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1 IN THE HOUSE

2 HOUSE BILL NO. 297

(Fin) (Rules) am S

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas exploration,
7 production and pipeline transportation property tax;
8 and providing for an effective date."

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

10 * Section 1. AS 43.56.010(a) is amended to read:

11 (a) An annual tax of 20 mills is levied each tax year beginning
12 January 1, 1974, on the full and true value of taxable property taxable
13 under this chapter, except as provided in sec. 15 of this chapter.

14 * Sec. 2. AS 43.56 is amended by adding a new section to read:

15 Sec. 43.56.015. OIL AND GAS IN PLACE. (a) An annual tax of 20
16 mills is levied automatically at such time as the state's general fund
17 cash balance is less than \$200,000,000, on the full and true value of
18 (1) oil and gas leases within the state under which there are proven
19 reserves; and (2) ownership interests in proven oil and gas reserves in
20 place within the state. The tax due for the calendar year of the origi-
21 nal levy is the full amount which is due for the year reduced pro rata
22 by the number of days from January 1 to the date of the original levy.
23 In years subsequent to the original levy the tax is levied each year be-
24 ginning January 1.

25 (b) Oil and gas leases and ownership interests in proven oil or
26 gas reserves are exempt from taxation under (a) of this section for a
27 period of five years from (1) the date of the original lease of all or
28 part of the property described in the lease or ownership interest being
29 taxed, or (2) the date of the first completion, suspension, or abandon-

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1 ment of a discovery well in a field or pool which in whole or in part
2 underlies or comprises the lease or ownership interest, whichever occurs
3 first.

4 (c) Producing oil or gas leases or ownership interests in proven
5 oil or gas reserves upon which a gross production tax under ch. 55 of
6 this title has been paid in an amount equal to or greater than the tax
7 due under (a) of this section are exempt from taxes under (a) of this
8 section for the same taxable year for which the gross production taxes
9 are due.

10 (d) Producing oil or gas leases or ownership interests in proven
11 oil or gas reserves upon which a gross production tax under ch. 55 of
12 this title has been paid in an amount which is less than the amount due
13 under (a) of this section as to the same leases or interests shall reduce
14 the tax due under (a) of this section as to the leases or interests by
15 the gross production tax actually paid in the assessment year after
16 subtraction of any credit allowable under (e) of this section.

17 (e) The tax paid under (a) of this section may be credited against
18 the gross production tax due under ch. 55 of this title as to the same
19 leases or properties; however, the credit used in any one tax year may
20 not exceed 50 per cent of the gross production tax due for that year.

21 * Sec. 3. AS 43.56.060 is amended by adding new subsections to read:

22 (h) The department shall assess property for the tax levied under
23 sec. 15 of this chapter within 60 days of the effective date of this Act
24 on the basis of information presently available to the department.

25 (i) The full and true value of property taxable under sec. 15 of
26 this chapter is the estimated price which the property would bring in an
27 open market and under the prevailing market conditions in a sale between
28 a willing buyer and a willing seller both conversant with the property
29 and with prevailing general price levels. In determining this value the

1 assessor shall take into account the discounted value of the expected
2 future net income from the production of proven reserves under the
3 property.

4 * Sec. 4. AS 43.56.100 is amended by adding a new subsection to read:

5 (c) The department shall send to every owner of taxable property
6 named in the assessment roll a notice of the assessment made under sec.
7 60(h) of this chapter within 75 days of the effective date of this Act.

8 * Sec. 5. AS 43.56.120 is amended by adding a new subsection to read:

9 (c) If an owner appeals a ruling of the department made under an
10 appeal of an assessment of property made for purposes of the tax levied
11 under sec. 15 of this chapter, the owner, by filing a notice of appeal
12 to the board, agrees to furnish the state with all its records and
13 research information relating to the property which is the subject of
14 the appeal, including but not limited to (1) well logs; (2) records of
15 well testing and completion; and (3) geological and geophysical infor-
16 mation including seismic data. The information contained in the records
17 and research information shall be kept confidential by the board unless
18 litigation is instituted after a decision by the board.

19 * Sec. 6. AS 43.56.150(c) is amended to read:

20 (c) The taxes [TAX] levied under secs. [SEC.] 10(a) and 15 of
21 this chapter, interest and penalties collected with respect to these
22 levies [THIS LEVY] shall be deposited in the general fund, except that
23 two per cent of the taxes collected under sec. 15 of this chapter shall
24 be deposited into the Alaska Native Fund established by sec. 6 of the
25 Alaska Native Claims Settlement Act, P.L. 92 - 203.

26 * Sec. 7. AS 43.56.160 is amended to read:

27 Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by sec.
28 10(a) or sec. 15 of this chapter becomes delinquent, a penalty of 10 per
29 cent shall be added. Interest on the delinquent taxes, exclusive of

1 penalty, shall be assessed at a rate of eight per cent a year.

2 * Sec. 8. AS 43.56.170 is amended to read:

3 Sec. 43.56.170. LIEN FOR TAX. The taxes [TAX] levied under secs.
4 [SEC.] 10(a) and 15 of this chapter and the interest and penalty provided
5 in sec. 160 of this chapter are first and paramount liens on the property
6 subject to tax under this chapter.

7 * Sec. 9. AS 43.56.180 is amended to read:

8 Sec. 43.56.180. REMEDY. The remedy of distraint of property set
9 out in AS 43.20.270 applies to the taxes [TAX] levied by secs. [SEC.]
10 10(a) and 15 of this chapter. However, only property subject to [THE]
11 tax may be distrained.

12 * Sec. 10. AS 43.56.210(6) is amended to read:

13 (6) "taxable property" means property described in sec. 15 of
14 this chapter or real and tangible personal property used or committed by
15 contract or other agreement for use within this state primarily in the
16 exploration for, production of, or pipeline transportation of gas or
17 unrefined oil (except for property used solely for the retail distri-
18 bution or liquefaction of natural gas), or in the operation or mainte-
19 nance of facilities used in the exploration for, production of, or
20 pipeline transportation of gas or unrefined oil, including machinery,
21 appliances, supplies, equipment, drilling rigs, wells (whether producing
22 or not), gathering lines and transmission lines, pumping stations,
23 compressor stations, power plants, topping plants, processing units,
24 roads, tank farms, tanker terminals, docks and other port facilities,
25 air strips and communication equipment and facilities, maintenance
26 equipment and facilities, and maintenance camps and other related facil-
27 ities; "taxable property" does not include permanent residences, office
28 buildings requiring substantial local government services, or gas pipe-
29 line systems operated as utilities and regulated by the Alaska Public

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Utilities Commission;

* Sec. 11. AS 43.56.210 is amended by adding a new paragraph to read:

(8) "proven reserves" means the volume of oil or gas in a known deposit which geological and engineering information indicate to be reasonably expected to be produced under current economic and technological knowledge.

* Sec. 12. This Act takes effect immediately in accordance with AS 01.10.-070(c).

* Sec. 13. This Act terminates January 1, 1982.