

## **Municipal Advisory Group Resolution 2006-08**

A Resolution supporting the removal of municipal and A.S. §43.56 Tax Concessions until commencement of commercial operations for any proposed North Slope Natural Gas Pipeline.

- A. Whereas, the intent of the Stranded Gas Development Act is to provide for a mechanism for achieving the fiscal certainty that potential project sponsors indicate they need before proceeding with the large investment needed to bring Alaska North Slope gas to market; and
- B. Whereas, the proposed contract between Governor Murkowski and the producers under the Stranded Gas Development Act has now been released in full; and
- C. Whereas, the proposed contract provides significant changes in the present taxation of A.S. 43.56 oil properties currently taxed in Alaska that would restrict or eliminate the collection of property taxes on those properties on behalf of local municipalities by the State of Alaska prior to project sanction; and
- D. Whereas, the proposed contract provides significant changes in the present municipal sales, property and other related taxation that will reduce or eliminate the ability of local municipalities to collect taxes on SGDA Project related properties and companies prior to project sanction; and
- E. Whereas, the Stranded Gas Act Municipal Advisory Group has expressed through MAG Resolution 2004-01 that “No reduction or deferral in municipal taxes is acceptable without appropriate justification from the State of Alaska and the project sponsor”; and
- F. Whereas, the Stranded Gas Act Municipal Advisory Group has expressed through MAG Resolution 2004-02 that “No property that is taxed under AS 29.45 or AS 43.56 prior to the start of construction of an Alaska Natural Gas Pipeline should receive a tax deferral/exemption under a SGDA contract”; and
- G. Whereas, under the currently proposed SGDA contract, both municipal taxation authority and the taxation of A.S. 29.45 and A.S. 43.56 oil properties currently subject to taxation would be significantly restricted or eliminated, contrary to the MAG recommendation in MAG Resolution 2004-02; and
- H. Whereas, to preclude affected municipalities from the ability to collect municipal taxes or A.S. 43.56 tax revenues places an unfair and unjustified burden on local municipalities that will impair those communities ability to prepare for and mitigate the likely social and economic impacts that will result from the construction of a North Slope Natural Gas pipeline.

NOW, THEREFORE, be it resolved by the Municipal Advisory Group that:

1. The Municipal Advisory Group reiterates its 2004 recommendation that the SGDA contract should include no provisions to exempt or defer taxes on oil and gas properties that are currently subject to municipal taxation;
2. The Municipal Advisory Group recommends that if, notwithstanding this recommendation, the legislature amends the Stranded Gas Development Act to allow an exemption, deferral or reduction of taxes for oil properties, the SGDA contract should include no provisions that would exempt, defer, or reduce taxes on existing oil and gas properties prior to the commencement of commercial operations of the gas pipeline.

Approved by vote of: Cities of Delta Junction, Fairbanks, Kenai, North Pole, Seward, Skagway, Valdez; Fairbanks North Star Borough; Haines Borough; Kenai Peninsula Borough; North Slope Borough; Tanana Chiefs Conference.

Not voting: Municipality of Anchorage