

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

SB/HB lam cont., 32020

Projected Regional Millage Rates Using
\$1,000 Per Capita Ceiling on Estimated Valuations

Formula is:
$$\frac{\text{Estimated Population} \times \$1,000}{\text{Estimated Valuation}} = \text{Millage Rate}$$

	<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	13.6	7.1	4.2	2.8	2.5	2.4	2.4	2.3	2.3
Upper Yukon Borough		8.1	4.6	2.9	2.6	2.4	2.2	2.2	2.1
North Star Borough *	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
S.E. Fairbanks Borough		20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Aktna Borough		20.0	20.0	14.7	13.6	13.0	12.4	11.1	10.2
Valdez	13.7	7.2	4.0	2.4	2.3	2.3	2.2	2.3	2.4
Kenai*	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

* The North Star Borough and the Kenai Borough are estimated at a straight 10 mill levy. It is assumed that with their relatively high populations that Borough-wide taxes would not be expected to exceed 10 mills. The present rate for each is as follows:

North Star - 6.50 mills

Kenai - 6.40 mills

Projected Regional Millage Rates Using
\$1,500 Per Capita Ceiling on Estimated Valuations

Formula is:
$$\frac{\text{Estimated Population} \times \$1,500}{\text{Estimated Valuation}} = \text{Millage Rate}$$

	<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	20.0	10.7	6.3	4.3	3.8	3.6	3.5	3.5	3.4
Upper Yukon Borough		12.1	7.0	4.4	3.9	3.6	3.3	3.2	3.2
North Star Borough*	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
S.E. Fairbanks Borough		20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Ahtna Borough		20.0	20.0	20.0	20.0	19.5	18.6	16.6	15.2
Valdez	20.0	10.7	6.1	3.6	3.5	3.4	3.3	3.4	3.5
Kenai*	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

* The North Star Borough and the Kenai Borough are estimated at a straight 10 mill levy. It is assumed that with their relatively high populations that Borough-wide taxes would not be expected to exceed 10 mills. The present rate for each is as follows:

North Star - 6.50 mills

Kenai - 6.40 mills

Projected Regional Millage Rates Using
\$2,000 Per Capita Ceiling on Estimated Valuations

$$\text{Formula is: } \frac{\text{Estimated Population} \times \$2,000}{\text{Estimated Valuation}} = \text{Millage Rate}$$

	<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	20.0	13.8	8.4	5.7	5.0	4.8	4.7	4.6	4.6
Upper Yukon Borough		15.2	9.3	5.8	5.2	4.8	4.4	4.3	4.2
North Star Borough*		10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
S.E. Fairbanks Borough		20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Ahtna Borough		20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Valdez	20.0	14.3	8.1	4.9	4.6	4.5	4.5	4.6	4.7
Kenai*	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

* The North Star Borough and the Kenai Borough are estimated at a straight 10 mill levy. It is assumed that with their relatively high populations that Borough-wide taxes would not be expected to exceed 10 mills. The present rate for each is as follows:

North Star - 6.50 mills

Kenai - 6.40 mills

Estimated Net State Revenues From 20 mill Tax
With Credit for Local Levy Limited to \$1,000 per Capita
(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>
Gross State Revenue (at 20 mills)	<u>\$14.4</u>	<u>\$33.7</u>	<u>\$55.7</u>	<u>\$79.9</u>	<u>\$85.2</u>	<u>\$86.6</u>	<u>\$87.0</u>	<u>\$87.1</u>	<u>\$87.2</u>
Less Credits computed at estimated millage rate imposed by Municipalities x estimated valuations in each fiscal year:									
*** North Slope Borough	4.8	4.8	4.6	4.5	4.4	4.3	4.2	4.1	4.1
*** Upper Yukon Borough		1.6	1.8	1.7	1.6	1.5	1.4	1.4	1.4
* North Star Borough	.9	.9	1.8	2.7	2.9	2.9	2.9	3.0	3.0
** S.E. Fairbanks Borough		1.3	2.5	3.8	4.0	4.1	4.2	4.2	4.2
*** Ahtna Borough		1.7	3.2	3.6	3.5	3.4	3.3	3.0	2.9
*** Valdez	1.8	2.0	2.2	2.0	2.0	2.0	2.0	2.1	2.1
* Kenai	<u>2.9</u>	<u>2.7</u>	<u>2.7</u>	<u>2.6</u>	<u>2.5</u>	<u>2.3</u>	<u>2.2</u>	<u>2.0</u>	<u>1.8</u>
Total Credit Allowable	<u>\$10.4</u>	<u>\$15.0</u>	<u>\$18.8</u>	<u>\$20.9</u>	<u>\$23.9</u>	<u>\$20.5</u>	<u>\$20.2</u>	<u>\$19.8</u>	<u>\$19.5</u>
Net State Revenue	<u>\$ 4.0</u>	<u>\$13.7</u>	<u>\$36.9</u>	<u>\$59.0</u>	<u>\$61.3</u>	<u>\$66.1</u>	<u>\$66.8</u>	<u>\$67.3</u>	<u>\$67.7</u>

Notes:

- * The North Star Borough and the Kenai Borough are calculated at a straight 10 mill levy. It is assumed that with their relatively large population that borough-wide taxes would not be expected to exceed 10 mills. The present rate for each is:
North Star Borough - 6.50
Kenai Borough - 6.40

** The proposed S.E. Fairbanks Borough is calculated at 20 mills, the maximum credit allowed and is below the \$1,000 per capita ceiling imposed.

*** These boroughs are calculated at variable millage rates not to exceed the maximum \$1,000 per capita ceiling imposed.

Estimated Net State Revenues From 20 mill Tax
With Credit for Local Levy Limited to \$1,500 per Capita
(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>
Gross State Revenue (at 20 mills)	<u>\$14.4</u>	<u>\$33.7</u>	<u>\$55.7</u>	<u>\$79.9</u>	<u>\$85.1</u>	<u>\$86.6</u>	<u>\$87.0</u>	<u>\$87.1</u>	<u>\$87.2</u>
Less Credits computed at estimated millage rate imposed by Municipalities x estimated valuations in each fiscal year:									
*** North Slope Borough	7.0	7.2	6.9	6.7	6.6	6.4	6.3	6.1	6.0
*** Upper Yukon Borough		2.4	2.7	2.6	2.4	2.3	2.1	2.1	2.1
* North Star Borough	.9	.9	1.8	2.7	2.8	2.9	2.9	3.0	3.1
** S.E. Fairbanks Borough		1.3	2.5	3.8	4.0	4.1	4.2	4.2	4.3
*** Ahtna Borough		1.7	3.2	4.9	5.1	5.1	4.9	4.5	4.2
*** Valdez	2.6	3.0	3.3	3.0	3.0	3.0	3.0	3.2	3.3
* Kenai	<u>2.8</u>	<u>2.8</u>	<u>2.7</u>	<u>2.6</u>	<u>2.5</u>	<u>2.3</u>	<u>2.2</u>	<u>2.0</u>	<u>1.8</u>
Total Credits Allowable	<u>\$13.5</u>	<u>\$19.3</u>	<u>\$23.1</u>	<u>\$26.3</u>	<u>\$26.4</u>	<u>\$26.1</u>	<u>\$25.6</u>	<u>\$25.1</u>	<u>\$24.8</u>
Net State Revenue	<u>\$.9</u>	<u>\$14.4</u>	<u>\$32.6</u>	<u>\$53.6</u>	<u>\$58.7</u>	<u>\$60.5</u>	<u>\$61.4</u>	<u>\$62.0</u>	<u>\$62.4</u>

Notes:

* The North Star Borough and the Kenai Borough are calculated at a straight 10 mill levy. It is assumed that with their relatively large population that borough-wide taxes would not be expected to exceed 10 mills. The present rate for each is:
North Star Borough - 6.50
Kenai Borough - 6.40

** The proposed S.E. Fairbanks Borough is calculated at 20 mills, the maximum credit allowed and is below the \$1,500 per capita ceiling imposed.

