

Leg. Finance - House & Senate Finance Comte Files (1973-74) 8879

SB/HB lam cont. 3197

PROJECTED AD VALOREM TAX RECEIPTS

UNDER FCCS SCS CSHB 1

	<u>Current Millage</u>	<u>FY 75 Population</u>	<u>FY 75 Assessed Value</u>	<u>FY 75 Revenue (\$1000 Option, Current Millage)</u>	<u>FY 79 Population</u>	<u>FY 79 Assessed Value</u>	<u>FY 79 Revenue (225% Option, 20 Mills)</u>
VALDEZ	15.0	2,000	\$146,239,000	\$2,000,000	2,000	\$ 851,311,000	\$ 2,250,000
NORTH STAR	6.5	52,000	581,082,000	3,777,000	60,000	986,138,000	19,723,000
NORTH SLOPE	12.45	5,000	355,750,000	4,429,000	4,400	1,725,026,000	4,950,000
KENAI	7.8	17,000	419,000,000	3,268,000	19,000	420,000,000	8,400,000
OTHER PIPELINE BOROUGHES					10,500	1,132,000,000	11,812,000
Total Local Collections from Oil & Gas Property				\$ 8,521,000			\$25,897,000
Net to State				10,272,000			54,602,000

NOTE: The \$1000 per capita revenue limitation applies only to Valdez in FY 75. The other municipalities' revenues for that year are based on the current millage applied to total assessed value. In FY 78 the 225% of average per capita assessed value limitation is effective for Valdez, the North Slope and other pipeline boroughs. The North Star and Kenai boroughs' revenues are based on 20 mills applied to total assessed value.

These projections assume average per capita assessed value of \$12,500 in FY 75 and \$25,000 in FY 79.



## LAWS OF ALASKA

1973

Source

FSS-FCCS SCS CSHB 1

Chapter No.

1

### AN ACT

Providing for taxes on property used in the exploration for, production of, or pipeline transportation of gas or unrefined oil; and providing for an effective date.

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

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

#### CHAPTER 56. OIL AND GAS EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTY TAXES.

Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is levied each tax year beginning January 1, 1974, on the full and true value of taxable property taxable under this chapter.

(b) A municipality may levy and collect a tax under AS 29.53.045 at the rate of taxation that applies to other property taxed by the municipality. A tax collected by a municipality as authorized by AS 29.53.045 shall be credited against the tax levied under (a) of this section and shall be levied at a rate no higher than the rate applicable to other property taxable by the municipality. No municipality may exempt from taxation property authorized to be taxed under this chapter. Exemptions shall be limited to those in AS 29.53.020 and 29.53.025 and sec. 20 of this chapter.

(c) If the total value of assessed property of a municipality taxing under AS 29.53.045(c) exceeds the product of 225 per cent of the average per capita assessed full and true value of property in the state (to be determined by the department and reported to each municipality by January 15 of each year) multiplied by the number of residents of the taxing municipality, the department shall designate the portion of the tax base against which the local tax may be applied.

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Sec. 43.56.020. EXEMPTIONS. (a) The following are exempt from local taxes levied or authorized under sec. 10(b) of this chapter:

(1) property rights attached to or inherent in the right to explore for or produce oil or gas;

(2) oil or gas leases or properties, whether producing or not;

(3) oil or gas in place;

(4) oil or gas produced or extracted in the state;

(5) the value of intangible drilling expenses and exploration expenses;

(6) an interest in property described in AS 43.55.010(b);

(7) before the construction commencement date, property taxed under sec. 10(a) of this chapter which is committed by contract or other agreement for use in this state primarily for pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil to be transported by that pipeline;

(8) before the construction commencement date, property taxed under sec. 10(a) of this chapter which is committed by contract or other agreement for use in this state primarily in the operation or maintenance of facilities for pipeline transportation of gas or unrefined oil, or facilities for production of gas or unrefined oil to be transported by that pipeline.

(b) In (a)(2) of this section, "properties" means mineral interests in oil and gas and working interests, royalty interests, and overriding royalty interests in oil and gas leases.

Sec. 43.56.030. IN PLACE OF OTHER TAXES. Except for those taxes imposed under ch. 55 and ch. 57 of this title, the taxes levied or authorized under sec. 10(b) of this chapter are in place of

(1) all other ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by sec. 20 of this chapter, and

(2) all other taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by sec. 20 of this chapter, including, but not limited to,

(A) taxes on the retail sale or use of the property except for the retail sales tax on the first \$1,000 of each sale;

(B) taxes on the sale or use of gas or unrefined oil;

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(C) taxes on the sale or use of services used in or associated with the property or in its erection, construction, maintenance or operation except for the sales tax on the first \$1,000 of each sale;

(D) taxes on or measured by gross or net income from the property, including income from the exploration for, production of, or pipeline transportation of gas or unrefined oil or property; and

(E) any license, excise, fee, charge or other tax on or pertaining to the property or services.

Sec. 43.56.040. STATE ASSESSMENT REVIEW BOARD. The State Assessment Review Board is created within the Department of Revenue. The board consists of five persons appointed by the governor to serve at his pleasure, each of whom must be knowledgeable of assessment procedures. Each board member is subject to confirmation by a majority of the members of the legislature in joint session.

Sec. 43.56.050. FER DIEM AND EXPENSES. Members of the board shall receive per diem and expenses authorized by law for boards and commissions.

Sec. 43.56.060. ASSESSMENT. (a) The department shall assess property for the tax levied under sec. 10(b) of this chapter and AS 29.53.045 on property used or committed by contract or other agreement for use for the pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil at its full and true value as of January 1 of the assessment year.

(b) The department shall assess property for the taxes levied under sec. 10(a) of this chapter at its full and true value as of January 1 of the assessment year except that in the case of taxable property used or committed by contract or other agreement for the pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil to be transported by that pipeline, the first assessment date shall be the construction commencement date. If the construction commencement date is used as the assessment date, the tax payable shall be prorated on the basis of the assessment year remaining.

(c) The full and true value of taxable property used or committed by contract or other agreement for use in the exploration for gas or unrefined oil, or in the operation or maintenance of facilities for the exploration for gas or unrefined oil, is the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.

(d) The full and true value of taxable property used or committed by contract or other agreement for the production of gas or unrefined oil or in the operation or maintenance of facilities for the production of gas or unrefined oil is:

Chapter 1

(1) on the construction commencement date the actual cost incurred or accrued with respect to the property as of the date of assessment;

(2) determined on each January 1 thereafter on the basis of replacement cost less depreciation based on the economic life of proven reserves.

(c) The full and true value of taxable property used or committed by contract or other agreement for pipeline transportation of gas or unrefined oil or in the operation or maintenance of facilities for the pipeline transportation of gas or unrefined oil is:

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

(2) determined on each January 1 thereafter with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically and legally deliverable into the transportation facility; however, if the proven reserves of gas or unrefined oil then technically, economically and legally deliverable indicate an economic life materially shorter than the estimated physical life of the transportation facility, the full and true value is the actual cost reduced by an annual allowance for depreciation on a straight line basis over an economic life based on the actual elapsed life from the commencement of full operation to the date of assessment plus the estimated remaining life of the proven reserves of gas and unrefined oil then technically, economically and legally deliverable into the transportation facility as of the date of the assessment;

(3) on the assessment date next following inability to use or construct all or a substantial part of the facility for a period of 90 or more consecutive days because of natural disaster or legal prohibition, or other events beyond the control of a person having ownership or control of the property, adjusted to take into account any diminution in value.

(f) For purposes of this section, "actual cost" and "replacement cost" do not include interest capitalized before or during the period of construction nor the value of intangible drilling expenses. In the case of taxable property under construction, "actual cost" for purposes of this section means the costs incurred or accrued with respect to the property as of the date of assessment.

(g) The department may enter into agreements with a municipality for the cooperative or joint administration of the assessing authority conferred on the department by this section.

Sec. 43.56.070. RETURNS. (a) The department may require by notice every person having ownership or control of an interest in property taxable under this chapter to

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submit a return in the form prescribed by the department, based on property values existing on January 1 of each year, except as otherwise provided in this chapter.

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

Sec. 43.56.080. INVESTIGATION. (a) The department may make an investigation of property on which a return has been filed or of taxable property upon which no return has been filed. In either case, the department may make its own valuation of the taxable property, which is prima facie evidence of full and true value.

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

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

Sec. 43.56.090. ASSESSMENT ROLL. The department shall prepare annually the assessment roll for taxation under this chapter. The roll shall contain:

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

Sec. 43.56.100. ASSESSMENT NOTICE. (a) On or before March 1 of each year, the department shall send to every owner of taxable property named in the assessment roll a notice of assessment, showing the assessed value of the property. Notice of assessment is effective on the date of mailing.

(b) The department shall send to a municipality a copy of the notice of assessment on any taxable property which is assessed under the provisions of this chapter and which is located in the municipality and on which a tax is authorized under sec. 10(b) of this chapter.

Sec. 43.56.110. APPEAL TO THE DEPARTMENT. (a) An owner of taxable property or a municipality receiving an assessment notice may object to the assessment by advising the department in writing of the objections to the assessment within 30 days of the effective date of the notice.

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

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(c) Following an objection the department may adjust the assessment and the assessment roll. An adjustment based on an objection from an owner of taxable property or a municipality shall be made within 30 days of the effective date of the notice of assessment.

Sec. 43.56.120. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD. (a) After a ruling by the department on an appeal made under sec. 110 of this chapter, the owner or a municipality may further appeal to the board. The appeal must be filed in writing within 50 days of the effective date of the notice of assessment.

(t) The board shall provide by regulation for notices of appeals to interested persons and municipalities.

Sec. 43.56.130. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a) The board shall hear appeals filed under sec. 120(a) of this chapter.

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

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

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

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

(f) The only grounds for adjustment of assessed value is proof of unequal, excessive or improper valuation or valuation not determined in accordance with the standards set out in this chapter, based on facts stated in a written appeal timely filed or proved at the hearing.

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

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

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

Sec. 43.56.140. SUPPLEMENTARY ASSESSMENT ROLLS. The department shall include property omitted from the assessment roll on a supplementary roll, using the procedures set out in this chapter for the original roll.

Sec. 43.56.150. COLLECTION AND DEPOSIT. (a) The tax levied by sec. 10(a) of this chapter is payable to the department on or before September 30 of the taxable year.

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

Chapter 1

(c) The tax levied under sec. 10(a) of this chapter, interest and penalties collected with respect to this levy shall be deposited in the general fund.

Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by sec. 10(a) of this chapter becomes delinquent, a penalty of 10 per cent shall be added. Interest on the delinquent taxes, exclusive of penalty, shall be assessed at a rate of eight per cent a year.

Sec. 43.56.170. LIEN FOR TAX. The tax levied under sec. 10(a) of this chapter and the interest and penalty provided in sec. 160 of this chapter are first and paramount liens on the property subject to tax under this chapter.

Sec. 43.56.180. REMEDY. The remedy of distraint of property set out in AS 43.20.270 applies to the tax levied by sec. 10(a) of this chapter. However, only property subject to the tax may be distrained.

Sec. 43.56.190. PENALTIES. A person who knowingly fails to file a return when due or who makes a false statement in a return required under this chapter with intent to evade taxation is guilty of a misdemeanor and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than six months, or by both, together with the costs of prosecution, notwithstanding the provisions of AS 12.80.030.

Sec. 43.56.200. REGULATIONS. The board and the department may adopt regulations in accordance with the Administrative Procedure Act (AS 44.62) as appropriate to carry out their respective duties under this chapter.

Sec. 43.56.210. DEFINITIONS. In this chapter

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

(2) "construction commencement date" means the earlier of April 1, 1974 or the date the following occur:

(A) there has been issued to the owner or his agent right-of-way permits, leases, and title and other rights in lands, and other approvals, permits, licenses and certificates, by federal, state and local agencies that a reasonable and prudent person would consider adequate to commence construction of the facilities in the expectation that all other approvals, permits, licenses and certificates necessary for the completion of facilities will be obtained;

(B) all approvals, permits, licenses and certificates are in full force and effect, unrevoked and without any modification, which might jeopardize the completion or continued construction of the facilities; and

(C) no order, judgment, decree, determination or award of a federal, state or local court or administrative or regulatory agency enjoining, either temporarily or permanently, the construction or the continuation of construction of the facilities is in effect;

Chapter 1

(3) "department" means the Department of Revenue;

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

(5) "intangible drilling expenses" means those expenses defined in sec. 263(c) of the United States Internal Revenue Code as defined on the effective date of this paragraph;

(6) "taxable property" means real and tangible personal property used or committed by contract or other agreement for use within this state primarily in the exploration for, production of, or pipeline transportation of gas or unrefined oil (except for property used solely for the retail distribution or liquefaction of natural gas), or in the operation or maintenance of facilities used in the exploration for, production of, or pipeline transportation of gas or unrefined oil, including machinery, appliances, supplies, equipments, drilling rigs, wells (whether producing or not), gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, processing units, roads, tank farms, tanker terminals, docks and other port facilities, air strips and communication equipment and facilities, maintenance equipment and facilities, and maintenance camps and other related facilities; "taxable property" does not include permanent residences, office buildings requiring substantial local government services, or gas pipeline systems operated as utilities and regulated by the Alaska Public Utilities Commission;

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

■ Sec. 2. AS 29.53.025(a) is amended to read:

(a) Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election. An exclusion or exemption authorized by this section may not exceed \$10,000 for any one residence.

■ Sec. 3. AS 29.53 is amended by adding a new section to read:

Sec. 29.53.045. TAX ON OIL AND GAS PRODUCTION AND PIPELINE PROPERTY. (a) A municipality may levy and collect taxes on taxable property taxable under AS 43.56 only by using one of the methods set out in (b) or (c) of this section.

(b) A municipality may levy and collect a tax on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue at a rate not to exceed that which produces an amount of revenue from the total municipal property tax equivalent to \$1,000 a year for each person residing within its boundaries.

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(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of 225 per cent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

(d) By February 1 of each assessment year a taxing municipality must inform the Department of Revenue which method of taxation the municipality will use.

(e) For purposes of this section, population shall be determined by the commissioner of community and regional affairs based on the latest statistics of the United States Bureau of the Census or on other reliable population data, and shall advise each municipality of its population as so determined by January 15 of each year.

