

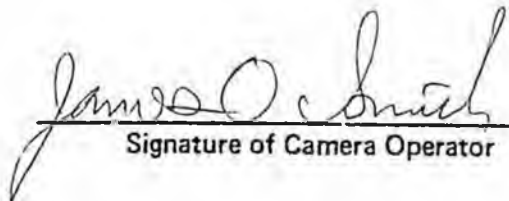
Leg. Finance - House & Senate Finance Comte Files (1975-76) 394  
HB 295, 296, SSHB 297, CSSSHB 297

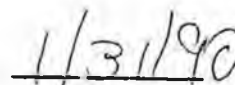


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

"An Act relating to certain teachers retirement and salary."

COMMITTEE REPORT

4/16/75

HOUSE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on FINANCE has had HB 295

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

( ) recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

"An Act relating to certain teachers retirement and salary."

COMMITTEE REPORT

3/31/75

HOUSE

*4/16 Speaker referred to Finance*

Mr. Speaker:

Date 4/14/75

The Committee on JUDICIARY has had HB 295

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S) *(amendment defining teacher service)*

recommends it BE REPLACED WITH CS FOR HB 295 AND THAT CS FOR HB 295 DO PASS & BE REFERRED TO FINANCE

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_ COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

Terry Gardiner \_\_\_\_\_  
John P. ... \_\_\_\_\_  
W. E. Bradley \_\_\_\_\_  
Spick \_\_\_\_\_

Members NOT concurring in the Majority report:

Sam W. ... recommends: none  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:

Terry Gardiner Chairman

"An Act relating to certain teachers retirement and salary."

COMMITTEE REPORT

3/13/75

HOUSE

JUDICIARY

Mr. Speaker:

Date 3/29/75

The Committee on HESS has had HR 205

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

|                       |                           |                     |
|-----------------------|---------------------------|---------------------|
| <u>Susan Sullivan</u> | <u>Alvin O'Shea</u>       | <u>Helen Beiser</u> |
| <u>Lorraine Flynn</u> | <u>Kathleen O'Connell</u> | _____               |
| <u>Debra Healy</u>    | <u>Charles Han</u>        | _____               |
| <u>Al O'Shea</u>      | <u>Lulu O'Connor</u>      | _____               |

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

Susan Sullivan Chairman

Original sponsors: H. Beirne, Itta,  
Ostrosky, et al

Offered: 4/16/75  
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 295

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act defining teacher service."

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

8 \* Section 1. AS 14.25.220(5) is amended to read:

9 (5) "membership service" means service as a teacher in a  
10 public or nonpublic school within the Territory or State of Alaska,  
11 or both, under the supervision and control of the Territorial Board  
12 of Education or the Department of Education, the school board of any  
13 city or borough school district, or the Board of Regents of the Univer-  
14 sity of Alaska, or any period during which the teacher is on an approved  
15 sabbatical leave granted in accordance with AS 14.20.310 or is receiving  
16 a disability retirement salary;

17 # Sec. 2. AS 14.25.220(20) is amended to read:

18 (20) "nonpublic school" means a school established by an  
19 agency other than a state or its subdivisions which is primarily sup-  
20 ported by other than public funds, and the operation of whose program  
21 rests with other than publicly elected or appointed officials, and  
22 which offers preschool education [GRADES KINDERGARTEN] through grade 12,  
23 or any combination of them, and is state approved or accredited;

365  
anne

Introduced: 3/13/75  
Referred: Health, Education &  
Social Services and Judiciary

1 IN THE HOUSE

BY BEIRNE, ITTA, OSTROSKY AND  
SULLIVAN

2 HOUSE BILL NO. 295

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain teachers retirement and  
7 salary."

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

9 \* Section 1. AS 14.25.220(20) is amended to read:

10 (20) "nonpublic school" mean a school established by an agency  
11 other than a state or its subdivisions which is primarily supported by  
12 other than public funds, and the operation of whose program rests with  
13 other than publicly elected or appointed officials, and which offers  
14 grades preschool [KINDERGARTEN] through 12, or any combination of them,  
15 and is state approved or accredited;

# COMMITTEE COPY

ALASKA STATE LEGISLATURE

1975 Legislature ... FIRST Session

HOUSE BILL NO. 295

By <sup>H.</sup> BELING, ITTA, OSTROSKY AND SULLIVAN

An Act relating to certain teachers retirement and salary.

Cert.achr. retire & sal.

Introduced in the House ... 3/13/75, 1975

HISTORY IN THE HOUSE

19 75

Mar 13

Read first time and referred to Committee on

Health, Education & Social Services and Judiciary  
Reported back with recommendation that

Read second time and

Read third time and

|         |                |
|---------|----------------|
| PASS    | Effective Date |
| Yeas    | Yeas           |
| Nays    | Nays           |
| Absent  | Absent         |
| Excused | Excused        |

Reconsideration

|         |                |
|---------|----------------|
| PASS    | Effective Date |
| Yeas    | Yeas           |
| Nays    | Nays           |
| Absent  | Absent         |
| Excused | Excused        |

Reported correctly engrossed  
Signed by Speaker  
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

|         |                |
|---------|----------------|
| PASS    | Effective Date |
| Yeas    | Yeas           |
| Nays    | Nays           |
| Absent  | Absent         |
| Excused | Excused        |

Reconsideration

|         |                |
|---------|----------------|
| PASS    | Effective Date |
| Yeas    | Yeas           |
| Nays    | Nays           |
| Absent  | Absent         |
| Excused | Excused        |

Reported correctly engrossed  
Signed by President  
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No. ....

365  
1.2.75  
Original sponsors: H. Deirne, Itta,  
Ostrosky, et al

Offered: 4/16/75  
Referred: Finance

IN THE HOUSE

BY THE JUDICIARY COMMITTEE

CS FOR HOUSE BILL NO. 295  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act defining teacher service."

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(5) "membership service" means service as a teacher in a public or nonpublic school within the Territory or State of Alaska, or both, under the supervision and control of the Territorial Board of Education or the Department of Education, the school board of any city or borough school district, or the Board of Regents of the University of Alaska, or any period during which the teacher is on an approved sabbatical leave granted in accordance with AS 14.20.310 or is receiving a disability retirement salary;

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Introduced: 3/13/75  
Referred: Health, Education &  
Social Services and Judiciary

1 IN THE HOUSE

BY BEIRNE, ITTA, OSTROSKY AND  
SULLIVAN

2 HOUSE BILL NO. 295

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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13 other than publicly elected or appointed officials, and which offers  
14 grades preschool [KINDERGARTEN] through 12, or any combination of them,  
15 and is state approved or accredited;

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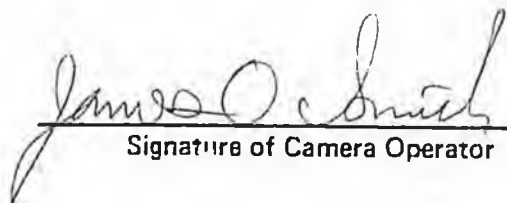
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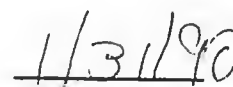


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\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

COMMITTEE REPORT

SENATE

4/21/75

Mr. President:

Date 5/2/75

The Committee on FINANCE has had HB 296 relating to teachers' retirement benefits under consideration. A Majority of the members of the Committee

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

Members signing the Majority report:

|                    |                    |       |
|--------------------|--------------------|-------|
| <u>[Signature]</u> | _____              | _____ |
| <u>[Signature]</u> | <u>[Signature]</u> | _____ |
| <u>[Signature]</u> | _____              | _____ |
| _____              | _____              | _____ |

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

DIVISION OF ADMINISTRATIVE SERVICES  
PUBLIC EMPLOYEES' RETIREMENT & TEACHERS' RETIREMENT SYSTEMS,  
HEALTH INSURANCE PROGRAM, GOVERNMENT SOCIAL SECURITY PROGRAM

JAY S. HAMMOND, Governor

POUCH CR - JUNEAU 99801

April 30, 1975

The Honorable Bill Ray  
Chairman  
Senate Finance Committee  
Pouch V  
State Capitol  
Juneau, Alaska 99801


Dear Senator Ray:

I have been requested to review the provisions of House Bill #296 and provide a Fiscal Note. Enclosed is a copy of a letter dated April 7, 1975 in which I expressed my thoughts to Senator George Hohman on this bill. You will note that the passage of this legislation has no direct fiscal impact on the State; however, unless a definite agreement is entered into between the State and the National Education Association, the State could become responsible for providing the necessary funds.

From the information I have been able to obtain there will be two individuals affected and based on that information our actuary advises us that the cost of these benefits will be \$16,444. Payment of this amount should be agreed to by the National Education Association before I would recommend further action on this bill.

If I can provide you with any additional information on this matter I would appreciate hearing from you.

Sincerely,

  
Robert S. Gates, Director  
Division of Retirement & Benefits

RSG/jb  
Enclosure

April 7, 1975

The Honorable George H. Hohman  
Chairman Senate NESS  
Porch V  
Seward, Alaska 99801

Dear Senator Hohman:

A member of your staff has recently asked me for information concerning the cost impact if legislation was introduced to provide retirement credit for former employees of the National Education Association retroactive to July 1, 1966. House Bill No. 296 was recently introduced which would provide such coverage.

We have several areas of concern with the impact of passing such legislation. Of primary concern is how the cost of such benefits will be funded. As you know under our present system each member is required to make contributions and the employer likewise makes contributions. When NEA employees were first permitted to join our system I advised Robert Van Houte that an administrative decision had been made requiring that NEA absorb the full employer contribution cost unlike the local school district where the State matches 50% of the cost. It seemed reasonable that the privilege of participating in the system was what the legislature had in mind and not to subsidize the retirement for non-public employees. This practice is being followed and the NEA is being required to pay the cost of the unfunded liabilities for current employees. If former employees of the NEA were granted service credit, it would seem to me that prior to the passage of any legislation, we should have a definite commitment from the NEA to make a lump sum payment for the anticipated actuarial cost which will be involved to pay benefits for those former employees. Under the statutes once a person goes on retirement he is guaranteed a benefit as long as he remains eligible. If we do not insist on advanced payments for those liabilities, the State could find itself in a position of paying benefits to former NEA members and also absorb partial costs for making such payments. In order for us to determine the prepayment amount required it will be necessary for the NEA to provide us with the periods of employment and other data for each individual who would be effected by the suggested changes in the statutes.

Senator Hofman

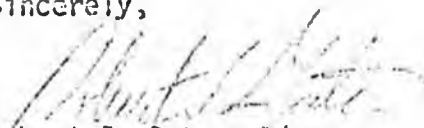
-2-

April 7, 1975

I am also concerned about the use of the words "former employees" because we have no way of collecting contributions from a person who is no longer an active member of the system. This matter can be resolved if RRA guarantees the State that it will make a lump sum prepayment of all costs involved prior to passage of legislation.

If you need any additional information on this subject I would appreciate hearing from you.

Sincerely,



Robert S. Gates, Director  
Division of Retirement & Benefits

RSG/jb

FILE WITH Bnr

March 16, 1975

TO: Members of the Senate HESS Committee  
FROM: W. D. Overstreet  
SUBJECT: House Bill 296

The last legislature enacted a change in the teacher retirement law that made it possible for employees of NEA-Alaska to join the system and receive credit for past service by making retro-active contributions to July 1, 1965 (14.25.045, 2-R). Perhaps it was only oversight that caused that date to be used rather than 1956. Actually, John Poling who just retired from a life-long career in education in Alaska and Frank Darnell who has been involved in education in our State since 1951 also served as Executive Secretary of NEA-Alaska. It seems to me that it would be only fair to amend the law so that they too could have the option of making retro-active contributions and subsequently receive credit for that service.

Two others (Lyman Allen and Haze Bergeron) served as Executive Secretary of NEA-Alaska but I don't believe either continue as members of the system.

Passage of HR 296 would correct this inequity.

Your favorable consideration of this bill would be appreciated.

*Bill:*  
I don't know why this bill got a Finance referral - the beneficiaries would have to pay both the employees & employers share.  
I would appreciate your support.  
Bill

Introduced: 3/13/75  
Referred: Health, Education &  
Social Services

1 IN THE HOUSE

BY BRADNER

2 HOUSE BILL NO. 296

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to teachers' retirement benefits;  
7 and providing for an effective date."

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

9 \* Section 1. AS 14.25.045 is amended to read:

10 Sec. 14.25.045. PARTICIPATION BY NATIONAL EDUCATION ASSOCIATION  
11 EMPLOYEES. (a) An employee or former employee of the National Educa-  
12 tion Association of Alaska may participate in the retirement fund  
13 under this chapter if

14 (1) the employee or former employee possesses or is eligible  
15 to possess a teacher certificate under AS 14.20.020 and

16 (2) the employee or former employee or the National Education  
17 Association of Alaska pays all retroactive contributions required to  
18 be made under this chapter.

19 (b) For purposes of computing the period of time for which  
20 retroactive contributions may be due, an employee or former employee  
21 may count employment with the National Education Association of Alaska  
22 since July 1, 1956 [1965].

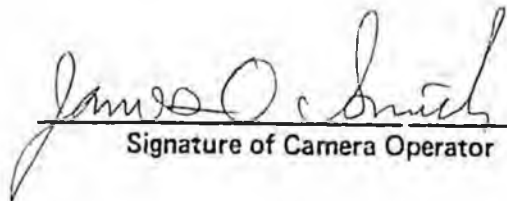
23 \* Sec. 2. This Act takes effect July 1, 1975  
24  
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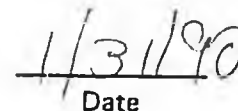


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Signature of Camera Operator

  
Date

"An Act relative to the oil and gas reserves ad valorem tax and its relationship to other oil and gas taxation; effective date."

