

Summary Comparison between Various Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>SB/HB 2001 (ACES) as introduced</u>	<u>CS HB 2001(FIN)am</u>
<b>Base Rate</b>			
	<i>AS 43.55.011 (e) &amp; (g)</i>	<i>Bill Sections 15 &amp; 17</i>	<i>Bill Sections 15</i>
Base Tax Rate	22.50%	25%	25%
<b>Progressivity</b>			
	<i>AS 43.55.011(g) &amp; (h)</i>	<i>Bill Sections 17,18</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; 41-42</i>	<i>Bill Section 16</i>
Base Rate	North Slope ranges from 0% to 4%	Prudhoe; Kuparuk 10%	North Slope 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>	<i>Bill Section 26-28</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%	25%
Transitional Investment Credits	Yes	No	All taxpayers allowed application of TIE matching spending in April 1 2006 - Dec 31, 2007, even if application deferred

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<b>Exploration Credits</b>	<i>AS 43.55.025</i>	<i>Bill Section 36 - 44</i>	<i>Bill Section 29-35</i>
Rates	20; 40%	20; 40%	30;40%
General &Admin Costs	disallowed	bad acts I	costs arising from Bad Acts III - criminal
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, or if DNR declines to, or private landowner declines
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**

			<i>Bill Section 41</i>
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

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<u>Issue</u>	<u>Current Law</u> <i>AS 43.55.165</i>	<u>SB/HB 2001 (ACES) as introduced</u>	<u>CS HB 2001(FIN)am</u> <i>Bill Section 46-51</i>
<b>Allowable Lease Expenditures</b>			
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	costs arising from Bad Acts III - criminal
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
Opex			Yet to be written regulations will define 2006; then 3% annual increase; (regardless of production or ownership?)

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<u>Issue</u>	<u>Current Law</u> <i>AS 43.05.230 and royalty statutes</i>	<u>SB/HB 2001 (ACES) as introduced</u>	<u>CS HB 2001(FIN)am</u> <i>Bill Sections 2-9,11,13,36-39, 52</i>
<b>Information</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, no requirement to prevent identification	if aggregated w/2 other producers, [ still under umbrella -required to prevent identification]
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>	<i>AS 43.05.260</i>	<i>Bill Sections 1,14,50 new AS 43.55.075</i>	<i>Bill Sections 1,14,41 new AS 43.55.075</i>
State assessment must be issued within	3 yrs	6 yrs	6 yrs
<b>DOR Auditors</b>	<i>As 39.25.100</i>	<i>Bill Sections 10, 65, 67</i>	<i>Bill Sections 10, 56</i>
DOR & DNR auditors exempt employees?	no	yes	2 DNR and 4 DOR exempt master auditors authorized.
<b>Effective Date</b>		<i>Bill Section 64</i>	<i>Bill Section 1, 60-61</i>
Generally	n/a	Jan 1 2008	Jan 1 2008
Retroactive to April 1 2006	n/a	deferred maintenance issues	deferred maintenance issues (Intent language)

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<b>Downstream Costs</b>			
	<i>As 43.55.150</i>		<i>Bill Section 43</i>
Reasonable v actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual, except, reasonable if lower
<i>Prima facie</i> reasonable Taps Tariff	Filed TAPS tariff	Filed TAPS tariff	"just and reasonable" <b>and</b> arms' length transactions
<b>Gas Ceilings thru 2022</b>			
	<i>As 43.55.011</i>		<i>Bill Section 22</i>
Where	CI	CI	CI + gas used in the state
<b>Additional Penalties</b>			
	<i>new As 43.55.055</i>		<i>Bill Section 40</i>
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
<b>Intent Language</b>			
			<i>Bill Section 1</i>
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	n/a	n/a
tax savings from gas ceilings outside CI passed on to ultimate consumers	n/a	no	encourage availability of affordable gas

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<b>Admin</b>	<i>AS 43.55.020(a)</i>		<i>Bill Sections 12,23-25,42</i>
Monthly Estimated payments	Estimated payments without ceilings, refund due taxpayer at year end	Ceilings applied monthly	Ceilings applied monthly (A and C) could be more parallel
LIHEAP funding	No	No	may appropriate \$50 mm from progressivity
Whistleblower language	No	No	yes - with limitation for bad faith
DNR NPSL regulations	n/a	general grant for retroactive applications	may be retroactive
Required 2011 Report -	Yes	Yes	deleted