\* Sec. 4. AS 29.53.050 is amended by adding a new subsection to read:

(b) No municipality, or combination of municipalities occupying the same geographical area, in whole or in part, may levy taxes which will result in tax revenues from all sources exceeding either (1) \$1,000 a year for each person residing within their boundaries or (2) when combined with the value of property otherwise taxable by the municipality, the product of 225 per cent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality. If two or more municipalities occupying the same geographical area, in whole or in part, attempt to levy a tax the combined levy of which would result in tax revenues from all sources exceeding either (1) \$1,000 a year for each person residing within their boundaries or (2) when combined with the value of property otherwise taxable by the municipality, the product of 225 per cent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality, the commissioner of community and regional affairs shall apportion the lawful levy and equitably divide these revenues on the basis of need, services performed and other considerations in the public interest. For the purpose of this subsection, population shall be determined by the commissioner of community and regional affairs based on the latest statistics of the United States Bureau of the Census or on other reliable population data.

\* Sec. 5. AS 29.53.055 is amended to read:

Sec. 29.53.055. NO LIMITATION ON TAXES TO PAY BONDS. The limitations provided for in secs. 45 or 50 of this chapter do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds. Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount.

\* Sec. 6. This Act takes effect on January 1, 1974.

# STATE OF ALASKA

THE ALASKA LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF — STATE CAPITOL

JUNEAU 99801

## MEMORANDUM

TO: Chairmen and Members  
Senate & House Finance Committees

DATE: November 18, 1973

FROM: J. H. Hogan, *JH* Director  
Legislative Finance Division

SUBJ: 20 Mill Oil and Gas  
Property Tax - SB 1

The enclosed Committee Report, reprinted from the Senate Journal, lists the changes contained in the Free Conference version from the original legislation introduced by the Governor. It is accurate with the exception of Paragraph 4.

After the Legislature adjourned, several of us discovered that the language discussed in Paragraph 4 did not say what we thought it did. In using as a base for the Free Conference Committee Bill the Senate version of House Bill 1, some contradictory language regarding exemptions was included (Sec. 43.056.020). The result is that property taxable under the Act is exempt from local taxation until after the construction commencement date--just the reverse of what everyone thought was being done.

I have been informed by the Attorney General's office that municipalities should prepare their 1974 tax assessment rolls to include property taxable under this Act even though, by law, they may not levy a tax on this property until after the construction commencement date. With the establishment of the construction commencement date, municipalities would then be in a position to levy a pro-rated tax on the assessed property for the remaining portion of the year.

Enclosed is a summary of tax receipts estimated for certain municipalities during the first and fourth years following the effective date of this Act.

JHH/af  
Enclosures

AGO 787649 +

# SENATE JOURNAL

ALASKA STATE LEGISLATURE  
EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

Juneau, Alaska

Sunday

November 11, 1973

## SPECIAL COMMITTEE REPORTS

SCS

CSHB

1

(Fin)

am S Mr. President

Mr. Speaker

Conference Committee Report

November 10, 1973

The Conference Committee (with powers of free conference) which has had COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 1 am (ad valorem) and SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 1 (Finance) am S under consideration, recommends that FREE CONFERENCE COMMITTEE SUBSTITUTE FOR SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 1 be adopted.

Senate Members

House Members

/s/ Bill Ray, Chairman

/s/ Oral Freeman, Chairman

/s/ W. I. Palmer

/s/ A. M. Saylor Do not concur

/s/ John Butrovich

/s/ Glenn Mackney

The committee's analysis of the bill follows:

### "FREE CONFERENCE COMMITTEE REPORT

ON

FREE CONFERENCE CS FOR SENATE CS FOR  
CS FOR HOUSE BILL NO. 1

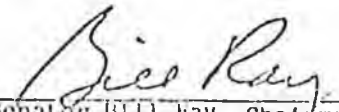
The Free Conference Committee has had Senate CS for CS for HB 1 under consideration and recommends it be replaced with Free Conference Committee Substitute for Senate CS for CS for House Bill No. 1. The principal changes in the Free Conference Committee Substitute from the Governor's bill as introduced are as follows:

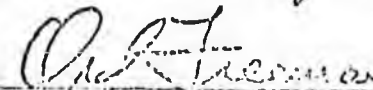
*NOTE: Paragraph 4, which interprets Sec. 43.056.020 (7 & 8), is incorrect. The language of the Act exempts property taxable under this Act from local taxation for the period preceding the construction commencement date. According to the Attorney General's office, municipalities should include appropriate property taxable under this Act on their assessment rolls prepared as of January 1, 1974. However, no tax may be levied against this pipeline-related property until after the construction commencement date. After the construction commencement date, the municipality presumably would levy the tax pro-rated over the remainder of the tax year.*

1. Sec. 43.56.010 (b) includes language stating "No municipality may exempt from taxation property authorized to be taxed under this chapter." The effect of this is to require Valdez and the North Star Borough to levy a personal property tax on pipeline related property. The same paragraph limits exemptions from municipal taxation to those currently allowed under the municipal code. SCS  
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am S
2. Sec. 29.53.045 The bill as introduced limited political subdivisions to levying a tax not to exceed 7 mills on the value of taxable property taxable under the Act. The Free Conference Committee Substitute changes this limitation to allow municipal flexibility in levying up to an amount equivalent to \$1,000 in total revenue per person residing within its boundaries or a tax on an amount up to 225% of the average per capita assessed valuation in the state multiplied by the number of residents in the taxing municipality. Assessment of the "taxable property" will be done on a state-wide basis by the Board established in the Act.
3. Sec. 43.056.020 (b) A definition of the word "properties" as relating to mineral interests was inserted to make it clear that things such as office buildings and other similar property not related to production could not be "interpreted" as being exempt from this tax.
4. Sec. 43.056.020 (7) and (8) allow municipalities to continue to tax property under existing law subject to the \$1,000 per person or 225% per capita assessed valuation limitations through the period preceding the "construction commencement date." Without this change it was the committee's fear that municipalities might be precluded from taxing property during this period. The committee left taxation of construction equipment to municipalities.
5. Sec. 43.056.030 (2) (A) and (C) The committee adopted both the House and Senate concepts of authorizing municipalities to levy a retail sales or use tax on the first \$1,000 of each sale.
6. Sec. 43.056.040 Members of the Assessment Review Board were required to be knowledgeable of assessment procedures and are subject to confirmation by the legislature.
7. Throughout the Committee Substitute, certain consistent language changes have been made to clearly divide the taxing authorities contained in this legislation. Thus you will find inserted specific references to "Sec. 10 (a)" of this chapter which means that the committee substitute restricts the particular provision to dealing with state assessment and taxing matters. The other consistent change is to delete the words "political subdivision" and substitute "municipality." "Municipality" is a more precise reference to a taxing entity of local government.

- SCS 8. Sec. 43.056.060 (d) The Free Conference Committee  
CSHB Substitute would value production equipment on the  
1 basis of replacement cost. It was the feeling of the  
(Fin) committee that the original proposed "actual cost"  
am S reduced by depreciation might preclude assessment on  
an appreciating value of the equipment. Depreciation  
of production equipment was changed from "units of  
production" to "economic life of proven reserves."  
This change would tie depreciation directly to the  
estimated useful life of the production equipment.
9. Sec. 43.056.210 (2) The definition of "construction  
commencement date" has been changed to provide two  
options. The construction commencement date for state  
taxing purposes is to be either April 1, 1974, or the  
date necessary permits or approvals, with no preventive  
injunctions or decrees, are received should this date  
occur earlier than April 1. The thinking here was that  
the state would not tax property taxable under this Act  
until such time as construction actually began. The  
fixed date was inserted to insure good faith on the  
part of the companies (if no permit were applied for,  
obviously none could be granted). Should it be clear  
by April 1 that further legal problems prevent the  
start of construction, the legislature would be in  
session and could amend the April 1 date to any other  
date of its choosing.
10. Sec. 43.056.210 (6) The definition of "taxable pro-  
perty" deletes reference to equipment used in the  
construction of the pipeline thus leaving this equip-  
ment taxable by municipalities. The definition was  
clarified to include drilling rigs and wells, whether  
producing or not. An additional definition of "taxable  
property" was added excluding "permanent residences,  
office buildings requiring substantial local government  
services, or gas pipeline systems operated as utilities  
and regulated by the Alaska Public Utilities Commission."
11. Sec. 2 amends AS 29.53.025 (a) to read: "Municipalities  
may exclude or exempt or partially exempt residential  
property from taxation by ordinance ratified by the  
voters at a regular or special election. An exclusion  
or exemption authorized by this section may not exceed  
\$10,000 for any one residence."
12. Sec. 4. Adds a new subsection (b) to AS 29.53.050  
to prevent the doubling up of tax receipts in taxing  
municipalities where municipal boundaries overlap or  
municipalities occupy the same territory.
13. Sec. 5. Language was added to AS 29.53.055 to make  
clear that the limitations on municipal taxing  
authority with respect to oil and gas properties  
taxable under this chapter do not apply to taxes  
levied or pledged to pay or secure the payment of  
principal and interest on bonds.
14. Sec. 6. The effective date is January 1, 1974,  
rather than immediately as proposed by the bill as  
introduced.

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Senator Bill Ray, Chairman

  
Representative Oral Freeman  
Chairman"

PROJECTED AD VALOREM TAX RECEIPTS

UNDER FCCS SCS CSHB 1

	<u>Current Millage</u>	<u>FY 75 Population</u>	<u>FY 75 Assessed Value</u>	<u>FY 75 Revenue (\$1000 Option, Current Millage)</u>	<u>FY 79 Population</u>	<u>FY 79 Assessed Value</u>	<u>FY 79 Revenue (225% Option, 20 Mills)</u>
VALDEZ	15.0	2,000	\$146,239,000	\$2,000,000	2,000	\$ 851,311,000	\$ 2,250,000
NORTH STAR	6.5	52,000	581,082,000	3,777,000	60,000	986,138,000	19,723,000
NORTH SLOPE	12.45	5,000	355,750,000	4,429,000	4,400	1,725,026,000	4,950,000
KENAI	7.8	17,000	419,000,000	3,268,000	19,000	420,000,000	8,400,000
OTHER PIPELINE BOROUGHS					10,500	1,132,000,000	11,812,000
Total Local Collections from Oil & Gas Property				\$ 8,521,000			\$26,897,000
Net to State				10,272,000			54,602,000

NOTE: The \$1000 per capita revenue limitation applies only to Valdez in FY 75. The other municipalities' revenues for that year are based on the current millage applied to total assessed value. In FY 78 the 225% of average per capita assessed value limitation is effective for Valdez, the North Slope and other pipeline boroughs. The North Star and Kenai boroughs' revenues are based on 20 mills applied to total assessed value.

These projections assume average per capita assessed value of \$12,500 in FY 75 and \$25,000 in FY 79.



# LAWS OF ALASKA

1973

Source

Chapter No.

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1

## AN ACT

Providing for taxes on property used in the exploration for, production of, or pipeline transportation of gas or unrefined oil; and providing for an effective date.

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

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

#### CHAPTER 56. OIL AND GAS EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTY TAXES.

Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is levied each tax year beginning January 1, 1974, on the full and true value of taxable property taxable under this chapter.

(b) A municipality may levy and collect a tax under AS 29.53.045 at the rate of taxation that applies to other property taxed by the municipality. A tax collected by a municipality as authorized by AS 29.53.045 shall be credited against the tax levied under (a) of this section and shall be levied at a rate no higher than the rate applicable to other property taxable by the municipality. No municipality may exempt from taxation property authorized to be taxed under this chapter. Exemptions shall be limited to those in AS 29.53.020 and 29.53.025 and sec. 20 of this chapter.

(c) If the total value of assessed property of a municipality taxing under AS 29.53.045(c) exceeds the product of 225 per cent of the average per capita assessed full and true value of property in the state (to be determined by the department and reported to each municipality by January 15 of each year) multiplied by the number of residents of the taxing municipality, the department shall designate the portion of the tax base against which the local tax may be applied.

AGO 787654

Chapter 1

Sec. 43.56.020. EXEMPTIONS. (a) The following are exempt from local taxes levied or authorized under sec. 10(a) of this chapter:

- (1) property rights attached to or inherent in the right to explore for or produce oil or gas;
- (2) oil or gas leases or properties, whether producing or not;
- (3) oil or gas in place;
- (4) oil or gas produced or extracted in the state;
- (5) the value of intangible drilling expenses and exploration expenses;
- (6) an interest in property described in AS 43.55.010(b);
- (7) before the construction commencement date, property taxed under sec. 10(a) of this chapter which is committed by contract or other agreement for use in this state primarily for pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil to be transported by that pipeline;
- (8) before the construction commencement date, property taxed under sec. 10(a) of this chapter which is committed by contract or other agreement for use in this state primarily in the operation or maintenance of facilities for pipeline transportation of gas or unrefined oil, or facilities for production of gas or unrefined oil to be transported by that pipeline.

(b) In (a)(2) of this section, "properties" means mineral interests in oil and gas and working interests, royalty interests, and overriding royalty interests in oil and gas leases.

Sec. 43.56.030. IN PLACE OF OTHER TAXES. Except for those taxes imposed under ch. 55 and ch. 57 of this title, the taxes levied or authorized under sec. 10(b) of this chapter are in place of

- (1) all other ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by sec. 20 of this chapter, and
- (2) all other taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by sec. 20 of this chapter, including, but not limited to,

(A) taxes on the retail sale or use of the property except for the retail sales tax on the first \$1,000 of each sale;

(B) taxes on the sale or use of gas or unrefined oil;

(C) taxes on the sale or use of services used in or associated with the property or in its erection, construction, maintenance or operation except for the sales tax on the first \$1,000 of each sale;

(D) taxes on or measured by gross or net income from the property, including income from the exploration for, production of, or pipeline transportation of gas or unrefined oil or property; and

(E) any license, excise, fee, charge or other tax on or pertaining to the property or services.

Sec. 43.56.040. STATE ASSESSMENT REVIEW BOARD. The State Assessment Review Board is created within the Department of Revenue. The board consists of five persons appointed by the governor to serve at his pleasure, each of whom must be knowledgeable of assessment procedures. Each board member is subject to confirmation by a majority of the members of the legislature in joint session.

Sec. 43.56.050. PER DIEM AND EXPENSES. Members of the board shall receive per diem and expenses authorized by law for boards and commissions.

