STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500

550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450

Governor Michael J. Dunleavy
STATE OF ALASKA

February 12, 2019

The Honorable Cathy Giessel
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801

Dear President Giessel:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to repealing the credit for municipal payment against the state levy of tax on oil and gas exploration, production, and pipeline transportation property and the levy of tax by a municipality on oil and gas exploration, production, and pipeline transportation property.

Under current law, the state assesses the value of oil and gas exploration, production, and pipeline transportation property. Municipalities with this property in their jurisdiction can then levy a property tax based on the state's assessment. Taxpayers are then required to pay a tax to two taxing jurisdictions – the municipality and the state. This system is inefficient for both taxpayers and the state. Taxpayers are allowed to credit payments made to a municipality against the tax due to the state. Due to the credit allowed against the state tax levy for municipal tax payments, the state general fund receives only a fraction of the revenues generated by this tax. This results in lower general fund revenues, from vital properties of statewide economic importance, to be appropriated to municipalities around the state and support of vital state programs.

This bill would repeal the ability of municipalities to levy tax on these properties of vital statewide importance. Therefore, the bill would also repeal the credit for a payment made to a municipality against the state tax. Instead, the state would assess and collect all of the tax on these properties. As a result of the exclusion of these properties from a municipality's tax base, the required local contribution for public school funding would be reduced.

The bill would also implement efficiencies in administration of the tax. Taxpayers would only have one taxing jurisdiction to report to on these properties. The bill would streamline the appeals process to be consistent with other administrative appeals by eliminating automatic trial de novo at the superior court level. Taxpayers could still appeal to the specialized State Assessment Review Board for a hearing.

I urge your favorable action on this measure.

Sincerely,

Michael J. Dunleavy
Governor

Enclosure

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act repealing the credit for municipal payments against the state levy of tax on oil and gas exploration, production, and pipeline transportation property; repealing the levy of tax by a municipality on oil and gas exploration, production, and pipeline transportation property; and providing for an effective date."

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

*** Section 1.** AS 14.17.510(a) is amended to read:

(a) To determine the amount of required local contribution under AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the Department of Commerce, Community, and Economic Development, in consultation with the assessor for each district in a city or borough, shall determine the full and true value of the taxable real and personal property in each district in a city or borough. If there is no local assessor or current local assessment for a city or borough school district, then the Department of Commerce, Community, and Economic Development shall make the determination of full and true value guided by AS 29.45.110 and based

on a determination of full and true value made by the state assessor at least every two years using the best information available, including on-site inspections made by the state assessor in each of those districts at least once every four years. For purposes of this subsection, the full and true value of taxable real and personal property in any area detached shall be excluded from the determination of the full and true value of the municipality from which the property was detached for the two years immediately preceding the effective date of the detachment. Also, in making the determination for a municipality that is a school district, or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded [IF A TAX IS NOT LEVIED UNDER AS 29.45.080 BY THE MUNICIPALITY THAT IS THE SCHOOL DISTRICT]. The determination of full and true value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each city or borough school district. Duplicate copies shall be sent to the commissioner. The governing body of a city or borough that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Commerce, Community, and Economic Development only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

*** Sec. 2.** AS 29.45.030(a) is amended to read:

(a) The following property is exempt from general taxation **<u>by a municipality</u>**:

(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest; however, an interest created by an operating agreement or nonexclusive use agreement between the Alaska Industrial Development and Export Authority and a user of a shipyard or an integrated transportation and port facility, if the shipyard or integrated transportation and port facility is owned by the authority and initially placed in

service before January 1, 1999, is taxable only to the extent of, and for the value associated with, those specific improvements used for lodging purposes;

(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the university under AS 14.40.365;

(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

(2) household furniture and personal effects of members of a household;

(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

(7) real property or an interest in real property that is

(A) exempt from taxation under 43 U.S.C. 1620(d), as amended or under 43 U.S.C. 1636(d), as amended; or

(B) acquired from a municipality in exchange for land that is exempt from taxation under (A) of this paragraph, and is not developed or made subject to a lease;

(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest unless the property is located on a military base or installation and the property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing Privatization Initiative), if the leaseholder enters into an agreement to make a payment in lieu of taxes to the political subdivision that has taxing authority;

(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber;

(10) property not exempt under (3) of this subsection that

(A) is owned by a private, nonprofit college or university that is accredited by a regional or national accrediting agency recognized by the Council for Higher Education Accreditation or the United States Department of Education, or both; and

(B) was subject to a private leasehold, contract, or other private interest on January 1, 2010, except that a holder of a private leasehold, contract, or other interest in the property shall be taxed to the extent of that interest**;**

(11) taxable property taxable under AS 43.56 and property exempt from taxation under AS 43.56.020.