*** These boroughs are calculated at variable millage rates not to exceed the maximum \$1,500 per capita ceiling imposed.

Estimated Net State Revenues From 20 mill Tax
With Credit for Local Levy Limited to \$2,000 per Capita
(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>
Gross State Revenue (at 20 mills)	<u>\$14.3</u>	<u>\$33.7</u>	<u>\$55.7</u>	<u>\$79.9</u>	<u>\$85.1</u>	<u>\$86.6</u>	<u>\$87.0</u>	<u>\$87.1</u>	<u>\$87.2</u>
Less Credits computed at esti- mated millage rate imposed by Municipalities x estimated valu- ations in each fiscal year:									
*** North Slope Borough	\$ 7.1	9.3	9.2	9.0	8.8	8.6	8.4	8.2	8.0
*** Upper Yukon Borough		3.2	3.6	3.4	3.2	3.0	2.8	2.8	2.8
* North Star Borough	.9	.9	1.8	2.7	2.8	2.9	2.9	3.0	3.1
** S.E. Fairbanks Borough		1.3	2.5	3.8	4.0	4.1	4.2	4.2	4.3
** Ahtna Borough		1.7	3.2	4.9	5.1	5.3	5.3	5.4	5.5
*** Valdez	2.6	4.0	4.4	4.0	4.0	4.0	4.0	4.2	4.4
* Kenai	<u>2.8</u>	<u>2.8</u>	<u>2.7</u>	<u>2.6</u>	<u>2.5</u>	<u>2.3</u>	<u>2.2</u>	<u>2.0</u>	<u>1.8</u>
Total Credits Allowable	<u>\$13.4</u>	<u>\$23.2</u>	<u>\$27.4</u>	<u>\$30.4</u>	<u>\$30.4</u>	<u>\$30.1</u>	<u>\$29.7</u>	<u>\$29.8</u>	<u>\$29.9</u>
Net State Revenue	<u>\$ 0.9</u>	<u>\$10.5</u>	<u>\$28.3</u>	<u>\$49.5</u>	<u>\$54.7</u>	<u>\$56.5</u>	<u>\$57.3</u>	<u>\$57.3</u>	<u>\$57.3</u>

Notes:

* The North Star Borough and the Kenai Borough are calculated at a straight 10 mill levy. It is assumed that with their relatively large population that borough-wide taxes would not be expected to exceed 10 mills. The present rate for each is:
North Star Borough - 6.50
Kenai Borough - 6.40

** The proposed S.E. Fairbanks Borough and the Ahtna Borough are calculated at 20 mills, the maximum credit and are below the \$2,000 per capita ceiling imposed.

*** These boroughs are calculated at variable millage rates not to exceed the maximum \$2,000 per capita ceiling imposed.

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			\$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.

Estimate of Net State Revenues
 Allowing 200% Valuation Formula Credit
 Oil and Gas Properties

	<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>
Oil and Gas Property - Gross State Valuation (in millions)	<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>
Less Values Attributed to Regions under Formula of Oil and Gas Properties Only:									
North Slope Borough	\$120.0	\$ 138.9	\$ 130.1	\$ 203.3	\$ 198.4	\$ 188.3	\$ 178.2	\$ 167.3	\$ 157.5
Upper Yukon Borough	-0-	44.5	62.4	76.1	71.1	64.1	57.3	55.2	53.3
North Star Borough	94.0	92.0	179.0	271.0	284.4	289.9	295.3	300.5	305.5
S.E. Firbanks Borough	-0-	64.8	126.5	191.4	200.8	204.7	208.5	206.1	196.5
Ahtna Borough	-0-	82.8	126.3	168.4	163.8	155.0	146.2	127.1	113.9
Valdez	38.8	52.4	72.6	85.1	85.0	82.5	79.9	81.7	83.9
Kenai	<u>283.7</u>	<u>276.6</u>	<u>268.1</u>	<u>258.0</u>	<u>246.3</u>	<u>232.7</u>	<u>217.3</u>	<u>199.5</u>	<u>178.6</u>
Total Municipal Valuations	<u>\$536.5</u>	<u>\$ 752.0</u>	<u>\$ 965.0</u>	<u>\$1,253.3</u>	<u>\$1,249.8</u>	<u>\$1,217.2</u>	<u>\$1,182.7</u>	<u>\$1,137.4</u>	<u>\$1,089.2</u>
Net State Valuation	<u>\$325.5</u>	<u>\$ 931.4</u>	<u>\$1,821.0</u>	<u>\$2,741.6</u>	<u>\$3,005.6</u>	<u>\$3,111.7</u>	<u>\$3,168.7</u>	<u>\$3,219.1</u>	<u>\$3,269.5</u>
Net Tax at 20 mills (in millions)	<u>\$ 6.5</u>	<u>\$ 18.6</u>	<u>\$ 36.4</u>	<u>\$ 54.8</u>	<u>\$ 60.1</u>	<u>\$ 62.2</u>	<u>\$ 63.3</u>	<u>\$ 64.4</u>	<u>\$ 65.4</u>

Estimate of Net State Revenues
 Allowing 200% Valuation Formula Credit
 Oil and Gas Properties

	<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>
Oil and Gas Property - Gross State Valuation (in millions)	<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>
Less Values Attributed to Regions under Formula of Oil and Gas Properties Only:									
North Slope Borough	\$120.0	\$ 138.9	\$ 130.1	\$ 203.3	\$ 198.4	\$ 188.3	\$ 178.2	\$ 167.3	\$ 157.5
Upper Yukon Borough	-0-	44.5	62.4	76.1	71.1	64.1	57.3	55.2	53.3
North Star Borough	94.0	92.0	179.0	271.0	284.4	289.9	295.3	300.5	305.5
S.E. Firbanks Borough	-0-	64.8	126.5	191.4	200.8	204.7	208.5	206.1	196.5
Ahtna Borough	-0-	82.8	126.3	168.4	163.8	155.0	146.2	127.1	113.9
Valdez	38.8	52.4	72.6	85.1	85.0	82.5	79.9	81.7	83.9
Kenai	<u>283.7</u>	<u>276.6</u>	<u>268.1</u>	<u>258.0</u>	<u>246.3</u>	<u>232.7</u>	<u>217.3</u>	<u>199.5</u>	<u>178.6</u>
Total Municipal Valuations	<u>\$536.5</u>	<u>\$ 752.0</u>	<u>\$ 965.0</u>	<u>\$1,253.3</u>	<u>\$1,249.8</u>	<u>\$1,217.2</u>	<u>\$1,182.7</u>	<u>\$1,137.4</u>	<u>\$1,089.2</u>
Net State Valuation	<u>\$325.5</u>	<u>\$ 931.4</u>	<u>\$1,821.0</u>	<u>\$2,741.6</u>	<u>\$3,005.6</u>	<u>\$3,111.7</u>	<u>\$3,168.7</u>	<u>\$3,219.1</u>	<u>\$3,269.5</u>
Net Tax at 20 mills (in millions)	<u>\$ 6.5</u>	<u>\$ 18.6</u>	<u>\$ 36.4</u>	<u>\$ 54.8</u>	<u>\$ 60.1</u>	<u>\$ 62.2</u>	<u>\$ 63.3</u>	<u>\$ 64.4</u>	<u>\$ 65.4</u>

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B - JUNEAU 99801

November 2, 1973

The Honorable Cliff Groh
Alaska State Senate
Pouch V
Juneau, Alaska 99801

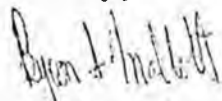
Dear Senator Groh:

Transmitted herewith is a summary of the Department's thoughts on SB 1 respecting return of revenues from an ad valorem levy against certain oil and gas properties, together with a suggested alternative method of setting a limit on revenues which a municipality may recover. The document was first forwarded to Senator John Rader, Chairman of the Senate Community and Regional Affairs Committee, who suggested that, because members of that Committee were in the process of final "mark-up," it be brought to the attention of the Finance Committee in its consideration of SB 1.