## COMMITTEE REPORT

HOUSE

4/24/75

Mr. Speaker:

Date April 24 1975

The Committee on FINANCE has had SSSB 297

under consideration. A majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR SSSB 297 AND THAT

CS FOR SSSB 297 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_

Members NOT concurring in the Majority report:

[Signature] recommends: do not pass

[Signature] recommends: DO NOT PASS

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

Introduced: 4/17/75  
Referred: Resources and Finance

BY COWPER, BOWMAN, BRADLEY, BRADNER,  
BROWN, COTTEN, DUNCAN, GARDINER,  
GRUENING, KELLEY, MCKINNON, MALONE,  
MILLER, NAUGHTON, PARKER, SMITH, PARR,  
SULLIVAN AND OSTROSKY

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 297

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas reserves ad valorem  
7 tax and its relationship to other oil and gas taxation;  
8 and providing for an effective date."

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

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

11 CHAPTER 58. OIL AND GAS RESERVES AD VALOREM TAX.

12 Sec. 43.58.010. AD VALOREM TAX. (a) An annual tax is levied each  
13 tax year beginning January 1, 1976, on the full and true value of  
14 taxable property under this chapter.

15 (b) The legislature shall annually determine by law the rate of  
16 the levy before April 1.

17 (c) If on April 1 the legislature has not determined the rate of  
18 levy, the rate of levy shall be zero for that year. The rate of levy  
19 may not exceed 20 mills.

20 Sec. 43.58.020. EXEMPTIONS. The following interests in the  
21 proven reserves of a lease or property shall be exempt from taxation  
22 under this chapter:

- 23 (1) any interest of the United States or the state;  
24 (2) any interest exempted from taxation by sec. 21 of the  
25 Alaska Native Claims Settlement Act (P.L. 92-203; 43 U.S.C. sec. 1620);  
26 (3) all other interests in the proven reserves of a lease or  
27 property during the five year period beginning with the earlier of:  
28 (A) the date of the original lease, concession, contract  
29 or any other agreement that is made for the oil and gas development

1 of a part or all of the land subject to that lease or property, or

2 (B) the date of the first completion, suspension, or  
3 abandonment of a discovery well in a field or pool which in whole  
4 or in part underlies or comprises the lease or ownership interest;

5 (4) taxable property under ch. 56 of this title;

6 (5) any and all interests conveyed pursuant to the Alaska  
7 Native Claims Settlement Act (P.L. 92-203; 43 U.S.C. 1620), including  
8 the interests of lessees of all or part of such interests.

9 Sec. 43.58.030. CREDIT AGAINST TAX. There shall be allowed, as a  
10 credit against the tax levied under this chapter for a lease or property,  
11 the amount of oil and gas properties production taxes paid under ch. 55  
12 of this title for that lease or property for the 12 months before the  
13 tax payment date under this chapter. The credit may not exceed the  
14 amount of tax due under this chapter. For purposes of this section, the  
15 credit shall be calculated without regard to the allowance of any credit  
16 under AS 43.55.010 against the taxes levied by ch. 55 of this title.

17 Sec. 43.58.040. ASSESSMENT. (a) The department shall assess  
18 taxable property under this chapter at its full and true value as of  
19 January 1 of each year.

20 (b) The full and true value of taxable property under this chapter  
21 is the estimated price which the property would bring in an open market  
22 and under the then prevailing market conditions in a sale between a  
23 willing seller and a willing buyer both conversant with the property and  
24 with prevailing values. In determining this value, the department shall  
25 consider all factors which may be known by the department to affect the  
26 value of the proven reserves of the lease or property, including but not  
27 limited to the present value of the expected discounted future net  
28 income from the lease or property.

29 Sec. 43.58.050. ASSESSMENT ROLL. The department shall prepare

1 annually the assessment roll for taxation under this chapter. The roll  
2 shall contain:

- 3 (1) a description of all taxable property;
- 4 (2) the assessed value of all taxable property; and
- 5 (3) the names and addresses of persons owning or otherwise  
6 holding an interest in taxable property.

7 Sec. 43.58.060. ASSESSMENT NOTICE. On or before April 15 of each  
8 year, the department shall send to every owner of taxable property named  
9 in the assessment roll a notice of assessment showing the assessed value  
10 of the property. The notice of assessment is effective on the date of  
11 its mailing.

12 Sec. 43.58.070. APPEAL. (a) A person aggrieved by the action of  
13 the department in making an assessment may request a hearing not later  
14 than 20 days after the effective date of the assessment notice.

15 (b) At the hearing the department may subpoena witnesses and may  
16 administer oaths and make inquiries necessary to determine the correct-  
17 ness of the assessment. At the hearing the appellant bears the burden  
18 of proof, and in the absence of this proof the assessment will be  
19 upheld. If the department determines that a correction is warranted,  
20 the department shall correct the assessment and the assessment roll.

21 (c) Within 30 days after the decision by the department after a  
22 hearing, either the department or a person aggrieved by the decision may  
23 appeal to the superior court for a trial de novo. The superior court  
24 shall grant priority on its dockets for the appeals over all civil cases  
25 then pending.

26 Sec. 43.58.080. CERTIFICATION. On or before June 15 of each year,  
27 the department shall certify the final assessment roll and mail to the  
28 operator or other person filing a return and paying tax on the taxable  
29 property a statement of the amount of tax due.

1           Sec. 43.58.090. SUPPLEMENTAL ASSESSMENT ROLLS. The department  
2 shall include property omitted from the assessment roll on a supple-  
3 mental roll, using the procedures set out in this chapter for the  
4 original roll.

5           Sec. 43.58.100. INVESTIGATION. (a) The department may make an  
6 investigation of property on which a return has been filed or on pro-  
7 perty for which no return has been filed. In either case, the depart-  
8 ment may make its own valuation of the taxable property, which is prima  
9 facie evidence of full and true value.

10           (b) An employee or agent of the department may enter any premise  
11 necessary for the investigation during reasonable hours and may examine  
12 property and appropriate records. The owner of taxable property upon  
13 request shall furnish to the employee or agent of the department reason-  
14 able assistance required for the investigation. If refused entry or  
15 assistance the superior court may, after reasonable notice to the owner,  
16 order the owner to allow the entry or to furnish the assistance.

17           (c) For the purpose of the investigation, the operator or other  
18 person filing a return and paying the tax on the taxable property or his  
19 representative may be required to present himself for examination under  
20 oath by the department.

21           Sec. 43.58.110. RETURNS AND PAYMENT OF TAX. (a) The operator of  
22 a lease or property is primarily liable for payment of the tax levied by  
23 this chapter. All other persons owning or otherwise holding an interest  
24 or right in that lease or property are secondarily liable for payment of  
25 the tax levied by this chapter.

26           (b) The operator of a lease or property shall submit returns on  
27 the form prescribed by the department and shall make payment of the tax  
28 levied under this chapter, on behalf of itself and all other persons  
29 holding an interest or right in that lease or property. With the written

1 approval of the department, a non-operator of the lease or property may  
2 submit returns or make payment of the tax levied under this chapter, on  
3 behalf of himself and such other persons as the department may approve.  
4 All returns shall be filed on or before February 1 of each year.

5 (c) The tax levied under this chapter is payable to the department  
6 on or before June 30 of each year or in installments at the times and  
7 under the conditions the department may by regulation require. This  
8 provision applies even though the assessment is under appeal.

9 (d) With the prior written approval of the department, a person  
10 submitting returns or making payments as required under this chapter for  
11 more than one lease or property may regard those leases or properties as  
12 a single lease or property for purposes of submitting those reports or  
13 making those payments.

14 (e) An operator or other person making payment of the tax levied  
15 under this chapter on behalf of one or more other persons owning or  
16 otherwise holding an interest in a lease or property may withhold a  
17 proportionate share of the payment from any proceeds or other benefits  
18 from the lease or property owed to any person on whose behalf the pay-  
19 ment is made. Unless otherwise specifically provided by written contract  
20 or agreement, the person so withholding a proportionate share of the tax  
21 levied under this chapter incurs no liability to those from whom it is  
22 withheld by virtue of having made the withholding.

23 (f) By written notice the department may require a person filing  
24 a return to submit additional information to the department no later  
25 than 30 days after the notice.

26 Sec. 43.58.120. CIVIL PENALTY. Five per cent shall be added to  
27 the tax for each 30-day period or fraction of that period during which  
28 the taxpayer fails to file a return or pay the full amount of the tax,  
29 or a portion or a deficiency of the tax due and payable as finally

1 determined by the department and required by this chapter, unless it is  
2 shown that the failure is due to a reasonable cause and not to wilful  
3 neglect. The penalty may not exceed 25 per cent in the aggregate. The  
4 penalty shall be collected at the same time, in the same manner and as a  
5 part of the original tax, but if the original tax is paid before the  
6 neglect is discovered the penalty shall be collected in the same manner  
7 as the original tax. The department shall describe by regulation circum-  
8 stances which constitute reasonable cause for purposes of this section.

9 Sec. 43.58.130. INTEREST. When the tax levied in this chapter  
10 becomes delinquent it bears interest at the rate of eight per cent a  
11 year.

12 Sec. 43.58.140. LIEN. The tax, penalty and interest payable under  
13 this chapter are first and paramount liens on the property subject to  
14 tax under this chapter.

15 Sec. 43.58.150. REMEDY. The remedy of distraint of property set  
16 out in AS 43.20.270 applies to the tax levied by this chapter.

17 Sec. 43.58.160. REGULATIONS. The department may adopt regulations  
18 in accordance with the Administrative Procedure Act (AS 44.62) as  
19 appropriate to administer and enforce this chapter.

20 Sec. 43.58.170. TERMINATION OF TAX. The tax imposed by this  
21 chapter shall terminate on December 31, 1977.

22 Sec. 43.58.180. ACCRUAL OF EARLY DEVELOPMENT INCENTIVE CREDIT.  
23 (a) An early development incentive credit, calculated in accordance  
24 with this section, shall be applied to the tax payable under ch. 55 of  
25 this title as provided in AS 43.55.018. The early development incentive  
26 credit for a lease or property is zero until changed as provided in this  
27 section.

28 (b) The early development incentive credit for a lease or property  
29 shall be increased each calendar year by the amount of net tax paid

1 (6) "operator" means the person conducting the exploration,  
2 development or production operation for a lease or property;

3 (7) "proven reserves" means the volumes of oil and gas in a  
4 known deposit which geological and engineering information indicate to  
5 be recoverable in the future under prevailing economic conditions and  
6 technology;

7 (8) "taxable property" means any interest in the proven  
8 reserves of a lease or property.

9 Sec. 43.58.200. PAYMENT TO ALASKA NATIVE FUND. When the tax levied  
10 under this chapter is payable, an amount not less than two per cent of  
11 the tax shall be paid by the state from oil and gas royalty payments  
12 into the Alaska Native Fund established by sec. 6 of the Alaska Native  
13 Claims Settlement Act (P.L. 92-203, 85 Stat. 688, 43 USC 1601 et seq.)  
14 until all payments paid into the fund equals \$500,000,000.

15 \* Sec. 2. AS 43.55.010(b) is amended to read:

16 (b) Except as provided in ch. 58 of this title, the [TME] tax  
17 imposed by this chapter is in place of all taxes now imposed by the  
18 state or any of its municipalities, and neither the state nor a munici-  
19 pality may impose a tax upon

20 (1) [deleted]

21 (2) producing oil or gas leases;

22 (3) oil or gas produced or extracted in the state;

23 (4) [deleted]

24 (5) the value of intangible drilling and exploration expenses.

25 \* Sec. 3. AS 43.55 is amended by adding a new section to read:

26 Sec. 43.55.018. CREDIT AGAINST TAX. (a) There shall be allowed  
27 as a credit against the taxes levied under this chapter for a lease or  
28 property the early development incentive credit accrued for that lease  
29 or property under AS 43.58.180. In no event may the credit allowed for

1 under this chapter.

2 (c) The early development incentive credit for a lease or property  
3 shall be reduced each month by the amount of tax credit allowed in that  
4 month under AS 43.55.018 for that lease or property.

5 Sec. 43.58.190. DEFINITIONS. In this chapter:

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

7 (2) "gas" means all hydrocarbon substances not defined as oil  
8 in this chapter;

9 (3) "lease or property" means

10 (A) a lease or other property that includes mineral  
11 rights in oil and gas,

12 (B) a leasehold interest in oil and gas,

13 (C) a working interest, royalty interest, overriding  
14 royalty interest, production payments, net profit interest or any  
15 other interest in a lease, concession, joint venture or other  
16 agreement for oil and gas exploration, development or production,

17 (D) a working interest, royalty interest, overriding  
18 royalty interest, production payment, net profit interest or any  
19 other interest in an agreement for unitization or pooling under the  
20 provisions of sec. 614(b)(3) of the Internal Revenue Code of 1954  
21 as defined on the effective date of this paragraph;

22 (4) "net tax paid under this chapter" means the amount of tax  
23 payable under sec. 10 of this chapter, less the credit allowed under  
24 sec. 30 of this chapter without regard to interest or penalty;

25 (5) "oil" means crude petroleum oil and other hydrocarbons  
26 regardless of gravity which, when recovered, are recovered at the well-  
27 head in liquid form, and the liquid hydrocarbons known as distillate or  
28 condensate that are recovered by separation from gas other than at a gas  
29 processing plant;

1 a lease or property exceed 50 per cent of the taxes levied under this  
2 chapter for that lease or property.