Sec. 43.56.060. ASSESSMENT. (a) The department shall assess property for the tax levied under sec. 10(L) of this chapter and AS 29.53.045 on property used or committed by contract or other agreement for use for the pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil at its full and true value as of January 1 of the assessment year.

(b) The department shall assess property for the taxes levied under sec. 10(a) of this chapter at its full and true value as of January 1 of the assessment year except that in the case of taxable property used or committed by contract or other agreement for the pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil to be transported by that pipeline, the first assessment date shall be the construction commencement date. If the construction commencement date is used as the assessment date, the tax payable shall be prorated on the basis of the assessment year remaining.

(c) The full and true value of taxable property used or committed by contract or other agreement for use in the exploration for gas or unrefined oil, or in the operation or maintenance of facilities for the exploration for gas or unrefined oil, is the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.

(d) The full and true value of taxable property used or committed by contract or other agreement for the production of gas or unrefined oil or in the operation or maintenance of facilities for the production of gas or unrefined oil is:

## Chapter 1

(1) on the construction commencement date the actual cost incurred or accrued with respect to the property as of the date of assessment;

(2) determined on each January 1 thereafter on the basis of replacement cost less depreciation based on the economic life of proven reserves.

(c) The full and true value of taxable property used or committed by contract or other agreement for pipeline transportation of gas or unrefined oil or in the operation or maintenance of facilities for the pipeline transportation of gas or unrefined oil is:

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

(2) determined on each January 1 thereafter with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically and legally deliverable into the transportation facility; however, if the proven reserves of gas or unrefined oil then technically, economically and legally deliverable indicate an economic life materially shorter than the estimated physical life of the transportation facility, the full and true value is the actual cost reduced by an annual allowance for depreciation on a straight line basis over an economic life based on the actual elapsed life from the commencement of full operation to the date of assessment plus the estimated remaining life of the proven reserves of gas and unrefined oil then technically, economically and legally deliverable into the transportation facility as of the date of the assessment;

(3) on the assessment date next following inability to use or construct all or a substantial part of the facility for a period of 90 or more consecutive days because of natural disaster or legal prohibition, or other events beyond the control of a person having ownership or control of the property, adjusted to take into account any diminution in value.

(f) For purposes of this section, "actual cost" and "replacement cost" do not include interest capitalized before or during the period of construction nor the value of intangible drilling expenses. In the case of taxable property under construction, "actual cost" for purposes of this section means the costs incurred or accrued with respect to the property as of the date of assessment.

(g) The department may enter into agreements with a municipality for the cooperative or joint administration of the assessing authority conferred on the department by this section.

Sec. 43.56.070. RETURNS. (a) The department may require by notice every person having ownership or control of an interest in property taxable under this chapter to

submit a return in the form prescribed by the department, based on property values existing on January 1 of each year, except as otherwise provided in this chapter.

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

Sec. 43.56.080. INVESTIGATION. (a) The department may make an investigation of property on which a return has been filed or of taxable property upon which no return has been filed. In either case, the department may make its own valuation of the taxable property, which is prima facie evidence of full and true value.

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

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

Sec. 43.56.090. ASSESSMENT ROLL. The department shall prepare annually the assessment roll for taxation under this chapter. The roll shall contain:

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

Sec. 43.56.100. ASSESSMENT NOTICE. (a) On or before March 1 of each year, the department shall send to every owner of taxable property named in the assessment roll a notice of assessment, showing the assessed value of the property. Notice of assessment is effective on the date of mailing.

(b) The department shall send to a municipality a copy of the notice of assessment on any taxable property which is assessed under the provisions of this chapter and which is located in the municipality and on which a tax is authorized under sec. 10(b) of this chapter.

Sec. 43.56.110. APPEAL TO THE DEPARTMENT. (a) An owner of taxable property or a municipality receiving an assessment notice may object to the assessment by advising the department in writing of the objections to the assessment within 20 days of the effective date of the notice.

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

(c) Following an objection the department may adjust the assessment and the assessment roll. An adjustment based on an objection from an owner of taxable property or a municipality shall be made within 30 days of the effective date of the notice of assessment.

Sec. 43.56.120. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD. (a) After a ruling by the department on an appeal made under sec. 110 of this chapter, the owner or a municipality may further appeal to the board. The appeal must be filed in writing within 50 days of the effective date of the notice of assessment.

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

Sec. 43.56.130. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a) The board shall hear appeals filed under sec. 120(a) of this chapter.

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

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

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

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

(f) The only grounds for adjustment of assessed value is proof of unequal, excessive or improper valuation or valuation not determined in accordance with the standards set out in this chapter, based on facts stated in a written appeal timely filed or proved at the hearing.

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

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

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

Sec. 43.56.140. SUPPLEMENTARY ASSESSMENT ROLLS. The department shall include property omitted from the assessment roll on a supplementary roll, using the procedures set out in this chapter for the original roll.

Sec. 43.56.150. COLLECTION AND DEPOSIT. (a) The tax levied by sec. 10(a) of this chapter is payable to the department on or before September 30 of the taxable year.

(b) The department may provide for voluntary pre-payment and for payment by installments.

(c) The tax levied under sec. 10(a) of this chapter, interest and penalties collected with respect to this levy shall be deposited in the general fund.

Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by sec. 10(a) of this chapter becomes delinquent, a penalty of 10 per cent shall be added. Interest on the delinquent taxes, exclusive of penalty, shall be assessed at a rate of eight per cent a year.

Sec. 43.56.170. LIEN FOR TAX. The tax levied under sec. 10(a) of this chapter and the interest and penalty provided in sec. 160 of this chapter are first and paramount liens on the property subject to tax under this chapter.

Sec. 43.56.180. REMEDY. The remedy of distraint of property set out in AS 43.20.270 applies to the tax levied by sec. 10(a) of this chapter. However, only property subject to the tax may be distrained.

Sec. 43.56.190. PENALTIES. A person who knowingly fails to file a return when due or who makes a false statement in a return required under this chapter with intent to evade taxation is guilty of a misdemeanor and upon conviction is punishable by a fine of not more than \$1,000, or by imprisonment for not more than six months, or by both, together with the costs of prosecution, notwithstanding the provisions of AS 12.80.030.

Sec. 43.56.200. REGULATIONS. The board and the department may adopt regulations in accordance with the Administrative Procedure Act (AS 44.62) as appropriate to carry out their respective duties under this chapter.

Sec. 43.56.210. DEFINITIONS. In this chapter

- (1) "board" means State Assessment Review Board;
- (2) "construction commencement date" means the earlier of April 1, 1974 or the date the following occur:
  - (A) there has been issued to the owner or his agent right-of-way permits, leases, and title and other rights in lands, and other approvals, permits, licenses and certificates, by federal, state and local agencies that a reasonable and prudent person would consider adequate to commence construction of the facilities in the expectation that all other approvals, permits, licenses and certificates necessary for the completion of facilities will be obtained;
  - (B) all approvals, permits, licenses and certificates are in full force and effect, unrevoked and without any modification, which might jeopardize the completion or continued construction of the facilities; and
  - (C) no order, judgment, decree, determination or award of a federal, state or local court or administrative or regulatory agency enjoining, either temporarily or permanently, the construction or the continuation of construction of the facilities is in effect;

(3) "department" means the Department of Revenue;

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

(5) "intangible drilling expenses" means those expenses defined in sec. 263(c) of the United States Internal Revenue Code as defined on the effective date of this paragraph;

(6) "taxable property" means real and tangible personal property used or committed by contract or other agreement for use within this state primarily in the exploration for, production of, or pipeline transportation of gas or unrefined oil (except for property used solely for the retail distribution or liquefaction of natural gas), or in the operation or maintenance of facilities used in the exploration for, production of, or pipeline transportation of gas or unrefined oil, including machinery, appliances, supplies, equipment, drilling rigs, wells (whether producing or not), gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, processing units, roads, tank farms, tanker terminals, docks and other port facilities, air strips and communication equipment and facilities, maintenance equipment and facilities, and maintenance and other related facilities; "taxable property" does not include permanent residences, office buildings required for substantial local government services, or gas pipeline systems operated as utilities and regulated by the Alaska Public Utilities Commission;

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

\* Sec. 2. AS 29.53.025(a) is amended to read:

(a) Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election. An exclusion or exemption authorized by this section may not exceed \$10,000 for any one residence.

\* Sec. 3. AS 29.53 is amended by adding a new section to read:

Sec. 29.53.045. TAX ON OIL AND GAS PRODUCTION AND PIPELINE PROPERTY. (a) A municipality may levy and collect taxes on taxable property taxable under AS 43.56 only by using one of the methods set out in (b) or (c) of this section.

(b) A municipality may levy and collect a tax on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue at a rate not to exceed that which produces an amount of revenue from the total municipal property tax equivalent to \$1,000 a year for each person residing within its boundaries.

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of 225 per cent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

(d) By February 1 of each assessment year a taxing municipality must inform the Department of Revenue which method of taxation the municipality will use.

(e) For purposes of this section, population shall be determined by the commissioner of community and regional affairs based on the latest statistics of the United States Bureau of the Census or on other reliable population data, and shall advise each municipality of its population as so determined by January 15 of each year.

\* Sec. 4. AS 29.53.050 is amended by adding a new subsection to read:

(b) No municipality, or combination of municipalities occupying the same geographical area, in whole or in part, may levy taxes which will result in tax revenues from all sources exceeding either (1) \$1,000 a year for each person residing within their boundaries or (2) when combined with the value of property otherwise taxable by the municipality, the product of 225 per cent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality. If two or more municipalities occupying the same geographical area, in whole or in part, attempt to levy a tax the combined levy of which would result in tax revenues from all sources exceeding either (1) \$1,000 a year for each person residing within their boundaries or (2) when combined with the value of property otherwise taxable by the municipality, the product of 225 per cent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality, the commissioner of community and regional affairs shall apportion the lawful levy and equitably divide these revenues on the basis of need, services performed and other considerations in the public interest. For the purpose of this subsection, population shall be determined by the commissioner of community and regional affairs based on the latest statistics of the United States Bureau of the Census or on other reliable population data.

\* Sec. 5. AS 29.53.055 is amended to read:

Sec. 29.53.055. NO LIMITATION ON TAXES TO PAY BONDS. The limitations provided for in secs. 45 or 50 of this chapter do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds. Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount.

\* Sec. 6. This Act takes effect on January 1, 1974.

FREE CONFERENCE COMMITTEE REPORT

ON

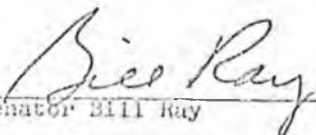
FREE CONFERENCE CS FOR SENATE CS FOR  
CS FOR HOUSE BILL NO. 1

The Free Conference Committee has had Senate CS for CS for HB 1 under consideration and recommends it be replaced with Free Conference Committee Substitute for Senate CS for CS for House Bill No. 1. The principal changes in the Free Conference Committee Substitute from the Governor's bill as introduced are as follows:

1. Sec. 43.56.010 (b) includes language stating "No municipality may exempt from taxation property authorized to be taxed under this chapter." The effect of this is to require Valdez and the North Star Borough to levy a personal property tax on pipeline related property. The same paragraph limits exemptions from municipal taxation to those currently allowed under the municipal code.
2. Sec. 29.53.045 The bill as introduced limited political subdivisions to levying a tax not to exceed 7 mills on the value of taxable property taxable under the Act. The Free Conference Committee Substitute changes this limitation to allow municipal flexibility in levying up to an amount equivalent to \$1,000 in total revenue per person residing within its boundaries or a tax on an amount up to 225% of the average per capita assessed valuation in the state multiplied by the number of residents in the taxing municipality. Assessment of the "taxable property" will be done on a state-wide basis by the Board established in the Act.
3. Sec. 43.056.020 (b) A definition of the word "properties" as relating to mineral interests was inserted to make it clear that things such as office buildings and other similar property not related to production could not be "interpreted" as being exempt from this tax.
4. Sec. 43.056.020 (7) and (8) allow municipalities to continue to tax property under existing law subject to the \$1,000 per person or 225% per capita assessed valuation limitations through the period preceding the "construction commencement date." Without this change it was the committee's fear that municipalities might be precluded from taxing property during this period. The committee left taxation of construction equipment to municipalities.
5. Sec. 43.056.030 (2) (A) and (C) The committee adopted both the House and Senate concepts of authorizing municipalities to levy a retail sales or use tax on the first \$1,000 of each sale.
6. Sec. 43.056.040 Members of the Assessment Review Board were required to be knowledgeable of assessment procedures and are subject to confirmation by the legislature.

7. Throughout the Committee Substitute, certain consistent language changes have been made to clearly divide the taxing authorities contained in this legislation. Thus you will find inserted specific references to "Sec. 10 (a)" of this chapter which means that the committee substitute restricts the particular provision to dealing with state assessment and taxing matters. The other consistent change is to delete the words "political subdivision" and substitute "municipality." "Municipality" is a more precise reference to a taxing entity of local government.
8. Sec. 43.056.060 (d) The Free Conference Committee Substitute would value production equipment on the basis of replacement cost. It was the feeling of the committee that the original proposed "actual cost" reduced by depreciation might preclude assessment on an appreciating value of the equipment. Depreciation of production equipment was changed from "units of production" to "economic life of proven reserves." This change would tie depreciation directly to the estimated useful life of the production equipment.
9. Sec. 43.056.210 (2) The definition of "construction commencement date" has been changed to provide two options. The construction commencement date for state taxing purposes is to be either April 1, 1974, or the date necessary permits or approvals, with no preventive injunctions or decrees, are received should this date occur earlier than April 1. The thinking here was that the state would not tax property taxable under this Act until such time as construction actually began. The fixed date was inserted to insure good faith on the part of the companies (if no permits were applied for, obviously none could be granted). Should it be clear by April 1 that further legal problems prevent the start of construction, the legislature would be in session and could amend the April 1 date to any other date of its choosing.
10. Sec. 43.056.210 (6) The definition of "taxable property" deletes reference to equipment used in the construction of the pipeline thus leaving this equipment taxable by municipalities. The definition was clarified to include drilling rigs and wells, whether producing or not. An additional definition of "taxable property" was added excluding "permanent residences, office buildings requiring substantial local government services, or gas pipeline systems operated as utilities and regulated by the Alaska Public Utilities Commission."
11. Sec. 2 amends AS 29.53.025 (a) to read: "Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election. An exclusion or exemption authorized by this section may not exceed \$10,000 for any one residence."

