

Summary Comparison between Various House Approaches to Production Tax

| <u>Issue</u> | <u>Current Law</u> | <u>HB 2001 (ACES)</u> | <u>House O&G</u> | <u>House Resources</u> | <u>House Finance</u> |
|-----------------------------------|-----------------------------------|--|------------------------------------|------------------------------------|----------------------|
| Base Rate | | | | | |
| | <i>AS 43.55.011 (e) & (g)</i> | <i>Bill Sections 15 & 17</i> | | | |
| Base Tax Rate | 22.50% | 25% | 22.50% | 25% | |
| Progressivity | | | | | |
| | <i>AS 43.55.011(g) & (h)</i> | <i>Bill Sections 17,18</i> | | | |
| \$/bbl Starting point | \$40 net | \$30 net | \$50 gross | \$30,40,50,60 net | |
| Tax/\$ of Price Index | 0.25% | 0.20% | 0.25% | .2,.3,.4,.5% | |
| Average Value over | month | year | month | month | |
| Applied to | net | net | gross | gross | |
| Cap | 25% of net | 25% of net | 25% of gross | none | |
| Gross Value Floor | | | | | |
| | <i>AS 43.55.011(f)</i> | <i>Bill Section 15, 16, 31-36, & 41-42</i> | | | |
| Base | North Slope | Prudhoe; Kuparuk | North Slope | North Slope | |
| Rate | ranges from 0% to 4% | 10% | ranges from 0% to 4% | ranges from 0% to 4% | |
| Credits further reduce floor tax? | Yes | No | Yes | Yes | |
| Investment Credits | | | | | |
| | <i>AS 43.55.023</i> | <i>Bill Section 26-28, 38-44 & 63</i> | | | |
| Investment Credits | Taken in year of investment | 1/2 in each of two years | Taken in year of investment | Taken in year of investment | |
| Loss Carry Forward Credits | 20% | 25% | 20% | rate in (e) (25%) | |
| Transitional Investment Credits | Yes | No | 3 years of investment instead of 5 | 3 years of investment instead of 5 | |

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| Exploration Credits | AS 43.55.025 | Bill Section 36 - 44 | | |
|--|------------------------------|----------------------------------|------------------------------|----------------------------------|
| Rates | 20; 40% | 20; 40% | 20; 40% | 30;40% |
| G&A Costs | disallowed | bad acts I | disallowed | bad acts I |
| DNR approval required? | In CI, to avoid 3 mile limit | Always | In CI, to avoid 3 mile limit | Always |
| Confidentiality of well data | 10 years | 2 years | 10 years | 2 years |
| Pre-existing well | One drilling season | Two consecutive drilling seasons | One drilling season | Two consecutive drilling seasons |
| "DNR TIE" Credits for pre 2003 seismic work? | no | 5% | no | 5% |

| State Purchase of Credits | AS 43.55.023(f) & (g) | Bill Section 45 (AS 43.55.028) | | |
|----------------------------------|----------------------------------|---|------------------------------|---|
| Paid from: | "appropriations made by law" | oil and gas credit fund, funded from production taxes | "appropriations made by law" | oil and gas credit fund, funded from production taxes |
| Annual dollar cap per taxpayer? | \$25 million | none | \$25 million | Yes (however ARM unlimited) |
| ARM Board Purchases? | n/a | n/a | n/a | yes |

| Allowable Lease Expenditures | AS 43.55.165 | Bill Sections 52-64 | | |
|-------------------------------------|------------------------|--|--|--|
| Use producer audits of operators? | Explicit | Explicit repealed; Implicit | Explicit | Explicit repealed; Implicit |
| Disallow bad acts II? | yes | add violation of law, lease or license | add violation of law, lease or license | add violation of law, [inc Clean Water Act] lease or license |
| Dispute resolution | except with state | except with state | except with state | no, other disallowances |
| DR&R Allowed? | Allocated | No | No | No |
| "Corrosion" Issue | \$.30 a bbl disallowed | \$.30 + unscheduled events disallowed | \$.30 + unscheduled events disallowed | \$.30 a bbl disallowed |
| Field Topping Plants allowed? | Yes | No | No | No |
| Off Lease allowed | yes; other tests | yes; other tests | yes; other tests | No (also in-state) |

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| Information | <i>AS 43.05.230 and royalty statutes</i> | <i>Bill Sections 2-9,11-13, 49 & 61</i> | <i>AS 43.05.230 and royalty statutes</i> | <i>Bill Sections 2-9,11-13, 49 & 61</i> |
|--|--|---|--|---|
| 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". | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day. |
| Disclosure of tax information | if aggregated to "prevent the identification of particular returns." | if aggregated w/2 other producers | if aggregated w/2 other producers | if aggregated w/2 other producers |
| DNR sharing royalty information w/ DOR | limited ability | expanded ability | expanded ability | expanded ability |
| DOR sharing tax information with DNR | limited ability | expanded ability | expanded ability | expanded ability |

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

| DOR Auditors | <i>As 39.25.100</i> | <i>Bill Sections 10, 65, 67</i> | | |
|--------------------------------------|---------------------|---------------------------------|-----|-----|
| DOR & DNR auditors exempt employees? | no | yes | yes | yes |

| Effective Date | <i>Bill Section 64</i> | | | |
|-----------------------------|------------------------|-----------------------------|-----------------------------|---|
| Generally | n/a | Jan 1 2008 | Jan 1 2008 | Jan 1 2007 |
| Retroactive to April 1 2006 | n/a | deferred maintenance issues | deferred maintenance issues | Loss carryforward, TIE limitations, most cost redefinitions |

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Downstream Costs *As 43.55.150*

| | | | | |
|---|----------------------------|----------------------------|----------------------------|---|
| Reasonable v actual | 3 criteria linked by "and" | 3 criteria linked by "and" | 3 criteria linked by "and" | 3 criteria linked by "or" |
| <i>Prima facie</i> reasonable Taps Tariff | Filed TAPS tariff | Filed TAPS tariff | Filed TAPS tariff | FMV (TSM not adjudicated just and reasonable) |

Gas Ceilings thru 2022 *As 43.55.011*

| | | | | |
|-------|----|----|-----------------|----------------------------|
| Where | CI | CI | non North Slope | 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) | 5% in addition to IRS Penalties (i.e. interest) |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|---|

Intent Language

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