

Introduced: 3/9/77
Referred: Resources and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 323
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas exploration,
7 production, and pipeline and marine transportation
8 property tax; 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(d) is amended to read:

11 CHAPTER 56. OIL AND GAS EXPLORATION, PRODUCTION,
12 AND PIPELINE AND MARINE TRANSPORTATION PROPERTY TAXES.

13 (d) A tax paid to a municipality under AS 29.53.045 on or before
14 June 30 of the tax year shall be credited against the tax levied under
15 (a) of this section for that tax year. If, however, a tax is not paid
16 to a municipality until after June 30 of the taxable year, the depart-
17 ment upon application shall refund to the taxpayer the amount of tax
18 paid to the municipality under AS 29.53.045. The credit or refund of
19 taxes paid to a municipality may not exceed the total amount of tax
20 levied by the department upon the taxpayer for the tax year, under (a)
21 of this section. Current property taxes which are collected by one or
22 more municipalities under AS 29.53.055 or any other authority which
23 exceed the limitations set out in AS 29.53.045 or AS 29.53.050 are not
24 allowed as a credit against, or refund of, the tax levied under this
25 section. The credit or refund is only allowed for taxes paid for the
26 current tax year.

27 * Sec. 2. AS 43.56.060(a) is amended to read:

28 Sec. 43.56.060. ASSESSMENT. (a) The department shall assess
29 property for the tax levied under sec. 10(b) of this chapter and AS

1 29.53.045 on property used or committed by contract or other agreement
2 for use for the pipeline transportation of gas or unrefined oil, [OR]
3 for the production of gas or unrefined oil, for refining of gas or
4 unrefined oil, or for the processing, liquefaction, or manufacture of
5 natural gas or oil products at its full and true value as of January
6 1 of the assessment year. The department shall assess property for
7 the tax levied under sec. 10(b) of this chapter and AS 29.53.045 on
8 property used or committed by contract or other agreement for use in
9 the marine transportation of gas or unrefined oil during any portion
10 of the previous calendar year at its full and true value as of January
11 1 of the previous calendar year as apportioned under sec. 65 of this
12 chapter.

13 * Sec. 3. AS 43.56.060(e)(2) is amended to read:

14 (2) determined on each January 1 thereafter with due regard
15 to the economic value of the property based on the estimated life of
16 the proven reserves of gas or unrefined oil then technically, econom-
17 ically and legally deliverable into the transportation facility;
18 [HOWEVER, IF THE PROVEN RESERVES OF GAS OR UNREFINED OIL THEN TECHN-
19 CALLY, ECONOMICALLY AND LEGALLY DELIVERABLE INDICATE AN ECONOMIC LIFE
20 MATERIALLY SHORTER THAN THE ESTIMATED PHYSICAL LIFE OF THE TRANSPORTA-
21 TION FACILITY, THE FULL AND TRUE VALUE IS THE ACTUAL COST REDUCED BY
22 AN ANNUAL ALLOWANCE FOR DEPRECIATION ON A STRAIGHT LINE BASIS OVER AN
23 ECONOMIC LIFE BASED ON THE ACTUAL ELAPSED LIFE FROM THE COMMENCEMENT
24 OF FULL OPERATION TO THE DATE OF ASSESSMENT PLUS THE ESTIMATED REMAIN-
25 ING LIFE OF THE PROVEN RESERVES OF GAS AND UNREFINED OIL THEN TECHN-
26 CALLY, ECONOMICALLY AND LEGALLY DELIVERABLE INTO THE TRANSPORTATION
27 FACILITY AS OF THE DATE OF THE ASSESSMENT;]

28 * Sec. 4. AS 43.56.060 is amended by adding new subsections to read:

29 (h) The full and true value of taxable property used or committed

1 by contract or other agreement for the refining of gas or unrefined
2 oil or in the processing, liquefaction or manufacture of gas or oil
3 products is determined on the basis of replacement cost less deprecia-
4 tion based on the useful life of the property.