12. Sec. 4. Adds a new subsection (b) to AS 29.53.050 to prevent the doubling up of tax receipts in taxing municipalities where municipal boundaries overlap or municipalities occupy the same territory.
13. Sec. 5. Language was added to AS 29.53.055 to make clear that the limitations on municipal taxing authority with respect to oil and gas properties taxable under this chapter do not apply to taxes levied or pledged to pay or secure the payment of principal and interest on bonds.
14. Sec. 6. The effective date is January 1, 1974, rather than immediately as proposed by the bill as introduced.

  
Senator Bill Ray

  
Representative Orval Freeman

## MEMORANDUM

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

TO: V. Kent Dawson  
Fiscal Analyst  
Budget and Audit Committee

DATE : October 16, 1973

FROM: Byron I. Mallott  
Commissioner

SUBJECT:

I have given consideration to the matter of establishment of the State Assessment Review Board and assignment of assessment responsibilities, relative to property used in the exploration, production, and transportation of oil and gas, to the Department of Revenue in light of the municipal assessment functions monitored and supported by this Department, and suggest that the apparent differences in scope and purpose of the assessment of the referenced property, as set forth in the package submitted for legislative action, warrant separate placement.

Levy and collection of ad valorem taxes in the manner proposed by the referenced legislation is principally intended to return revenue to the State and, as such, is within the purview of that executive department principally concerned with collection, custody, and management of State funds. As a major source of revenues for continuing State programs, I am certain that the Department of Revenue will give close attention to activity that attends petroleum production on transportation activity, developing a system of accounting and assessment that values the subject property in a uniform manner.

This Department's assessment program has been limited to monitoring the practices of Alaska's municipalities, preparation and revision of a handbook on cost appraisal and other guidelines for municipal assessing, computation and determination of the full and true value of real and personal property as an adjunct of the school district Foundation Program, and direct responsibility in approving rebates to municipal governments for the senior citizens' property tax exemption.

Assessment procedures supportive of uniform treatment of oil and gas production properties preliminary to levy of ad valorem taxes for State functions is not a matter such that responsibility for assuring return of revenues should be placed in an executive department with mandate to provide maximum assistance to political subdivisions.

If, however, the Legislature suggests amendment or deletion of that provision vesting assessment, levy and collection in the State, reserving the ad valorem tax power to municipal governments in which the subject property has a situs or resolving to shift the emphasis such that municipalities may be provided a greater share of revenues received, consideration

may properly be given to the participation of the Department of Community and Regional Affairs in review and supervision of the individual efforts of political subdivisions in determining property values. Should the Legislature alternatively provide that revenues received from an ad valorem tax levied on oil property by the State be shared in some manner with all local governments, consideration may also properly be given to the participation of this Department in the administration of that sharing to the extent that State local governmental policy and programs may be maximized by that participation.

FINANCE COMMITTEE REPORT

ON

HOUSE BILL 1

The Finance Committee has had House Bill 1 under consideration and recommends it be replaced with Committee Substitute for House Bill 1 and that the Finance Committee Substitute do pass.

The principal changes in the Committee Substitute from the Governor's bill as introduced are as follows:

1. Sec. 43.056.010 (b) The bill as introduced limited political subdivisions to levying a tax not to exceed 7 mills on the value of taxable property taxable under the Act. The Committee Substitute changes this limitation to allow municipal flexibility in levying up to an amount equivalent to \$1,000 in total revenue per person residing within its boundaries; assessment of the property will be done on a state-wide basis by the Board established in the Act.
2. Sec. 43.056.020 (2) A definition of the word "property" was inserted to make it clear that things such as office buildings and other similar property not related to production could not be "interpreted" as being exempt from this tax.
3. Throughout the Governor's bill, certain consistent language changes have been made to clearly divide the taxing authorities contained in this legislation. Thus you will find specific references to "Sec. .010 (a)" of this chapter which means that the committee substitute restricts the particular provision to dealing with state assessment and taxing matters. The other consistent change is to delete the words "political subdivision" and substitute "municipality." "Municipality" is a more precise reference to a taxing entity of local government.
4. Sec. 43.056.060 (d) and (e) The Committee Substitute would value the pipeline on the basis of replacement cost. It was the feeling of the committee that the original proposed "actual cost" reduced by depreciation might preclude assessment on an appreciating value of the pipeline. Providing for consideration of "replacement cost" grants the state assessor the authority to consider appreciation of value as well as depreciation.
5. Sec. 43.056.150 (c) has been struck from the bill as introduced in line with the division of taxing responsibilities.
6. Sec. 43.056.210 (2) The definition of construction commencement date has been changed to provide two options. The construction commencement date for state taxing purposes is to be either April 1, 1974, or the date necessary permits or approvals, with no preventive injunctions or decrees, are received should this date occur earlier than April 1. The thinking here was that the state would not tax property taxable under this act until such time as construction actually began. The fixed date was inserted to insure good faith on the part of the companies (if no permit were applied for, obviously none

could be granted. Should it be clear by April 1 that further legal problems prevent the start of construction, the legislature would be in session and could amend the April 1 date to any other date of its choosing.

7. Sec. 43.056.210 (6) The Committee Substitute deletes the exclusion of natural gas liquifaction plants from the definition "taxable property." Over the years, investment in plant and equipment related to the liquifaction plant of natural gas, which is essentially a function related to making it transportable by ship, is apt to be substantial. To exempt this plant and equipment appeared to the committee to be inequitable.
8. Sec. 2 Sec. 2 would repeal AS 29.53.025 (a) which reads as follows: "Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election."

FINANCE COMMITTEE REPORT

ON

HOUSE BILL 1

The Finance Committee has had House Bill 1 under consideration and recommends it be replaced with Committee Substitute for House Bill 1 and that the Finance Committee Substitute do pass.


The principal changes in the Committee Substitute from the Governor's bill as introduced are as follows:

1. Sec. 43.056.010 (b) The bill as introduced limited political subdivisions to levying a tax not to exceed 7 mills on the value of taxable property taxable under the Act. The Committee Substitute changes this limitation to allow municipal flexibility in levying up to an amount equivalent to \$1,000 in total revenue per person residing within its boundaries; assessment of the "taxable property" will be done on a state-wide basis by the Board established in the Act.
2. Sec. 43.056.020 (2) A definition of the word "property" was inserted to make it clear that things such as office buildings and other similar property not related to production could not be "interpreted" as being exempt from this tax.
3. Sec. 43.056.020 (7) and (8) allow municipalities to continue to tax property under existing law subject to the \$1,000 per person limitation through the period preceding the "construction commencement date." Without this change it was the committee's fear that municipalities might be precluded from taxing property during this period.
4. Sec. 43.056.040 Members of the Assessment Review Board were required to be knowledgeable of assessment procedures but they were not required to be residents of the state. It was the feeling of the committee that the need for assessment expertise was such that the Governor should have the authority to obtain necessary expertise wherever located.
5. Throughout the Committee Substitute, certain consistent language changes have been made to clearly divide the taxing authorities contained in this legislation. Thus you will find inserted specific references to "Sec. .010 (a)" of this chapter which means that the committee substitute restricts the particular provision to dealing with state assessment and taxing matters. The other consistent change is to delete the words "political subdivision" and substitute "municipality." "Municipality" is a more precise reference to a taxing entity of local government.
6. Sec. 43.056.060 (c) (d) and (e) The Committee Substitute would value the pipeline and production equipment on the basis of replacement cost. It was the feeling of the committee that the original proposed "actual cost" reduced by depreciation might preclude assessment on an appreciating value of the pipeline. Providing for consideration of "replacement cost" grants the state assessor the authority to consider appreciation of value as well as depreciation. Depreciation

of production equipment (c) (2) was changed from "units of production" to "economic life of proven reserves." This change would tie depreciation directly to the estimated useful life of the production equipment.

7. Sec. 43.056.150 (c) has been struck from the bill as introduced in line with the division of taxing responsibilities.
8. Sec. 43.056.210 (2) The definition of construction commencement date has been changed to provide two options. The construction commencement date for state taxing purposes is to be either April 1, 1974, or the date necessary permits or approvals, with no preventive injunctions or decrees, are received should this date occur earlier than April 1. The thinking here was that the state would not tax property taxable under this Act until such time as construction actually began. The fixed date was inserted to insure good faith on the part of the companies (if no permit were applied for, obviously none could be granted). Should it be clear by April 1 that further legal problems prevent the start of construction, the legislature would be in session and could amend the April 1 date to any other date of its choosing.
9. Sec. 43.056.210 (6) The Committee Substitute deletes the exclusion of natural gas liquifaction plants from the definition of "taxable property." Over the years, investment in plant and equipment related to the liquifaction of natural gas, which is essentially a function related to making it transportable by ship, is apt to be substantial. To exempt this plant and equipment appeared to the committee to be inequitable.
10. Sec. 2 Sec. 2 would repeal AS 29.53.025 (a) which reads as follows: "Municipalities may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at a regular or special election."

Attached is an estimate of projected municipal Ad Valorem tax receipts under the Committee Substitute for House Bill 1.

  
\_\_\_\_\_  
Earl Hillstrand, Chairman  
House Finance Committee

PROJECTED MUNICIPAL AD VALOREM TAX RECEIPTS

UNDER CS FOR HOUSE BILL NO. 1

	<u>Current Population</u>	<u>Current Millage</u>	<u>Current Assessed Value (\$000)</u>	<u>Lesser of \$1000 Per Capita or Current Millage on Assessed Value (\$000)</u>	<u>1978 Population</u>	<u>1978 Assessed Value (\$000)</u>	<u>1978 Lesser of \$1000 Per Capita or 20 Mills on Assessed Value(\$000)</u>
VALDEZ	1,106	15	\$ 14,000	210*	3,000	\$ 879,479	\$ 3,000
NORTH STAR	32,714	6.5	345,000	2,242*	50,000	654,942	13,100
NORTH SLOPE	3,322	12.45	202,000	2,515	4,000	1,733,297	4,000
KENAI	16,309	6.4	501,000	3,206	18,000	337,768	6,755

\* If Valdez and the North Star Borough enact a personal property tax, current assessed value increases to \$50,000,000 and \$475,000,000 respectively with the revenues increasing to \$750,000 and \$3,087,500

Attachment A

To

Department of Community and Regional Affairs  
Fiscal Note

October 23, 1973

HB 1 and SB 1

100 -- Personal Services

Assistant State Assessor, Range 19 plus benefits	\$19.0
Clerk Typist III, Range 8 plus benefits	8.7
	<u>\$27.7</u>

200 -- Travel

Assistant State Assessor, Full and True Value determination in local government taxing jurisdictions impacted by pipeline - per annum	\$ 2.5
---	--------

300 -- Contractual Services

per annum	\$ .2
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400 -- Miscellaneous Office Supplies

per annum	\$ .1
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500 -- Equipment, Initial Requirements

	\$ 1.9
--	--------

Two desks	\$ .4
Two Chairs	.2
One Calculator	.7
One Typewriter	.6
	<u>\$1.9</u>

The Legislature of the State of Alaska  
FISCAL NOTE  
First Special Session - Eighth Legislature

I. REQUEST

Bill Identification: Senate Bill 1 -- House Bill 1  
 Title: 20-Mill Tax on Oil and Gas Exploration, Production, & Transportation Property  
 Requested by: Legislative Finance Date: October 11, 1973  
 Return Date Requested: October 17 or as soon after that date as possible  
 Agency: Departments of Revenue & Community Program: Development  
 and Regional Affairs

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Local Government Assistance

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 74*	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES	6.9	27.7	28.5	29.4	30.3	31.2
200 TRAVEL	.7	2.5	2.6	2.8	2.9	3.1
300 CONTRACTUAL	.1	.2	.3	.3	.4	.4
400 COMMODITIES		.1	.1	.2	.2	.2
500 EQUIPMENT	1.9					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>9.6</b>	<b>30.5</b>	<b>31.5</b>	<b>32.7</b>	<b>33.8</b>	<b>34.9</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	9.6	30.5	31.5	32.7	33.8	34.9
FEDERAL FUNDS						
OTHER						

\* Fourth Quarter Fiscal Year 1974 only

C. POSITIONS:

PERMANENT/TEMPORARY	2/	2 /	2/	2 /	2 /	2 /
MAN MONTHS (P./T.)	6/	24 /	24/	24 /	24 /	24 /

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)  
 This Fiscal Note measures the Secondary Impact of the enactment of HB 1 and SB 1 and the subsequent construction of the Trans-Alaska Pipeline. An Assistant State Assessor and accompanying clerical support position will be necessary to deal with the secondary effect pipeline construction will have on the State Assessor's responsibility for evaluation of real and personal property. Pipeline construction and related activity should generate an increased flow into Alaska of equipment, vehicles and goods amenable to ad valorem taxation, necessarily resulting in an expanded personal property and ad valorem tax base and adding to the administrative concerns of the Public School Foundation Program.

IV. ATTACHMENTS

Attachment A -- Analysis of objects of expenditure

V. DATE: October 23, 1973

PREPARED BY: Donald Argetsinger  
Deputy Commissioner

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

Monkey

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 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 EXPLORATION, PRODUCTION AND  
13 PIPELINE TRANSPORTATION PROPERTY TAXES.

14 Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is  
15 levied each tax year beginning January 1, 1974, on the full and true  
16 value of taxable property taxable under this chapter.

17 (b) Political subdivisions may levy a tax not to exceed seven  
18 mills on the full and true value of taxable property taxable under  
19 this chapter. A tax levied by a political subdivision under this sub-  
20 section shall be credited against the tax levied under (a) of this  
21 section.

22 Sec. 43.56.020. EXEMPTIONS. The following are exempt from the  
23 taxes levied or authorized under this chapter:

- 24 (1) property rights attached to or inherent in the right
- 25 to explore for or produce oil or gas;
- 26 (2) oil or gas leases or properties, whether producing or
- 27 not;
- 28 (3) oil or gas in place;
- 29 (4) oil or gas produced or extracted in the state;

1 (5) the value of intangible drilling and development  
2 expenses and exploration expenses;

3 (6) an interest in property described in AS 43.55.010(b);

4 (7) before the construction commencement date, property  
5 which is intended to be used in this state primarily for pipeline  
6 transportation of gas or unrefined oil or for the production of gas or  
7 unrefined oil to be transported by that pipeline; and

8 (8) before the construction commencement date, property  
9 which is intended to be used within this state primarily in the  
10 erection, construction, installation, operation or maintenance of  
11 facilities for pipeline transportation of gas or unrefined oil, or  
12 facilities for production of gas or unrefined oil to be transported by  
13 that pipeline.