3 (b) The credit shall be allowed on a monthly basis.

4 \* Sec. 4. AS 43.55.140(8) is repealed and re-enacted to read:

5 (8) "lease or property" means

6 (A) a lease or other property that includes mineral  
7 rights in oil and gas,

8 (B) a leasehold interest in oil and gas,

9 (C) a working interest, royalty interest, overriding  
10 royalty interest, net profit interest or any other interest in a  
11 lease, concession, joint venture or other agreement for oil and gas  
12 exploration, development or production,

13 (D) a working interest, royalty interest, overriding  
14 royalty interest, net profit interest or any other interest in an  
15 agreement for unitization or pooling under the provisions of sec.  
16 614(b)(3) of the Internal Revenue Code of 1954 as defined on the  
17 effective date of this paragraph;

18 \* Sec. 5. Sec. 29.53.050(b) is amended to read:

19 (b) No municipality, or combination of municipalities occupying  
20 the same geographical area, in whole or in part, may levy taxes which  
21 result in tax revenues from all sources exceeding either (1) \$1,000 a  
22 year for each person residing within their boundaries or (2) when com-  
23 bined with the value of property otherwise taxable by the municipality,  
24 the product of 225 per cent of the average per capita assessed full and  
25 true value in the state multiplied by the number of residents of the  
26 taxing municipality. If two or more municipalities occupying the same  
27 geographical area, in whole or in part, attempt to levy a tax the  
28 combined levy of which would result in tax revenues from all sources  
29 exceeding either (1) \$1,000 a year for each person residing within their

1 boundaries or (2) when combined with the value of property otherwise  
2 taxable by the municipality, the product of 225 per cent of the average  
3 per capita assessed full and true value of property in the state multi-  
4 plied by the number of residents of the taxing municipality, the commis-  
5 sioner of community and regional affairs shall apportion the lawful levy  
6 and equitably divide these revenues on the basis of need, services  
7 performed and other considerations in the public interest. For the  
8 purpose of this subsection: population shall be determined by the commis-  
9 sioner of community and regional affairs based on the latest statistics  
10 of the United States Bureau of the Census or on other reliable population  
11 data. For purposes of this subsection the average per capita assessed  
12 full and true value of property in the state shall be calculated without  
13 regard to the assessed value of taxable property under AS 43.58.

14 \* Sec. 6. Sec. 43.56.010(c) is amended to read:

15 (c) If the total value of assessed property of a municipality  
16 taxing under AS 29.53.045(c) exceeds the product of 225 per cent of the  
17 average per capita assessed full and true value of property in the state  
18 (to be determined by the department and reported to each municipality by  
19 January 15 of each year) multiplied by the number of residents of the  
20 taxing municipality, the department shall designate the portion of the  
21 tax base against which the local tax may be applied. For purposes of  
22 this subsection the average per capita assessed full and true value of  
23 property in the state shall be calculated without regard to the assessed  
24 value of taxable property under ch. 58 of this title.

25 \* Sec. 7. This Act takes effect on April 30, 1975.  
26  
27  
28  
29

Original sponsor: Cowper, Lewman,  
Bradley, et al

Offered: 4/24/75  
Referred: Finance

BY THE HOUSE

BY THE RESOURCES COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 297

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the oil and gas reserves ad valorem tax and its relationship to other oil and gas taxation; 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 58. OIL AND GAS RESERVES AD VALOREM TAX.

Sec. 43.58.010. AD VALOREM TAX. (a) An annual tax is levied each tax year beginning January 1, 1976, on the full and true value of taxable property under this chapter.

(b) The legislature shall annually determine by law the rate of the levy before April 1.

(c) If on April 1 the legislature has not determined the rate of levy, the rate of levy shall be zero for that year. The rate of levy may not exceed 20 mills.

Sec. 43.58.020. EXEMPTIONS. <sup>#1</sup> ~~DELETE~~ (a) The following interests in the proven reserves of a lease or property shall be exempt from taxation under this chapter:

<sup>#3</sup> ~~DELETE~~ (1) any interest of the United States or the state;

<sup>+ REPLACE</sup> (2) any interest exempted from taxation by sec. 21 of the Alaska Native Claims Settlement Act (P.L. 92-203; 43 U.S.C. sec. 1620);

(3) all other interests in the proven reserves of a lease or property during the five year period beginning with the earlier of:

(A) the date of the original lease, concession, contract or any other agreement that is made for the oil and gas development

COMMITTEE COPY.

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DELETED

1 of a part or all of the land subject to that lease or property, or  
2 (B) the date of the first completion, suspension, or  
3 abandonment of a discovery well in a field or pool which in whole  
4 or in part underlies or comprises the lease or ownership interest;

5 (4) taxable property under ch. 56 of this title;

6 (5) any and all interests acquired by an Alaska Native  
7 regional corporation under the Alaska Native Claims Settlement Act  
8 (P.L. 92-203; 43 U.S.C. 1620).

DELETED #1

9 (b) If any provision of this section or the application of any  
10 provision of this section or circumstance is held invalid, the remainder  
11 of this Act is void.

12 Sec. 43.58.030. CREDIT AGAINST TAX. There shall be allowed, as a  
13 credit against the tax levied under this chapter for a lease or property,  
14 the amount of oil and gas properties production taxes paid under ch. 55  
15 of this title for that lease or property for the 12 months before the  
16 tax payment date under this chapter. The credit may not exceed the  
17 amount of tax due under this chapter. For purposes of this section, the  
18 credit shall be calculated without regard to the allowance of any credit  
19 under AS 43.55.018 against the taxes levied by ch. 55 of this title.

20 Sec. 43.58.040. ASSESSMENT. (a) The department shall assess  
21 taxable property under this chapter at its full and true value as of  
22 January 1 of each year.

23 (b) The full and true value of taxable property under this chapter  
24 is the estimated price which the property would bring in an open market  
25 and under the then prevailing market conditions in a sale between a  
26 willing seller and a willing buyer both conversant with the property and  
27 with prevailing values. In determining this value, the department shall  
28 consider all factors which may be known by the department to affect the  
29 value of the proven reserves of the lease or property, including but not

1 limited to the present value of the expected discounted future net  
2 income from the lease or property.

3 Sec. 43.58.050. ASSESSMENT ROLL. The department shall prepare  
4 annually the assessment roll for taxation under this chapter. The roll  
5 shall contain:

- 6 (1) a description of all taxable property;  
7 (2) the assessed value of all taxable property; and  
8 (3) the names and addresses of persons owning or otherwise  
9 holding an interest in taxable property.

10 Sec. 43.58.060. ASSESSMENT NOTICE. On or before April 15 of each  
11 year, the department shall send to every owner of taxable property named  
12 in the assessment roll a notice of assessment showing the assessed value  
13 of the property. The notice of assessment is effective on the date of  
14 its mailing.

15 Sec. 43.58.070. APPEAL. (a) A person aggrieved by the action of  
16 the department in making an assessment may request a hearing not later  
17 than 20 days after the effective date of the assessment notice.

18 (b) At the hearing the department may subpoena witnesses and may  
19 administer oaths and make inquiries necessary to determine the correct-  
20 ness of the assessment. At the hearing the appellant bears the burden  
21 of proof, and in the absence of this proof the assessment will be  
22 upheld. If the department determines that a correction is warranted,  
23 the department shall correct the assessment and the assessment roll.

24 (c) Within 30 days after the decision by the department after a  
25 hearing, either the department or a person aggrieved by the decision may  
26 appeal to the superior court for a trial de novo. The superior court  
27 shall grant priority on its dockets for the appeals over all civil cases  
28 then pending.

29 Sec. 43.58.080. CERTIFICATION. On or before June 15 of each year,

1 the department shall certify the final assessment roll and mail to the  
2 operator or other person filing a return and paying tax on the taxable  
3 property a statement of the amount of tax due.

4 Sec. 43.58.090. SUPPLEMENTAL ASSESSMENT ROLLS. The department  
5 shall include property omitted from the assessment roll on a supple-  
6 mental roll, using the procedures set out in this chapter for the  
7 original roll.

8 Sec. 43.58.100. INVESTIGATION. (a) The department may make an  
9 investigation of property on which a return has been filed or on pro-  
10 perty for which no return has been filed. In either case, the depart-  
11 ment may make its own valuation of the taxable property, which is prima  
12 facie evidence of full and true value.

13 (b) An employee or agent of the department may enter any premise  
14 necessary for the investigation during reasonable hours and may examine  
15 property and appropriate records. The owner of taxable property upon  
16 request shall furnish to the employee or agent of the department reason-  
17 able assistance required for the investigation. If refused entry or  
18 assistance the superior court may, after reasonable notice to the owner,  
19 order the owner to allow the entry or to furnish the assistance.

20 (c) For the purpose of the investigation, the operator or other  
21 person filing a return and paying the tax on the taxable property or his  
22 representative may be required to present himself for examination under  
23 oath by the department.

24 Sec. 43.58.110. RETURNS AND PAYMENT OF TAX. (a) The operator of  
25 a lease or property is primarily liable for payment of the tax levied by  
26 this chapter. All other persons owning or otherwise holding an interest  
27 or right in that lease or property are secondarily liable for payment of  
28 the tax levied by this chapter.

29 (b) The operator of a lease or property shall submit returns on

1 the form prescribed by the department and shall make payment of the tax  
2 levied under this chapter, on behalf of itself and all other persons  
3 holding an interest or right in that lease or property. With the written  
4 approval of the department, a non-operator of the lease or property may  
5 submit returns or make payment of the tax levied under this chapter, on  
6 behalf of himself and such other persons as the department may approve.  
7 All returns shall be filed on or before February 1 of each year.

8 (c) The tax levied under this chapter is payable to the department  
9 on or before June 30 of each year or in installments at the times and  
10 under the conditions the department may by regulation require. This  
11 provision applies even though the assessment is under appeal.

12 (d) With the prior written approval of the department, a person  
13 submitting returns or making payments as required under this chapter for  
14 more than one lease or property may regard those leases or properties as  
15 a single lease or property for purposes of submitting those reports or  
16 making those payments.

17 (e) An operator or other person making payment of the tax levied  
18 under this chapter on behalf of one or more other persons owning or  
19 otherwise holding an interest in a lease or property may withhold a  
20 proportionate share of the payment from any proceeds or other benefits  
21 from the lease or property owed to any person on whose behalf the pay-  
22 ment is made. Unless otherwise specifically provided by written contract  
23 or agreement, the person so withholding a proportionate share of the tax  
24 levied under this chapter incurs no liability to those from whom it is  
25 withheld by virtue of having made the withholding.

26 (f) By written notice the department may require a person filing  
27 a return to submit additional information to the department no later  
28 than 30 days after the notice.

29 Sec. 43.58.120. CIVIL PENALTY. Five per cent shall be added to

1 the tax for each 30-day period or fraction of that period during which  
2 the taxpayer fails to file a return or pay the full amount of the tax,  
3 or a portion or a deficiency of the tax due and payable as finally  
4 determined by the department and required by this chapter, unless it is  
5 shown that the failure is due to a reasonable cause and not to wilful  
6 neglect. The penalty may not exceed 25 per cent in the aggregate. The  
7 penalty shall be collected at the same time, in the same manner and as a  
8 part of the original tax, but if the original tax is paid before the  
9 neglect is discovered the penalty shall be collected in the same manner  
10 as the original tax. The department shall describe by regulation circum-  
11 stances which constitute reasonable cause for purposes of this section.

12 Sec. 43.58.130. INTEREST. When the tax levied in this chapter  
13 becomes delinquent it bears interest at the rate of eight per cent a  
14 year.

15 Sec. 43.58.140. LIEN. The tax, penalty and interest payable under  
16 this chapter are first and paramount liens on the property subject to  
17 tax under this chapter.

18 Sec. 43.58.150. REMEDY. The remedy of distraint of property set  
19 out in AS 43.20.270 applies to the tax levied by this chapter.

20 Sec. 43.58.160. REGULATIONS. The department may adopt regulations  
21 in accordance with the Administrative Procedure Act (AS 44.62) as  
22 appropriate to administer and enforce this chapter.

23 Sec. 43.58.170. TERMINATION OF TAX. The tax imposed by this  
24 chapter shall terminate on December 31, 1977.

25 Sec. 43.58.180. ACCRUAL OF EARLY DEVELOPMENT INCENTIVE CREDIT.

26 (a) An early development incentive credit, calculated in accordance  
27 with this section, shall be applied to the tax payable under ch. 55 of  
28 this title as provided in AS 43.55.018. The early development incentive  
29 credit for a lease or property is zero until changed as provided in this

1 section.

2 (b) The early development incentive credit for a lease or property  
3 shall be increased each calendar year by the amount of net tax paid  
4 under this chapter.

5 (c) The early development incentive credit for a lease or property  
6 shall be reduced each month by the amount of tax credit allowed in that  
7 month under AS 43.55.018 for that lease or property.

