

**Municipal Advisory Group Meeting
June 11, 2004
Anchorage, Department of Revenue**

Municipal representatives attending: Steve Thompson, Chair; Rick Ross; Craig Chapman; Todd Sherwood; Willard Dunham; Lamar Cotten; Pete Hallgren; Ron Woolf; Lori Backes; Mike Abbot

State of Alaska: Dan Dickinson, Randy Hoffbeck, Bill Noll

ANGDA: Harold Heinze and Mike Pawlowski; Scott Hayworth, ANGDA Board

Teleconference: Bill Corbus, Jeff Jacobson, Steve Porter, Bill Popp

Information Insights: Brian Rogers, Nadine Hargesheimer, Sherry Modrow

ANGDA Presentation by Harold Heinze,

Presentation and PowerPoint slides (posted on the website)

Beta version of ANGDA model – available from ANGDA

Sales Tax Discussion – Handout posted on <http://magalaska.com>

- What materials, goods and services are particular to a gasoline project?
- Link: PILT and tax needs
 - o Specific exemptions?
- Point of sale
- Opportunities
 - o Sales tax –mitigates impacts
- Likely amount/type of exemptions/limits
 - o Retail sales tax/value-added tax
 - Most governments exempt items for resale
 - o Single sale vs. multiple sales
 - o Dedicated?
 - o Limit per transaction?
 - o No targeted items above general sales
 - o Not taxed at higher tax, or sales tax at differential rate
 - o Rental taxes – camps, autos?
- Cost of administration
 - o Collection done by individual businesses, not by government
 - o Complex for vendors
 - o Ease or difficulty of expanding existing exemptions
- Construction / M&O

Options

- Cap on tax for SGA applications
 - o Percent
 - o Per transaction maximum
 - o No use tax
- Exemption of certain goods/services
 - o Name entities for exemptions

Recommendations

- Pipeline not be exempted from local sales/bed taxes
- Ensure – No targeting of pipeline by either cap or % of sales
- Depends on there being a reasonable PILT and a whole package of justification for municipal limits on taxes
- Benefit to project of a sales tax exemption is likely to be so marginal, Municipal Advisory Group recommends against it

Other Taxes not to Exempt

- E-911 Emergency system fees
- Fees for land-use, building permit inspection fees, etc.
 - Reasonable relationship to cost
 - Not targeting pipeline unduly
- Impact Fees?
- Employment tax/ head tax
- Contingency – unanticipated impacts
- Personal Property
- Severance Taxes
 - Gravel, trees, coal
- Oil & gas offices – substantial reason
 - local government services – do not exempt

AS 43.56 Oil & Gas Production Property Tax

1. No currently taxed property becomes exempt under SGA
 - (Current = day of decision to build)
 - (Because of bonds)
2. Appropriate taxation on oil production property and TAPS property
3. No 43.56 SGA benefits to TAPS
 - If product moves through TAPS, it wasn't stranded
4. Nothing in SGDA negotiations should harm current tax streams
 - Impairment of contracts in Alaska Constitution
5. Application: Same *Net Present Value* of taxes as current tax regime
 - Cap of 20 mills

Possible consensus: PILT should be based on 20 mills

Open Issues:

- Shape of curve
- End of period