14 Sec. 43.56.030. IN PLACE OF ALL OTHER TAXES. Except for those  
15 taxes imposed under AS 43.55 and AS 43.57, the taxes levied or  
16 authorized under this chapter are in place of

17 (1) all ad valorem taxes or other taxes imposed by  
18 the state or a political subdivision on property subject to tax  
19 under this chapter or exempted from taxation by sec. 20 of this  
20 chapter, and

21 (2) all other taxes imposed by a political subdivision  
22 on or with respect to the property subject to tax under this  
23 chapter or exempted from taxation by sec. 20 of this chapter,  
24 including, but not limited to

25 (A) taxes on the sale or use of the property (except  
26 for retail sales taxes on purchases within a political subdivision  
27 of property not to be included in the value of taxable property  
28 subject to taxes under this chapter);

29 (B) taxes on the sale or use of gas or unrefined oil;

1 (C) taxes on the sale or use of services used in or  
2 associated with the property or in its erection, construction,  
3 maintenance or operation;

4 (D) taxes on or measured by gross or net income from  
5 the property, including income from the exploration for, produc-  
6 tion of, or pipeline transportation of gas or unrefined oil or  
7 property; and

8 (E) any license, excise, fee, charge or other tax on  
9 or pertaining to the property or services.

10 Sec. 43.56.040. STATE ASSESSMENT REVIEW BOARD. The State  
11 Assessment Review Board is created within the Department of Revenue.  
12 The board consists of five persons appointed by the governor to serve  
13 at his pleasure.

14 Sec. 43.56.050. PER DIEM AND EXPENSES. Members of the board  
15 shall receive per diem and expenses authorized by law for boards and  
16 commissions.

17 Sec. 43.56.060. ASSESSMENT. (a) The department shall assess  
18 property for the taxes levied under secs. 10(a) and 10(b) of this  
19 chapter at its full and true value as of January 1 of the assessment  
20 year except that in the case of taxable property used or intended to  
21 be used for the pipeline transportation of gas or unrefined oil or for  
22 the production of gas or unrefined oil to be transported by that  
23 pipeline or in the erection, construction, installation, operation or  
24 maintenance of facilities for pipeline transportation of gas or  
25 unrefined oil, or in the erection, construction, installation, opera-  
26 tion or maintenance of facilities for production of gas or unrefined  
27 oil to be transported by that pipeline, the first assessment date  
28 shall be the construction commencement date. ~~If the construction~~  
29 ~~commencement date is used as the assessment date, the tax payable~~

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1 shall be prorated on the basis of the assessment year remaining.

2 (b) The full and true value of taxable property used or intended  
3 to be used for the exploration for gas or unrefined oil, or in the  
4 erection, construction, installation, operation or maintenance of  
5 facilities for the exploration for gas or unrefined oil, is the  
6 estimated price which the property would bring in an open market and  
7 under the then prevailing market conditions in a sale between a willing  
8 seller and a willing buyer both conversant with the property and with  
9 prevailing general price levels.

10 (c) The full and true value of taxable property used or intended  
11 to be used for the production of gas or unrefined oil or in the  
12 erection, construction, installation, operation or maintenance of  
13 facilities for the production of gas or unrefined oil  
14 is:

15 (1) on the construction commencement date the actual  
16 cost incurred or accrued with respect to the property as of the  
17 date of assessment;

18 *to (P.M.)* (2) determined on each January 1 thereafter on the basis  
19 ? of actual cost less depreciation based on units of production.

20 (d) The full and true value of taxable property used or  
21 intended to be used for pipeline transportation of gas or unrefined  
22 oil, or in the erection, construction, installation, operation or  
23 maintenance of facilities for the pipeline transportation of gas or  
24 unrefined oil is:

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

29 (2) determined on each January 1 thereafter with due regard

the replacement cost of the pipeline and

1 to <sup>including the pipeline,</sup> the economic life of the property 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 <sup>replacement</sup> actual 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 of  
11 the proven reserves of gas and unrefined oil then technically, economi-  
12 cally and legally deliverable into the transportation facility as of  
13 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  
18 ownership or control of the property. ~~adjusted to take into account~~  
19 ~~any diminution of its value.~~

and "replacement cost"

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

26 Sec. 43.56.070. RETURNS. (a) The department may require by  
27 notice every person having ownership or control of an interest in  
28 property taxable under this chapter to submit a return in the form  
29 prescribed by the department, based on property values existing on

1 January 1, except as otherwise provided in this chapter.

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

4 Sec. 43.56.080. INVESTIGATION. (a) The department may make an  
5 investigation of property on which a return has been filed or of taxable  
6 property upon which no return has been filed. In either case, the  
7 department may make its own valuation of the taxable property, which  
8 is prima facie evidence of full and true value.

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

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

18 Sec. 43.56.090. ASSESSMENT ROLL. The department shall prepare  
19 annually the only assessment roll for taxation under this chapter. The  
20 roll shall contain:

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

25 Sec. 43.56.100. ASSESSMENT NOTICE. (a) On or before March 1  
26 of each year, the department shall send to every owner of taxable  
27 property named in the assessment roll a notice of assessment, showing  
28 the assessed value of the property. Notice of assessment is effective  
29 on the date of mailing.

1 (b) The department shall also send to a political subdivision  
2 a copy of the notice of assessment on any taxable property which is  
3 assessed under the provisions of this chapter and which is located in  
4 the political subdivision and on which a tax is authorized under  
5 sec. 10(b) of this chapter.

6 Sec. 43.56.110. APPEAL TO THE DEPARTMENT. (a) An owner of  
7 taxable property or a political subdivision receiving an assessment  
8 notice may object to the assessment by advising the department in  
9 writing of the objections to the assessment within 20 days of the  
10 effective date of the notice.

11 (b) The department shall provide by regulation for notices of  
12 appeals to interested persons and political subdivisions.

13 (c) Following an objection the department may adjust the assess-  
14 ment and the assessment roll. An adjustment based on an objection from  
15 an owner of taxable property or a political subdivision shall be made  
16 within 30 days of the effective date of the notice of assessment.

17 Sec. 43.56.120. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD.

18 (a) After a ruling by the department on an appeal made under sec. 110  
19 of this chapter, the owner or political subdivision may further appeal  
20 to the board. The appeal must be filed in writing within 50 days  
21 of the effective date of the notice of assessment.

22 (b) The board shall provide by regulation for notices of appeals  
23 to interested persons and political subdivisions.

24 Sec. 43.56.130. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a)  
25 The board shall hear appeals filed under sec. 120(a) of this chapter.

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

28 (c) The board shall provide by regulation for notices of hearings  
29 to interested persons and political subdivisions.

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

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

4 (f) The only grounds for adjustment of assessed value is proof of  
5 unequal, excessive or improper valuation or valuation not determined in  
6 accordance with the standards set out in this chapter, based on  
7 facts stated in a written appeal timely filed or proved at the hearing.

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

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

14 (i) An owner or political subdivision may appeal to the superior  
15 court for, and is entitled to, trial de novo of the board's action.

16 Sec. 43.56.140. SUPPLEMENTARY ASSESSMENT ROLLS. The department  
17 shall include property omitted from the assessment roll on a supple-  
18 mentary roll, using the procedures set out in this chapter for the  
19 original roll.

20 Sec. 43.56.150. COLLECTION AND DEPOSIT. (a) The tax levied by  
21 this chapter is payable to the department on or before September 30 of  
22 the tax year.

23 (b) The department may provide for voluntary prepayment and for  
24 payment by installments.

25 (c) If a political subdivision levies the tax authorized by  
26 sec. 10(b) of this chapter, the department shall collect the tax  
27 under this chapter and promptly remit it to the political subdivision.

28 (d) All other taxes, interest and penalties collected under  
29 this chapter shall be deposited in the general fund.

1           Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by this  
2 chapter becomes delinquent, a penalty of 10 per cent shall be added.  
3 Interest on the delinquent taxes, exclusive of penalty, shall be  
4 assessed at a rate of eight per cent a year.

5           Sec. 43.56.170. LIEN FOR TAX. The tax levied under this chapter  
6 and the interest and penalty provided in sec. 160 of this chapter are  
7 first and paramount liens on the property subject to tax under this  
8 chapter.

9           Sec. 43.56.180. REMEDY. The remedy of distraint on property  
10 set out in AS 43.20.270 applies to the tax levied by this chapter.  
11 However, only property subject to the tax may be distrained.

12           Sec. 43.56.190. PENALTIES. A person who knowingly fails to  
13 file a return when due or who makes a false statement in a return  
14 required under this chapter with intent to evade taxation is guilty of  
15 a misdemeanor and upon conviction is punishable by a fine of not more  
16 than \$1,000 or by imprisonment for not more than six months, or by both,  
17 together with costs of prosecution.

18           Sec. 43.56.200. REGULATIONS. The board and the department may  
19 adopt regulations in accordance with AS 44.62 as appropriate to carry  
20 out their respective duties under this chapter.

21           Sec. 43.56.210. DEFINITIONS. In this chapter

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

23           (2) "construction commencement date" means: ~~the date on which~~  
24           (A) April 1, 1974; or (B) if earlier, the date the following  
25           (i) there has been issued to the owner or his agent

26 right-of-way permits, leases, and title and other rights in lands,  
27 and other approvals, permits, licenses and certificates, by  
28 federal, state and local agencies that a reasonable and prudent  
29 person would consider adequate to commence construction of the  
facilities in the expectation that all other approvals, permits,

1 licenses and certificates necessary for the completion of  
2 facilities will be obtained;

3 (ii) all approvals, permits, licenses and certificates  
4 are in full force and effect, unrevoked and without any modifi-  
5 cation~~X~~ which might jeopardize the completion or continued con-  
6 struction of the facilities; and

*Minnesota  
Delayed  
X*

7 (iii) no order, judgment, decree, determination or award  
8 of a federal, state or local court or administrative or regulatory  
9 agency enjoining, either temporarily or permanently, the construc-  
10 tion or the continuation of construction of the facilities is in  
11 effect.

12 (3) "department" means Department of Revenue;

13 (4) "gas" includes all natural gas and all hydrocarbons  
14 produced at the wellhead not defined as oil;

15 (5) "intangible drilling and development expenses" means  
16 those expenses defined in sec. 263(c) of the United States Internal  
17 Revenue Code as defined on the effective date of this paragraph;

18 (6) "taxable property" means real and tangible personal  
19 property used or intended to be used within this state primarily in  
20 the exploration for, production of, or pipeline transportation of gas  
21 or unrefined oil (except for property used solely for the retail  
22 distribution or solely for the liquification of natural gas), or in  
23 the erection, construction, installation, operation or maintenance of  
24 facilities used in the exploration for, production of or pipeline  
25 transportation of gas or unrefined oil, including machinery, appliances,  
26 supplies, equipment, drilling rigs, gathering lines and transmission  
27 lines, pumping stations, compressor stations, power plants, topping  
28 plants, processing units, roads, tank farms, tanker terminals, docks  
29 and other port facilities, air strips, communication equipment and

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facilities, and maintenance equipment and facilities, construction and maintenance camps and other related facilities;

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

<sup>3</sup>  
\* Sec. 2. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

\* Sec. 2. A tax levied by a political subdivision under AS 43.56.010(b) on property described in AS 43.56.060(c) and (d) shall be credited against the tax levied under AS 43.56.010(a).

Original sponsor: Rules Committee by  
request of the Governor

Offered: 10/24/73

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 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 for  
9 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 EXPLORATION, PRODUCTION AND

13 PIPELINE TRANSPORTATION PROPERTY TAXES.

14 Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is  
15 levied each tax year beginning January 1, 1974, on the full and true  
16 value of taxable property taxable under this chapter.

17 (b) Notwithstanding AS 29.53.030, municipalities may levy and  
18 collect a tax on the full and true value of taxable property taxable  
19 under this chapter as valued by the assessment board established by  
20 this chapter at a rate not to exceed that which produces an amount of  
21 revenue equivalent to \$1,000 per person per year residing within its  
22 boundaries. A tax levied by a municipality under this subsection shall  
23 be credited against that amount of the tax levied under (a) of this  
24 section and shall be levied at a rate no higher than the millage rate,  
25 using the same assessment methods, applicable to other property taxable  
26 by the municipality. Exemptions shall be limited to those set out in  
27 AS 29.53.020 and 29.53.025 and sec. 20 of this chapter.

28 Sec. 43.56.020. EXEMPTIONS. The following are exempt from the  
29 taxes levied or authorized under this chapter:

1 respect to the property subject to tax under this chapter or exempted  
2 from taxation by sec. 20 of this chapter, including, but not limited to,

3 (A) taxes on the sale or use of the property (except  
4 for retail sales taxes on purchases within a municipality of  
5 property not to be included in the value of taxable property  
6 subject to taxes under this chapter);

7 (B) taxes on the sale or use of gas or unrefined oil;

8 (C) taxes on the sale or use of services used in or  
9 associated with the property or in its erection, construction,  
10 maintenance or operation;

11 (D) taxes on or measured by gross or net income from  
12 the property, including income from the exploration for, produc-  
13 tion of, or pipeline transportation of gas or unrefined oil or  
14 property; and

15 (E) any license, excise, fee, charge or other tax on  
16 or pertaining to the property or services.

17 Sec. 43.56.040. STATE ASSESSMENT REVIEW BOARD. The State Assess-  
18 ment Review Board is created within the Department of Revenue. The  
19 board consists of five persons appointed by the governor to serve at  
20 his pleasure, each of whom must be knowledgeable of assessment proce-  
21 dures and is not required to be a resident of the state.

22 Sec. 43.56.050. PER DIEM AND EXPENSES. Members of the board  
23 shall receive per diem and expenses authorized by law for boards and  
24 commissions.

25 Sec. 43.56.060. ASSESSMENT. (a) The department shall assess  
26 property for the taxes levied under sec. 10(a) of this chapter at its  
27 full and true value as of January 1 of the assessment year except that  
28 in the case of taxable property used or intended to be used for the  
29 pipeline transportation of gas or unrefined oil or for the production

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

Original sponsor: Rules Committee by  
request of the Governor

Offered: 10/24/73

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 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 for  
9 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 EXPLORATION, PRODUCTION AND  
13 PIPELINE TRANSPORTATION PROPERTY TAXES.