8 Sec. 43.53.190. DEFINITIONS. In this chapter:

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

10 (2) "gas" means all hydrocarbon substances not defined as oil  
11 in this chapter;

12 (3) "lease or property" means

13 (A) a lease or other property that includes mineral  
14 rights in oil and gas,

15 (B) a leasehold interest in oil and gas,

16 (C) a working interest, royalty interest, overriding  
17 royalty interest, production payments, net profit interest or any  
18 other interest in a lease, concession, joint venture or other  
19 agreement for oil and gas exploration, development or production,

20 (D) a working interest, royalty interest, overriding  
21 royalty interest, production payment, net profit interest or any  
22 other interest in an agreement for unitization or pooling under the  
23 provisions of sec. 614(b)(3) of the Internal Revenue Code of 1954  
24 as defined on the effective date of this paragraph;

25 (4) "net tax paid under this chapter" means the amount of tax  
26 payable under sec. 10 of this chapter, less the credit allowed under  
27 sec. 30 of this chapter without regard to interest or penalty;

28 (5) "oil" means crude petroleum (oil) and other hydrocarbons  
29 regardless of gravity which, when recovered, are recovered at the well-

head in liquid form, and the liquid hydrocarbons known as distillate or condensate that are recovered by separation from gas other than at a gas processing plant;

(6) "operator" means the person conducting the exploration, development or production operation for a lease or property;

(7) "proven reserves" means the volumes of oil and gas in a known deposit which geological and engineering information indicate to be recoverable if it is economically feasible to market it in the future. "proven reserves" does not include oil and gas which is not economically feasible to market in the future under reasonably foreseeable conditions.

(8) "taxable property" means any interest in the proven reserves of a lease or property.

Sec. 43.58.200. PAYMENT TO ALASKA NATIVE FUND. When the tax levied under this chapter is payable an amount ~~not less than~~ <sup>REQUIR. TO</sup> two per cent of the tax shall be paid by the state from oil and gas ~~royalty payments~~ <sup>royalties, bonuses & rentals</sup> into the Alaska Native Fund established by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203, 85 Stat. 688, 43 USC 1601 et seq.) until all payments paid into the fund equals \$500,000,000.

\* Sec. 2. AS 43.55.010(b) is amended to read:

(b) Except as provided in ch. 58 of this title, the [THE] tax imposed by this chapter is in place of all taxes now imposed by the state or any of its municipalities, and neither the state nor a municipality may impose a tax upon

- (1) [deleted]
- (2) producing oil or gas leases;
- (3) oil or gas produced or extracted in the state;
- (4) [deleted]
- (5) the value of intangible drilling and exploration expenses.

\* Sec. 3. AS 43.55 is amended by adding a new section to read:

#2  
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1                   Sec. 43.55.013. CREDIT AGAINST TAX. (a) There shall be allowed  
2 as a credit against the taxes levied under this chapter for a lease or  
3 property the early development incentive credit accrued for that lease  
4 or property under AS 43.58.180. In no event may the credit allowed for  
5 a lease or property exceed 50 per cent of the taxes levied under this  
6 chapter for that lease or property.

7                   (b) The credit shall be allowed on a monthly basis.

8       \* Sec. 4. AS 43.55.140(c) is repealed and re-enacted to read:

9                   (8) "lease or property" means

10                   (A) a lease or other property that includes mineral  
11 rights in oil and gas,

12                   (B) a leasehold interest in oil and gas,

13                   (C) a working interest, royalty interest, overriding  
14 royalty interest, net profit interest or any other interest in a  
15 lease, concession, joint venture or other agreement for oil and gas  
16 exploration, development or production,

17                   (D) a working interest, royalty interest, overriding  
18 royalty interest, net profit interest or any other interest in an  
19 agreement for unitization or pooling under the provisions of sec.  
20 614(b)(3) of the Internal Revenue Code of 1954 as defined on the  
21 effective date of this paragraph;

22       \* Sec. 5. Sec. 29.53.050(b) is amended to read:

23                   (b) No municipality, or combination of municipalities occupying  
24 the same geographical area, in whole or in part, may levy taxes which  
25 result in tax revenues from all sources exceeding either (1) \$1,000 a  
26 year for each person residing within their boundaries or (2) when com-  
27 bined with the value of property otherwise taxable by the municipality,  
28 the product of 225 per cent of the average per capita assessed full and  
29 true value in the state multiplied by the number of residents of the

1 taxing municipality. If two or more municipalities occupying the same  
2 geographical area, in whole or in part, attempt to levy a tax the  
3 combined levy of which would result in tax revenues from all sources  
4 exceeding either (1) \$1,000 a year for each person residing within their  
5 boundaries or (2) when combined with the value of property otherwise  
6 taxable by the municipality, the product of 225 per cent of the average  
7 per capita assessed full and true value of property in the state multi-  
8 plied by the number of residents of the taxing municipality, the commis-  
9 sioner of community and regional affairs shall apportion the lawful levy  
10 and equitably divide these revenues on the basis of need, services  
11 performed and other considerations in the public interest. For the  
12 purpose of this subsection population shall be determined by the commis-  
13 sioner of community and regional affairs based on the latest statistics  
14 of the United States Bureau of the Census or on other reliable population  
15 data. For purposes of this subsection the average per capita assessed  
16 full and true value of property in the state shall be calculated without  
17 regard to the assessed value of taxable property under AS 43.58.

18 \* Sec. 6. Sec. 43.56.010(c) is amended to read:

19 (c) If the total value of assessed property of a municipality  
20 taxing under AS 29.53.045(c) exceeds the product of 225 per cent of the  
21 average per capita assessed full and true value of property in the state  
22 (to be determined by the department and reported to each municipality by  
23 January 15 of each year) multiplied by the number of residents of the  
24 taxing municipality, the department shall designate the portion of the  
25 tax base against which the local tax may be applied. For purposes of  
26 this subsection the average per capita assessed full and true value of  
27 property in the state shall be calculated without regard to the assessed  
28 value of taxable property under ch. 53 of this title.

29 \* Sec. 7. This Act takes effect on April 30, 1975.

The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. Senate CS for CS for Sponsor Substitute for House Bill No. 297 am S  
Title: An Act relating to the oil and gas reserves ad valorem tax  
Requested by: Senator Bill Ray, Chairman, SF Comm. Date: 5-19-75  
Return Date Requested: 5-19-75  
Agency: Department of Revenue Program: Property Tax Division

II. FISCAL DETAIL

Budget Request Unit(s) Affected:

A. EXPENDITURES: (Thousands of dollars)

| OBJECT                   | FY 75 | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES    |       |       |       |       |       |       |
| 200 TRAVEL               |       | 5.0   | 5.3   |       |       |       |
| 300 CONTRACTUAL          |       | 88.0  | 93.0  |       |       |       |
| 400 COMMODITIES          |       |       |       |       |       |       |
| 500 EQUIPMENT            |       |       |       |       |       |       |
| 600 LAND & STRUCTURES    |       |       |       |       |       |       |
| 700 GRANTS, CLAIMS, ETC. |       |       |       |       |       |       |
| TOTAL                    |       | 93.0  | 98.3  |       |       |       |

B. FUNDING: (Thousands of dollars)

|               |  |      |      |  |  |  |
|---------------|--|------|------|--|--|--|
| GENERAL FUND  |  | 93.0 | 98.3 |  |  |  |
| FEDERAL FUNDS |  |      |      |  |  |  |
| OTHER         |  |      |      |  |  |  |

C. POSITIONS:

|                     |   |     |     |   |   |   |
|---------------------|---|-----|-----|---|---|---|
| PERMANENT/TEMPORARY | / | -0- | -0- | / | / | / |
| MAN MONTHS (P./T.)  | / | -0- | -0- | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Per attached breakdown adjusted for 5.5% inflation in FY 1977

IV. ATTACHMENTS

V. DATE: May 19, 1975

PREPARED BY:

*Stacy Selig*  
Commissioner of Revenue

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

TAX ON RESERVES  
ADMINISTRATIVE COSTS  
May 19, 1975

Contractual support of this administrative function is recommended:

|  |                 |
|--|-----------------|
| 1. Contract with a firm to provide petroleum engineer services, 180 days @ \$250 day | \$45,000        |
| 2. Production of reports, graphs, maps and charts                                    | 5,000           |
| 3. Travel for firm to and from Alaska  | 5,000           |
| 4. Hearings, Transcripts and Testimony preparation                                   | 8,000           |
| 5. Contract with a firm to provide petroleum legal services                          | <u>30,000</u>   |
| Total Administrative Costs   | <u>\$93,000</u> |

# STATE OF ALASKA

JAY S. HAMMOND, Governor

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER / POUCH 5 — JUNEAU 99801

May 19, 1975

The Honorable Bill Ray  
Chairman  
Senate Finance Committee  
Alaska State Legislature  
State Capitol  
Juneau, Alaska

Dear Senator Ray:

I have reviewed Senate CS for CS for Sponsor Substitute for House Bill 297 am S.

It appears that the wording of the exemptions in section 43.58.020 could be interpreted to exclude from the tax the gas reserves associated with the Sadlerochit formation in Prudhoe Bay.

The projected revenues from the bill for FY 1976 and 1977 are then as follows:

| <u>FY 1976</u>       | <u>FY 1977</u>       |
|----------------------|----------------------|
| <u>\$216 million</u> | <u>\$258 million</u> |

While it appears that the exclusion of gas reserves might cause some difficulty in valuing the property, we believe that funds requested in the attached fiscal note will be adequate to administer the bill.

Very truly yours,

Sterling Gallagher  
Commissioner

SG:eh

Attachment

AMENDMENTS

PAGE 1.

line 20 DELETE (a) [just that character and the parens  
around it]

lines 25 and 26 DELETE section (2) and replace with new  
language:

(2) any interest exempted from taxation by the  
Alaska Native Claims Settlement Act, P.L.  
92-203; 43 USC § 1620 or acquired under said  
Act by an Alaska Native regional or village  
corporation.

PAGE 2.

lines 9-11 DELETE all of section (b)  
lines 6 & 7 DELETE all of section (5)

PAGE 7 line 28 following "petroleum, delete "oil"

PAGE 8 line 14 following "amount" insert "equivalent to"  
line 15 following "gas" delete "royalty payments"  
and insert "royalties, bonuses, and rentals"

line 18 insert, before Sec. 2 the following new  
section;

Sec. 48.53.210. Severability. If any  
provision of this Act, or the applicability  
thereof, is held invalid, the remainder  
of this act shall not be affected thereby.

~~The following order proposed by  
the committee on the subject of~~

#2

P 8, BETWEEN L 18 + 19  
No. Sec 48-53-210  
CONFIDENTIAL

If any part of the order is  
inapplicable thereof,

g

these are  
the amendments  
so far

PAGE 1

#2

L 24-25

DELETE ALL LANGUAGE  
OF SUBSECTION (2)

INSERT NEW LANGUAGE

⊖ P2

L 6-7

DELETE SUBSEC(2)

# 2 New hang.

43.5820

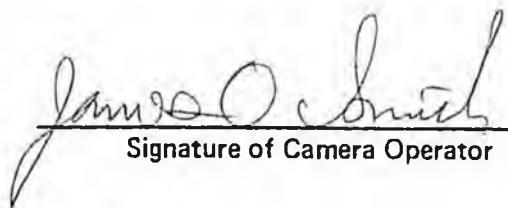
(2) Any interest exempted from  
taxation by the Alaska Native Claims  
Settlement Act P.L. 92-203, 43 USC § 1620  
or required by an Alaska Native  
Regional or village corporation, (under  
~~the Alaska Native Claims Settlement  
Act.~~)

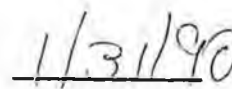


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

COMMITTEE REPORT

5/13/75

SENATE

Mr. President:

Date 5/14/75

The Committee on FINANCE has had CS SB HB 207 (Rules) relating to the oil and gas reserves ad valorem tax under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH SCS FOR CS SB HB 207 AND THAT SCS FOR CS SB HB 207 DO PASS *as amended out of the bill with recommendations*
- "and" recommends it BE REFERRED TO THE \_\_\_\_\_ COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

|                    |                |       |
|--------------------|----------------|-------|
| <u>[Signature]</u> | <u>DO PASS</u> | _____ |
| _____              | _____          | _____ |
| <u>[Signature]</u> | <u>DO PASS</u> | _____ |
| _____              | _____          | _____ |

Members NOT concurring in the Majority report:

|                    |                                |
|--------------------|--------------------------------|
| <u>[Signature]</u> | recommends: <u>[Signature]</u> |
| <u>[Signature]</u> | recommends: <u>[Signature]</u> |
| <u>[Signature]</u> | recommends: _____              |
| <u>[Signature]</u> | recommends: <u>[Signature]</u> |
| <u>[Signature]</u> | recommends: _____              |

[Signature] Chairman

Original sponsor: Cowper, Bowman,  
Bradley, et al

Offered: 5/15/75  
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 297 am S

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas reserves ad valorem  
7 tax and its relationship to other oil and gas taxation;  
8 and providing for an effective date."

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

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

11 CHAPTER 58. OIL AND GAS RESERVES AD VALOREM TAX.

12 Sec. 43.58.010. AD VALOREM TAX. (a) An annual tax is levied each  
13 tax year beginning January 1, 1976, on the full and true value of  
14 taxable property under this chapter.

15 (b) The legislature shall annually determine by law the rate of  
16 the levy before June 1.

17 (c) The rate of levy may not exceed 20 mills.