5 (i) The full and true value of taxable property used or
6 committed by contract or other agreement for the marine transportation
7 of gas or unrefined oil is determined on the basis of replacement cost
8 less depreciation based on the useful life of the property as apportioned
9 under sec. 65 of this chapter.

10 * Sec. 5. AS 43.56 is amended by adding a new section to read:

11 Sec. AS 43.56.065. METHOD OF APPORTIONMENT. (a) The full and
12 true value of the taxable marine transportation property shall be
13 apportioned to this state by multiplying that value by the days-spent-
14 in-port apportionment fraction. The numerator of the fraction is the
15 number of days spent in ports within the state loading or unloading
16 gas or unrefined oil, and the denominator of the fraction is the
17 number of days spent in ports both within the state and outside the
18 state loading or unloading gas or unrefined oil.

19 (b) For purposes of this section,

20 (1) "days spent in port" does not include periods when
21 ships are tied up because of strikes or withheld from service for
22 repairs, or because of seasonal reduction of service; days spent
23 in a port shall be computed by dividing the total number of hours in
24 that port by 24 and rounding to the nearest day;

25 (2) "port" includes a tanker terminal, dock, moorage,
26 another vessel or any other facility, fixed or floating, from which
27 gas or unrefined oil is loaded or unloaded.

28 * Sec. 6. AS 43.56.070 is amended by adding a new subsection to read:

29 (c) For purposes of this section, a return reporting marine

1 transportation values and days-spent-in-port information for the
2 previous calendar year shall be submitted to the department on a date
3 specified by regulation.

4 * Sec. 7. AS 43.56.210(6) is amended to read:

5 (6) "taxable property" means real and tangible personal
6 property within this state used or committed by contract or other
7 agreement for use [WITHIN THIS STATE] primarily in the exploration
8 for, production of, [OR] pipeline transportation of, refining of,
9 gas or unrefined oil, or in the processing, liquefaction or manufacture
10 of natural gas or oil products, including [(EXCEPT FOR] property used
11 [SOLELY] for the liquefaction [RETAIL DISTRIBUTION OR LIQUEFACTION] of
12 natural gas [)]], or in the operation or maintenance of facilities used
13 in the exploration for, production of, [OR] pipeline transportation
14 of, refining of, gas or unrefined oil, or in the processing, liquefac-
15 tion or manufacture of natural gas or oil products, including machinery,
16 appliances, supplies, equipment, drilling rigs, wells (whether producing
17 or not), gathering lines and transmission lines, pumping stations,
18 compressor stations, power plants, topping plants, processing units,
19 refineries and refining equipment, gas processing plants and equip-
20 ment, liquefied natural gas facilities, roads, tank farms, tanker ter-
21 minals, docks and other port facilities, air strips and communication
22 equipment and facilities, maintenance equipment and facilities, and
23 maintenance camps and other related facilities; "taxable property"
24 also means property used or committed by contract or other agreement
25 for use primarily in the marine transportation of gas or unrefined oil
26 including tankers, all classes of crude carriers, ships, barges or
27 other marine vessels used in connection with the transportation of gas
28 or unrefined oil; "taxable property" does not include permanent resi-
29 dences, office buildings requiring substantial local government services,

1 property used for retail distribution of gas, oil or oil products, or
2 gas pipeline systems operated as utilities and regulated by the Alaska
3 Public Utilities Commission;

4 * Sec. 8. AS 29.53.045(b) is amended to read:

5 (b) A municipality may levy and collect a tax on the full and
6 true value of taxable property taxable under AS 43.56 as valued by the
7 Department of Revenue at a rate not to exceed that which produces an
8 amount of revenue from the total municipal property tax equivalent to
9 \$1,500 a year for each person residing within its boundaries. The
10 commissioner of revenue shall adjust the limitation provided for in
11 this section in accordance with changes in the Consumer Price Index
12 for Anchorage, Alaska, published by the Bureau of Labor Statistics,
13 United States Department of Labor. The adjusted limitation becomes
14 effective on the January 1 following its adjustment and applies to
15 taxes levied for that tax year. The Consumer Price Index for October
16 1976 is considered the initial Consumer Price Index. In making the
17 adjustments under this section, the commissioner shall comply with the
18 following procedure:

19 (1) after November 30 and before December 31 of each year
20 the commissioner shall calculate the change in the October Consumer
21 Price Index for the current year from the October Consumer Price Index
22 for the previous year;

23 (2) the commissioner shall then

24 (A) compute the percentage increase or decrease for
25 that period and

26 (B) adjust the most current limitation set out in this
27 section by the same percentage increase or decrease, rounded to
28 the nearest dollar;

29 (3) and report the adjusted limitation to each municipality

1 by January 15 of the following year.

2 * Sec. 9. AS 29.53.050(b) is amended to read:

3 (b) No municipality, or combination of municipalities occupying
4 the same geographical area, in whole or in part, may levy taxes (1)
5 which will result in tax revenues from all sources exceeding \$1,500
6 [\$1,000] a year, as adjusted in accordance with (c) of this section,
7 for each person residing within their boundaries or (2) upon values
8 which, when combined with the value of property otherwise taxable by
9 the municipality, exceed the product of 225 per cent of the average
10 per capita assessed full and true value of property in the state
11 multiplied by the number of residents of the taxing municipality. If
12 two or more municipalities occupying the same geographical area, in
13 whole or in part, attempt to levy a tax (1) the combined levy of which
14 would result in tax revenues from all sources exceeding \$1,500
15 [\$1,000] a year, as adjusted in accordance with (c) of this section,
16 for each person residing within their boundaries or (2) upon value
17 which, when combined with the value of property otherwise taxable by
18 the municipality, exceed the product of 225 per cent of the average
19 per capita assessed full and true value of property in the state
20 multiplied by the number of residents of the taxing municipality, the
21 commissioner of community and regional affairs shall apportion the
22 lawful levy and equitably divide these revenues on the basis of need,
23 services performed and other considerations in the public interest.
24 For the purpose of this subsection, population shall be determined by
25 the commissioner of community and regional affairs based on the latest
26 statistics of the United States Bureau of the Census or on other
27 reliable population data. For purposes of this subsection the average
28 per capita assessed full and true value of property in the state shall
29 be calculated without regard to the assessed value of taxable property

1 under AS 43.58.

2 * Sec. 10. AS 29.53.050 is amended by adding a new subsection to read:

3 (c) The commissioner of revenue shall adjust the \$1,500 per
4 person per year limitation provided for in (b) of this section in
5 accordance with changes in the Consumer Price Index for Anchorage,
6 Alaska, published by the Bureau of Labor Statistics, United States
7 Department of Labor. The adjusted limitation becomes effective on the
8 January 1 following its adjustment and applies to taxes levied for
9 that tax year. The Consumer Price Index for October 1976 is considered
10 the initial Consumer Price Index. In making the adjustments under
11 this section, the commissioner shall comply with the following procedure:

12 (1) after November 30 and before December 31 of each year
13 the commissioner shall calculate the change in the October Consumer
14 Price Index for the current year from the October Consumer Price Index
15 for the previous year;

16 (2) the commissioner shall then

17 (A) compute the percentage increase or decrease for
18 that period and

19 (B) adjust the most current limitation set out in this
20 section by the same percentage increase or decrease, rounded to
21 the nearest dollar;

22 (3) and report the adjusted limitation to each municipality
23 by January 15 of the following year.

24 * Sec. 11. If a provision of this Act relating to taxation of marine
25 transportation property or any other provision of this Act is held invalid
26 or unenforceable, it is the intent of the legislature that the invalidity
27 or unenforceability of that provision does not affect the validity or en-
28 forceability of any other provision of this Act.

29 * Sec. 12. This Act is retroactive to January 1, 1977, except that

1 marine transportation property shall be assessed in accordance with AS
2 43.56.060(a) for the first time in 1978 under the assessment and collection
3 procedures set out in AS 43.56 based upon its apportioned value during
4 1977.

5 * Sec. 13. This Act takes effect immediately in accordance with AS
6 01.10.070(c).

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