Because the suggested amendment is intended to serve only as an "equalizing" factor among municipalities in which are located oil and gas properties, I would commend to the Committee's attention consideration of a sharing device for revenues received that would benefit other municipal governments for those purposes described in the document.

I and members of my staff are available at your convenience should you wish to discuss this matter.

Sincerely,


Byron I. Mallott
Commissioner

BIM:JBC:mw

Enclosure

The characteristics of oil and gas development, production and transportation investments now or hereinafter located in the State invite consideration by the Legislature of the disparity of taxable property among regions of the State and of a method of equalizing tax burdens among local governments having widely varying tax resources. The taxable value of improvements associated with construction and operation of the trans-Alaska pipeline and subsequent investments to locate and deliver known reserves of oil and natural gas will, nearly double the assessed valuation of properties in the State. The immediate impact is not, however, statewide, being confined to a corridor through central Alaska that generally includes rural regions having little or no permanent resident population. Excepting only the few years of construction activity, both the trans-Alaska pipeline and later facilities to recover and transport petroleum products are capital intensive. The ratio of investment to numbers of persons permanently employed residing in the affected communities or regions through which the pipeline(s) may pass holds the promise of increasing the tax base of the particular communities without increasing significantly the demand for services which residents may require. The disparity in the distribution of taxable property among the State's local jurisdictions, and the prospect that the public revenue potential of the taxable property used for oil and gas development, production and transportation will not be optimally realized, forcefully remind us that the power to levy and collect property taxes rests inherently with the State subject, of course, to State policy to share this tax resource equitably with local governments.

The Department of Community and Regional Affairs suggests that the treatment of ad valorem taxation of these investments is a matter of State concern and cannot remain within the exclusive jurisdiction of political subdivisions wherein substantial improvements are located by fortune of geography. To that end, the administration of Governor William A. Egan has transmitted for your consideration an outline of alternatives suggesting methods of distribution of revenues collected from an ad valorem levy. It is to one of these--the proposal which establishes a "ceiling" or limitation on property taxable as a function of the average assessed value of property expressed with reference to numbers of people--that this paper is principally addressed.

CSHB 1, incorporating the \$1,000 per capita limit, was intended to circumvent potential problems of different tax treatment for different classes of property. Regardless, there is an accidental side-effect that makes possible, and perhaps necessary, differential tax treatment. For example, referring to Table 1, it can be seen that for the City of Valdez in 1980, the \$1,000 per capita yield limit fixes a mill levy ceiling of 2.5 mills on oil and gas properties. If property tax revenues are needed in greater measure than yielded by a general levy of 2.5 mills, on all property, it may become necessary to levy different tax rates for oil and gas property and other classes of property. Since the 2.5 mill ceiling on oil and gas property cannot legally be raised, the option left to local government is to raise the tax rate on other classes of property.

A further issue has been raised concerning the optional residential property tax exemption allowable by local governments under AS 29.53.025(a). In jurisdictions where residential properties comprise the bulk of the property tax base, it seems reasonable to assume that such exemptions will be granted with care and sensitivity to impact on property tax levies. But where non-

residential property values predominate, this allowable exemption may promote pressure on local governments to shift an unfair portion of the tax burden to non-residential properties.

This tendency to shift the tax burden may be present wherever an unusual portion of the property tax base is non-residential. However, the exaggerated imbalance between residential and non-residential values that will occur in some jurisdictions after pipeline construction may provide compelling motive to broader residential exemptions, thereby shifting the tax burden to other classes of property. In this manner, the fiscal equity sought by CSHB 1's requirement that a local property tax "shall be levied at a rate no higher than the millage rate, using the same assessment methods, applicable to other property taxable by the municipality" may be frustrated.

However, practical considerations qualify, to some degree, the logic of this objection, particularly in remote regions. In remote areas, residential property values tend to be low and the costs of property tax administration high. These factors, combined with the low mill rates fixed by the \$1,000 per capita limit, may well make it unprofitable to assess, levy and collect property taxes on many residential properties. For example, assuming a tax administrative cost of \$50 per parcel and a tax rate of 2.5 mills, properties assessed at less than \$20,000 would be taxed at an economic loss. Equity aside, taxing such low-valued properties would merely increase the tax burden on other properties. In light of these considerations, retention of the residential property tax exemptions allowed under AS 29.53.025 may well be justified.

The average per capita assessed valuation index is suggested as a compromise between those who would have the State assume exclusive authority for levy of an ad valorem tax on property used in conjunction with oil activity

and those who have claimed that removal from municipalities of authority to levy on that property in support of services required would sharply restrict local capacity to act. The index chosen as the restricting factor--double the State average assessed valuation of property per capita--is offered that the existing range of averages of particular municipalities is not unduly affected, but that future variations are held within tolerable limits, in light of essential local revenue needs as determined by elected officials in the municipalities concerned.

Table II summarizes actual assessed values, averaged mill rates, valuations and revenue per capita for cities and boroughs levying property taxes during the State's Fiscal Year 1973. The average per capita assessed valuation of the eleven boroughs and thirteen cities of the first class of the unorganized borough is \$15,300. The spectrum ranges from Yakutat (\$2,257 average assessed valuation per capita, 14.7% of the statewide average) to the North Slope Borough (\$61,007 valuation per capita, 398.7% of State average). The summary admits to inclusion of certain properties which, by SB 1 as offered, would be exempted from local ad valorem taxation without restriction. It reflects, also, particular assessment methods and exclusions adopted by the governing bodies of the particular municipalities: e.g., neither Valdez nor the Fairbanks North Star Borough levies on personal property. The summary excludes also reference to assessed values in certain cities of the first class which do not levy a tax and properties situated in second-class cities and unorganized areas of that portion of the State not in jurisdictions levying ad valorem taxes. Adjustment for these factors would decrease the average valuation per capita to approximately \$12,500.

Valuation per capita is the quotient of estimated or actual values of real and personal property and population. It reflects, in statewide terms,

the economic development of Alaska's property tax resources irrespective of regional variants. To the extent that people demand services, it admits to adjustment to reflect population growth. Thus, as economic development and numbers of residents increase through the decades ahead, the index of average per capita assessed valuation will increase also. Decrease in the rate of growth of either element of the formula likewise affects the rate of adjustment of the average. Extensive investment in capital intensive facilities without concomitant population growth in the community or area immediately affected will moderate the average per capita assessed valuation. Where expansion may be due to industries that are "labor-intensive," quickening of the growth rate in terms of numbers of people may slow the rate of growth of average per capita assessed valuation; a limitation or ceiling of twice that average imposed on municipalities, however, provides a margin within which governing bodies may adjust levies annually to respond to continuing public demands.

The approach described is not intended to have the effect of limiting rates of ad valorem levy beyond those presently imposed. The restriction is expressed in terms of the value of property that may be subject to taxation, preserving to municipal officials authority to determine the amount of levy in response to required revenues and sensitive local political and economic concerns. The approach suggested, if enacted into law, should not appreciably restrict local freedom to act within limitations on the value of taxable property that appear reasonable.