18 Sec. 43.58.020. EXEMPTIONS. The following interests in the  
19 proven reserves of a lease or property shall be exempt from taxation  
20 under this chapter:

21 (1) any interest of the United States or the state;

22 (2) any interest in proven reserves during the five-year  
23 period beginning with the date of the first completion, suspension, or  
24 abandonment, whichever occurs first, of a discovery well in an oil or  
25 gas field or pool which in whole or in part underlies or comprises the  
26 lease or property;

27 (3) any interest in proven reserves until the earlier of  
28 either of the following occurs:

29 (A) the issuance, upon application, of a permit for

1 construction of a facility to transport oil or gas from any well or  
2 wells in an oil or gas field or pool which in whole or in part  
3 underlies or comprises the lease or property to market; or

4 (B) the commencement of construction of a facility to  
5 transport oil or gas from any well or wells in an oil or gas field  
6 or pool which in whole or in part underlies or comprises the lease  
7 or property to market;

8 (4) any interest in proven reserves as to which the issuance  
9 of a permit for, or the commencement of construction of a facility to  
10 transport oil or gas from any well or wells in an oil or gas field or  
11 pool which in whole or in part underlies or comprises the lease or  
12 property, or the use of those facilities, is enjoined, either temporar-  
13 ily or permanently, by an order, judgment, decree, determination or  
14 award of a federal, state or local court or administrative or regulatory  
15 agency.

16 Sec. 43.58.030. CREDIT AGAINST TAX. There shall be allowed, as a  
17 credit against the tax levied under this chapter for a lease or prop-  
18 erty, the amount of oil and gas properties production taxes paid under  
19 ch. 55 of this title for that lease or property for the 12 months before  
20 the tax payment date under this chapter. The credit may not exceed the  
21 amount of tax due under this chapter. For purposes of this section, the  
22 credit shall be calculated without regard to the allowance of any credit  
23 under AS 43.55.018 against the taxes levied by ch. 55 of this title.

24 Sec. 43.58.040. ASSESSMENT. (a) The department shall assess  
25 taxable property under this chapter at its full and true value as of  
26 January 1 of each year.

27 (b) The full and true value of taxable property under this chapter  
28 is the estimated price which the property would bring in an open market  
29 and under the then prevailing market conditions in a sale between a

1 willing seller and a willing buyer both conversant with the property and  
2 with prevailing values. In determining this value, the department shall  
3 consider all factors which may be known by the department to affect the  
4 value of the proven reserves of the lease or property, including but not  
5 limited to the present value of the expected discounted future net  
6 income from the lease or property.

7 Sec. 43.58.050. ASSESSMENT ROLL. The department shall prepare  
8 annually the assessment roll for taxation under this chapter. The roll  
9 shall contain:

- 10 (1) a description of all taxable property;
- 11 (2) the assessed value of all taxable property; and
- 12 (3) the names and addresses of persons owning or otherwise  
13 holding an interest in taxable property.

14 Sec. 43.58.060. ASSESSMENT NOTICE. On or before April 15 of each  
15 year, the department shall send to every owner of taxable property named  
16 in the assessment roll a notice of assessment showing the assessed value  
17 of the property. The notice of assessment is effective on the date of  
18 its mailing.

19 Sec. 43.58.070. APPEAL. (a) A person aggrieved by the action of  
20 the department in making an assessment may request a hearing not later  
21 than 20 days after the effective date of the assessment notice.

22 (b) At the hearing the department may subpoena witnesses and may  
23 administer oaths and make inquiries necessary to determine the correct-  
24 ness of the assessment. At the hearing the appellant bears the burden  
25 of proof, and in the absence of this proof the assessment will be  
26 upheld. If the department determines that a correction is warranted,  
27 the department shall correct the assessment and the assessment roll.

28 (c) Within 30 days after the decision by the department after a  
29 hearing, either the department or a person aggrieved by the decision may

1 appeal to the superior court. The superior court shall grant priority  
2 on its dockets for the appeals over all civil cases then pending.

3 Sec. 43.58.080. CERTIFICATION. On or before June 15 of each year,  
4 the department shall certify the final assessment roll and mail to the  
5 operator or other person filing a return and paying tax on the taxable  
6 property a statement of the amount of tax due.

7 Sec. 43.58.090. SUPPLEMENTAL ASSESSMENT ROLLS. The department  
8 shall include property omitted from the assessment roll on a supple-  
9 mental roll, using the procedures set out in this chapter for the  
10 original roll.

11 Sec. 43.58.100. INVESTIGATION. (a) The department may make an  
12 investigation of property on which a return has been filed or on pro-  
13 perty for which no return has been filed. In either case, the depart-  
14 ment may make its own valuation of the taxable property, which is prima  
15 facie evidence of full and true value.

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

23 (c) For the purpose of the investigation, the operator or other  
24 person filing a return and paying the tax on the taxable property or his  
25 representative may be required to present himself for examination under  
26 oath by the department.

27 Sec. 43.58.110. RETURNS AND PAYMENT OF TAX. (a) The operator of  
28 a lease or property is primarily liable for payment of the tax levied by  
29 this chapter. All other persons owning or otherwise holding an interest

1 or right in that lease or property are secondarily liable for payment of  
2 the tax levied by this chapter.

3 (b) The operator of a lease or property shall submit returns on  
4 the form prescribed by the department and shall make payment of the tax  
5 levied under this chapter, on behalf of itself and all other persons  
6 holding an interest or right in that lease or property. With the  
7 written approval of the department, a nonoperator of the lease or prop-  
8 erty may submit returns or make payment of the tax levied under this  
9 chapter, on behalf of himself and such other persons as the department  
10 may approve. All returns shall be filed on or before February 1 of each  
11 year.

12 (c) The tax levied under this chapter is payable to the department  
13 on or before June 30 of each year or in installments at the times and  
14 under the conditions the department may by regulation require. This  
15 provision applies even though the assessment is under appeal.

16 (d) With the prior written approval of the department, a person  
17 submitting returns or making payments as required under this chapter for  
18 more than one lease or property may regard those leases or properties as  
19 a single lease or property for purposes of submitting those reports or  
20 making those payments.

21 (e) An operator or other person making payment of the tax levied  
22 under this chapter on behalf of one or more other persons owning or  
23 otherwise holding an interest in a lease or property may withhold a  
24 proportionate share of the payment from any proceeds or other benefits  
25 from the lease or property owed to any person on whose behalf the pay-  
26 ment is made. Unless otherwise specifically provided by written con-  
27 tract or agreement, the person so withholding a proportionate share of  
28 the tax levied under this chapter incurs no liability to those from whom  
29 it is withheld by virtue of having made the withholding.

1 (f) By written notice the department may require a person filing  
2 a return to submit additional information to the department no later  
3 than 30 days after the notice.

4 Sec. 43.58.115. PAYMENTS IN LIEU OF TAX. The operator may each  
5 year, at its option, in lieu of paying the tax provided for in this  
6 chapter, make an advance payment of royalties due to the state under  
7 the lease or property to which the tax pertains in the same manner,  
8 amount and at the same time as the tax, penalty and interest otherwise  
9 payable under this chapter. This election shall be effective for all  
10 purposes of law and of the lease or property upon (1) the filing with  
11 the commissioner of revenue and the commissioner of natural resources,  
12 on or before February 1 of each year, a written notice of election by  
13 or on behalf of the operator to pay that amount as advance payment of  
14 royalties and (2) payment to the commissioner of revenue of that  
15 amount. AS 38.05.182 and 38.05.183 and AS 38.06 shall not be applicable  
16 to this advance payment of royalties. If the operator elects this  
17 option, the advance payment of royalties in lieu of the tax shall be  
18 allowed as a credit against future royalty payments due from the lease  
19 or property. In no event may the credit against royalty payments  
20 under the lease or property allowed in any year exceed the amount of  
21 the credit allowed under AS 43.55.018 for the lease or property. As a  
22 condition of this election by the operator, the state, its assigns or  
23 designees shall have the right to purchase at the time of production,  
24 upon six months prior written notice to the operator by the commissioner  
25 of natural resources, and at the field market price or value at the  
26 well as determined under the terms of the lease or property, any part  
27 or all of the royalty oil or gas represented by the advance payment of  
28 royalties. Any such purchase by the state shall be made after the  
29 commissioner of natural resources determines, with the prior written

1 approval of the Alaska Royalty Oil and Gas Development Advisory Board,  
2 that the best interest of the state requires the purchase, and AS 38.05.  
3 182 and 38.05.183 and AS 38.06 shall be applicable to any oil and gas  
4 purchased in this manner by the state.

5 Sec. 43.58.120. CIVIL PENALTY. Five per cent shall be added to  
6 the tax for each 30-day period or fraction of that period during which  
7 the taxpayer fails to file a return or pay the full amount of the tax,  
8 or a portion or a deficiency of the tax due and payable as finally  
9 determined by the department and required by this chapter, unless it  
10 is shown that the failure is due to a reasonable cause and not to  
11 wilful neglect. The penalty may not exceed 25 per cent in the aggregate.  
12 The penalty shall be collected at the same time, in the same manner  
13 and as a part of the original tax, but if the original tax is paid  
14 before the neglect is discovered the penalty shall be collected in the  
15 same manner as the original tax. The department shall describe by  
16 regulation circumstances which constitute reasonable cause for purposes  
17 of this section.

18 Sec. 43.58.130. INTEREST. When the tax levied in this chapter  
19 becomes delinquent it bears interest at the rate of eight per cent a  
20 year.

21 Sec. 43.58.140. LIEN. The tax, penalty and interest payable  
22 under this chapter are first and paramount liens on the property  
23 subject to tax under this chapter.

24 Sec. 43.58.150. REMEDY. The remedy of distraint of property set  
25 out in AS 43.20.270 applies to the tax levied by this chapter.

26 Sec. 43.58.160. REGULATIONS. The department may adopt regulations  
27 in accordance with the Administrative Procedure Act (AS 44.62) as  
28 appropriate to administer and enforce this chapter.

29 Sec. 43.58.170. TERMINATION OF TAX. The tax imposed by this

chapter shall terminate on December 31, 1977.

Sec. 43.58.180. ACCRUAL OF EARLY DEVELOPMENT INCENTIVE CREDIT.

(a) An early development incentive credit, calculated in accordance with this section, shall be applied to the tax payable under ch. 55 of this title as provided in AS 43.55.018. The early development incentive credit for a lease or property is zero until changed as provided in this section.

(b) The early development incentive credit for a lease or property shall be increased each calendar year by the amount of net tax paid under this chapter.

(c) The early development incentive credit for a lease or property shall be reduced each month by the amount of tax credit allowed in that month under AS 43.55.018 for that lease or property.

Sec. 43.58.190. DEFINITIONS. In this chapter:

- (1) "department" means the Department of Revenue;
- (2) "gas" means all hydrocarbon substances not defined as oil in this chapter;
- (3) "lease or property" means:
  - (A) a lease or other property that includes mineral rights in oil and gas,
  - (B) a leasehold interest in oil and gas,
  - (C) a working interest, royalty interest, overriding royalty interest, production payments, net profit interest or any other interest in a lease, concession, joint venture or other agreement for oil and gas exploration, development or production,
  - (D) a working interest, royalty interest, overriding royalty interest, production payment, net profit interest or any other interest in an agreement for unitization or pooling under the provisions of sec. 614(b)(3) of the Internal Revenue Code of

1 1954 as defined on the effective date of this paragraph;

2 (4) "net tax paid under this chapter" means the amount of  
3 tax payable under sec. 10 of this chapter, less the credit allowed  
4 under sec. 30 of this chapter without regard to interest or penalty;

5 (5) "oil" means crude petroleum and other hydrocarbons  
6 regardless of gravity which, when recovered, are recovered at the  
7 wellhead in liquid form, and the liquid hydrocarbons known as distillate  
8 or condensate that are recovered by separation from gas other than at  
9 a gas processing plant;

10 (6) "operator" means the person conducting the exploration,  
11 development or production operation for a lease or property;

12 (7) "proven reserves" means the volumes of oil and gas in a  
13 known deposit which geological and engineering information indicate to  
14 be recoverable if it is economically feasible to market it in the  
15 future under reasonably foreseeable conditions;

16 (8) "taxable property" means any interest in or the right  
17 to produce or recover the proven reserves of a lease or property.

18 Sec. 43.58.200. PAYMENT TO ALASKA NATIVE FUND. When the tax  
19 levied under this chapter is payable an amount equivalent to not less  
20 than two per cent of the tax shall be paid by the state from oil and  
21 gas royalties, bonuses and rentals into the Alaska Native Fund established  
22 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203, 85  
23 Stat. 688, 43 U.S.C. 1601 et seq.) until all payments paid into the  
24 fund equal \$500,000,000.

25 \* Sec. 2. AS 43.55.010(b) is amended to read:

26 (b) Except as provided in ch. 58 of this title, the [THE] tax  
27 imposed by this chapter is in place of all taxes now imposed by the  
28 state or any of its municipalities, and neither the state nor a munici-  
29 pality may impose a tax upon

- 1 (1) [deleted]
- 2 (2) producing oil or gas leases;
- 3 (3) oil or gas produced or extracted in the state;
- 4 (4) [deleted]
- 5 (5) the value of intangible drilling and exploration expenses

6 \* Sec. 3. AS 43.55 is amended by adding a new section to read:

7 Sec. 43.55.018. CREDIT AGAINST TAX. There shall be allowed as a  
8 credit against the taxes levied under this chapter for a lease or  
9 property the early development incentive credit accrued for that lease  
10 or property under AS 43.58.180. The credit shall be allowed on a  
11 monthly basis but in no event may the credit exceed 50 per cent of the  
12 taxes levied each month under this chapter for that lease or property.  
13 The credit shall be allowed until the entire early development incentive  
14 credit for the lease or property has been exhausted.

