

# COMMITTEE REPORT

5/29/75

~~13/29/75~~

## SENATE

Mr. President:

Date 2/11/76

The Committee on FINANCE has had SB 186  
taxable property under oil and gas pipeline transportation tax  
under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT  
CS FOR \_\_\_\_\_ DO PASS
- "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>[Signature]</u>
<u>[Signature]</u>	recommends: <u>[Signature]</u>
<u>[Signature]</u>	recommends:
<u>[Signature]</u>	recommends:
<u>[Signature]</u>	recommends:

[Signature] Chairman

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5 - JUNEAU 99811

January 27, 1976

The Honorable Pat Rodey  
Chairman  
Senate Community & Regional Affairs Committee  
Alaska State Legislature  
State Capitol Building  
Juneau, AK 99811

Re: Senate Bill No. 186

Dear Senator Rodey:

At the request of Frederick Boetsch, Deputy Commissioner, Department of Revenue, I am enclosing a copy of research prepared by Gerald D. Heier, State Petroleum Property Assessor relative to Senate Bill No. 186, an Act relating to taxable property under the oil and gas exploration, production and pipeline transportation tax.

In the event you desire that the material be updated or that similar research be prepared on CSSB 186, a copy of which is attached, kindly advise by telephone at 465-2397 and I will contact Mr. Heier in Anchorage for the requested material.

Very truly yours,



R. D. Stevenson  
Special Assistant

Enclosures

cc: Frederick Boetsch  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

Original sponsor: Rodey, Kerttula,  
Croft and Orsini

Offered: 5/29/75  
Referred: Finance

1 IN THE SENATE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2

CS FOR SENATE BILL NO. 186

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

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nance of facilities used in the exploration for, production of, pipeline

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transportation of, refining of, processing of, or extraction of gas or

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crude oil, or liquefaction of gas, including but not limited to machin-

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plants using oil or gas as raw materials, roads, tank farms, tanker

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# MEMORANDUM

# State of Alaska

TO: P. D. Stevenson  
Special Assistant  
Department of Revenue  
Juneau, Alaska

DATE:

March 4, 1975

FILE NO:

TELEPHONE NO:

FROM: *GDH*  
Gerald D. Heier  
Director  
Property Tax Division

SUBJECT: Senate Bill No. 186  
House Bill No. 127

I have reviewed the two subject bills together since they are identical and call for state taxation of refineries and LNG plants.

At the present time there are two existing refineries in Alaska and one LNG plant. The refineries would be taxable as of the effective date of the bill, assumed to be January 1, 1976, for FY 77. The L.N.G. plant is currently covered by the Industrial Incentive Act through 1978, which exempts it from an ad valorem tax. It would be taxable for FY 80.

It is anticipated that an additional refinery will be built in the Fairbanks North Star Borough starting in 1976. It is further anticipated that Pacific Alaska L.N.G. will start construction on a new L.N.G. complex in 1976. Both of these anticipated construction projects have been built into the review and analysis of the subject bills. The spread sheet has been set up so that the anticipated construction figures can be readily deleted.

Costs of administration for FY 77 are estimated to be \$9,500 based on 30 days consultant fees for a qualified industrial property appraiser at \$250 per day, plus \$2,000 for travel and per diem.

GDH:rb

ESTIMATED VALUATION AND NET STATE REVENUES (in thousands)

	FY77	FY78	FY79	FY80	FY81
Socal Refinery	10,000	9,500	9,000	8,500	8,000
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Total Valuation	30,000	98,500	267,000	495,500	694,000
*10 mills net to state	<u>    x10</u>	<u>    x10</u>	<u>    x10</u>	<u>    x10</u>	<u>    x10</u>
Net State Revenue	300	985	2,670	4,955	6,940

\* Since all properties are located within a municipality a ten mill local levy has been estimated against each property.

