

## **Municipal Advisory Group Resolution 2004-04 Final**

A Resolution Outlining the Parameters of a Revenue PILT Acceptable to Municipalities:

- A. Whereas no reduction or deferral in municipal taxes is acceptable without appropriate justification from the State of Alaska and the project sponsor;
- B. Whereas a payment in lieu of taxes structure should provide certainty for municipalities;
- C. Whereas the State of Alaska should ensure any payment in lieu of taxes recognizes the loss to present and future forms of local government of the opportunity to respond to changing conditions through changing tax rates;
- D. Whereas a payment in lieu of taxes does not mean a reduction in taxes;
- E. Whereas the State of Alaska should ensure that affected municipalities' combined share of the economic rent of the approved project should correlate with the revenue stream of the project by negotiating that the present value of the aggregate amount of payment in lieu of taxes is not less than the amount that would have been collected under AS 43.56, AS 29.45 and AS 29.46;
- F. Whereas project sponsors have indicated the existing tax structure front-loads their expenses and property taxes are due before a revenue stream is in place;
- G. Whereas revenue affected municipalities want to avoid the drastic decrease in revenues that would be possible at the end of the contract term if valuation methods changed and the Alaska Natural Gas Pipeline continued;

Be it therefore resolved that:

- 1. In the event that a payment in lieu of taxes is found to be acceptable to the municipalities, a PILT based on the throughput of the proposed natural gas pipeline indexed \* for inflation is preferable to other methods.
- 2. The throughput rate per mcf established under the Stranded Gas Development Act for the PILT should approximate taxes that would have been collected under AS 43.56.
- 3. The negotiated PILT should include a continuation clause in the original contract for the Alaska Department of Revenue to have the option to extend the throughput method of payment in lieu of taxes through the life of the project, rather than the life of the contract.
- 4. PILT payments should be made directly to affected municipalities and should not be subject to appropriation by the legislature.
- 5. The structure of the State of Alaska PILT for property taxes in the unorganized borough should allow that as new local governments form, they will have access to a share of State PILT revenues in order to provide a reasonable tax base.
- 6. PILT payment should be made proportionally to each municipality based on its mill rate on an annual basis.

*\* Indexing instrument needs to be added*