

HOUSE BILL NO. 183

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 4/7/15

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the assessment of property for oil and gas exploration, production,
2 and pipeline transportation property tax on a North Slope natural gas project;
3 amending the definition of "taxable property"; adding a definition for "North Slope
4 natural gas project"; and making conforming amendments."

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

6 * **Section 1.** AS 43.56.060(a) is amended to read:

7 (a) The department shall assess property for the tax levied under
8 AS 43.56.010(b) and AS 29.45.080 on property exclusively used for a North Slope
9 natural gas project and on property used or committed by contract or other
10 agreement for use for the pipeline transportation of gas or unrefined oil or for the
11 production of gas or unrefined oil at its full and true value as of January 1 of the
12 assessment year.

13 * **Sec. 2.** AS 43.56.060(e) is amended to read:

14 (e) Except as provided in (h), the [The] full and true value of taxable

1 property used or committed by contract or other agreement for pipeline transportation
 2 of gas or unrefined oil or in the operation or maintenance of facilities for the pipeline
 3 transportation of gas or unrefined oil is:

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

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

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

24 * **Sec. 3.** AS 43.56.060 is amended by adding a new subsection to read:

25 (h) Starting on the construction commencement date, the full and true value of
 26 taxable property exclusively used for a North Slope natural gas project is determined
 27 on each January 1. On January 1 following the date a North Slope natural gas project
 28 begins to transport gas, the full and true value is the original cost adjusted for inflation,
 29 the product of which is reduced by an annual allowance for depreciation, and the
 30 remainder of which is subject to a throughput factor. The throughput factor includes
 31 the estimated annual throughput as measured in thousands of cubic feet of gas

1 transported divided by the original annual throughput design basis as measured in
 2 thousands of cubic feet of gas.

3 * **Sec. 4.** AS 43.56.210(5) is amended to read:

4 (5) "taxable property"

5 (A) means real and tangible personal property **exclusively used**
 6 **for a North Slope natural gas project or real and tangible personal**
 7 **property** used or committed by contract or other agreement for use within this
 8 state primarily in the exploration for, production of, or pipeline transportation
 9 of gas or unrefined oil (except for property used solely for the retail
 10 distribution or liquefaction of natural gas **unless the property is exclusively**
 11 **used for a North Slope natural gas project**), or in the operation or
 12 maintenance of facilities used in the exploration for, production of, or pipeline
 13 transportation of gas or unrefined oil; "taxable property" includes

14 (i) machinery, appliances, supplies, and equipment;

15 (ii) drilling rigs, wells (whether producing or not),
 16 gathering lines and transmission lines, pumping stations, compressor
 17 stations, power plants, topping plants, and processing units;

18 (iii) roads, tank farms, tanker terminals, docks and other
 19 port facilities, and air strips;

20 (iv) aircraft and motor vehicles owned by a person
 21 whose principal business in the state is the exploration for, production
 22 of, or pipeline transportation of gas or unrefined oil and whose
 23 operation of the aircraft or motor vehicle directly relates to the conduct
 24 of that business;

25 (v) maintenance equipment and facilities, and
 26 maintenance camps and other related facilities; and

27 (vi) communications facilities owned by a person
 28 whose principal business in the state is the exploration for, production
 29 of, or pipeline transportation of gas or unrefined oil and whose
 30 operation of the communications facilities directly relates to the
 31 conduct of that business;

1 (B) does not include

2 (i) permanent residences;

3 (ii) office buildings requiring substantial local
4 government services;

5 (iii) oil and gas pipeline systems owned and operated by
6 a public utility that is certificated under AS 42.05.221 and is regulated
7 by the Regulatory Commission of Alaska;

8 (iv) aircraft and motor vehicles, except aircraft and
9 motor vehicles taxable under (A)(iv) of this paragraph; and

10 (v) communications facilities, except communications
11 facilities taxable under (A)(vi) of this paragraph;

12 * **Sec. 5.** AS 43.56.210 is amended by adding a new paragraph to read:

13 (7) "North Slope natural gas project" means a project to transport gas
14 produced north of 68 degrees North latitude through a gas treatment plant, a gas
15 pipeline, a liquefaction plant, and a marine terminal; in this paragraph,

16 (A) "gas pipeline" means a pipeline transporting gas beginning
17 at the outlet flange of a gas treatment plant terminating at the inlet flange of a
18 liquefaction plant, including all pipe, compressor stations, station equipment,
19 and all other facilities necessary for an integral line of pipe to effectuate the
20 transportation of gas from point to point, excluding any pipelines downstream
21 of an offtake point between a gas treatment plant and a liquefaction plant;

22 (B) "gas treatment plant" means a facility located north of 68
23 degrees North latitude to treat natural gas to pipeline specifications and deliver
24 treated natural gas to the inlet flange of a gas pipeline, excluding any
25 transmission lines that deliver gas to the inlet flange of the facility;

26 (C) "liquefaction plant" means a facility that receives from the
27 outlet flange of a gas pipeline gas for liquefaction in the facility, including
28 storage and facilities for off-loading liquefied natural gas;

29 (D) "marine terminal" means a terminal and those facilities
30 required to receive liquefied natural gas from the boundary of a liquefaction
31 plant for marine transportation, including storage and facilities for off-loading

1 liquefied natural gas.

2 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 APPLICABILITY. Sections 1 - 5 of this Act apply to tax years beginning after
5 December 31, 2015.