*** Sec. 3.** AS 29.45.030(a), as amended by sec. 3, ch. 10, SLA 2010, is amended to read:

(a) The following property is exempt from general taxation **by a municipality**:

(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

(B) notwithstanding any other provision of law, property

acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the university under AS 14.40.365;

(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

(2) household furniture and personal effects of members of a household;

(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

(7) real property or an interest in real property that is

(A) exempt from taxation under 43 U.S.C. 1620(d), as amended **or under 43 U.S.C. 1636(d), as amended; or**

(B) acquired from a municipality in exchange for land that is exempt from taxation under (A) of this paragraph, and is not developed or made subject to a lease;

(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that

interest unless the property is located on a military base or installation and the property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing Privatization Initiative), **if** [PROVIDED THAT] the leaseholder enters into an agreement to make a payment in lieu of taxes to the political subdivision that has taxing authority;

(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber;

(10) property not exempt under (3) of this subsection that is owned by a private, nonprofit college or university that is accredited by a regional or national accrediting agency recognized by the Council for Higher Education Accreditation or the United States Department of Education, or both, except that a private leasehold, contract, or other interest in the property is taxable to the extent of the private interest**; and**

(11) taxable property taxable under AS 43.56 and property exempt from taxation under AS 43.56.020.

*** Sec. 4.** AS 29.45.030(a), as amended by sec. 2, ch. 64, SLA 2018, is amended to read:

(a) The following property is exempt from general taxation **by a municipality**:

(1) municipal property, including property held by a public corporation of a municipality, state property, property of the University of Alaska, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted

under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the university under AS 14.40.365;

(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

(2) household furniture and personal effects of members of a household;

(3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;

(4) property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

(7) real property or an interest in real property that is

(A) exempt from taxation under 43 U.S.C. 1620(d), as amended or under 43 U.S.C. 1636(d), as amended; or

(B) acquired from a municipality in exchange for land that is exempt from taxation under (A) of this paragraph, and is not developed or made subject to a lease;

(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest unless the property is located on a military base or installation and the property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing Privatization Initiative), if the leaseholder enters into an agreement to make a payment in lieu of taxes to the political subdivision that has taxing authority;

(9) natural resources in place including coal, ore bodies, mineral

deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber;

(10) property not exempt under (3) of this subsection that

(A) is owned by a private, nonprofit college or university that is accredited by a regional or national accrediting agency recognized by the Council for Higher Education Accreditation or the United States Department of Education, or both; and

(B) was subject to a private leasehold, contract, or other private interest on January 1, 2010, except that a holder of a private leasehold, contract, or other interest in the property shall be taxed to the extent of that interest**;**

(11) taxable property taxable under AS 43.56 and property exempt from taxation under AS 43.56.020.

*** Sec. 5.** AS 29.45.560 is amended to read:

Sec. 29.45.560. Cities inside boroughs. Home rule and first class cities inside boroughs may levy a property tax. A property tax, if levied, is subject to AS 29.45.010 - 29.45.050, [29.45.090 - 29.45.100,] 29.45.250, 29.45.400 - 29.45.440 and 29.45.460 - 29.45.500. The council shall by June 15 of each year present to the assembly a statement of the city's rate of levy unless a different date is agreed upon by the borough and city.

*** Sec. 6.** AS 31.25.260(a) is amended to read:

(a) The exercise of the powers granted by this chapter is, in all respects, for the benefit of the people of the state, for their well-being and prosperity, and for the improvement of their social and economic conditions, and the corporation is not required to pay a tax or assessment on any property owned by the corporation under the provisions of this chapter or on the income from it, including state taxes levied or authorized under AS 43.56.010(a) [AND MUNICIPAL TAXES UNDER AS 43.56.010(b)] as provided in AS 43.56.020.

*** Sec. 7.** AS 43.56.020(a) is amended to read:

(a) The following are exempt from local taxes levied or authorized under **AS 29.45** [AS 43.56.010(b)]:

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

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

(3) oil or gas in place;

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

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

(6) an interest in property described in AS 43.55.017(a).

