 than \$1,000, or by imprisonment for not more than six months, or by  
9 both, together with costs of prosecution, notwithstanding the provi-  
10 sions of AS 12.80.030.

11           Sec. 43.56.190. REGULATIONS. The board and the department may  
12 adopt regulations in accordance with the Administrative Procedure Act  
13 (AS 44.62) as appropriate to carry out their respective duties under  
14 this chapter.

15           Sec. 43.56.200. DEFINITIONS. In this chapter

16                   (1) "board" means State Assessment Review Board;

17                   (2) "department" means Department of Revenue;

18                   (3) "gas" includes all natural gas and all hydrocarbons  
19 produced at the wellhead not defined as oil;

20                   (4) "taxable property" means real and tangible personal  
21 property used within this state primarily in an interborough common  
22 carrier pipeline system for the transportation of gas or unrefined  
23 oil, but does not include:

24                           (A) gas pipeline systems operating as utilities and  
25 regulated by the Alaska Pipeline Utilities Commission; or

26                           (B) real or tangible personal property used in the  
27 erection, construction, installation, or maintenance of the  
28 interborough common carrier pipeline system;

29                           (C) tanks, tank farms, tank fixtures and tank

1 foundations used in terminal facilities for the storage of gas  
2 or unrefined oil transported through an interborough common  
3 carrier pipeline system;

4 (5) "unrefined oil" includes crude petroleum oil and other  
5 hydrocarbons regardless of gravity which are produced at the wellhead  
6 in liquid form and the liquid hydrocarbons known as distillate or  
7 condensate recovered or extracted from gas other than gas produced in  
8 association with oil and commonly known as casinghead gas.

9 \* Sec. 2. AS 29.53 is amended by adding a new section to read:

10 Sec. 29.53.045. OIL AND GAS PROPERTIES. No municipality may  
11 assess, levy or collect an ad valorem tax on the value of intangible  
12 drilling and exploration expenses, oil or gas in place, possessory  
13 interests in oil or gas leaseholds whether producing or not, or on  
14 real and tangible personal property used within the state for an  
15 interborough common carrier pipeline system for the transportation  
16 of gas or unrefined oil (except gas pipeline systems operating as  
17 utilities and regulated by the Alaska Public Utilities Commission).  
18 This prohibition does not limit the collectability of any tax levied  
19 before the effective date of this section.

20 \* Sec. 3. AS 29.53.050 is amended by adding a new subsection to read:

21 (b) No municipality, or combination of municipalities occupying  
22 the same geographical area in whole or in part, may levy taxes which  
23 will result in tax revenues from all sources exceeding \$2,000 a year  
24 for each person residing within its boundaries. If two or more  
25 municipalities occupying the same geographical area, in whole or in  
26 part, attempt to levy a tax, the combined levy of which would result  
27 in tax revenues from all sources exceeding \$2,000 a year for each  
28 person residing within their boundaries, the commissioner of community  
29 and regional affairs shall apportion the lawful levy and equitably

1 divide these revenues on the basis of need, services performed and  
2 other considerations in the public interest. For the purpose of this  
3 subsection, population shall be determined by the commissioner of  
4 community and regional affairs based on the latest statistics of the  
5 United States Bureau of the Census or on other reliable population  
6 data.

7 \* Sec. 4. AS 43.55.010(b) is repealed and re-enacted to read:

8 (b) Except for the imposition of the oil and gas transportation  
9 property tax (ch. 56 of this title), the tax imposed by this chapter  
10 is in place of all taxes imposed by

11 (1) the state or any of its political subdivisions upon

12 (A) producing oil or gas leases; or

13 (B) oil or gas produced or extracted in the state; or

14 (2) a political subdivision upon

15 (A) oil or gas in place;

16 (B) possessory interests in oil or gas leaseholds

17 whether producing or not;

18 (C) the value of intangible drilling and exploration  
19 expenses; or

20 (D) real and tangible personal property used within  
21 this state primarily for an interborough common carrier pipeline  
22 system for the transportation of gas or unrefined oil (except  
23 gas pipeline systems operating as utilities and regulated by the  
24 Alaska Public Utilities Commission).

25 \* Sec. 5. This Act takes effect on the day after its passage and approval  
26 or on the day it becomes law without approval.