The Alaska House of Representatives has adopted (CSHB 1) a limitation expressed in terms of revenue per capita, imposing a ceiling on municipal tax levies against property subject to provisions of that bill to a limit of \$1,000 per person. Column 6 of Table II summarizes, for comparative purposes,

revenues per capita for those political subdivisions levying and collecting ad valorem taxes during FY 73. The average recovery of revenues from this tax--taking into consideration property subject to taxation, exclusions and exemptions, and varying millage rates--is \$235.00. The spectrum ranges from a low of \$33.85 per capita for residents of Yakutat (19.4% of State average) to a high of \$759.54 for the North Slope Borough (323.6% of State average). Notably, no municipality recovers in excess of \$1,000 per capita.

Section 43.56.010(b) of CSHB 1 suggests that \$1,000 per capita is, and will remain, an upper limit sufficient to allow recovery of revenues for essential public services in municipalities affected. The fact that one house of the State Legislature has taken from municipalities authority to determine both the reasonableness of the amount of ad valorem levy and the amount (expressed in per capita terms) necessary to provide or support local services by imposing an amount notwithstanding, the Department questions whether the limit itself can adapt to changes in costs of public services. To cite the North Slope Borough as an example, a limit of \$1,000 per capita revenue return in ensuing fiscal years may not reasonably allow that unit of government to recover revenues sufficient to defray costs of constructing public facilities, operating schools, assuming responsibilities for public works and utilities, and addressing other public needs which its citizens may demand. Nor does it allow the local government the responsibility for balancing those demands against particular economic, political, social or institutional limits which its residents may identify. The Department of Community and Regional Affairs cannot suggest an equitable return from ad valorem levies that will meet the requirements of all communities in light of particular exigencies. We suggest the Legislature consider carefully whether it should make that determination by authorizing a \$1,000 per capita ceiling.

Projected through the period 1982-83, using figures furnished by the Department of Revenue and unadjusted for changes in the definitions of property subject to taxation or methods of depreciation of CSHB 1, it appears that the ceiling approach framed in terms of revenue per capita of that bill would directly affect only two municipalities presently incorporated: the City of Valdez and North Slope Borough.

	<u>Taxable oil and gas property</u>	<u>Maximum mill levy to yield \$1,000 per capita</u>
FY 75 North Slope Borough (5000) Valdez (2000)	353.30 131.00	14.15 15.27
FY 76 North Slope Borough (5200) Valdez (2200)	675.80 279.00	7.69 7.89
FY 77 North Slope Borough (5000) Valdez (2200)	1091.91 544.10	4.58 4.04
FY 78 North Slope Borough (4600) Valdez (2200)	1579.86 823.00	2.91 2.67
FY 79 North Slope Borough (4400) Valdez (2000)	1720.63 829.79	2.56 2.41
FY 80 North Slope Borough (4200) Valdez (2000)	1701.17 806.64	2.47 2.48
FY 81 North Slope Borough (4200) Valdez (2000)	1657.90 783.49	2.53 2.55
FY 82 North Slope Borough (4200) Valdez (2000)	1599.88 760.34	2.63 2.63
FY 83 North Slope Borough (4300) Valdez (2000)	1540.82 737.18	2.79 2.71

Urban areas--particularly the Fairbanks North Star Borough and the Kenai Peninsula Borough and their constituent cities and service areas respectively--are no more limited in their rate of levy on properties subject to CSHB 1 than by AS 29.53.050. Other rural boroughs that may incorporate subsequent to the date of enactment of an ad valorem bill would, under the average per capita

revenue limitation approach embodied in the House Committee Substitute, probably be limited as to rate of levy in the manner described herein for the North Slope Borough and Valdez.

Herein lies an inequity of the bill. Assuming an average areawide levy by the Kenai Peninsula Borough of 8 mills in FY 79 (the rate is assumed with due regard to borough needs and residents' willingness to pay), the return from the oil and gas property alone would approximate \$1.036 million, or \$54.55 per capita. The North Slope Borough, limited in the same year to a 2.56 mill levy and imposing a tax at that limit (again, having due regard for needs and residents' willingness to pay) would recover \$4.40 million, \$1,000 per capita. For each mill levied by the Kenai Peninsula Borough on the subject property, the borough would receive \$129,600; a comparable levy by the North Slope Borough would return \$1,720,600, or slightly more than 13 times as much.

Computations in terms of limitations expressed with reference to average per capita valuation would narrow the disparity. Assuming an eight mill levy in each instance on all property located within each respective borough, the results would approximate:

	Taxable property (subject to 200% limit)	Yield	Per Capita
North Slope Borough (4400)	220.0	1.760	\$ 400.00
Kenai Peninsula Borough (19000)	478.6	3.828	201.50

The assemblies of the respective municipalities would, under the latter proposal, retain the right to adjust levies between 0 and 30 mills. At a rate of 1 mill, for comparative purposes, the Kenai Peninsula Borough would recover \$25.18 per capita, the North Slope Borough, \$50.00, a range of only 2-to-1.

Sponsors of alternatives suggest that because the average per capita valuation method involves two factors--assessment of property and population--assessment, levy and collection of ad valorem taxes by the municipalities and

the State would be difficult. The Committee may want to consider language providing for limitations involving actual (or equalized) assessments and population factors computed for the previous year. Administration of the School Foundation Program is not unduly harmed by computations predicated substantially on information returned from assessments of a previous fiscal year and equalized after the fact. Indeed, actual (or equalized) property values computed by the Department of Community and Regional Affairs may be combined with assessment figures offered by the Department of Revenue to produce a statewide total assessment which, when divided by population projections furnished by the Alaska Department of Labor, will yield the average per capita assessment applicable during the ensuing year, from which municipal officials in communities affected may determine the limits of taxable property within which they may levy.

Finally, it is deemed necessary to point out that whether an average per capita revenue or average per capita valuation approach may be taken, the limitations imposed, if any, affect only those municipalities--particularly in rural areas--having property attributable to oil and gas industry operations. Either method imposes limits only at the "top" end of the average per capita spectrum; it does not affect those municipalities at the "bottom." The Department of Community and Regional Affairs expresses concern that a mechanism be provided to assist those municipalities having little assessable property, that the gap between those who benefit directly and those who do not may be decreased. The Department respectfully suggests that return of revenues to municipalities not proximate to the trans-Alaska pipeline and having no property subject to the 20-mill levy embodied in SB 1 for essential public purposes cannot await development of major natural resources, revenues from which might be used to defray the costs of public services. A return of revenues from the ad valorem

tax would materially assist the capacity of those interested in assuming responsibility for educational responsibilities within the framework of State statutes joining operation of school districts to municipal status, provide minimal means for land use planning in communities and regions, and help administer or initiate other public services demanded. The Legislature can act to assure that inequities among municipalities are not aggravated, moderating the problems of small communities with limited tax resources and encouraging local initiatives in support of basic local services.