15 \* Sec. 4. AS 43.55.140(8) is repealed and re-enacted to read:

16 (8) "lease or property" means

17 (A) a lease or other property that includes mineral  
18 rights in oil and gas,

19 (B) a leasehold interest in oil and gas,

20 (C) a working interest, royalty interest, overriding  
21 royalty interest, net profit interest or any other interest in a  
22 lease, concession, joint venture or other agreement for oil and  
23 gas exploration, development or production,

24 (D) a working interest, royalty interest, overriding  
25 royalty interest, net profit interest or any other interest in an  
26 agreement for unitization or pooling under the provisions of sec.  
27 614(b)(3) of the Internal Revenue Code of 1954 as defined on the  
28 effective date of this paragraph;

29 \* Sec. 5. Sec. 29.53.050(b) is amended to read:

1 (b) No municipality, or combination of municipalities occupying  
2 the same geographical area, in whole or in part, may levy taxes which  
3 will result in tax revenues from all sources exceeding either (1)  
4 \$1,000 a year for each person residing within their boundaries or (2)  
5 when combined with the value of property otherwise taxable by the  
6 municipality, the product of 225 per cent of the average per capita  
7 assessed full and true value of property in the state multiplied by  
8 the number of residents of the taxing municipality. If two or more  
9 municipalities occupying the same geographical area, in whole or in  
10 part, attempt to levy a tax the combined levy of which would result in  
11 tax revenues from all sources exceeding either (1) \$1,000 a year for  
12 each person residing within their boundaries or (2) when combined with  
13 the value of property otherwise taxable by the municipality, the  
14 product of 225 per cent of the average per capita assessed full and  
15 true value of property in the state multiplied by the number of residents  
16 of the taxing municipality, the commissioner of community and regional  
17 affairs shall apportion the lawful levy and equitably divide these  
18 revenues on the basis of need, services performed and other considera-  
19 tions in the public interest. For the purpose of this subsection,  
20 population shall be determined by the commissioner of community and  
21 regional affairs based on the latest statistics of the United States  
22 Bureau of the Census or on other reliable population data. For purposes  
23 of this subsection the average per capita assessed full and true value  
24 of property in the state shall be calculated without regard to the  
25 assessed value of taxable property under AS 43.58.

26 # Sec. 6. Sec. 43.56.010(c) is amended to read:

27 (c) If the total value of assessed property of a municipality  
28 taxing under AS 29.53.045(c) exceeds the product of 225 per cent of  
29 the average per capita assessed full and true value of property in the

1 state (to be determined by the department and reported to each municipi-  
2 pality by January 15 of each year) multiplied by the number of residents  
3 of the taxing municipality, the department shall designate the portion  
4 of the tax base against which the local tax may be applied. For  
5 purposes of this subsection the average per capita assessed full and  
6 true value of property in the state shall be calculated without regard  
7 to the assessed value of taxable property under ch. 58 of this title.

8 \* Sec. 7. Except as provided in this section, if a provision of this  
9 Act for any reason is invalid or unenforceable, the invalidity or unenforce-  
10 ability of that provision shall not affect the remainder of this Act or any  
11 of the other provisions of this Act. However, if AS 43.58.020(2), (3) or  
12 (4), or any of those paragraphs, should be for any reason held invalid or  
13 unenforceable, this Act shall be void in its entirety and of no effect  
14 whatsoever.

15 \* Sec. 8. This Act takes effect immediately in accordance with AS  
16 01.10.070(e).  
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*Accepted*

A M E N D M E N T

OFFERED IN THE SENATE

BY: *Boomer*

TO: HOUSE BILL NO. 297

PAGE 1, LINES 15-19

✓ Delete subsections (b) and (c) and insert the following in its place:

(b) The legislature shall annually determine by law the rate of the levy before <sup>June</sup> April 1.

(c) ~~If on April 1 the legislature has not determined the rate of levy, the rate of levy shall be zero for that year. The rate of levy may not exceed 20 mills.~~

PAGE 1, LINE 26

✓ After the word abandonment insert the following "whichever occurs first".

PAGE 2, LINES 1-16

Delete paragraphs (A) and (B) and (4) and insert the following in its place:

(A) the issuance, upon application, of right of way permits, leases, and title and other rights in lands, and other approvals, permits, licenses and certificates by federal and state agencies that a reasonable and prudent person would consider adequate to commence construction of an initial transmission facility to transport oil or gas to be produced or recovered from the lease or property in the expectation that all other approvals, permits, licenses and certificates necessary for the completion of the facility will be obtained; or

(B) the commencement of construction of an initial transmission facility to transport oil or gas to be produced or recovered from the lease or property.

(4) any interest in the proven reserves of a lease or property for any year in which on January 1 the commencement of construction of an initial transmission facility to transport oil or gas to be produced or recovered from the lease or property is enjoined, either temporarily or permanently by an order, judgment, decree, determination or award of a federal, state or local court or administrative or regulatory agency.

PAGE 7, BETWEEN LINES 16 and 17

Insert the following:

(2) "initial transmission facility" means the first facility or integrated system of facilities which, by itself or as the first part of a sequence or series of facilities or systems is to be utilized to transport in good and merchantable condition oil or gas produced or recovered from the lease or property, including but not limited to transmission pipelines, common carriers, trucks, barges and other facilities, but does not include field gathering lines nor other facilities utilized before the oil or gas is in good and merchantable condition.

PAGE 4, LINE 2

✓ After the word "court" delete the following "for a trial de novo".

PAGE 8, LINES 15-16

After the word "recoverable" delete the following "if it is economically feasible to market it in the future under reasonably foreseeable conditions" and insert the following in its place "in the future under prevailing economic conditions and technology".

PAGE 8, LINE 17

✓ After the word "in" insert the following "or the right to produce or recover".

PAGE 9, LINES 11-13

Delete the following "In no event may the credit allowed for a lease or property exceed 50 per cent of the taxes levied under this chapter for that lease or property.

(b) The credit shall be allowed on a monthly basis" and insert the following in its place:

"The credit shall be allowed on a monthly basis but in no event may the credit exceed 50 per cent of the taxes levied each month under this chapter for that lease or property. The credit shall be allowed until the entire early development incentive credit for the lease or property has been exhausted."

SEN

FINANCE

460 Lovella Way  
Sacramento CA 95819  
11 May 1975

Senator John Huber  
Special Committee on Taxation and Revenue  
Pouch V, Juneau  
Alaska 99811

Dear John:

Several elements of HOUSE BILL 297, as offered 5/6/75, provide great cause for concern, and others can be improved for administrative reasons. Here they are, more or less in order of importance.

EXEMPTION OF "PRODUCING OIL AND GAS LEASES AND THE VALUE OF INTANGIBLE DRILLING AND EXPLORATION EXPENSES (Sec. 2, 43.55.010(b))

These exemptions are carried in the April 17 and later versions of HB 297. I strongly urge their deletion. I will play the devil's advocate and claim that they nullify all or part of Sec. 43.58.010, namely, the very proposal to levy an ad valorem tax on oil and gas reserves. Here is the case that I can make and that industry will make.

(2) Producing Oil and Gas Leases

A private party's lease with a government agency is the very instrument that creates its leasehold interest in the mineral rights. Unless the intent of 43.58.010 is to confine the ad valorem tax to non-producing properties, 43.55.010(b)(2) creates an unintentional exemption from ad valorem taxation for all fields that now produce. But the very fact that Section 43.58.030 provides for a production tax credit against the ad valorem tax indicates that producing leases are not to be exempted.

(5) Intangible Exploration and Drilling Costs

(5) Exploration and development are necessary to establish the existence of a valuable oil or gas reserve. More precisely, the completion of a new well capable of production enhances the value of the reserves, since the well is necessary to produce (part of) the reserves. One can maintain, then, that the cost of drilling is included in the value of the reserves developed by the drilling.

Now, what exactly are "intangible drilling costs" (IDCs)? They represent that portion of total drilling costs expended for wages, salaries, and services, and are identified separately from tangible drilling costs (for casing, wellhead equipment, etc.) only because the Internal Revenue Service permits expensing IDCs while it requires that tangibles be capitalized. IDCs have been under serious attack as an undue tax privilege; that is the case because the equivalent in real estate development would consist of expensing architect's fees and building contractors' salaries and wages.

The only reason that IDCs ever showed up in Alaska law is because James McHale, North Slope Borough assessor, insisted on attempting to assess those costs per se. This was a ridiculous proposition in itself, and has caused trouble for the past two years.

The best thing-- the only thing-- to do is to get the phrase out of the law. Otherwise, industry might claim, with a sort of weird justification, that IDCs are automatically included in the value of the reserves, and should be subtracted.

You can bet that no prospective purchaser of an oil property would ever try to pull that on the owner of the property. And that is the true test of the issue. IDCs were never raised in the entire history of oil properties valuation until McHale stubbornly insisting assessing them as a specific item of property.

#### THE "PERIOD OF GRACE"

This subject is covered in Sec. 43.58.020, EXEMPTIONS, and Section 7, at the end of the bill, says that the entire bill will be void if either of paragraphs (2), (3), or (4) of Sec. 43.58.020 are "...for any reason held invalid or unenforceable." So this is pretty darned important.

Here are some problems that I see.

Subsection (3) speaks of "the earlier of" (A) the issuance, upon application, of a permit for construction, or (B) the commencement of construction a facility to transport oil or gas. I may be dense, but how could anyone propose to commence construction without a permit? Paragraph (B) seem superfluous.

Subsection (2) clearly provides for a five-year period of grace following discovery. Why not settle for that? If the permit element in subsection (4) is politically necessary, it should be required to have the exemption terminate if the injunction is lifted.

#### OPERATOR'S WITHHOLDING OF PROPORTIONATE SHARE OF TAXES

Section 43.58.110(e) deals with this topic. What I would like to know is "Why?" That is, why should the state intrude into a matter that is covered by private contract, namely, by the tax clause that exists in any joint venture or partnership agreement? The state should concern itself only with tax liability, not the manner in which the partners collect from one another. This subsection might at some time make the state an unwilling party to a suit involving two private parties.

DEFINITION OF "PROVEN RESERVES" (Sec. 43.58.190(7))

An excellent definition of this term was in the bill until the version of April 24 was written. That earlier version was almost exactly the one promulgated by the American Petroleum Institute and adopted throughout the industry. The definition in the latest version is awkward and ambiguous. The phrase "if it is economically feasible to market it" is not necessary, since the phrase "indicate to be recoverable" precedes it; no one will bother to recover it unless it is economically feasible. Also, the term "reasonably foreseeable conditions" is a monster, and lawyers would have a field day defining "reasonable" as it applies to a given oil field.

In fact, it looks as if the lawyers intruded themselves into an area that was hammered out years ago by engineers and economists to everyone's satisfaction. I recommend that the definition in the April 17 version be used.

THE AD VALOREM ASSESSMENT TIME TABLE

Here are key dates:

January 1: property assessed as of this date. This means that information as late as December 31 may be required by the valuation engineer.

February 1: all taxpayers returns shall be filed on or before this date. I can assure you that this will be essentially impossible in many cases, because of the lag in sending data from (1) the field to (2) a company's accounting department to (3) a company's tax department to (4) the state.

April 15: the department shall send a notice of the assessed value of each property to the operator or other person.

June 15: The department shall certify the assessment roll and send out the tax bills.

Here is the problem: typically, the valuation engineer will receive some critical data at least as late as February 15 (and he can't do much about it except complain). Also, he will have to furnish his values to the department by April 1 if the department is to send out notices by April 15. The result: the poor valuation engineer will have no more than sixty days in which to do his job.

A recommended solution: Change "April 15" in Section 43.58.060 to "May 15." This should give the department ample time for its job, and add a month's time for the beleaguered valuation engineer to do his job.

MANDATORY VALUATION BY THE DEPARTMENT

Sec. 43.58.100 (a), second sentence, says that "In either case, the department may make its own valuation of the taxable property." In my bailiwick, at least, that "may" would read "shall." It removes any doubt as to the department's right and obligation to value the property.

.....

I will now comment on the April 15 version of Senate Bill 374, beginning with the items in common with my remarks on House Bill 297.

EXEMPTION OF "PRODUCING OIL AND GAS LEASES" AND "INTANGIBLE DRILLING AND EXPLORATION EXPENSES" (43.55.010 (b) (2) and (5))

I cannot stress too strongly the need to remove these items from any bill on ad valorem taxation or other taxation of oil and gas. Putting it bluntly, everyone to whom I have described these items comes close to throwing up.

THE "PERIOD OF GRACE"

This element in SB 374 makes a great deal more sense than the language of HB 297. I suggest only that the word "other" be deleted from the first line of 43.58.020(3). I'm not quite sure what purpose it serves.

OPERATOR'S WITHHOLDING OF PROPORTIONATE SHARE OF TAXES

The Senate bill carries no problem in this regard.

DEFINITION OF "PROVEN RESERVES"

The Senate bill carries the correct definition of this term.

THE AD VALOREM ASSESSMENT TIME TABLE

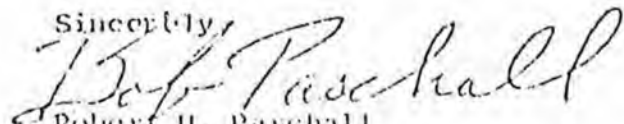
SB 374 poses a quite insuperable burden on the valuation engineer, since its Section 43.58.080 lops a precious month off of the short time provided in HB 297. See my comments above on that topic.

Here are some brief comments on other subjects.

I like SB 374's appeals procedures, including the omission of reference to a trial de novo. John Messenger indicated that one cannot stop a trial de novo, but that a plaintiff's right to it need not be stated in a statute.

