

Original sponsors: Donley, Gruenberg  
and Larson

BY THE LABOR AND  
COMMERCE COMMITTEE

1 IN THE HOUSE

2

CS FOR HOUSE BILL NO. 421 (L&C)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act authorizing an extension of the exemption  
7 from the levy and collection of the tax imposed on  
8 certain oil and gas pipeline transportation property  
9 during the period of pipeline construction, and  
10 amending the definition of 'construction commencement  
11 date' applicable to that tax; and providing for an  
12 effective date."

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

14 \* Section 1. PURPOSE. It is the purpose of this Act to provide an  
15 incentive to encourage the construction of oil and gas pipelines where  
16 their construction at an early date is shown to be of net economic benefit  
17 to the state.

18 \* Sec. 2. AS 43.56.010(b) is amended to read:

19 (b) A municipality may levy and collect a tax under AS 29.45.080  
20 at the rate of taxation that applies to other property taxed by the  
21 municipality. The tax shall be levied at a rate no higher than the  
22 rate applicable to other property taxable by the municipality. A [NO]  
23 municipality may not exempt from taxation property authorized to be  
24 taxed under this chapter. Exemptions shall be limited to those in  
25 AS 29.45.030, 29.45.050, [AND] AS 43.56.020, and 43.56.025.

26 \* Sec. 3. AS 43.56 is amended by adding a new section to read:

27 Sec. 43.56.025. ADDITIONAL EXEMPTION FOR EARLY DEVELOPMENT OF  
28 PIPELINE TRANSPORTATION PROPERTY. (a) A taxpayer whose pipeline  
29 transportation property is exempted from tax under AS 43.56.020(b) may

1 obtain an extension of the exemption for the property. The department  
2 may grant the extension of the exemption if the taxpayer demonstrates,  
3 to the satisfaction of the department, that

4 (1) the provision of the extension will permit construction  
5 of the pipeline to begin at a construction commencement date that is  
6 substantially earlier than the probable construction commencement date  
7 of the pipeline without the exemption; and

8 (2) the net increase in economic activity in the state  
9 attributable to an earlier construction commencement date for the  
10 pipeline, as determined by the department, will be greater than the  
11 loss of revenue to the state and municipalities attributable to pro-  
12 vision of the exemption.

13 (b) If approved by the department, the extension commences on  
14 the construction commencement date and expires on the earlier of

15 (1) the December 31 following the date on which the pipe-  
16 line begins to transport gas or unrefined oil; or

17 (2) the December 31 specified by the department, not to  
18 exceed the December 31 following the fifth anniversary of the con-  
19 struction commencement date.

20 (c) To qualify for the extension authorized by this section, the  
21 taxpayer shall make written application to the department not later  
22 than 30 days before the construction commencement date. The applica-  
23 tion must include all information that the department may require by  
24 regulation.

25 (d) The department shall adopt regulations specifying the infor-  
26 mation to be submitted in or with an application for an extension  
27 authorized by this section. The regulations may include requirements  
28 that the applicant submit all information necessary for the department  
29 to determine the property to be covered by, and the duration of, the

1 extension authorized by this section.

2 \* Sec. 2. AS 43.56.210(2) is amended to read:

3 (2) "construction commencement date" means [THE EARLIER OF  
4 APRIL 1, 1974 OR] the date the following occurs [OCCUR]:

5 (A) there has been issued to the owner or an agent of  
6 the owner right-of-way permits, leases, and title and other  
7 rights in land, and other approvals, permits, licenses and  
8 certificates, by federal, state and local agencies that a reason-  
9 able and prudent person would consider adequate to commence  
10 construction of the facilities in the expectation that all other  
11 approvals, permits, licenses and certificates necessary for the  
12 completion of facilities will be obtained;

13 (B) all approvals, permits, licenses and certificates  
14 are in full force and effect, unrevoked and without any modifica-  
15 tion, which might jeopardize the completion or continued con-  
16 struction of the facilities; and

17 (C) no order, judgment, decree, determination or award  
18 of a federal, state or local court or administrative or regula-  
19 tory agency enjoining, either temporarily or permanently, the  
20 construction or the continuation of construction of the facili-  
21 ties is in effect;

22 \* Sec. 3. This Act takes effect January 1, 1989.