*** Sec. 8.** AS 43.56.020(d) is amended to read:

(d) Taxable property of a natural gas pipeline project owned or financed by the Alaska Gasline Development Corporation or a joint venture, partnership, or other entity that includes the Alaska Gasline Development Corporation is exempt from state taxes levied or authorized under AS 43.56.010(a) [AND MUNICIPAL TAXES LEVIED OR AUTHORIZED UNDER AS 43.56.010(b)] before the commencement of commercial operations of that natural gas pipeline project. In this subsection, "commencement of commercial operations" means the first flow of natural gas in the project that generates revenue to the owners of the natural gas pipeline project.

*** Sec. 9.** AS 43.56.030 is amended to read:

Sec. 43.56.030. In place of other taxes. Except for those taxes imposed under AS 43.55, the taxes levied or authorized under **AS 43.56.010(a)** [AS 43.56.010(b)] are in place of

(1) all [OTHER] ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by AS 43.56.020; and

(2) all [OTHER] taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020, including, but not limited to,

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

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

(C) taxes on the sale or use of services used in or associated with the property or in its maintenance or operation except for the sales tax on

the first $1,000 of each sale;

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

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

*** Sec. 10.** AS 43.56.110 is amended to read:

Sec. 43.56.110. Appeal to the department. (a) An owner of taxable property [OR A MUNICIPALITY] receiving an assessment notice may object to the assessment by advising the department in writing of the objections to the assessment within 20 days of the effective date of the notice.

(b) The department shall provide by regulation for notices of appeals to interested persons [AND MUNICIPALITIES].

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

*** Sec. 11.** AS 43.56.120 is amended to read:

Sec. 43.56.120. Appeal to the board. (a) After a ruling by the department on an appeal made under AS 43.56.110, the owner [OR A MUNICIPALITY] may further appeal to the board. The appeal must be filed in writing within 50 days of the effective date of the notice of assessment.

(b) The board shall provide by regulation for notices of appeals to interested persons [AND MUNICIPALITIES].

*** Sec. 12.** AS 43.56.130(c) is amended to read:

(c) The board shall provide by regulation for notices of hearings to interested persons [AND MUNICIPALITIES].

*** Sec. 13.** AS 43.56.130(i) is amended to read:

(i) An owner [OR MUNICIPALITY] may appeal **the board's action** to the superior court **as provided by the rules of court applicable to appeals from final decisions of administrative agencies** [FOR, AND IS ENTITLED TO, TRIAL DE

NOVO OF THE BOARD'S ACTION].

* **Sec. 14.** AS 29.45.080, 29.45.090, 29.45.100; AS 43.56.010(b), 43.56.010(c), 43.56.010(d), 43.56.060(a), 43.56.060(g), and 43.56.100(b) are repealed.

* **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: LOCAL CONTRIBUTION FOR PUBLIC SCHOOL FUNDING FOR FISCAL YEARS 2020 AND 2021. The assessed value of property taxable under AS 43.56 shall be removed from the full and true value of taxable real and personal property in a district as of January 1 of the second preceding fiscal year for the required local contribution and additional local contribution described in AS 14.17.410(b)(2) and (c)(1) for the purposes of public school funding under AS 14.17.410 for fiscal years 2020 and 2021.

* **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: LEVY, REFUND, LIMITATIONS, AND APPEALS FOR ANNUAL TAX FOR 2019. (a) Notwithstanding the amendment to AS 29.45.030(a) by sec. 2 of this Act, the amendment to AS 31.25.260(a) by sec. 6 of this Act, the amendment to AS 43.56.020(a) by sec. 7 of this Act, the amendment to AS 43.56.020(d) by sec. 8 of this Act, the amendment to AS 43.56.030 by sec. 9 of this Act, and the repeals of AS 29.45.080, AS 43.56.010(b), 43.56.060(a), 43.56.060(g), and 43.56.100(b) by sec. 14 of this Act, effective July 1, 2019, by sec. 22 of this Act, a municipality may levy, collect, and enforce a tax under AS 29.45.080 and AS 43.56.010(b) for the annual tax in 2019 as those statutes and other applicable statutes amended or repealed by this Act read the day before the effective date of secs. 2, 6, 7 - 9, and 14 of this Act.

(b) Notwithstanding the repeal of AS 43.56.010(d) by sec. 14 of this Act, effective July 1, 2019, by sec. 22 of this Act, for the annual tax in 2019, a taxpayer may apply to the Department of Revenue for a refund under AS 43.56.010(d) as that statute read the day before the repeal of AS 43.56.010(d) by sec. 14 of this Act for a tax not paid to a municipality until after June 30, 2019.