14 Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is  
15 levied each tax year beginning January 1, 1974, on the full and true  
16 value of taxable property taxable under this chapter.

17 (b) Notwithstanding AS 29.53.030, municipalities may levy and  
18 collect a tax on the full and true value of taxable property taxable  
19 under this chapter as valued by the assessment board established by  
20 this chapter at a rate not to exceed that which produces an amount of  
21 revenue equivalent to \$1,000 per person per year residing within its  
22 boundaries. A tax levied by a municipality under this subsection shall  
23 be credited against that amount of the tax levied under (a) of this  
24 section and shall be levied at a rate no higher than the millage rate,  
25 using the same assessment methods, applicable to other property taxable  
26 by the municipality. Exemptions shall be limited to those set out in  
27 AS 29.53.020 and 29.53.025 and sec. 20 of this chapter.

28 Sec. 43.56.020. EXEMPTIONS. The following are exempt from the  
29 taxes levied or authorized under this chapter:

1 (1) property rights attached to or inherent in the right  
2 to explore for or produce oil or gas;

3 (2) oil or gas leases or properties, whether producing or  
4 not; "properties" means mineral interests in oil and gas and working  
5 interests, royalty interest, and overriding royalty interests in oil  
6 and gas leases;

7 (3) oil or gas in place;

8 (4) oil or gas produced or extracted in the state;

9 (5) the value of intangible drilling and development expenses  
10 and exploration expenses;

11 (6) an interest in property described in AS 43.55.010(b);

12 (7) before the construction commencement date, property taxed  
13 under sec. 10(a) of this chapter which is intended to be used in this  
14 state primarily for pipeline transportation of gas or unrefined oil  
15 or for the production of gas or unrefined oil to be transported by that  
16 pipeline; and

17 (8) before the construction commencement date, property taxed  
18 under sec. 10(a) of this chapter which is intended to be used within  
19 this state primarily in the erection, construction, installation, opera-  
20 tion or maintenance of facilities for pipeline transportation of gas or  
21 unrefined oil, or facilities for production of gas or unrefined oil to  
22 be transported by that pipeline.

23 Sec. 43.56.030. IN PLACE OF ALL OTHER TAXES. Except for those  
24 taxes imposed under ch. 55 of this title and ch. 57 of this title,  
25 the taxes levied or authorized under this chapter are in place of

26 (1) all ad valorem taxes or other taxes imposed by the  
27 state or a municipality on property subject to tax under this chapter  
28 or exempted from taxation by sec. 20 of this chapter, and

29 (2) all other taxes imposed by a municipality on or with

1 respect to the property subject to tax under this chapter or exempted  
2 from taxation by sec. 20 of this chapter, including, but not limited to,

3 (A) taxes on the sale or use of the property (except  
4 for retail sales taxes on purchases within a municipality of  
5 property not to be included in the value of taxable property  
6 subject to taxes under this chapter);

7 (B) taxes on the sale or use of gas or unrefined oil;

8 (C) taxes on the sale or use of services used in or  
9 associated with the property or in its erection, construction,  
10 maintenance or operation;

11 (D) taxes on or measured by gross or net income from  
12 the property, including income from the exploration for, produc-  
13 tion of, or pipeline transportation of gas or unrefined oil or  
14 property; and

15 (E) any license, excise, fee, charge or other tax on  
16 or pertaining to the property or services.

17 Sec. 43.56.040. STATE ASSESSMENT REVIEW BOARD. The State Assess-  
18 ment Review Board is created within the Department of Revenue. The  
19 board consists of five persons appointed by the governor to serve at  
20 his pleasure, each of whom must be knowledgeable of assessment proce-  
21 dures and is not required to be a resident of the state.

22 Sec. 43.56.050. PER DIEM AND EXPENSES. Members of the board  
23 shall receive per diem and expenses authorized by law for boards and  
24 commissions.

25 Sec. 43.56.060. ASSESSMENT. (a) The department shall assess  
26 property for the taxes levied under sec. 10(a) of this chapter at its  
27 full and true value as of January 1 of the assessment year except that  
28 in the case of taxable property used or intended to be used for the  
29 pipeline transportation of gas or unrefined oil or for the production

1 of gas or unrefined oil to be transported by that pipeline or in the  
2 erection, construction, installation, operation or maintenance of  
3 facilities for pipeline transportation of gas or unrefined oil, or in  
4 the erection, construction, installation, operation or maintenance of  
5 facilities for production of gas or unrefined oil to be transported  
6 by that pipeline, the first assessment date shall be the construction  
7 commencement date. If the construction commencement date is used as  
8 the assessment date, the tax payable shall be prorated on the basis of  
9 the assessment year remaining.

10 (b) The full and true value of taxable property used or intended  
11 to be used for the exploration for gas or unrefined oil, or in the  
12 erection, construction, installation, operation or maintenance of  
13 facilities for the exploration for gas or unrefined oil, is the esti-  
14 mated price which the property would bring in an open market and under  
15 the then prevailing market conditions in a sale between a willing seller  
16 and a willing buyer both conversant with the property and with prevailing  
17 general price levels.

18 (c) The full and true value of taxable property used or intended  
19 to be used for the production of gas or unrefined oil or in the  
20 erection, construction, installation, operation or maintenance of  
21 facilities for the production of gas or unrefined oil is:

22 (1) on the construction commencement date the actual cost  
23 incurred or accrued with respect to the property as of the date of  
24 assessment;

25 (2) determined on each January 1 thereafter on the basis  
26 of replacement cost less depreciation based on the economic life of  
27 proven reserves.

28 (d) The full and true value of taxable property used or intended  
29 to be used for pipeline transportation of gas or unrefined oil, or in

1 the erection, construction, installation, operation or maintenance of  
2 facilities for the pipeline transportation of gas or unrefined oil is:

3 (1) on the construction commencement date and until  
4 January 1 following the date the pipeline begins to transport gas or  
5 unrefined oil, the actual cost incurred or accrued with respect to the  
6 property as of the date of assessment;

7 (2) determined on each January 1 thereafter with due regard  
8 to the replacement cost of the pipeline the economic life of the  
9 property, including the pipeline, based on the estimated life of the  
10 proven reserves of gas or unrefined oil then technically, economically  
11 and legally deliverable into the transportation facility; however, if  
12 the proven reserves of gas or unrefined oil then technically, economi-  
13 cally and legally deliverable indicate an economic life materially  
14 shorter than the estimated physical life of the transportation facility,  
15 the full and true value is the replacement cost reduced by an annual  
16 allowance for depreciation on a straight line basis over an economic  
17 life based on the actual elapsed life from the commencement of full  
18 operation to the date of assessment plus the estimated remaining life  
19 of the proven reserves of gas and unrefined oil then technically,  
20 economically and legally deliverable into the transportation facility  
21 as of the date of the assessment; and

22 (3) on the assessment date next following inability to use  
23 or construct all or a substantial part of the facility for a period of  
24 90 or more consecutive days because of natural disaster or legal pro-  
25 hibition, or other events beyond the control of a person having owner-  
26 ship or control of the property.

27 (e) For purposes of this section "actual cost" and "replacement  
28 cost" do not include interest capitalized before or during the period  
29 of construction nor the value of intangible drilling and development

1 expenses. In the case of taxable property under construction, "actual  
2 cost" for purposes of this section means the costs incurred or accrued  
3 with respect to the property as of the date of assessment.

4 Sec. 43.56.070. RETURNS. (a) The department may require by  
5 notice every person having ownership or control of an interest in  
6 property taxable under sec. 10(a) of this chapter to submit a return  
7 in the form prescribed by the department, based on property values  
8 existing on January 1, except as otherwise provided in this chapter.

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

11 Sec. 43.56.080. INVESTIGATION. (a) The department may make an  
12 investigation of property on which a return has been filed or of taxable  
13 property upon which no return has been filed. In either case, the  
14 department may make its own valuation of the taxable property, which  
15 is prima facie evidence of full and true value.

16 (b) An employee or agent of the department may enter any premise  
17 necessary for the investigation during reasonable hours and may examine  
18 property and appropriate records. The owner of the taxable property  
19 upon request shall furnish to the employee or agent of the department  
20 reasonable assistance required for the investigation. If refused entry,  
21 the department may seek a court order to compel entry.

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

25 Sec. 43.56.090. ASSESSMENT ROLL. The department shall prepare  
26 annually the only assessment roll for taxation under sec. 10(a) of this  
27 chapter. The roll shall contain:

- 28 (1) a description of all taxable property;  
29 (2) the assessed value of all taxable property;

1 (3) the names and addresses of persons owning property  
2 subject to assessment and taxation.

3 Sec. 43.56.100. ASSESSMENT NOTICE. (a) On or before March 1  
4 of each year, the department shall send to every owner of taxable  
5 property named in the assessment roll a notice of assessment, showing  
6 the assessed value of the property. Notice of assessment is effective  
7 on the date of mailing.

8 (b) The department shall send to a municipality a copy of the  
9 notice of assessment on any taxable property which is assessed under  
10 the provisions of this chapter and which is located in the municipality  
11 and on which a tax is authorized under sec. 10(b) of this chapter.

12 Sec. 43.56.110. APPEAL TO THE DEPARTMENT. (a) An owner of  
13 taxable property or a municipality receiving an assessment notice may  
14 object to the assessment by advising the department in writing of the  
15 objections to the assessment within 20 days of the effective date of  
16 the notice.

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

19 (c) Following an objection the department may adjust the assess-  
20 ment and the assessment roll. An adjustment based on an objection from  
21 an owner of taxable property or a municipality shall be made within  
22 30 days of the effective date of the notice of assessment.

23 Sec. 43.56.120. APPEAL TO THE STATE ASSESSMENT REVIEW BOARD.

24 (a) After a ruling by the department on an appeal made under sec. 110  
25 of this chapter, the owner or a municipality may further appeal to the  
26 board. The appeal must be filed in writing within 50 days of the  
27 effective date of the notice of assessment.

28 (b) The board shall provide by regulation for notices of appeals  
29 to interested persons and municipalities.

1           Sec. 43.56.130. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a)  
2     The board shall hear appeals filed under sec. 120(a) of this chapter.

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

5           (c) The board shall provide by regulation for notices of hearings  
6     to interested persons and municipalities.

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

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

10          (f) The only grounds for adjustment of assessed value is proof of  
11     unequal, excessive or improper valuation or valuation not determined in  
12     accordance with the standards set out in this chapter, based on  
13     facts stated in a written appeal timely filed or proved at the hearing.

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

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

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

22          Sec. 43.56.140. SUPPLEMENTARY ASSESSMENT ROLLS. The department  
23     shall include property omitted from the assessment roll on a supple-  
24     mentary roll, using the procedures set out in this chapter for the  
25     original roll.

26          Sec. 43.56.150. COLLECTION AND DEPOSIT. (a) The tax levied by  
27     sec. 10(a) of this chapter is payable to the department on or before  
28     September 30 of the tax year.

29          (b) The department may provide for voluntary prepayment and for

1 payment by installments.

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

4 Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by  
5 sec. 10(a) of this chapter becomes delinquent, a penalty of 10 per cent  
6 shall be added. Interest on the delinquent taxes, exclusive of penalty,  
7 shall be assessed at a rate of eight per cent a year.

8 Sec. 43.56.170. LIEN FOR TAX. The tax levied under sec. 10(a)  
9 of this chapter and the interest and penalty provided in sec. 160 of this  
10 chapter are first and paramount liens on the property subject to tax  
11 under this chapter.

12 Sec. 43.56.180. REMEDY. The remedy of distraint on property  
13 set out in AS 43.20.270 applies to the tax levied by sec. 10(a) of  
14 this chapter. However, only property subject to the tax may be dis-  
15 trained.

16 Sec. 43.56.190. PENALTIES. A person who knowingly fails to  
17 file a return when due or who makes a false statement in a return  
18 required under this chapter with intent to evade taxation is guilty of  
19 a misdemeanor and upon conviction is punishable by a fine of not more  
20 than \$1,000 or by imprisonment for not more than six months, or by both,  
21 together with costs of prosecution.

22 Sec. 43.56.200. REGULATIONS. The board and the department may  
23 adopt regulations in accordance with AS 44.62 as appropriate to carry  
24 out their respective duties under this chapter.

25 Sec. 43.56.210. DEFINITIONS. In this chapter

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

27 (2) "construction commencement date" means:

28 (A) April 1, 1974; or

29 (B) if earlier, the date the following occur:

1 (1) there has been issued to the owner or his agent  
2 right-of-way permits, leases, and title and other rights in  
3 lands, and other approvals, permits, licenses and certificates,  
4 by federal, state and local agencies that a reasonable and  
5 prudent person would consider adequate to commence construction  
6 of the facilities in the expectation that all other approvals,  
7 permits, licenses and certificates necessary for the completion  
8 of facilities will be obtained;

9 (ii) all approvals, permits, licenses and certificates  
10 are in full force and effect, unrevoked and without any modifi-  
11 cation, which might jeopardize the completion or continued  
12 construction of the facilities; and

13 (iii) no order, judgment, decree, determination or  
14 award of a federal, state or local court or administrative or  
15 regulatory agency enjoining, either temporarily or permanently,  
16 the construction or the continuation of construction of the  
17 facilities is in effect;

18 (3) "department" means Department of Revenue;

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

21 (5) "intangible drilling and development expenses" means  
22 those expenses defined in sec. 263(c) of the United States Internal  
23 Revenue Code as defined on the effective date of this paragraph;

24 (6) "taxable property" means real and tangible personal  
25 property used or intended to be used within this state primarily in  
26 the exploration for, production of, or pipeline transportation of gas  
27 or unrefined oil (except for property used solely for the retail  
28 distribution of natural gas), or in the erection, construction,  
29 installation, operation or maintenance of facilities used in the

1 exploration for, production of or pipeline transportation of gas or  
2 unrefined oil, including machinery, appliances, supplies, equipment,  
3 drilling rigs, gathering lines and transmission lines, pumping  
4 stations, compressor stations, power plants, topping plants, processing  
5 units, roads, tank farms, tanker terminals, docks and other port  
6 facilities, air strips, communication equipment and facilities, and  
7 maintenance equipment and facilities, construction and maintenance  
8 camps and other related facilities;

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

14 \* Sec. 2. AS 29.53.025(a) is repealed.

