

Summary Comparison between Various House Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>HB 2001 (ACES)</u>	<u>House O&amp;G</u>	<u>House Resources</u>	<u>Proposed House Finance</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%	25%	25%
<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	\$50 gross	\$30,40,50,60 net	\$30 net
Tax/\$ of Price Index	0.25%	0.20%	0.225%	.2,.3,.4,.5%	0.20%
Average Value over	month	year	month	month	year
Applied to	net	net	gross	gross	net
Cap	25% of net	25% of net	25% of gross	none	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>			
Base	North Slope	Prudhoe; Kuparuk	North Slope	North Slope	North Slope
Rate	ranges from 0% to 4%	10%	ranges from 0% to 4%	ranges from 0% to 4%	ranges from 0% to 4%
Credits further reduce floor tax?	Yes	No	Yes	Yes	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	Taken in year of investment	Taken in year of investment
Loss Carry Forward Credits	20%	25%	20%	rate in (e) (25%)	25%
Transitional Investment Credits	Yes	No	3 years of investment instead of 5	3 years of investment instead of 5	3 years of investment instead of 5

Summary Comparison between Various House Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>HB 2001 (ACES)</u>	<u>House O&amp;G</u>	<u>House Resources</u>	<u>Proposed House Finance</u>
<b>Exploration Credits</b>	<i>AS 43.55.025</i>	<i>Bill Section 36 - 44</i>			
Rates	20; 40%	20; 40%	20; 40%	30;40%	30;40%
G&A Costs	disallowed	bad acts I	disallowed	bad acts I	bad acts II
DNR approval required?	In CI, to avoid 3 mile limit	Always	In CI, to avoid 3 mile limit	Always	Always
Confidentiality of well data	10 years	2 years	10 years	2 years	10 years
Seismic on non state land	silent	included		included	silent
Pre-existing well	One drilling season	Two consecutive drilling seasons	One drilling season	Two consecutive drilling seasons	Two consecutive drilling seasons
"DNR TIE" Credits for pre 2003 seismic work?	no	5%	no	5%	5%

<b>State Purchase of Credits</b>	<i>AS 43.55.023(f) &amp; (g)</i>	<i>Bill Section 45 (AS 43.55.028)</i>			
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	"appropriations made by law"
Annual dollar cap per taxpayer?	\$25 million	none	\$25 million	\$ 25 million (however ARM unlimited)	\$ 25 million (however ARM unlimited)
ARM Board Purchases?	n/a	n/a	n/a	yes	yes

Summary Comparison between Various House Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>HB 2001 (ACES)</u>	<u>House O&amp;G</u>	<u>House Resources</u>	<u>Proposed House Finance</u>
<b>Allowable Lease Expenditures</b>	<i>AS 43.55.165</i>		<i>Bill Sections 52-64</i>		
Use producer audits of operators?	Explicit	Explicit repealed; Implicit	Explicit	Explicit repealed; Implicit	Explicit where other WIOs with ability to audit
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	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	no, other disallowances	except with state and among themselves
DR&R Allowed?	Allocated	No	No	No	No
"Corrosion" Issue	\$.30 a bbl disallowed	\$0.30 + unscheduled events disallowed	\$0.30 + unscheduled events disallowed	\$.30 a bbl disallowed	\$.30 a bbl disallowed
Field Topping Plants allowed?	Yes	No	No	No	No
Off Lease allowed	yes; other tests	yes; other tests	yes; other tests	No (also in-state)	yes; other tests
Public Outreach costs	not explicit	not explicit	not explicit	no	no
<b>Information</b>	<i>AS 43.05.230 and royalty statutes</i>	<i>Bill Sections 2-9,11-13, 49 &amp; 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.	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 w/2 other producers	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	expanded ability	expanded ability
DOR sharing tax information with DNR	limited ability	expanded ability	expanded ability	expanded ability	expanded ability

Summary Comparison between Various House Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>HB 2001 (ACES)</u>	<u>House O&amp;G</u>	<u>House Resources</u>	<u>Proposed House Finance</u>
<b>Statute of Limitations</b> <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	4 yrs
<b>DOR Auditors</b> <i>As 39.25.100</i> <i>Bill Sections 10, 65, 67</i>					
DOR & DNR auditors exempt employees?	no	yes	yes	yes	yes
<b>Effective Date</b> <i>Bill Section 64</i>					
Generally	n/a	Jan 1 2008	Jan 1 2008	Jan 1 2007	Jan 1 2008
Retroactive to April 1 2006	n/a	deferred maintenance issues	deferred maintenance issues	Loss carryforward, TIE limitations, most cost redefinitions	to 2003: not-for-profits selling credits
<b>Downstream Costs</b> <i>As 43.55.150</i>					
Reasonable v actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = FMV "or other reasonable method"	Downstream Tanker and Pipelines = Actual
<i>Prima facie</i> reasonable Taps Tariff	Filed TAPS tariff	Filed TAPS tariff	Filed TAPS tariff	FMV (TSM not adjudicated just and reasonable)	Filed TAPS tariff
<b>Gas Ceilings thru 2022</b> <i>As 43.55.011</i>					
Where	CI	CI	non North Slope	CI + gas used in the state	CI + gas used in the state
<b>Additional Penalties</b> <i>new As 43.55.020</i>					
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)	5% in addition to IRS Penalties (i.e. interest) if payment less than 90%

Summary Comparison between Various House Approaches to Production Tax

<u>Issue</u>	<u>Current Law</u>	<u>HB 2001 (ACES)</u>	<u>House O&amp;G</u>	<u>House Resources</u>	<u>Proposed House Finance</u>
<b>Intent Language</b>					
overall intent of legislation	n/a	no	no	included	no
long standing interpretation of SOL	n/a	included	included	included	included
Half the money from certain retroactive applications to PERS and public education fund	n/a	no	no	included	no
tax savings from gas ceilings outside CI passed on to ultimate consumers	n/a	no	no	included	no
<b>Admin</b>					
	<i>AS 43.55.020(a)</i>				
Monthly Estimated payments	Estimated payments without ceilings, refund due taxpayer at year end	Ceilings applied monthly		Estimated payments without ceilings, refund due taxpayer at year end	Ceilings applied monthly