I was startled to see the non sequitor "crude petroleum oil" in SB 374's Section 43.58.190(5). "Petroleum" means "rock oil," so "crude petroleum oil" means "rock oil oil," which is not only redundant but a term never, never used by anyone in the entire oil industry. I got Easy Gilbreath's concurrence on this, but I guess it was too small to be noticed. Would you please insert "crude petroleum" or "crude oil"? All petroleum geologists and petroleum engineers will be grateful.

Sincerely,



Robert H. Paschall  
Consulting Valuation Geologist  
and Engineer

## MEMORANDUM

State of Alaska

TO: Sterling Gallagher  
Commissioner  
Department of Revenue

DATE: May 14, 1975

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch *FPS*  
Deputy Commissioner, Taxation  
Department of Revenue

SUBJECT: CS for HB 297

I have reviewed the Senate Resources Committee Substitute for House Bill 297. In many respects it is similar to SB 276. There is, however, a significant difference that has an impact on revenue estimates.

It appears that the wording of the exemptions in section 43.58.020 could be interpreted to exclude from the tax the gas reserves associated with the Sadlerochit formation in Prudhoe Bay. This would decrease the revenue estimates made for SB 276 (see fiscal note dated March 18 attached) by about \$14 million in FY 76 and \$28 million in FY 77. The projected revenues from this bill for FY 76 and 77, then, are as follows:

| <u>FY 76</u>         | <u>FY 77</u>         |
|----------------------|----------------------|
| <u>\$216 million</u> | <u>\$258 million</u> |

While it appears that the exclusion of gas reserves might cause some difficulty in valuing the property, we believe that the fiscal note dated March 18 originally prepared for SB 276 (attached) will provide adequate funds to administer this bill, also.

Certain technical amendments made by the Senate Resources Committee were made upon our recommendation. We feel they are absolutely essential in order for the tax to be administered.

# MEMORANDUM

DEPT. OF REVENUE  
RECEIVED

MAR 19 9 10 AM '75

JUNEAU, ALASKA

FILE

March 18, 1975

TO:

Sterling Gallagher  
Commissioner  
Department of Revenue

DATE :

FROM:

Frederick P. Boetsch *F.P.B.*  
Deputy Commissioner for Taxation  
Department of Revenue

SUBJECT:

SB 276 - Tax on Reserve  
of Oil and Gas

This Bill would place a tax on the value of an interest in the proven reserves of an oil or gas property. The value would be measured by the present value of the future income to be received from the production of oil and gas from a particular field. The incidence of this tax would fall on the holders of leases on or owners of oil and gas reserves in the state. The largest incidence, of course, would be on the holders of the leases in the Prudhoe Bay area.

The bill would call for the higher of the severance tax in the case of a producing field or this tax to be paid with a provision for credits to accumulate to the extent that the tax is paid. These credits would then be taken as a credit against severance taxes at a later date.

The primary administrative problem connected with this bill is that assumptions must be made about all of the variables related to determining value. In order to make reasonable and defensible assumptions, we will need the expertise of established petroleum valuation engineers on a contractual basis.

The costs of administration for this bill are approximately \$100,000 per year, the details of which are broken down in the attached Fiscal Note. This represents less than 1/2 mill per \$1.00 of tax collected - probably the least cost of any tax, anywhere. Although we hope the legal services provided for will not be necessary, we certainly should be ready if a legal challenge occurs.

The projected revenues from this bill for FY 76 and 77 are as follows:

Projected Increases in Revenues  
(\$000 omitted)

| FY 76           | FY 77           |
|-----------------|-----------------|
| <u>230300.0</u> | <u>286600.0</u> |

The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. Senate Bill No. 276  
 Title: Oil and Gas Reserves Ad Valorem Tax  
 Requested by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Return Date Requested: \_\_\_\_\_  
 Agency: Department of Revenue Program: \_\_\_\_\_

II. FISCAL DETAIL

Budget Request Unit(s) Affected: \_\_\_\_\_  
 A. EXPENDITURES: (Thousands of dollars)

| OBJECT                  | FY 75 | FY 76       | FY 77       | FY 78 | FY 79 |
|-------------------------|-------|-------------|-------------|-------|-------|
| 100 PERSONAL SERVICES   |       |             |             |       |       |
| 200 TRAVEL              |       | 5.0         | 5.3         |       |       |
| 300 CONTRACTUAL         |       | 83.0        | 93.0        |       |       |
| 400 COMMODITIES         |       |             |             |       |       |
| 500 EQUIPMENT           |       |             |             |       |       |
| 600 LAND & STRUCTURES   |       |             |             |       |       |
| 700 GRANTS, CENTS, ETC. |       |             |             |       |       |
| <b>TOTAL</b>            |       | <b>93.0</b> | <b>98.3</b> |       |       |

B. FUNDING: (Thousands of dollars)

|               |  |      |      |  |  |
|---------------|--|------|------|--|--|
| GENERAL FUND  |  | 93.0 | 98.3 |  |  |
| FEDERAL FUNDS |  |      |      |  |  |
| OTHER         |  |      |      |  |  |

C. POSITIONS:

|                     |   |      |     |   |   |
|---------------------|---|------|-----|---|---|
| PERMANENT/TEMPORARY | / | -0-/ | -0/ | / | / |
| MAN MONTHS (P./T.)  | / | -0-/ | -0/ | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Per attached breakdown adjusted for 5.5% inflation in  
FY 1977

IV. ATTACHMENTS

V. DATE: March 18, 1975

PREPARED BY: Frederick A. Boer

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

TAX ON RESERVES  
ADMINISTRATIVE COSTS  
March 18, 1975

Contractual support of this administrative function is recommended:

|  |                 |
|--|-----------------|
| 1. Contract with a firm to provide petroleum engineer services, 180 days @ \$250 day | \$45,000        |
| 2. Production of reports, graphs, maps and charts                                    | 5,000           |
| 3. Travel for firm to and from Alaska  | 5,000           |
| 4. Hearings, Transcripts and Testimony preparation                                   | 8,000           |
| 5. Contract with a firm to provide petroleum legal services                          | <u>30,000</u>   |
| Total Administrative Costs   | <u>\$93,000</u> |

Original sponsor: Cowper, Bowman,  
Bradley, et al

Offered: 5/6/75  
For Calendar 5/7/75

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 297 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas reserves ad valorem  
7 tax and its relationship to other oil and gas taxation;  
8 and providing for an effective date."

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

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

11 CHAPTER 58. OIL AND GAS RESERVES AD VALOREM TAX.

12 Sec. 43.58.010. AD VALOREM TAX. (a) An annual tax is levied each  
13 tax year beginning January 1, 1976, on the full and true value of  
14 taxable property under this chapter.

15 (b) The rate of levy for the tax year beginning January 1, 1976  
16 is 20 mills.

17 (c) The legislature shall annually determine by law the rate of  
18 the levy for the succeeding year.

19 (d) The rate of levy may not exceed 20 mills.

20 Sec. 43.58.020. EXEMPTIONS. The following interests in the  
21 proven reserves of a lease or property shall be exempt from taxation  
22 under this chapter:

23 (1) any interest of the United States or the state;

24 (2) any interest in proven reserves during the five-year  
25 period beginning with the date of the first completion, suspension, or  
26 abandonment of a discovery well in an oil or gas field or pool which in  
27 whole or in part underlies or comprises the lease or property;

28 (3) any interest in proven reserves until the earlier of  
29 either of the following occurs:

1 (A) the issuance, upon application, of a permit for  
2 construction of a facility to transport oil or gas from any well or  
3 wells in an oil or gas field or pool which in whole or in part  
4 underlies or comprises the lease or property to market; or

5 (B) the commencement of construction of a facility to  
6 transport oil or gas from any well or wells in an oil or gas field  
7 or pool which in whole or in part underlies or comprises the lease  
8 or property to market;

9 (4) any interest in proven reserves as to which the issuance  
10 of a permit for, or the commencement of construction of a facility to  
11 transport oil or gas from any well or wells in an oil or gas field or  
12 pool which in whole or in part underlies or comprises the lease or  
13 property, or the use of those facilities, is enjoined, either temporar-  
14 ily or permanently, by an order, judgment, decree, determination or  
15 award of a federal, state or local court or administrative or regulatory  
16 agency.

17 Sec. 43.56.030. CREDIT AGAINST TAX. There shall be allowed, as a  
18 credit against the tax levied under this chapter for a lease or prop-  
19 erty, the amount of oil and gas properties production taxes paid under  
20 ch. 55 of this title for that lease or property for the 12 months before  
21 the tax payment date under this chapter. The credit may not exceed the  
22 amount of tax due under this chapter. For purposes of this section, the  
23 credit shall be calculated without regard to the allowance of any credit  
24 under AS 43.55.018 against the taxes levied by ch. 55 of this title.

25 Sec. 43.58.040. ASSESSMENT. (a) The department shall assess  
26 taxable property under this chapter at its full and true value as of  
27 January 1 of each year.

28 (b) The full and true value of taxable property under this chapter  
29 is the estimated price which the property would bring in an open market

1 and under the then prevailing market conditions in a sale between a  
2 willing seller and a willing buyer both conversant with the property and  
3 with prevailing values. In determining this value, the department shall  
4 consider all factors which may be known by the department to affect the  
5 value of the proven reserves of the lease or property, including but not  
6 limited to the present value of the expected discounted future net  
7 income from the lease or property.

8 Sec. 43.58.050. ASSESSMENT ROLL. The department shall prepare  
9 annually the assessment roll for taxation under this chapter. The roll  
10 shall contain:

- 11 (1) a description of all taxable property;
- 12 (2) the assessed value of all taxable property; and
- 13 (3) the names and addresses of persons owning or otherwise  
14 holding an interest in taxable property.

15 Sec. 43.58.060. ASSESSMENT NOTICE. On or before April 15 of each  
16 year, the department shall send to every owner of taxable property named  
17 in the assessment roll a notice of assessment showing the assessed value  
18 of the property. The notice of assessment is effective on the date of  
19 its mailing.

20 Sec. 43.58.070. APPEAL. (a) A person aggrieved by the action of  
21 the department in making an assessment may request a hearing not later  
22 than 20 days after the effective date of the assessment notice.

23 (b) At the hearing the department may subpoena witnesses and may  
24 administer oaths and make inquiries necessary to determine the correct-  
25 ness of the assessment. At the hearing the appellant bears the burden  
26 of proof, and in the absence of this proof the assessment will be  
27 upheld. If the department determines that a correction is warranted,  
28 the department shall correct the assessment and the assessment roll.

29 (c) Within 30 days after the decision by the department after a

1 hearing, either the department or a person aggrieved by the decision may  
2 appeal to the superior court for a trial de novo. The superior court  
3 shall grant priority on its dockets for the appeals over all civil cases  
4 then pending.

5 Sec. 43.58.080. CERTIFICATION. On or before June 15 of each year,  
6 the department shall certify the final assessment roll and mail to the  
7 operator or other person filing a return and paying tax on the taxable  
8 property a statement of the amount of tax due.

9 Sec. 43.58.090. SUPPLEMENTAL ASSESSMENT ROLLS. The department  
10 shall include property omitted from the assessment roll on a supple-  
11 mental roll, using the procedures set out in this chapter for the  
12 original roll.

13 Sec. 43.58.100. INVESTIGATION. (a) The department may make an  
14 investigation of property on which a return has been filed or on pro-  
15 perty for which no return has been filed. In either case, the depart-  
16 ment may make its own valuation of the taxable property, which is prima  
17 facie evidence of full and true value.

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

25 (c) For the purpose of the investigation, the operator or other  
26 person filing a return and paying the tax on the taxable property or his  
27 representative may be required to present himself for examination under  
28 oath by the department.

29 Sec. 43.58.110. RETURNS AND PAYMENT OF TAX. (a) The operator of

1 a lease or property is primarily liable for payment of the tax levied by  
2 this chapter. All other persons owning or otherwise holding an interest  
3 or right in that lease or property are secondarily liable for payment of  
4 the tax levied by this chapter.

5 (b) The operator of a lease or property shall submit returns on  
6 the form prescribed by the department and shall make payment of the tax  
7 levied under this chapter, on behalf of itself and all other persons  
8 holding an interest or right in that lease or property. With the  
9 written approval of the department, a nonoperator of the lease or prop-  
10 erty may submit returns or make payment of the tax levied under this  
11 chapter, on behalf of himself and such other persons as the department  
12 may approve. All returns shall be filed on or before February 1 of each  
13 year.

14 (c) The tax levied under this chapter is payable to the department  
15 on or before June 30 of each year or in installments at the times and  
16 under the conditions the department may by regulation require. This  
17 provision applies even though the assessment is under appeal.

18 (d) With the prior written approval of the department, a person  
19 submitting returns or making payments as required under this chapter for  
20 more than one lease or property may regard those leases or properties as  
21 a single lease or property for purposes of submitting those reports or  
22 making those payments.

23 (e) An operator or other person making payment of the tax levied  
24 under this chapter on behalf of one or more other persons owning or  
25 otherwise holding an interest in a lease or property may withhold a  
26 proportionate share of the payment from any proceeds or other benefits  
27 from the lease or property owed to any person on whose behalf the pay-  
28 ment is made. Unless otherwise specifically provided by written con-  
29 tract or agreement, the person so withholding a proportionate share of

1 the tax levied under this chapter incurs no liability to those from whom  
2 it is withheld by virtue of having made the withholding.

3 (f) By written notice the department may require a person filing  
4 a return to submit additional information to the department no later  
5 than 30 days after the notice.