15 \* Sec. 3. This Act takes effect on the day after its passage and approval  
16 or on the day it becomes law without approval.



Alaska State Legislature  
Senate

JUNEAU, ALASKA

NOVEMBER 11, 1973


Honorable Terry Miller,  
President of the Senate  
Honorable Tom Fink,  
Speaker of the House of Representatives

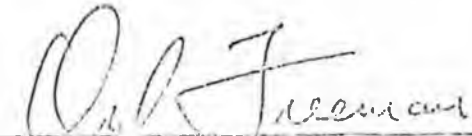
Gentlemen and Members of the Senate and House:


You have directed the attention of the members of the Free Conference Committee that considered Free Conference Committee Substitute for Senate Committee Substitute for Committee Substitute for House Bill No. 1 (ad valorem tax on oil and gas exploration, production and pipeline transportation property) to Section 5 of the bill.

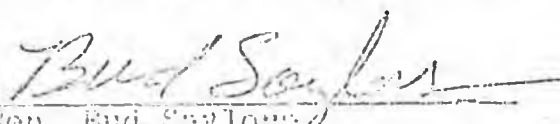
Section 5 of the bill amends AS 29.53.055 to provide that the limitations on municipal taxation proposed in Section 45 as well as those existing limitations in Section 50 of AS 29.53 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonded indebtedness.

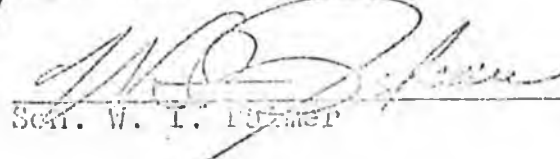
The language of Sec. 55 originally was adopted to avoid general obligation bonds being denominated as limited tax bonds which would result in higher interest costs. It is the intent of the Committee that Section 5 of the bill is not intended to expand local governments' right to tax facilities covered by this act but only to give local governments the right in case of default or pending default on bonds to exceed the limits in Sec. 45 and 50 of AS 29.53.

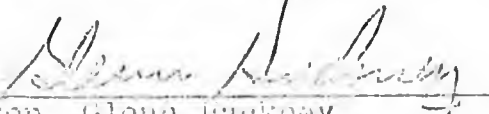
  
Sen. Bill Ray, Chairman

  
Rep. Oral Freeman, Chairman

  
Sen. John Batrovich

  
Rep. Bud Saylor

  
Sen. W. T. Palmer

  
Rep. Glenn Hackney

1 IN THE SENATE

BY SILIDES

2 SENATE BILL NO.

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 a state tax on property used  
7 in the exploration for, production of, or pipeline  
8 transportation 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 EXPLORATION, PRODUCTION AND  
13 PIPELINE TRANSPORTATION PROPERTY TAX.

14 Sec. 43.56.005. LEGISLATIVE DECLARATION OF PURPOSE. The legis-  
15 lature finds and declares that Alaska's renewable and nonrenewable  
16 resources belong to all the people of the state. Therefore it is  
17 appropriate that the residents of a community be permitted to benefit  
18 directly from the resource peculiar to that area to ensure orderly  
19 development and to improve their standard of living. However, it is  
20 unwise to permit these direct benefits to accrue solely to one locale  
21 to the exclusion of the remainder of the state's populace merely  
22 because of geological accident. By virtue of the fact that some  
23 communities will experience extraordinary population growth during  
24 the period of development of these resources, great burdens will be  
25 imposed by the rapidly expanding population on public services thus  
26 straining the financial resources of these communities beyond their  
27 fiscal ability to cope with municipal service demands unless specially  
28 assisted by the state. It is the intention of the legislature that  
29 the state share its wealth among all the people of this state according

1 to community need to ensure that every citizen and every unit of local  
2 government benefit regardless of residence or geographical location.  
3 Furthermore, it is the intention of the legislature that these shared  
4 revenues will be used by the state and the receiving units of local  
5 government to develop other nonrenewable resources and to perpetuate  
6 the conservation and increase of those renewable resources long a part  
7 of the state's heritage and economy which will outlive the supply of  
8 the nonrenewable resources.

9 Sec. 43.56.010. LEVY OF TAX. (a) An annual tax of 20 mills is  
10 levied each tax year beginning January 1, 1974, on the full and true  
11 value of taxable property taxable under this chapter.

12 (b) Instead of receiving shared revenue payments under sec. 210-  
13 (a)(1) of this chapter, a municipality may levy a tax not to exceed  
14 3.33 mills on the full and true value of taxable property taxable  
15 under this chapter. However, the total tax rate levied under this  
16 subsection and (a) of this section may not exceed 20 mills.

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

- 21 (1) the state or any of its political subdivisions upon  
22 (A) producing oil or gas leases; or  
23 (B) oil or gas produced or extracted in the state; or  
24 (2) a political subdivision upon  
25 (A) oil or gas in place;  
26 (B) possessory interests in oil or gas leaseholds  
27 whether producing or not; or  
28 (C) the value of intangible drilling, development and  
29 exploration expenses.

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

5           (1) must be a resident of the state and knowledgeable  
6 of assessment procedures; and

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

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

15           Sec. 43.56.050. ASSESSMENT. (a) The department shall assess  
16 property for the taxes levied under secs. 10(a) and 10(b) of this  
17 chapter at its full and true value as of January 1 of the assessment  
18 year.

19           (b) The full and true value of taxable property used or committed  
20 by contract or other agreement for use in the exploration for gas or  
21 unrefined oil, or in the erection, construction, installation, operation  
22 or maintenance of facilities for the exploration for gas or unrefined oil,  
23 is the estimated price which the property would bring in an open market  
24 and under the then prevailing market conditions in a sale between a  
25 willing seller and a willing buyer both conversant with the property  
26 and with prevailing general price levels.

27           (c) The full and true value of taxable property used or committed  
28 by contract or other agreement for use in the production of gas or  
29 unrefined oil or in the erection, construction, installation, operation

1 or maintenance of facilities for the production of gas or unrefined oil is:

2 (1) until January 1 following the date production begins the  
3 actual cost incurred or accrued with respect to the property as of the  
4 date of assessment;

5 (2) determined on each January 1 thereafter on the basis  
6 of replacement cost less depreciation based on the economic life of  
7 proven reserves.

8 (d) The full and true value of taxable property used or committed  
9 by contract or other agreement for use in the pipeline transportation  
10 of gas or unrefined oil, or in the erection, construction, installation,  
11 operation or maintenance of facilities for the pipeline transportation  
12 of gas or unrefined oil is:

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

16 (2) determined on each January 1 thereafter with due regard  
17 to the replacement cost of the pipeline the economic life of the  
18 property, including the pipeline, based on the estimated life of the  
19 proven reserves of gas or unrefined oil then technically, economically  
20 and legally deliverable into the transportation facility; however, if  
21 the proven reserves of gas or unrefined oil then technically, economi-  
22 cally and legally deliverable indicate an economic life materially  
23 shorter than the estimated physical life of the transportation facility,  
24 the full and true value is the replacement cost reduced by an annual  
25 allowance for depreciation on a straight line basis over an economic  
26 life based on the actual elapsed life from the commencement of full  
27 operation to the date of assessment plus the estimated remaining life  
28 of the proven reserves of gas and unrefined oil then technically,  
29 economically and legally deliverable into the transportation facility

1 as of the date of the assessment; and

2 (3) on the assessment date next following inability to use  
3 or construct all or a substantial part of the facility for a period of  
4 90 or more consecutive days because of natural disaster or legal pro-  
5 hibition, or other events beyond the control of a person having owner-  
6 ship or control of the property, adjusted to take into account any  
7 diminution in value.

8 (e) For purposes of this section "actual cost" and "replacement  
9 cost" do not include interest capitalized before or during the period  
10 of construction nor the value of intangible drilling, development and  
11 exploration expenses. In the case of taxable property partially com-  
12 pleted or under construction, "actual cost" for purposes of this section  
13 means the costs incurred or accrued with respect to the property as of  
14 the date of assessment.

15 Sec. 43.56.060. RETURNS. (a) The department may require by  
16 notice every person having ownership or control of an interest in  
17 property taxable under sec. 10 of this chapter to submit a return  
18 in the form prescribed by the department, based on property values  
19 existing on January 1, except as otherwise provided in this chapter.

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

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

27 (b) An employee or agent of the department may enter any premise  
28 necessary for the investigation during reasonable hours and may examine  
29 property and appropriate records. The owner of the taxable property

1 upon request shall furnish to the employee or agent of the department  
2 reasonable assistance required for the investigation. If refused  
3 entry, the department may seek a court order to compel entry.

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

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

- 10 (1) a description of all taxable property;
- 11 (2) the assessed value of all taxable property;
- 12 (3) the names and addresses of persons owning property  
subject to assessment and taxation.

13 Sec. 43.56.090. ASSESSMENT NOTICE. (a) Before March 2  
14 of each year, the department shall send to every owner of taxable  
15 property named in the assessment roll a notice of assessment, showing  
16 the assessed value of the property. Notice of assessment is effective  
17 on the date of mailing.

18 (b) The department shall send to a municipality a copy of the  
19 notice of assessment on any taxable property which is assessed under  
20 the provisions of this chapter and which is located in the municipality  
21 and on which a tax is authorized under sec. 10(b) of this chapter.

22 Sec. 43.56.100. APPEAL TO THE DEPARTMENT. (a) An owner of  
23 taxable property or a municipality receiving an assessment notice may  
24 object to the assessment by advising the department in writing of the  
25 objections to the assessment within 20 days of the effective date of the notice.

26 (b) The department shall provide by regulation for notices of  
27 appeals to interested persons and municipalities.

28 (c) Following an objection the department may adjust the assess-

1 ment and the assessment roll. An adjustment based on an objection from  
2 an owner of taxable property or a municipality shall be made within  
3 30 days of the effective date of the notice of assessment.

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

5 (a) After a ruling by the department on an appeal made under sec. 100  
6 of this chapter, the owner or a municipality may further appeal to the  
7 board. The appeal must be filed in writing within 50 days of the  
8 effective date of the notice of assessment.

9 (b) The board shall provide by regulation for notices of appeals  
10 to interested persons and municipalities.

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

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

15 (c) The board shall provide by regulation for notices of hearings  
16 to interested persons and municipalities.

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

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

20 (f) The only grounds for adjustment of assessed value is proof of  
21 unequal, excessive or improper valuation or valuation not determined in  
22 accordance with the standards set out in this chapter, based on  
23 facts stated in a written appeal timely filed or proved at the hearing.

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

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

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

3 Sec. 43.56.130. SUPPLEMENTARY ASSESSMENT ROLLS. The department  
4 shall include property omitted from the assessment roll on a supple-  
5 mentary roll, using the procedures set out in this chapter for the  
6 original roll.

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

10 (b) The department may provide for voluntary prepayment and for  
11 payment by installments.

12 (c) If a municipality levies the tax authorized by sec. 10(b)  
13 of this chapter, the department shall collect the tax under this  
14 chapter and promptly remit it to the municipality.

15 (d) All other taxes, interest and penalties collected under this  
16 chapter shall be deposited in the general fund. However, interest  
17 and penalties applicable to taxes collected by the department for a  
18 municipality under sec. 10(b) of this chapter shall be remitted  
19 promptly to the municipality levying the tax.

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

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

28 Sec. 43.56.170. REMEDY. The remedy of distraint on property  
29 set out in AS 43.20.270 applies to the tax levied by sec. 10 of

1 this chapter. However, only property subject to the tax may be dis-  
2 trained.

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

9 Sec. 43.56.190. REGULATIONS. The board, the department, and the  
10 Department of Community and Regional Affairs may adopt regulations  
11 in accordance with the Administrative Procedure Act (AS 44.62) as  
12 appropriate to carry out their respective duties under this chapter.

13 Sec. 43.56.200. AUTHORIZATION OF APPROPRIATION. There is  
14 authorized to be appropriated to the Department of Community and  
15 Regional Affairs each year an amount equal to one-half of the sum  
16 of the amount deposited in the general fund under sec. 150 of this  
17 chapter.

18 Sec. 43.56.210. DISTRIBUTION TO LOCAL GOVERNMENT OF SHARED  
19 REVENUES. (a) As soon as practicable following the annual appropria-  
20 tion provided for in sec. 200 of this chapter, the Department of  
21 Community and Regional Affairs shall distribute the sum appropriated  
22 among the eligible receiving units of local government as follows:

23 (1) An amount equal to one-third of the sum appropriated to  
24 the Department of Community and Regional Affairs shall be divided among  
25 the organized boroughs and cities outside an organized borough that  
26 contain within their boundaries taxable property taxable under this  
27 chapter according to the following formula:

28 
$$D = \frac{AVRU}{TAV} \times \frac{S}{3}$$

29 where

1 D = the payment distributed to each eligible receiving unit of  
2 local government;

3 AVRU = the assessed valuation of the taxable property taxable  
4 under this chapter in each eligible receiving unit of local government;

5 TAV = the total assessed valuation of the taxable property  
6 taxable under this chapter in all organized boroughs and cities outside  
7 an organized borough that contain within their boundaries taxable  
8 property taxable under this chapter;

9 S = the sum appropriated to the Department of Community and  
10 Regional Affairs under sec. 200 of this chapter.

11 (2) an amount equal to 26-2/3 per cent of the sum appropri-  
12 ated to the Department of Community and Regional Affairs shall be  
13 divided among the organized boroughs and cities outside an organized  
14 borough that contain within their boundaries taxable property taxable  
15 under this chapter according to the following formula:

$$16 \quad D = \frac{\text{PRUT}}{\text{TPRU}} \times \frac{S}{3.75}$$

17 where

18 D = the payment distributed to each eligible receiving unit of  
19 local government;

20 PRUT = the population of each organized borough or city outside  
21 an organized borough that contains within boundaries taxable property  
22 taxable under this chapter;

23 TPRU = the total population of the organized boroughs and cities  
24 outside an organized borough that contain within their boundaries  
25 taxable property taxable under this chapter;

26 S = the sum appropriated to the Department of Community and  
27 Regional Affairs under sec. 200 of this chapter.

28 However, an amount paid to an eligible receiving unit of local govern-  
29 ment under this paragraph may not exceed 3.5 per cent of the assessed

1 valuation of the taxable property taxable under this chapter that  
2 lies within the boundaries of the eligible receiving unit of local  
3 government.

