

## Summary Comparison between Various House Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>HB 2001 (ACES)</u>	<u>House Finance</u>	<u>House</u>
<b>Base Rate</b>				
	<i>AS 43.55.011 (e) &amp; (g)</i>	<i>Bill Sections 15 &amp; 17</i>		
Base Tax Rate	22.50%	25%	22.50%	
<b>Progressivity</b>				
	<i>AS 43.55.011(g) &amp; (h)</i>	<i>Bill Sections 17,18</i>		
\$/bbl Starting point	\$40 net	\$30 net	\$30 net	
Tax/\$ of Price Index	0.25%	0.20%	0.40%	
Average Value over	month	year	month	
Applied to	net	net	net	
Cap	25% of net	25% of net	25% of net	
<b>Gross Value Floor</b>				
	<i>AS 43.55.011(f)</i>	<i>Bill Section 15, 16, 31-36, &amp; 4</i>		
Base	North Slope	Prudhoe; Kuparuk	North Slope	
Rate	ranges from 0% to 4%	10%	ranges from 0% to 4%	
Credits further reduce floor tax?	Yes	No	Yes	
Apply .024 and .025 credits against floor	Yes	No	Yes	
<b>Investment Credits</b>				
	<i>AS 43.55.023</i>	<i>Bill Section 26-28, 38-44 &amp; 63</i>		
Investment Credits	Taken in year of investment	1/2 in each of two years	Taken in year of investment	
Loss Carry Forward Credits	20%	25%	22.5%	
Transitional Investment Credits	Yes	No	3 years of investment instead of 5	

## Summary Comparison between Various House Approaches to Production Tax

<b>Exploration Credits</b>	<i>AS 43.55.025</i>	<i>Bill Section 36 - 44</i>	
Rates	20; 40%	20; 40%	30;40%
G&A Costs	disallowed	bad acts I	bad acts II
DNR approval required?	In CI, to avoid 3 mile limit	Always	Always, w/ language changes
Confidentiality of well data	10 years	2 years	2 years
Seismic on non state land	silent	included	explicit exclusion without permission
Pre-existing well	One drilling season	Two consecutive drilling seasons	Two consecutive drilling seasons
"DNR TIE" Credits for pre 2003 seismic work?	no	5%	5%

### Exceptions to Tax Credits

none	none	none	unpaid judgment
------	------	------	-----------------

### State Purchase of Credits

	<i>AS 43.55.023(f) &amp; (g)</i>		
Paid from:	"appropriations made by law"	oil and gas credit fund, funded from production taxes	"appropriations made by law"
Annual dollar cap per taxpayer?	\$25 million	none	\$ 25 million (however ARM unlimited)
ARM Board Purchases?	n/a	n/a	yes

## Summary Comparison between Various House Approaches to Production Tax

### Allowable Lease Expenditures *AS 43.55.165*

Allowed by regulation	no language	must be	must be
Use producer audits of operators?	Explicit	Explicit repealed; Implicit	Explicit repealed; Implicit
Disallow bad acts II?	yes	add violation of law, lease or license	Bad acts II, [inc Clean Water Act]
Dispute resolution	except with state and among themselves	except with state and among themselves	except with state and among themselves
DR&R Allowed?	Allocated	No	No
"Corrosion" Issue	\$.30 a bbl disallowed	\$.30 + unscheduled events disallowed	\$.30 a bbl disallowed+ intent language
Field Topping Plants allowed?	Yes	No	No
Off Lease allowed	yes; other tests	yes; other tests	yes; other tests
Public Outreach costs	not explicit	not explicit	no; listed

## Summary Comparison between Various House Approaches to Production Tax

<b>Information</b>	<b>AS 43.05.230 and royalty statutes</b>	<b>Bill Sections 2-9,11-13, 49 &amp; 61</b>	
forward looking information required	none	information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day.	information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day if demanded information not forthcoming.
Disclosure of tax information	if aggregated to "prevent the identification of particular returns."	if aggregated w/2 other producers	if aggregated to "prevent the identification of particular returns."
DNR sharing royalty information w/ DOR	limited ability	expanded ability	expanded ability
DOR sharing tax information with DNR	limited ability	expanded ability	expanded ability

<b>Statute of Limitations</b>	<b>AS 43.05.260</b>	<b>Bill Sections 1,14,50 new AS 43.55.075</b>	
State assessment must be issued within	3 yrs	6 yrs	4 yrs

<b>DOR Auditors</b>	<b>As 39.25.100</b>	<b>Bill Sections 10, 65, 67</b>	
DOR & DNR auditors exempt employees?	no	yes	no; create new class in classified service

## Summary Comparison between Various House Approaches to Production Tax

### Effective Date

*Bill Section 64*

Generally	n/a	Jan 1 2008	Jan 1 2008
Retroactive to April 1 2006	n/a	deferred maintenance issues	

### Downstream Costs

*As 43.55.150*

Reasonable v actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual
<i>Prima facie</i> reasonable Taps Tariff	Filed TAPS tariff	Filed TAPS tariff	Filed TAPS tariff

### Gas Ceilings thru 2022

*As 43.55.011*

Where	CI	CI	CI + gas used in the state
-------	----	----	----------------------------

### Additional Penalties

*new As 43.55.020*

Penalty for under estimated payments	IRS Penalties (i.e. interest)	IRS Penalties (i.e. interest)	IRS Penalties (i.e. interest)
Additional Penalties for Under reporting	none	none	10% for 10% or 10mm understmnt, 20% for 20% or 20mm understmnt

## Summary Comparison between Various House Approaches to Production Tax

### Intent Language

overall intent of legislation	n/a	no	included
long standing interpretation of SOL	n/a	included	included
Half the money from certain retroactive applications to PERS and public education fund	n/a	no	no
tax savings from gas ceilings outside CI passed on to ultimate consumers	n/a	no	encourage availability of affordable gas

### Admin

*AS 43.55.020(a)*

Monthly Estimated payments	Estimated payments without ceilings, refund due taxpayer at year end	Ceilings applied monthly	Ceilings applied monthly
LIHEAP funding			may appropriate from progressivity
Whistleblower language			yes
DNR NAPS regulations			may be retroactive