Introduced: 2/19/75  
Referred: Community and  
Regional Affairs and  
Finance

BY RODEY, KERTTULA,  
CROFT AND ORSINI

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2 SENATE BILL NO. 186

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4 NINTH LEGISLATURE - FIRST SESSION

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Very truly yours,

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Enclosures

cc: Frederick Boetsch  
Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

# MEMORANDUM

## State of Alaska

TO:  Gerald Heier  
Director  
Property Tax Division  
Department of Revenue  
Anchorage, Alaska

DATE : June 5, 1975

FROM: R. D. Stevenson  
Special Assistant  
Department of Revenue

SUBJECT: Committee Substitute for Senate Bill  
No. 186

Attached is a copy of Committee Substitute for Senate Bill No. 186, an Act relating to taxable property under the oil and gas exploration, production and pipeline transportation tax.

Please review the Committee Substitute and prepare a memo to the writer advising of effect on Treasury for the fiscal years 1976 through 1980 and costs of administration.

# MEMORANDUM

# State of Alaska

TO: R. D. Stevenson  
Special Assistant  
Department of Revenue  
Juneau, Alaska

DATE:

March 4, 1975

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GDH:rb

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Original sponsor: Rodey, Kerttula,  
Croft and Orsini

Offered: 5/29/75  
Referred: Finance

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372

Introduced: 2/19/75  
Referred: Community and  
Regional Affairs and  
Finance

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Total Valuation	30,000	98,500	267,000	495,500	694,000
*10 mills net to state	<u>    x10</u>	<u>    x10</u>	<u>    x10</u>	<u>    x10</u>	<u>    x10</u>
Net State Revenue	300	985	2,670	4,955	6,940

\* Since all properties are located within a municipality a ten mill local levy has been estimated against each property.

1 IN THE SENATE

BY RODEY, KERTTULA,  
CROFT AND ORSINI

2 SENATE BILL NO. 186

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 taxable property under the oil and  
7 gas exploration, production and pipeline transportation  
8 tax."

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

10 \* Section 1. AS 43.56.210(6) is amended to read:

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

29 \* Sec. 2. AS 43.56.060(c) is amended to read:

1 (c) The full and true value of taxable property used or committed  
2 by contract or other agreement for use in the exploration for or refining  
3 of gas or unrefined oil, or in the operation or maintenance of facilities  
4 for the exploration for or refining of gas or unrefined oil, is the  
5 estimated price which the property would bring in an open market and  
6 under the then prevailing market conditions in a sale between a willing  
7 seller and a willing buyer both conversant with the property and with  
8 prevailing general price levels.  
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Original sponsor: Rodey, Kerttula,  
Croft and Orsini

Offered: 5/29/75  
Referred: Finance

1 IN THE SENATE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 186

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 taxable property under the oil and  
7 gas exploration, production and pipeline transportation  
8 tax."

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

10 \* Section 1. AS 43.56.210(6) is repealed and re-enacted to read:

11 (6) "taxable property" means real and tangible personal  
12 property used or committed by contract or other written agreement for  
13 use within the state primarily in the exploration for, production of,  
14 pipeline transportation of, refining of, processing of, or extraction of  
15 gas or crude oil, or liquefaction of gas, or in the operation or mainte-  
16 nance of facilities used in the exploration for, production of, pipeline  
17 transportation of, refining of, processing of, or extraction of gas or  
18 crude oil, or liquefaction of gas, including but not limited to machin-  
19 ery, appliances, supplies, equipment, drilling rigs, wells (whether  
20 producing or not), gathering lines and transmission lines, pumping  
21 stations, compressor stations, power plants, topping plants, processing  
22 units, refineries, liquefaction plants, processing or manufacturing  
23 plants using oil or gas as raw materials, roads, tank farms, tanker  
24 terminals, docks and other port facilities, air strips and communication  
25 equipment and facilities, maintenance equipment and facilities, and  
26 maintenance camps and other related facilities; "taxable property" does  
27 not include permanent residences, office buildings requiring substantial  
28 local government services, or gas pipeline systems operated as utilities  
29 and regulated by the Alaska Public Utilities Commission;