(c) Notwithstanding the amendment to AS 29.45.560 by sec. 5 of this Act and the repeals of AS 29.45.080, 29.45.090, 29.45.100, and AS 43.56.010(c) by sec. 14 of this Act, effective July 1, 2019, by sec. 22 of this Act, for the annual tax in 2019, the limitations in

AS 43.56.010(c) and AS 29.45.080 continue to apply as those statutes and other applicable statutes amended or repealed by this Act read the day before the effective date of secs. 5 and 14 of this Act.

(d) Notwithstanding the amendment to AS 43.56.110 by sec. 10 of this Act, the amendment to AS 43.56.120 by sec. 11 of this Act, the amendment to AS 43.56.130(c) by sec. 12 of this Act, and the amendment to AS 43.56.130(i) by sec. 13 of this Act, effective July 1, 2019, by sec. 22 of this Act, for the annual tax in 2019, a municipality may appeal an assessment for 2019 as provided under AS 43.56.110, 43.56.120, 43.56.130(c), and 43.56.130(i) as those statutes read the day before the effective date of secs. 10 - 13 of this Act.

(e) This Act applies to oil and gas exploration, production, and pipeline transportation property assessed after December 31, 2019.

*** Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by the regulation.

*** Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, if the Department of Revenue expressly designates in a regulation that the regulation applies retroactively, a regulation adopted by the Department of Revenue to implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to the effective date of the law implemented by the regulation.

*** Sec. 19.** Section 17 of this Act takes effect immediately under AS 01.10.070(c).

*** Sec. 20.** Section 4 of this Act takes effect on the effective date of sec. 2, ch. 64, SLA 2018.

*** Sec. 21.** Section 3 of this Act takes effect on the effective date of sec. 3, ch. 10, SLA 2010.

*** Sec. 22.** Except as provided in secs. 19 - 21 of this Act, this Act takes effect July 1, 2019.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 25
Fiscal Note Number:
() Publish Date:

Identifier: LL0085-DCCED-DCRA-02-11-19
Title: Municpal Taxation
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Commerce, Community and Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes

If yes, by what date are the regulations to be adopted, amended or repealed? 01/31/20

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 02.13.19 Governor's FY2020 request.

Prepared By: Fred Parady, Senior Advisor/Legislative Liaison — Phone: (907)465-5459
Division: Office of the Commissioner — Date: 02/11/2019 04:55 PM
Approved By: April A. Wilkerson, Administrative Services Director — Date: 02/11/19
Agency: Office of Management and Budget

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. LL0085

Analysis

This legislation repeals the authority of a municipality to levy a tax on oil and gas exploration, production, and pipeline transportation property. It also repeals the associated credit for municipal payments against the state levy of tax. Finally, it eliminates the statutory requirement that the state assessor's office calculate the tax cap related to local municipal property taxation.

The Division of Community and Regional Affairs does not anticipate a fiscal impact from this legislation. Any regulations repealed as a result of passage would be absorbed within existing authority.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 26
Fiscal Note Number:
() Publish Date:

Identifier: 0085-EED-FP-2-7-19
Title: Municpal Taxation
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Education and Early Development
Appropriation: K-12 Aid to School Districts
Allocation: Foundation Program
OMB Component Number: 141

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 2.13.19 Governor's FY 2020 request.

Prepared By: Elwin Blackwell, School Finance Manager — Phone: (907)465-8665
Division: Finance & Support Services — Date: 02/07/2019 05:00 PM
Approved By: Heidi Teshner, Administrative Sevices Director — Date: 02/07/19
Agency: Office of Management of Budget

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. LL 0085

Analysis

This legislation amends AS 14.17.510(a) by repealing the language that excluded the assessed property values of oil and gas production and pipeline property from the required local contribution calculation if the municipality was not levying a tax on those properties. This bill would expand the exclusion on the assessed values of oil and gas production and pipeline property to all municipalities, since they would no longer be able to collect taxes on the value of those properties effective July 1, 2019.