FAIRBANKS NORTH STAR BOROUGH

<u>Year</u>	<u>Estimated Population</u>	<u>Taxable Oil and Gas Property</u>	<u>Maximum Mill Levy</u>	<u>Assumed Mill Levy</u>	<u>Tax Yield</u>	<u>Per Capita Tax Yield</u>
1975	52,000	\$ 94 mil.	30	.8	\$.8 mil.	\$ 14
1976	54,000	92	30	8	.7	14
1977	56,000	179	30	8	1.4	26
1978	58,000	271	30	8	2.2	37
1979	60,000	273	30	8	2.2	36
1980	61,000	266	30	8	2.1	35
1981	62,000	258	30	8	2.1	33
1982	63,000	250	30	8	2.0	32
1983	64,000	243	30	8	1.9	30

KENAI PENINSULA BOROUGH

1975	17,000	\$221 mil.	30	8	\$1.8 mil.	\$104
1976	17,500	195	30	8	1.6	89
1977	18,000	172	30	8	1.4	76
1978	18,500	150	30	9	1.5	84
1979	19,000	130	30	9	1.2	61
1980	19,000	112	30	9	1.0	53
1981	19,500	95	30	10	1.0	49
1982	19,500	80	30	10	.8	41
1983	20,000	66	30	10	.7	33

NORTH SLOPE BOROUGH

<u>Year</u>	<u>Estimated Population</u>	<u>Taxable Oil and Gas Property</u>	<u>Maximum Mill Levy</u>	<u>Assumed Mill Levy</u>	<u>Tax Yield</u>	<u>Per Capita Tax Yield</u>
1975	5,000	\$ 353 mil.	14.2	14.2	\$5.0 mil.	\$ 1,000
1976	5,200	676	7.7	7.7	5.2	1,000
1977	5,000	1091	4.6	4.6	5.0	1,000
1978	4,600	1580	2.9	2.9	4.6	1,000
1979	4,400	1720	2.6	2.6	4.4	1,000
1980	4,200	1701	2.5	2.5	4.2	1,000
1981	4,200	1658	2.5	2.5	4.2	1,000
1982	4,200	1600	2.6	2.6	4.2	1,000
1983	4,300	1541	2.8	2.8	4.3	1,000

VALDEZ

1975	2,000	\$131 mil.	15.3	15.0	\$2.0 mil.	\$ 983
1976	2,200	279	7.9	7.9	2.2	1,000
1977	2,200	544	4.0	4.0	2.2	1,000
1978	2,200	823	2.7	2.7	2.2	1,000
1979	2,000	830	2.4	2.4	2.0	1,000
1980	2,000	807	2.5	2.5	2.0	1,000
1981	2,000	783	2.6	2.6	2.0	1,000
1982	2,000	760	2.6	2.6	2.0	1,000
1983	2,000	737	2.7	2.7	2.0	1,000

RECAP--ACTUAL ASSESSED VALUES, MILL RATES
AND REVENUE. FY 73-74

BOROUGHS	1/1/73 Actual Assessed Value	Average Mill Rate 1973	Actual Revenue FY 73-74	Population 7/1/72	Valuation Per Capita	Revenue Per Capita
Bristol Bay	\$ 17,825,946	13.00	\$ 231,737	1,147	\$15,541.36	\$ 202.03
Juneau	186,244,725	17.093	3,183,535	16,458	11,316.36	193.43
Sitka	88,209,960	3.675	324,181	6,109	14,439.34	53.07
Fairbanks	344,987,500	13.423	4,631,077	32,714	10,545.56	141.56
Anchorage	1,919,461,255	18.977	36,427,281	130,000	14,765.09	280.21
Haines	17,023,014	13.374	227,673	1,584	10,746.85	143.73
Kenai	498,925,416	7.879	3,931,347	16,309	30,592.03	241.05
Ketchikan	148,490,905	13.449	1,997,091	10,379	14,306.86	192.41
Kodiak	72,251,274	11.200	809,267	6,965	10,373.47	116.19
Matanuska-Susitna	157,025,600	9.415	1,478,547	7,176	21,882.05	206.04
North Slope	202,666,550	12.450	2,523,199	3,322	61,007.39	759.54
TOTAL	\$3,653,112,145	15.265	\$55,764,935	232,163	\$15,735.12	\$ 240.20
CITIES						
Cordova	\$ 11,349,765	18.00	\$ 192,946	1,587	\$ 7,151.71	\$ 121.58
Craig	1,245,182	14.00	17,433	334	3,728.09	52.19
Dillingham	5,767,742	18.50	106,703	979	5,891.46	108.95
King Cove	1,087,355	10.00	10,874	283	3,842.24	38.42
Nenana	3,635,700	10.00	36,357	468	7,768.59	77.69
Nome	9,706,252	17.90	173,742	2,427	3,999.28	71.59
Pelican	1,247,355	10.80	13,471	169	7,330.80	79.71
Petersburg	16,947,240	17.00	288,103	2,105	8,050.95	136.87
Skagway	14,142,735	15.00	212,141	675	20,952.20	314.28
Unalaska	5,275,144	19.00	100,228	510	10,343.42	196.53
Valdez	13,854,000	13.58	188,147	1,106	12,526.22	170.11
Wrangell	11,707,400	18.00	210,733	2,029	5,770.03	103.86
Yakutat	512,225	15.00	7,685	227	2,256.50	33.85
TOTAL	\$ 96,478,095	18.104	\$ 1,746,710	12,899	\$ 7,479.50	\$ 135.41
BOROUGHS	\$3,653,112,145	15.265	\$55,764,935			
CITIES	96,478,095	18.104	1,746,710			
TOTAL	\$3,749,590,240	15.338	\$57,511,645	245,062	\$15,300.58	\$ 234.61

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Pursuant to the Uniform Rules of the Legislature I will be transmitting a bill which provides for a state ad valorem tax on property used in the exploration for, production of, or pipeline transportation of gas or unrefined oil.

Many of you are familiar with similar proposals to levy a 20-mill tax on such facilities, including one measure that passed the House two years ago and two other measures currently before the House. The tax I am now introducing is based upon those measures. The class of property to which the 20-mill tax will apply includes not only the proposed trans-Alaska pipeline but existing properties in the same category and exploration and production properties. Exemptions included in earlier bills have been clarified to insure that the administration of the tax does not become bogged down by disputes and litigation as to exactly what property is taxable. As with any tax some disputes on the periphery of definitions are inevitable.

Broadly speaking, the tax applies to all property connected with the production, exploration and transportation of oil and gas, including pipelines and related facilities already existing. It also covers construction equipment and other property involved in these activities. This tax will include local government taxation of oil and gas properties. Property that would not be taxed under the bill includes oil and gas leases, and intangible drilling and exploration costs for oil and gas in place. Property relating to pipeline construction will be taxed following the issuance of all necessary permits for construction.

Assessments on property related to new production and transportation projects will begin when construction on these begins. Property used for exploration will be taxable after January 1, 1974. Preliminary projections show that this law could raise some \$20 million in new revenues during the first year of construction of the

trans-Alaska Pipeline. These ad valorem revenues will provide vital additional funding for the state during the period while the trans-Alaska pipeline is under construction and even before it is in operation. This new revenue will enhance the capability of the state and local governments to meet the budgeting challenges confronting us over the next few years. By the time North Slope production begins, this measure is expected to yield more than \$100 million a year.

The state will assist local governments in assessing and collecting their portion of the revenue derived, with the program being administered by the Department of Revenue. This should insure the uniform treatment of all property subject to the tax. We expect that the tax paid by the oil and gas industry will far exceed what would have been paid to separate local government taxing bodies under individual taxing programs.

For the convenience of your initial consideration, this measure has been based on previously deliberated legislation which would return seven mills to local governments that have property subject to the tax within their boundaries.

Surely, we all favor a plan that treats all areas of the state equitably. It will be for the legislature, with its representation of all areas of Alaska, to balance the needs of local governments against the needs and interests of other communities and the state as a whole.

IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

A BILL

For an Act entitled: "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) Political subdivisions may levy a tax not to exceed seven mills on the full and true value of taxable property taxable under this chapter. A tax levied by a political subdivision under this subsection shall be credited against the tax levied under (a) of this section.

Sec. 43.56.020. EXEMPTIONS. The following are exempt from the taxes levied or authorized under 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 and development expenses and exploration expenses;

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

(7) before the construction commencement date, property which is intended to be used 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; and

(8) before the construction commencement date, property which is intended to be used within this state primarily in the erection, construction, installation, 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.