6 Sec. 43.58.120. CIVIL PENALTY. Five per cent shall be added to  
7 the tax for each 30-day period or fraction of that period during which  
8 the taxpayer fails to file a return or pay the full amount of the tax,  
9 or a portion or a deficiency of the tax due and payable as finally  
10 determined by the department and required by this chapter, unless it is  
11 shown that the failure is due to a reasonable cause and not to willful  
12 neglect. The penalty may not exceed 25 per cent in the aggregate. The  
13 penalty shall be collected at the same time, in the same manner and as a  
14 part of the original tax, but if the original tax is paid before the  
15 neglect is discovered the penalty shall be collected in the same manner  
16 as the original tax. The department shall describe by regulation  
17 circumstances which constitute reasonable cause for purposes of this  
18 section.

19 Sec. 43.58.130. INTEREST. When the tax levied in this chapter  
20 becomes delinquent it bears interest at the rate of eight per cent a  
21 year.

22 Sec. 43.58.140. LIEN. The tax, penalty and interest payable under  
23 this chapter are first and paramount liens on the property subject to  
24 tax under this chapter.

25 Sec. 43.58.150. REMEDY. The remedy of distraint of property set  
26 out in AS 43.20.270 applies to the tax levied by this chapter.

27 Sec. 43.58.160. REGULATIONS. The department may adopt regulations  
28 in accordance with the Administrative Procedure Act (AS 44.62) as  
29 appropriate to administer and enforce this chapter.

1           Sec. 43.58.170. TERMINATION OF TAX. The tax imposed by this  
2 chapter shall terminate on December 31, 1977.

3           Sec. 43.58.180. ACCRUAL OF EARLY DEVELOPMENT INCENTIVE CREDIT.

4           (a) An early development incentive credit, calculated in accordance  
5 with this section, shall be applied to the tax payable under ch. 55 of  
6 this title as provided in AS 43.55.018. The early development incentive  
7 credit for a lease or property is zero until changed as provided in this  
8 section.

9           (b) The early development incentive credit for a lease or property  
10 shall be increased each calendar year by the amount of net tax paid  
11 under this chapter.

12           (c) The early development incentive credit for a lease or property  
13 shall be reduced each month by the amount of tax credit allowed in that  
14 month under AS 43.55.018 for that lease or property.

15           Sec. 43.58.190. DEFINITIONS. In this chapter:

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

17           (2) "gas" means all hydrocarbon substances not defined as oil  
18 in this chapter;

19           (3) "lease or property" means

20                   (A) a lease or other property that includes mineral  
21 rights in oil and gas,

22                   (B) a leasehold interest in oil and gas,

23                   (C) a working interest, royalty interest, overriding  
24 royalty interest, production payments, net profit interest or any  
25 other interest in a lease, concession, joint venture or other  
26 agreement for oil and gas exploration, development or production,

27                   (D) a working interest, royalty interest, overriding  
28 royalty interest, production payment, net profit interest or any  
29 other interest in an agreement for unitization or pooling under the

1 provisions of sec. 614(b)(3) of the Internal Revenue Code of 1954  
2 as defined on the effective date of this paragraph;

3 (4) "net tax paid under this chapter" means the amount of tax  
4 payable under sec. 10 of this chapter, less the credit allowed under  
5 sec. 30 of this chapter without regard to interest or penalty;

6 (5) "oil" means crude petroleum and other hydrocarbons  
7 regardless of gravity which, when recovered, are recovered at the well-  
8 head in liquid form, and the liquid hydrocarbons known as distillate or  
9 condensate that are recovered by separation from gas other than at a gas  
10 processing plant;

11 (6) "operator" means the person conducting the exploration,  
12 development or production operation for a lease or property;

13 (7) "proven reserves" means the volumes of oil and gas in a  
14 known deposit which geological and engineering information indicate to  
15 be recoverable if it is economically feasible to market it in the future  
16 under reasonably foreseeable conditions;

17 (8) "taxable property" means any interest in the proven  
18 reserves of a lease or property.

19 Sec. 43.58.200. PAYMENT TO ALASKA NATIVE FUND. When the tax levied  
20 under this chapter is payable an amount equivalent to not less than two  
21 per cent of the tax shall be paid by the state from oil and gas royal-  
22 ties, bonuses and rentals into the Alaska Native Fund established by  
23 sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203, 85  
24 Stat. 688, 43 U.S.C. 1601 et seq.) until all payments paid into the fund  
25 equal \$500,000,000.

26 \* Sec. 2. AS 43.55.010(b) is amended to read:

27 (b) Except as provided in ch. 58 of this title, the [THE] tax  
28 imposed by this chapter is in place of all taxes now imposed by the  
29 state or any of its municipalities, and neither the state nor a munici-

1           pality may impose a tax upon

2                   (1) [deleted]

3                   (2) producing oil or gas leases;

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

5                   (4) [deleted]

6                   (5) the value of intangible drilling and exploration expenses.

7       \* Sec. 3. AS 43.55 is amended by adding a new section to read:

8           Sec. 43.55.018. CREDIT AGAINST TAX. (a) There shall be allowed  
9           as a credit against the taxes levied under this chapter for a lease or  
10           property the early development incentive credit accrued for that lease  
11           or property under AS 43.58.180. In no event may the credit allowed for  
12           a lease or property exceed 50 per cent of the taxes levied under this  
13           chapter for that lease or property.

14                   (b) The credit shall be allowed on a monthly basis.

15       \* Sec. 4. AS 43.55.140(8) is repealed and re-enacted to read:

16                   (8) "lease or property" means

17                           (A) a lease or other property that includes mineral  
18                   rights in oil and gas,

19                           (B) a leasehold interest in oil and gas,

20                           (C) a working interest, royalty interest, overriding  
21                   royalty interest, net profit interest or any other interest in a  
22                   lease, concession, joint venture or other agreement for oil and gas  
23                   exploration, development or production,

24                           (D) a working interest, royalty interest, overriding  
25                   royalty interest, net profit interest or any other interest in an  
26                   agreement for unitization or pooling under the provisions of sec.  
27                   614(b)(3) of the Internal Revenue Code of 1954 as defined on the  
28                   effective date of this paragraph;

29       \* Sec. 5. Sec. 29.53.050(b) is amended to read:

1 (b) No municipality, or combination of municipalities occupying  
2 the same geographical area, in whole or in part, may levy taxes which  
3 result in tax revenues from all sources exceeding either (1) \$1,000 a  
4 year for each person residing within their boundaries or (2) when com-  
5 bined with the value of property otherwise taxable by the municipality,  
6 the product of 225 per cent of the average per capita assessed full and  
7 true value in the state multiplied by the number of residents of the  
8 taxing municipality. If two or more municipalities occupying the same  
9 geographical area, in whole or in part, attempt to levy a tax the  
10 combined levy of which would result in tax revenues from all sources  
11 exceeding either (1) \$1,000 a year for each person residing within their  
12 boundaries or (2) when combined with the value of property otherwise  
13 taxable by the municipality, the product of 225 per cent of the average  
14 per capita assessed full and true value of property in the state multi-  
15 plied by the number of residents of the taxing municipality, the commis-  
16 sioner of community and regional affairs shall apportion the lawful levy  
17 and equitably divide these revenues on the basis of need, services  
18 performed and other considerations in the public interest. For the  
19 purpose of this subsection population shall be determined by the commis-  
20 sioner of community and regional affairs based on the latest statistics  
21 of the United States Bureau of the Census or on other reliable population  
22 data. For purposes of this subsection the average per capita assessed  
23 full and true value of property in the state shall be calculated without  
24 regard to the assessed value of taxable property under AS 43.58.

25 \* Sec. 6. Sec. 43.56.010(c) is amended to read:

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 the  
28 average per capita assessed full and true value of property in the state  
29 (to be determined by the department and reported to each municipality by

1 January 15 of each year) multiplied by the number of residents of the  
2 taxing municipality, the department shall designate the portion of the  
3 tax base against which the local tax may be applied. For purposes of  
4 this subsection the average per capita assessed full and true value of  
5 property in the state shall be calculated without regard to the assessed  
6 value of taxable property under ch. 58 of this title.

7 \* Sec. 7. Except as provided in this section, if a provision of this Act  
8 for any reason is invalid or unenforceable, the invalidity or unenforce-  
9 ability of that provision shall not affect the remainder of this Act or any  
10 of the other provisions of this Act. However, if AS 43.58.020(2), (3) or  
11 (4), or any of those paragraphs, should be for any reason held invalid or  
12 unenforceable, this Act shall be void in its entirety and of no effect  
13 whatsoever.

14 \* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-  
15 070(c).

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BY COWPER, BOWMAN, BRADLEY, BRADNER,  
BROWN, COTTEN, DUNCAN, GARDINER,  
GRUENING, KELLEY, MCKINNON, MALONE,  
MILLER, NAUGHTON, PARKER, SMITH, PARR,  
SULLIVAN AND OSTROSKY

1 IN THE HOUSE

2 HOUSE BILL NO. 297

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas exploration,  
7 production and pipeline transportation property tax;  
8 and providing for an effective date."

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

10 \* Section 1. AS 43.56.010(a) is amended to read:

11 (a) An annual tax of 20 mills is levied each tax year beginning  
12 January 1, 1974, on the full and true value of taxable property taxable  
13 under this chapter, except as provided in sec. 15 of this chapter.

14 \* Sec. 2. AS 43.56 is amended by adding a new section to read:

15 Sec. 43.56.015. OIL AND GAS IN PLACE. (a) An annual tax of 20  
16 mills is levied automatically at such time as the state's general fund  
17 cash balance is less than \$200,000,000, on the full and true value of  
18 (1) oil and gas leases within the state under which there are proven  
19 reserves; and (2) ownership interests in proven oil and gas reserves in  
20 place within the state. The tax due for the calendar year of the origi-  
21 nal levy is the full amount which is due for the year reduced pro rata  
22 by the number of days from January 1 to the date of the original levy.  
23 In years subsequent to the original levy the tax is levied each year be-  
24 ginning January 1.

25 (b) Oil and gas leases and ownership interests in proven oil or  
26 gas reserves are exempt from taxation under (a) of this section for a  
27 period of five years from (1) the date of the original lease of all or  
28 part of the property described in the lease or ownership interest being  
29 taxed, or (2) the date of the first completion, suspension, or abandon-

1 ment of a discovery well in a field or pool which in whole or in part  
2 underlies or comprises the lease or ownership interest, whichever occurs  
3 first.

4 (c) Producing oil or gas leases or ownership interests in proven  
5 oil or gas reserves upon which a gross production tax under ch. 55 of  
6 this title has been paid in an amount equal to or greater than the tax  
7 due under (a) of this section are exempt from taxes under (a) of this  
8 section for the same taxable year for which the gross production taxes  
9 are due.

10 (d) Producing oil or gas leases or ownership interests in proven  
11 oil or gas reserves upon which a gross production tax under ch. 55 of  
12 this title has been paid in an amount which is less than the amount due  
13 under (a) of this section as to the same leases or interests shall reduce  
14 the tax due under (a) of this section as to the leases or interests by  
15 the gross production tax actually paid in the assessment year after  
16 subtraction of any credit allowable under (e) of this section.

17 (e) The tax paid under (a) of this section may be credited against  
18 the gross production tax due under ch. 55 of this title as to the same  
19 leases or properties; however, the credit used in any one tax year may  
20 not exceed 50 per cent of the gross production tax due for that year.

21 \* Sec. 3. AS 43.56.060 is amended by adding new subsections to read:

22 (h) The department shall assess property for the tax levied under  
23 sec. 15 of this chapter within 60 days of the effective date of this Act  
24 on the basis of information presently available to the department.

25 (i) The full and true value of property taxable under sec. 15 of  
26 this chapter is the estimated price which the property would bring in an  
27 open market and under the prevailing market conditions in a sale between  
28 a willing buyer and a willing seller both conversant with the property  
29 and with prevailing general price levels. In determining this value the

1        assessor shall take into account the discounted value of the expected  
2        future net income from the production of proven reserves under the  
3        property.

4        \* Sec. 4. AS 43.56.100 is amended by adding a new subsection to read:

5                (c) The department shall send to every owner of taxable property  
6        named in the assessment roll a notice of the assessment made under sec.  
7        60(h) of this chapter within 75 days of the effective date of this Act.

8        \* Sec. 5. AS 43.56.120 is amended by adding a new subsection to read:

9                (c) If an owner appeals a ruling of the department made under an  
10       appeal of an assessment of property made for purposes of the tax levied  
11       under sec. 15 of this chapter, the owner, by filing a notice of appeal  
12       to the board, agrees to furnish the state with all its records and  
13       research information relating to the property which is the subject of  
14       the appeal, including but not limited to (1) well logs; (2) records of  
15       well testing and completion; and (3) geological and geophysical infor-  
16       mation including seismic data. The information contained in the records  
17       and research information shall be kept confidential by the board unless  
18       litigation is instituted after a decision by the board.

19       \* Sec. 6. AS 43.56.150(c) is amended to read:

20                (c) The taxes [TAX] levied under secs. [SEC.] 10(a) and 15 of  
21       this chapter, interest and penalties collected with respect to these  
22       levies [THIS LEVY] shall be deposited in the general fund, except that  
23       two per cent of the taxes collected under sec. 15 of this chapter shall  
24       be deposited into the Alaska Native Fund established by sec. 6 of the  
25       Alaska Native Claims Settlement Act, P.L. 92 - 203.

26       \* Sec. 7. AS 43.56.160 is amended to read:

27                Sec. 43.56.160. INTEREST AND PENALTY. When the tax levied by sec.  
28       10(a) or sec. 15 of this chapter becomes delinquent, a penalty of 10 per  
29       cent shall be added. Interest on the delinquent taxes, exclusive of