4 (3) An amount equal to 40 per cent of the sum appropriated  
5 to the Department of Community and Regional Affairs shall be divided  
6 among each organized borough and each city outside an organized borough  
7 in the state according to the following formula:

$$8 \quad D = \frac{\text{PRU}}{\text{TPS}} \times \frac{S}{2.5}$$

9 where

10 D = the payment distributed to each eligible receiving unit of  
11 local government;

12 PRU = the population of each organized borough and each city out-  
13 side an organized borough;

14 TPS = the total population of the state;

15 S = the sum appropriated to the Department of Community and  
16 Regional Affairs under sec. 200 of this chapter.

17 (b) After June 30, 1979, the proportions of the sum appropriated  
18 under sec. 200 of this chapter to be distributed to eligible receiving  
19 units of local government under (a)(1), (2) and (3) of this section  
20 shall be 20 per cent, 20 per cent and 60 per cent, respectively.

21 (c) When an organized borough is the unit receiving the payment  
22 distributed by the Department of Community and Regional Affairs under  
23 this section, the borough shall first apply the payment to the cost  
24 of areawide operation and maintenance of public schools under AS 14.-  
25 40.060 and AS 29.33.050. If a balance remains in the payment, it  
26 shall be divided by the borough among the cities and service areas  
27 lying within the borough in the proportion that the population of a  
28 city or service area bears to the total population of the borough.

29 (d) As used in this section, "population" means that number of

1 inhabitants residing within each organized borough, city within or  
2 outside an organized borough, service area within an organized borough,  
3 or in the state, as determined by the Department of Community and  
4 Regional Affairs based on the latest statistics of the United States  
5 Bureau of the Census or on other reliable population data.

6 Sec. 43.56.220. ANTICIPATORY BORROWING. After the effective  
7 date of this chapter, an organized borough or a city eligible to receive  
8 a payment from the state under sec. 210 of this chapter may borrow  
9 from the state in accordance with AS 29.58.010 - 29.58.060 in anticipa-  
0 tion of receipt of the payment authorized under sec. 210 of this  
1 chapter. A revenue anticipation note shall bear interest at the rate  
2 of six per cent a year on the unpaid balance effective from the date  
3 of the note. The commissioner of community and regional affairs shall  
4 deduct from any payment made under sec. 210 of this chapter all pay-  
5 ments of principal and interest due the state under a revenue anticipa-  
6 tion note issued by a borough or city under this section. The authority  
7 to issue revenue anticipation notes under this section expires June 30,  
8 1979, unless extended by the legislature.

9 Sec. 43.56.230. DEFINITIONS. In this chapter

- 10 (1) "board" means State Assessment Review Board;
- 11 (2) "department" means Department of Revenue;
- 12 (3) "gas" includes all natural gas and all hydrocarbons  
13 produced at the wellhead not defined as oil;
- 14 (4) "taxable property" means real and tangible personal  
15 property used or committed by contract or other agreement for use in  
16 this state primarily in the exploration for, production of, or pipeline  
17 transportation of gas or unrefined oil (except gas pipeline systems  
18 operating as utilities and regulated by the Alaska Public Utilities  
19 Commission), or in the erection, construction, installation, operation

1 or maintenance of facilities used in the exploration for, production  
2 of or pipeline transportation of gas or unrefined oil, including  
3 machinery, appliances, supplies, equipment, drilling rigs, gathering  
4 lines and transmission lines, pumping stations, compressor stations,  
5 power plants, topping plants, processing units, roads, tank farms,  
6 tanker terminals, docks and other port facilities, air strips, communi-  
7 cation equipment and facilities, and maintenance equipment and facili-  
8 ties, construction and maintenance camps and other related facilities;  
9 "taxable property" does not include permanent residences or office  
10 buildings requiring substantial local government services;

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

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

17 Sec. 29.53.045. OIL AND GAS PROPERTIES. No municipality may  
18 assess, levy or collect an ad valorem tax on the value of intangible  
19 drilling, development and exploration expenses, oil or gas in place,  
20 or possessory interests in oil or gas leaseholds whether producing or  
21 not. This prohibition does not limit the collectability of any tax  
22 levied before the effective date of this section.

23 \* Sec. 3. AS 43.55.010(b) is repealed and re-enacted to read:

24 (b) Except for the imposition of the oil and gas exploration,  
25 production and transportation property tax (ch. 56 of this title, the  
26 tax imposed by this chapter is in place of all taxes imposed by

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

28 (A) producing oil or gas leases; or

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

- 1 (2) a political subdivision upon  
2 (A) oil or gas in place;  
3 (B) possessory interests in oil or gas leaseholds  
4 whether producing or not; or  
5 (C) the value of intangible drilling, development and  
6 exploration expenses.

7 \* Sec. 4. This Act takes effect on the day after its passage and approval  
8 or on the day it becomes law without approval.  
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FY  
1975

REVENUE AVAILABLE TO EXISTING & POTENTIAL LOCAL GOVERNMENTS

AREA	1975 PROJECTED POPULATION	\$ LIMIT @ \$2,000 PER CAPITA	OIL-RELATED TAXABLE PROPERTY	MILLS	REVENUES GENERATED BY VARIOUS MILL LEVIES
NORTH SLOPE	4,000	\$ 8,000,000	\$353,300,000	10 20 30	<i>1,165,870</i> \$ 3,530,000 6,060,000 10,590,000
NORTH STAR	40,000	80,000,000	94,000,000	10 20 30	<i>310,200</i> 940,000 1,880,000 2,820,000
* FT. YUKON	1,500	3,000,000	--	10 20 30	
* S.E. FAIRBANKS (TOK)	4,500	9,000,000	--	10 20 30	
* ANHWA REGIONAL CORP. (Chitna, Glennallen, etc.)	2,000	4,000,000	--	10 20 30	
VALDEZ	2,000	4,000,000	131,000,000	10 20 30	<i>732,300</i> 1,310,000 2,620,000 3,930,000
Sum =	<i>54,000</i>		Sum = <i>578,300,000</i>		
Kenai	<i>14,000</i>				
	<i>68,000</i>				

\*Boroughs that might possibly be created and together would contain most of the pipeline not in existing borough's or municipalities. These areas are a combination of regional corporations and census districts.

\$12,870,000 Maximum total burden on petroleum industry (assuming a 10 mill levy in the North Star Borough).

*Special figures are @ 3 1/3 mills or 1/6 of authorized appropriation as per Alaska Housing formula.*

FY  
1976

REVENUE AVAILABLE TO EXISTING & POTENTIAL LOCAL GOVERNMENTS

AREA	1975 PROJECTED POPULATION	\$ LIMIT @ \$2,000 PER CAPITA	OIL-RELATED TAXABLE PROPERTY	MILLS	REVENUES GENERATED BY VARIOUS MILL LEVIES
NORTH SLOPE	4,000	\$ 8,000,000	\$675,800,000	10 20 30	<i>2,250,140</i> \$ 6,758,000 12,516,000
NORTH STAR	40,000	80,000,000	92,000,000	10 20 30	<i>303,600</i> 920,000
* FT. YUKON	1,500	3,000,000	**150,000,000	10 20 30	<i>475,000</i> \$ 1,500,000 3,000,000
* S.E. FAIRBANKS (TOK)	4,500	9,000,000	**150,000,000	10 20 30	<i>475,000</i> 1,500,000 3,000,000 4,500,000
* AHTNA REGIONAL CORP. (Chitna, Glennallen, etc.)	2,000	4,000,000	**100,000,000	10 20 30	<i>330,000</i> 1,000,000 2,000,000 3,000,000
VALDEZ	2,000	4,000,000	279,000,000	10 20 30	<i>920,700</i> 2,790,000 5,580,000
<i>Kenai</i>	<i>14,000</i>				
	<i>68,000</i>				
			<i>Sum = 1,446,800,000</i>		

\*Boroughs that might possibly be created and together would contain most of the pipeline not in existing borough's or municipalities. These areas are a combination of regional corporations and census districts.

\$ 23,420,000 maximum total burden on petroleum industry (assuming a 10 mill levy in the North Star Borough).

\*\*These estimates represent a compromise between a dollar per-mile average and the Department of Revenue's estimate of total value not contained within existing boroughs. :

*Same note as page 1*

FY  
1977

REVENUE AVAILABLE TO EXISTING & POTENTIAL LOCAL GOVERNMENTS

<u>AREA</u>	<u>1975 PROJECTED POPULATION</u>	<u>\$ Limit @ \$2,000 PER CAPITA</u>	<u>OIL-RELATED TAXABLE PROPERTY</u>	<u>MILL LEVY NECESSARY TO GENERATE MAX. REVENUE</u>
NORTH SLOPE	4,000	\$ 8,000,000	\$1,091,000,000	7.3 mills (\$8,000,000) <i>3,600,000</i>
NORTH STAR	40,000	80,000,000	179,000,000	10 mills (\$1,790,000) <i>590,700</i>
* FT. YUKON	1,500	3,000,000	300,000,000	10 mills (\$3,000,000) <i>970,000</i>
* S.E. FAIRBANKS (Tok)	4,500	9,000,000	300,000,000	30 mills (\$9,000,000) <i>970,000</i>
* AHTNA REGIONAL CORP. (Chitna, Glennallen, etc.)	2,000	4,000,000	250,000,000	16 mills (\$4,000,000) <i>825,000</i>
VALDEZ	2,000	4,000,000	<u>544,000,000</u>	7.4 mills (\$4,000,000) <i>1,795,000</i>

*Sum = 2,664,000,000*

\*Boroughs that might possibly be created and together would contain most of the pipeline not in existing borough's or municipalities. These areas are a combination of regional corporations and census districts.

\$29,790,000 Maximum total burden on petroleum industry (assuming a 10 mill levy in the North Star Borough).

\*\*These estimates represent a compromise between a dollar per-mile average and the Department of Revenue's estimate of total value not contained within existing boroughs.

*Same note as on Page 1*

Note that under any millage levy, rural areas outside Urban Areas providing services. *See note on Page 1*

FY  
1978

REVENUE AVAILABLE TO EXISTING & POTENTIAL LOCAL GOVERNMENTS

<u>AREA</u>	<u>1975 PROJECTED POPULATION</u>	<u>\$ Limit @ \$2,000 PER CAPITA</u>	<u>OIL-RELATED TAXABLE PROPERTY</u>	<u>MILL LEVY NECESSARY TO GENERATE MAX. REVENUE</u>
NORTH SLOPE	4,000	\$ 8,000,000	\$1,579,900,000	5 mills (\$8,000,000) <i>5,213,670</i>
NORTH STAR	40,000	80,000,000	271,000,000	10 mills (\$2,710,000) <i>870,300</i>
* FT. YUKON	1,500	3,000,000	500,000,000	6 mills (\$3,000,000) <i>1,650,000</i>
* S.E. FAIRBANKS (Tok)	4,500	9,000,000	450,000,000	20 mills (\$9,000,000) <i>1,485,000</i>
* ANHMA REGIONAL CORP. (Chitna, Glennallen, etc.)	2,000	4,000,000	400,000,000	10 mills (\$4,000,000) <i>1,520,000</i>
VALDEZ	2,000	4,000,000	823,000,000	4.8 mills (\$4,000,000) <i>2,715,900</i>
<i>Sum = 4,023,900,000</i>				

\*Boroughs that might possibly be created and together would contain most of the pipeline not in existing borough's or municipalities. These areas are a combination of regional corporations and census districts.

\$30,710,000 Maximum total burden on petroleum industry (assuming a 10 mill levy in the North Star Borough).

\*\*These estimates represent a compromise between a dollar per-mile average and the Department of Revenue's estimate of total value not contained within existing boroughs.

*Same note as on Page 1*

Net Taxable Valuations by Regions  
Includes Changes Incorporated in CSMB 1 am  
(Expressed in millions of dollars)

	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
North Slope Borough	\$353.3	\$ 675.8	\$1,091.9	\$1,579.7	\$1,745.8	\$1,778.7	\$1,783.7	\$1,765.0	\$1,743.9
Upper Yukon Borough*		198.0	386.6	584.7	613.5	625.4	637.1	648.4	659.2
North Star Borough	94.0	92.0	179.0	271.0	284.4	289.9	295.3	300.5	305.5
S.E. Fairbanks Borough*		64.8	126.5	191.4	200.8	204.7	208.5	212.2	215.7
Ahtna Borough*		82.8	161.7	244.5	256.4	261.5	266.4	271.1	275.6
Valdez	131.0	279.0	544.0	823.0	863.6	880.5	896.8	912.7	931.3
Kenai	283.7	276.6	268.1	258.0	246.3	232.7	217.3	199.5	179.6
Other (Unorganized Boroughs)		<u>14.4</u>	<u>28.2</u>	<u>42.6</u>	<u>44.6</u>	<u>45.5</u>	<u>46.3</u>	<u>47.1</u>	<u>47.9</u>
Totals	<u>\$862.0</u>	<u>\$1,683.4</u>	<u>\$2,786.0</u>	<u>\$3,994.9</u>	<u>\$4,255.4</u>	<u>\$4,328.9</u>	<u>\$4,351.4</u>	<u>\$4,356.5</u>	<u>\$4,358.7</u>

\* These Boroughs are anticipated.  
If they do not form these valuations will remain in the Unorganized Boroughs.

Population Estimate - By Region  
(Expressed in thousands)

	<u>FY</u> <u>1975</u>	<u>FY</u> <u>1976</u>	<u>FY</u> <u>1977</u>	<u>FY</u> <u>1978</u>	<u>FY</u> <u>1979</u>	<u>FY</u> <u>1980</u>	<u>FY</u> <u>1981</u>	<u>FY</u> <u>1982</u>	<u>FY</u> <u>1983</u>
North Slope Borough	4.8	4.8	4.6	4.5	4.4	4.3	4.2	4.1	4.0
Upper Yukon Borough	1.5	1.6	1.8	1.7	1.6	1.5	1.4	1.4	1.4
North Star Borough	50.0	51.0	52.0	53.0	54.0	55.0	56.0	57.0	58.0
S.E. Fairbanks Borough	4.8	4.9	5.1	5.2	5.1	5.0	4.8	4.6	4.5
Ahtna Borough	3.0	3.2	3.5	3.6	3.5	3.4	3.3	3.0	2.8
Valdez	1.8	2.0	2.2	2.0	2.0	2.0	2.0	2.1	2.2
Kenai	17.0	17.5	18.0	18.5	19.0	19.5	20.0	20.5	21.0