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

(1) all ad valorem taxes or other taxes imposed by the state or a political subdivision 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 political subdivision 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 sale or use of the property (except for retail sales taxes on purchases within a political subdivision of property not to be included in the value of taxable property subject to taxes under this chapter);

(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;

(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.

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 taxes levied under secs. 10(a) and 10(b) 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 intended to be used for the pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil to be transported by that pipeline or in the erection, construction, installation, operation or maintenance of facilities for pipeline transportation of gas or unrefined oil, or in the erection, construction, installation, operation or maintenance of facilities for 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.

(b) The full and true value of taxable property used or intended to be used for the exploration for gas or unrefined oil, or in the erection, construction, installation, 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.

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

(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 actual cost less depreciation based on units of production.

(d) The full and true value of taxable property used or intended to be used for pipeline transportation of gas or unrefined oil, or in the erection, construction, installation, 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 life 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; and

(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.

(c) For purposes of this section "actual cost" does not include interest capitalized prior to or during the period of construction nor the value of intangible drilling and development 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.

Sec. 43.56.070. RETURN. (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, 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 only 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 also send to a political subdivision 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 political subdivision 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 political subdivision 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 political subdivisions.

(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 political subdivision 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 political subdivision 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 political subdivisions.

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 political subdivisions.

(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 political subdivision 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 this chapter is payable to the department on or before September 30 of the tax year.

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

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

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

Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by 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 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 on property set out in AS 43.20.270 applies to the tax levied by 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 costs of prosecution.

Sec. 43.56.200. REGULATIONS. The board and the department may adopt regulations in accordance with 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 date on which

(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 Department of Revenue;

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

(5) "intangible drilling and development 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 intended to be used 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 solely for the liquification of natural gas), or in the erection, construction, installation, 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, 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, telephones, communication equipment and

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.

* Sec. 2. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

SENATE JOURNAL

ALASKA STATE LEGISLATURE
EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

Juneau, Alaska

Sunday

November 11, 1973

SPECIAL COMMITTEE REPORTS

SCS
CSHB

Conference Committee Report

1
(Fin)

November 10, 1973

am S Mr. President
Mr. Speaker

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 Hackney

The committee's analysis of the bill follows:

"FREE CONFERENCE COMMITTEE REPORT"

ON

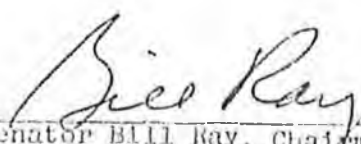
FREE CONFERENCE CS FOR SENATE CS FOR
CS FOR HOUSE BILL NO. 1

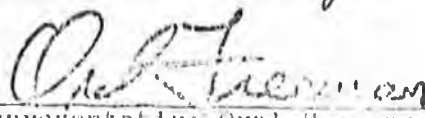
The Free Conference Committee has had Senate CS for CS for HB 1 under consideration and recommends it be replaced with Free Conference Committee Substitute for Senate CS for CS for House Bill No. 1. The principal changes in the Free Conference Committee Substitute from the Governor's bill as introduced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

- SCS 8. Sec. 43.056.050 (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 prop-
erty" 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.

SCS
CSHB
1
(Fin)
am S


Senator Bill Ray, Chairman


Representative Oral Freeman
Chairman"



Alaska State Legislature

House

JUNEAU ALASKA

October 18, 1973

TO: Honorable Chuck Degnan
House of Representatives

FROM: Jay Hogan
Director, Legislative Finance

SUBJ: Cost-of-Living Adjustment for Ad Valorem Tax

The following table contains political subdivisions' millage rates reflecting cost-of-living adjustments for 20, 25, and 30 mill tax. If used, I would suggest that the language be somewhat as follows:

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) Political subdivisions may levy a tax not to exceed the millages shown on the full and true value of taxable property taxable under this chapter.

<u>Election Districts</u>	<u>20 - 7 mills tax</u>	<u>25 - 8 mills tax</u>	<u>30 - 10 mills tax</u>
Ketchikan - Prince of Wales (1) Palmer-Wasilla (7) Anchorage (8)	7.000	8.000	10.000
Wrangell-Petersburg (2) Seward (9)	7.262	8.300	10.375
Sitka (3) Juneau (4) Icy Strait-Lynn Canal (5-E) Fairbanks (16-S)	7.525	8.600	10.750

AGO 78775, t

<u>Election Districts</u>	<u>20 - 7 mills tax</u>	<u>25 - 8 mills tax</u>	<u>30 - 10 mills tax</u>
Kenai-Cook Inlet (10) Kodiak (11)	7.787	8.900	11.125
Cordova-Valdez (6) Nenana (15)	8.050	9.200	11.500
Yakutat (5-W) Aleutian Islands (12)	8.312	9.500	11.875
Nome (18)	8.575	9.800	12.250
Bristol Bay (13) Yukon-Kuskokwim (except Nenana) (15)	8.837	10.100	12.625
Barrow-Kobuk (17)	9.100	10.400	13.000
Bethel (14) Fort Yukon (16-N) Wade-Hampton (19)	9.362	10.700	13.375

A tax levied by a political subdivision under this subsection shall be credited against the tax levied under (a) of this section.

When the specific tax rate is selected, the headings (20 - 7 mills tax, etc.) will be dropped from the language of the bill since the upper tax value will be contained in sub-section (a) and the local tax limits will be contained in the column.

October 15, 1973

The Hon. Byron I. Mallott
Commissioner
Community and Regional Affairs
Pouch B
Juneau, Alaska 99801

Dear Commissioner Mallott:

To aid our office in its review of the Governor's package of proposed Special Session legislation, I am requesting some input on your part regarding the bill which provides for the establishment of a state add valorem property tax.

Specifically, my request is concerned with the proposed placement of the State Assessment Review Board in the Department of Revenue. Considering the fact that a state assessment program with considerable expertise already exists in your own department, please comment on the advisability of placing the proposed State Assessment Review Board in the Department of Revenue. In your mind, would all state assessment functions be best accomplished by a single agency (regardless of which agency) or does adequate justification exist for this seeming duplication of effort?

I have forwarded a similar request to the Department of Revenue. Thank you for your help.

Sincerely yours,

FINANCE DIVISION
POUCH WF



V. Kent Dawson
Fiscal Analyst

VKD/af

AGO 787757 +

October 15, 1973

The Hon. R. D. Stevenson
Commissioner
Department of Revenue
Pouch S
Juneau, Alaska 99801

Dear Commissioner Stevenson:


To aid our office in review of the Governor's package of proposed Special Session legislation, I am requesting some input on your part regarding the bill which provides for the establishment of a state ad valorem property tax.

Specifically, my request is concerned with the proposed placement of the State Assessment Review Board in the Department of Revenue. Considering the fact that a state assessment program with considerable expertise already exists in the Department of Community and Regional Affairs, would you explain the rationale for recommending placement of the Board in your department. In your mind, would all state assessment functions be best accomplished by a single agency (regardless of which agency) or does adequate justification exist for this seeming duplication of effort?

We would appreciate your comments concerning the aforementioned to aid us in our preparation for the Special Session. A similar request has been forwarded to the Department of Community and Regional Affairs.

Sincerely yours,

FINANCE DIVISION
POUCH WF


V. Kent Dawson
Fiscal Analyst

VKD/af

AGO 787758

Hogan

PROJECTED MUNICIPAL AD VALOREM TAX RECEIPTS
UNDER CS for HOUSE BILL 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

Original sponsor: Rules Committee by
request of the Governor

Offered: 11/8/73
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR 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
15 is levied each tax year beginning January 1, 1974, on the full and true
16 value of taxable property taxable under this chapter.