The funding mechanism is a general fund transfer to the Public Education Fund (PEF). The fiscal note effect for FY2020 through FY2025 is reported in the fiscal note for the PEF, as the funding is deposited to the PEF not into the Foundation Program funding component. The above analysis is presented here for explanation purposes only.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 27
Fiscal Note Number:
() Publish Date:

Identifier: 0085-EED-PEF-2-11-19
Title: Municpal Taxation
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Fund Capitalization
Appropriation: Fund Capitalization (no approps out)
Allocation: Public Education Fund (starts FY17)
OMB Component Number: 2804

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	22,355.2		22,355.2	22,355.2	22,355.2	22,355.2	22,355.2
Miscellaneous							
Total Operating	**22,355.2**	**0.0**	**22,355.2**	**22,355.2**	**22,355.2**	**22,355.2**	**22,355.2**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	22,355.2		22,355.2	22,355.2	22,355.2	22,355.2	22,355.2
Total	**22,355.2**	**0.0**	**22,355.2**	**22,355.2**	**22,355.2**	**22,355.2**	**22,355.2**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 2.13.19 Governor's FY2020 request.

Prepared By: Elwin Blackwell, School Finance Manager — Phone: (907)465-8665
Division: Finance & Support Services — Date: 02/11/2019 06:00 PM
Approved By: Heidi Teshner, Administrative Sevices Director — Date: 02/11/19
Agency: Office of Management of Budget

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. LL 0085

Analysis

This legislation amends AS 14.17.510(a) by repealing the language that excluded the assessed property values of oil and gas production and pipeline property from the required local contribution calculation if the municipality was not levying a tax on those properties. This bill would expand the exclusion on the assessed values of oil and gas production and pipeline property to all municipalities since they would no longer be able to collect taxes on the value of those properties effective July 1, 2019.

There are seven school districts with oil and gas property that would be affected by this legislation (Anchorage; Cordova; Fairbanks; Kenai; Mat-Su; North Slope; and Valdez). The fiscal note's general fund appropriation was calculated by removing the associated full value of the oil and gas property from the school district's total full value determination, in order to establish a new required local contribution amount under AS 14.17.410. By removing the oil and gas property, each school district's required local contribution decreased. With the reduced required local contribution, the state aid portion of the foundation formula increased by a total of $22,355.2 for these seven districts. This ensures that each school district receives their respective basic need as calculated under AS 14.17.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 28
Fiscal Note Number:
() Publish Date:

Identifier: 2019200085-DOR-TAX-2-12-2019
Title: Municpal Taxation
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services	142.4		142.4	142.4	142.4	142.4	142.4
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**142.4**	**0.0**	**142.4**	**142.4**	**142.4**	**142.4**	**142.4**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	142.4		142.4	142.4	142.4	142.4	142.4
Total	**142.4**	**0.0**	**142.4**	**142.4**	**142.4**	**142.4**	**142.4**

Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)	420,381.9		421,618.4	429,305.2	437,440.4	440,838.1	442,968.4
Total	**420,381.9**	**0.0**	**421,618.4**	**429,305.2**	**437,440.4**	**440,838.1**	**442,968.4**

Estimated SUPPLEMENTAL (FY2019) cost: 50.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes

If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/19

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 2-13-19 Governor's FY2020 request.

Prepared By: Brandon Spanos, Deputy Director — Phone: (907)269-1033
Division: Tax Division — Date: 02/12/2019 12:00 AM
Approved By: Brad Ewing, Administrative Services Director — Date: 02/12/19
Agency: Office of Management and Budget

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. LL0085

Analysis

Background
This bill would remove the authority for a municipality to levy and collect a tax on oil, gas, and pipeline property. The bill would also repeal the credit for those taxes paid to municipalities and claimed against the state levy of tax on oil, gas, and pipeline property. Lastly, the bill would remove the entitlement to trial de novo at a superior court.

Revenue Impact
The Department of Revenue estimates that this legislation will increase oil and gas property tax revenue by $420 million in FY20.

Implementation Cost
This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms and make changes to certain regulations. The supplemental fiscal note figure of $50.0 in FY19 is to cover the costs of having our contractor update the two systems.

The Department of Revenue has had a Memorandum of Understanding with the North Slope Borough in the which the North Slope Borough has covered the majority of the costs for two contractors to assist the Tax Division with its annual property tax roll assessments. If this bill were to pass, the Tax Division would need to cover the full cost of the contractors itself. The Division believes it would be a better use of funds to add a position to the property tax group and not use contractors. The new position would be devoted to the annual property tax roll assessments between January and June of each year and for the rest of the year the position would audit property tax returns and also assist with audits in other tax groups if needed. The $142.4 ongoing personal services cost is the all in cost for an Auditor IV in the Tax Division.