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

25 (c) For purposes of AS 29.53.045, population shall be determined
26 by the commissioner of community and regional affairs based on the
27 latest statistics of the United States Bureau of the Census or on other
28 reliable population data, and shall advise each municipality of its
29 population as so determined by January 15 of each year.

1 (d) If the total value of assessed property of a municipality
2 taxing under AS 29.53.045(c) exceeds the product of 250 per cent of
3 the average per capita assessed full and true value of property in
4 the state (to be determined by the department and reported to each
5 municipality by January 15 of each year) multiplied by the number of
6 residents of the taxing municipality, the department shall designate the
7 portion of the tax base against which the local tax may be applied.

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

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

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

14 (3) oil or gas in place;

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

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

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

19 (7) before the construction commencement date, property
20 taxed under sec. 10(a) of this chapter which is committed by contract
21 or other agreement for use in this state primarily for pipeline trans-
22 portation of gas or unrefined oil or for the production of gas or un-
23 refined oil to be transported by that pipeline.

24 (b) In (a)(2) of this section, "properties" means mineral inter-
25 ests in oil and gas and working interests, royalty interest, and over-
26 riding royalty interests in oil and gas leases.

27 Sec. 43.56.030. IN PLACE OF OTHER TAXES. Except for those taxes
28 imposed under ch. 55 of this title and ch. 57 of this title, and
29 except for special assessments levied under AS 29.63, the taxes levied

1 or authorized under sec. 10(b) of this chapter are in place of

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

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

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

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

11 (C) taxes on the sale or use of services used in or
12 associated with the property or in its erection, construction,
13 maintenance or operation except for the sales tax on the first
14 \$1,000 of each sale;

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

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

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

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

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

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

16 (c) The full and true value of taxable property used or committed
17 by contract or other agreement for the production of gas or unrefined
18 oil is:

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

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

25 (d) The full and true value of taxable property used or committed
26 by contract or other agreement for pipeline transportation of gas or
27 unrefined oil is:

28 (1) on the construction commencement date and until
29 January 1 following the date the pipeline begins to transport gas or

1 unrefined oil, the actual cost incurred or accrued with respect to the
2 property as of the date of assessment;

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

17 (3) on the assessment date next following inability to use
18 or construct all or a substantial part of the facility for a period of
19 90 or more consecutive days because of natural disaster or legal pro-
20 hibition, or other events beyond the control of a person having owner-
21 ship or control of the property, adjusted to take into account any
22 diminution in value; and

23 (4) the assessment standard provided in this subsection
24 is applicable only to pipelines of a diameter in excess of 30 inches;
25 pipelines of a diameter of 30 inches or less shall be valued at full
26 and true value.

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 expenses. In

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

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

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

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

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

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

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

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

1 roll shall contain:

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

6 Sec. 43.56.100. ASSESSMENT NOTICE. (a) On or before March 1

7 of each year, the department shall send to every owner of taxable

8 property named in the assessment roll a notice of assessment, showing

9 the assessed value of the property. Notice of assessment is effective

10 on the date of mailing.

11 (b) the department shall send to a municipality a copy of the

12 notice of assessment on any taxable property which is assessed under

13 the provisions of this chapter and which is located in the municipality

14 and on which a tax is authorized under sec. 10(b) of this chapter.

15 Sec. 43.56.110. APPEAL TO THE DEPARTMENT. (a) An owner of

16 taxable property or a municipality receiving an assessment notice may

17 object to the assessment by advising the department in writing of the

18 objections to the assessment within 20 days of the effective date of

19 the notice.

20 (b) The department shall provide by regulation for notices of

21 appeals to interested persons and municipalities.

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

23 ment and the assessment roll. An adjustment based on an objection

24 from an owner of taxable property or a municipality shall be made

25 within 30 days of the effective date of the notice of assessment.

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

27 (a) After a ruling by the department on an appeal made under sec. 110

28 of this chapter, the owner or a municipality may further appeal to the

29 board. The appeal must be filed in writing within 50 days of the

1 effective date of the notice of assessment.

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

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

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

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

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

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

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

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

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

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

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

29 Sec. 43.56.150. COLLECTION AND DEPOSIT. (a) The tax levied by

1 sec. 10(a) of this chapter is payable to the department on or before
2 September 30 of the taxable year.

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

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

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

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

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

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

27 Sec. 43.56.200. REGULATIONS. The board and the department may
28 adopt regulations in accordance with the Administrative Procedure Act
29 (AS 44.52) as appropriate to carry out their respective duties under

1 this chapter.

2 Sec. 43.56.210. DEFINITIONS. In this chapter

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

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

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

14 (B) all approvals, permits, licenses and certificates
15 are in full force and effect, unrevoked and without any modifi-
16 cation, which might jeopardize the completion or continued
17 construction of the facilities; and

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

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

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

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

29 (6) "taxable property" means real and tangible personal

1 property used or committed by contract or other agreement for use
2 within this state primarily in the production of or pipeline
3 transportation of gas or unrefined oil (except for property used
4 solely for the retail distribution or liquefaction of natural gas),
5 including machinery, appliances, equipment, wells (whether producing
6 or not), gathering lines and transmission lines, pumping stations,
7 compressor stations, power plants, topping plants, processing units,
8 roads, tank farms, tanker terminals, docks and other port facilities,
9 air strips, and communication equipment and facilities; "taxable
10 property" does not include permanent residences, office buildings
11 requiring substantial local government services, or gas pipeline systems
12 operated as utilities and regulated by the Alaska Public Utilities
13 Commission;

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

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

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

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

29 (c) A municipality may levy and collect a tax on the full and

1 true value of that portion of taxable property taxable under AS 43.56
2 as assessed by the Department of Revenue which, when combined with
3 the value of property otherwise taxable by the municipality, does
4 not exceed the product of 250 per cent of the average per capita
5 assessed full and true value of property in the state multiplied by
6 the number of residents of the taxing municipality.

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

10 * Sec. 3. AS 29.53.025 (a) is amended to read:

11 Sec. 29.53.025. OPTIONAL EXEMPTIONS AND EXCLUSIONS. (a)
12 Municipalities may exclude or exempt or partially exempt residential
13 property from taxation by ordinance ratified by the voters at a
14 regular or special election. An exclusion or exemption authorized by
15 this section may not exceed \$10,000 for any one residence.

16 * Sec. 4. AS 29.53.055 is amended to read:

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

23 * Sec. 5. This Act takes effect on December 31, 1973.
24
25
26
27
28
29

M E M O R A N D U M

TO: Chairmen and Members
Senate & House Finance Committees

DATE: November 18, 1973

FROM: J. H. Hogan, 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

SENATE JOURNAL

ALASKA STATE LEGISLATURE
EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

Juneau, Alaska

Sunday

November 11, 1973

SPECIAL COMMITTEE REPORTS

SCS
CSHB
1

Conference Committee Report

November 10, 1973

(Fin)

am S Mr. President
Mr. Speaker

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 Hackney

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

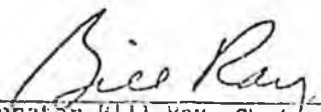
The Free Conference Committee has had Senate CS for CS for HB 1 under consideration and recommends it be replaced with Free Conference Committee Substitute for Senate CS for CS for House Bill No. 1. The principal changes in the Free Conference Committee Substitute from the Governor's bill as introduced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

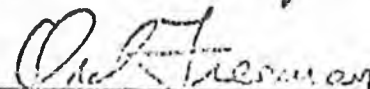
NOTE: Paragraph 4, which interprets Sec. 43.056.020 (7 & 8), is incorrect. The language of the Act exempts property taxable under this Act from local taxation for the period preceding the construction commencement date. According to the Attorney General's office, municipalities should include appropriate 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 CSNB 1 (Fin) 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. 43.056.050 (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.

SCS
CSHB
1
(Fin)
am S


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 BOROUGHES					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.



Alaska State Legislature
Senate

JUNEAU, ALASKA

November 11, 1973

The Hon. Terry Miller, Senate President
The Hon. Tom Fink, Speaker of the House
Alaska State Legislature

Mr. President:
Mr. Speaker:

The Committee on Free Conference has had SCS CSHB 1 (Finance) am S under consideration. A majority of the members of the Committee recommends it be replaced with Free Conference Committee Substitute for SCS CSHB 1 (Finance) am S and that FCC CS for SCS CSHB 1 (Finance) am S be reported out with individual recommendations.

A brief analysis of the bill is being prepared and will be distributed to all members of the legislature as soon as possible.

Respectfully submitted,

Not concurring in the majority report:

Original sponsor: Rules Committee by
request of the Governor

Offered: 11/10/73

1 IN THE HOUSE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE CS FOR 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
15 is levied each tax year beginning January 1, 1974, on the full and true
16 value of taxable property taxable under this chapter.

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

26 (c) If the total value of assessed property of a municipality
27 taxing under AS 29.53.045(c) exceeds the product of 225 per cent of
28 the average per capita assessed full and true value of property in
29 the state (to be determined by the department and reported to each

1 municipality by January 15 of each year) multiplied by the number of
2 residents of the taxing municipality, the department shall designate the
3 portion of the tax base against which the local tax may be applied.

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

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

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

10 (3) oil or gas in place;

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

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

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

15 (7) before the construction commencement date, property
16 taxed under sec. 10(a) of this chapter which is committed by contract
17 or other agreement for use in this state primarily for pipeline trans-
18 portation of gas or unrefined oil or for the production of gas or un-
19 refined oil to be transported by that pipeline;

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

26 (b) In (a)(2) of this section, "properties" means mineral inter-
27 ests in oil and gas and working interests, royalty interest, and over-
28 riding royalty interests in oil and gas leases.

29 Sec. 43.56.030. IN PLACE OF OTHER TAXES. Except for those taxes

1 imposed under ch. 55 and ch. 57 of this title, the taxes levied or
2 authorized under sec. 10(b) of this chapter are in place of

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

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

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

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

12 (C) taxes on the sale or use of services used in or
13 associated with the property or in its erection, construction,
14 maintenance or operation except for the sales tax on the first
15 \$1,000 of each sale;

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

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

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

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

1 commissions.

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

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

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

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

29 (1) on the construction commencement date the actual cost

1 incurred or accrued with respect to the property as of the date of
2 assessment;

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

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

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

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

28 (3) on the assessment date next following inability to use
29 or construct all or a substantial part of the facility for a period of

1 90 or more consecutive days because of natural disaster or legal pro-
2 hibition, or other events beyond the control of a person having owner-
3 ship or control of the property, adjusted to take into account any
4 diminution in value.

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

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

14 Sec. 43.56.070. RETURNS. (a) The department may require by
15 notice every person having ownership or control of an interest in
16 property taxable under this chapter to submit a return in the form
17 prescribed by the department, based on property values existing on
18 January 1 of each year, except as otherwise provided in this chapter.

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

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

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

1 reasonable assistance required for the investigation. If refused entry,
2 the department may seek a court order to compel entry.

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

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

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

13 Sec. 43.56.100. ASSESSMENT NOTICE. (a) On or before March 1
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. 43.56.110. 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
26 the notice.

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

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

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

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

5 (a) After a ruling by the department on an appeal made under sec. 110
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. 43.56.130. HEARINGS OF STATE ASSESSMENT REVIEW BOARD. (a)
12 The board shall hear appeals filed under sec. 120(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 (1) An owner or municipality may appeal to the superior court
2 for, and is entitled to, trial de novo of the board's action.

3 Sec. 43.56.140. 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. 43.56.150. COLLECTION AND DEPOSIT. (a) The tax levied by
8 sec. 10(a) of this chapter is payable to the department on or before
9 September 30 of the taxable year.

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

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

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

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

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

27 Sec. 43.56.190. PENALTIES. A person who knowingly fails to
28 file a return when due or who makes a false statement in a return
29 required under this chapter with intent to evade taxation is guilty of

1 a misdemeanor and upon conviction is punishable by a fine of not more
2 than \$1,000 or by imprisonment for not more than six months, or by both,
3 together with the costs of prosecution, notwithstanding the provisions
4 of AS 12.80.030.

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

9 Sec. 43.56.210. DEFINITIONS. In this chapter

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

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

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

21 (B) all approvals, permits, licenses and certificates
22 are in full force and effect, unrevoked and without any modifi-
23 cation, which might jeopardize the completion or continued
24 construction of the facilities; and

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (e) For purposes of this section, population shall be determined
27 by the commissioner of community and regional affairs based on the
28 latest statistics of the United States Bureau of the Census or on other
29 reliable population data, and shall advise each municipality of its

1 population as so determined by January 15 of each year.

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

3 (b) No municipality, or combination of municipalities occupying
4 the same geographical area, in whole or in part, may levy taxes which
5 will result in tax revenues from all sources exceeding either (1)
6 \$1,000 a year for each person residing within their boundaries or (2)
7 when combined with the value of property otherwise taxable by the
8 municipality, the product of 225 per cent of the average per capita
9 assessed full and true value of property in the state multiplied by the
10 number of residents of the taxing municipality. If two or more muni-
11 cipalities occupying the same geographical area, in whole or in part,
12 attempt to levy a tax the combined levy of which would result in tax
13 revenues from all sources exceeding either (1) \$1,000 a year for each
14 person residing within their boundaries or (2) when combined with the
15 value of property otherwise taxable by the municipality, the product of
16 225 per cent of the average per capita assessed full and true value of
17 property in the state multiplied by the number of residents of the
18 taxing municipality, the commissioner of community and regional affairs
19 shall apportion the lawful levy and equitably divide these revenues on
20 the basis of need, services performed and other considerations in the
21 public interest. For the purpose of this subsection, population shall
22 be determined by the commissioner of community and regional affairs
23 based on the latest statistics of the United States Bureau of the
24 Census or on other reliable population data.

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

26 Sec. 29.53.055. NO LIMITATION ON TAXES TO PAY BONDS. The
27 limitations [LIMITATION] provided for in secs. 45 or [SEC.] 50 of
28 this chapter do [DOES] not apply to taxes levied or pledged to pay
29 or secure the payment of the principal and interest on bonds. Taxes

1 to pay or secure the payment of principal and interest on bonds may
2 be levied without limitation as to rate or amount.

3 * Sec. 6. This Act takes effect on January 1, 1974.
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

Original sponsor: Rules Committee by
request of the Governor

Offered: 11/2/73
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 SENATE CS FOR 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
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 TRANSPORTATION PROPERTY TAX.

13 Sec. 43.56.010. LEASE TAX. An annual tax of 30 mills is
14 levied each tax year beginning January 1, 1974, on the full and true
15 value of taxable property taxable under this chapter.

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

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

1 this state primarily for an interborough common carrier pipeline
2 system for the transportation of gas or unrefined oil (except
3 gas pipeline systems operating as utilities and regulated by the
4 Alaska Public Utilities Commission).

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

9 (1) must be a resident of the state and knowledgeable
10 of assessment procedures; and

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

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

19 Sec. 43.56.050. ASSESSMENT. (a) The department shall assess
20 property for the taxes levied under sec. 10 of this chapter at its
21 full and true value as of January 1 of the assessment year.

22 (b) The full and true value of taxable property used for a
23 completed or partially completed interborough common carrier pipeline
24 system for the transportation of gas or unrefined oil:

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

28 (2) determined on each January 1 thereafter with due regard
29 to the replacement cost of the pipeline the economic life of the