

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>	<u>Proposed Senate Finance CS</u>
Base Rate	AS 43.55.011 (e) & (g)	Bill Sections 15 & 17	Bill Sections 15	Bill Sections 15 & 17
Base Tax Rate	22.50%	25%	25%	22.5%
Progressivity	AS 43.55.011(g) & (h)	Bill Sections 17,18	Bill Sections 17,18	Bill Sections 17
\$/bbl Starting point	\$40 net	\$30 net	\$30 net	\$30;50;70;90 net
Tax/\$ of Price Index	0.25%	0.20%	0.40%	.6; .5; .35; .1%
Average Value over	month	year	month	month
Applied to	net	net	net	net
Cap	25% of net	25% of net	25% of net	50% of net
Gross Value Floor	AS 43.55.011(f)	Bill Section 15, 16, 31-36, & 41-42	Bill Section 16	Bill Section 16
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%
Apply .024 credits against floor?	Yes	No	Yes	Yes
Apply .025 credits against floor?	Yes	No	Yes	No
Investment Credits	AS 43.55.023	Bill Section 26-28, 38-44 & 63	Bill Section 26-28	Bill Section 24-29
Investment Credits	Taken in year of investment	1/2 in each of two years	Taken in year of investment	1/2 in each of two years
Loss Carry Forward Credits	20%	25%	25%	22.5%
Transitional Investment Credits	Yes	No	All taxpayers allowed application of TIE matching spending in April 1 2006 - Dec 31, 2007, even if application deferred	TIE credits end for producers Dec 31, 2007, current non producers can use through 2013

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Exploration Credits	AS 43.55.025	Bill Section 36 - 44	Bill Section 29-35	Bill Section 30-38
Rates	20; 40%	20; 40%	30;40%	20; 40%
General &Admin Costs	disallowed	bad acts I	costs arising from Bad Acts III - criminal	bad acts I
DNR approval required?	In CI, to avoid 3 mile limit	Always	Always, w/ language changes	Always,
Confidentiality of well data	10 years	2 years	2 years, or if DNR declines to, or private landowner declines	2 years, or if DNR declines to,
Seismic on non state land	silent	included	explicit exclusion without permission	silent
Pre-existing well	One drilling season	Two consecutive drilling seasons	Two consecutive drilling seasons	Two consecutive drilling seasons
"DNR TIE" Credits for pre 2003 seismic work?	no	5%	5%	5%
Exceptions to Tax Credits				
			Bill Section 41	Bill Section 30,35,
None	none	none	unpaid judgment	none
Tax Exempt entities take credits?	silent	no	silent	no
State Purchase of Credits				
		AS 43.55.023(f) & (g)		
Paid from:	"appropriations made by law"	oil and gas credit fund, funded from production taxes	"appropriations made by law"	"appropriations made by law"
Annual dollar cap per taxpayer?	\$25 million	none	\$ 25 million (however ARM unlimited)	\$25 million
ARM Board Purchases?	n/a	n/a	yes	n/a

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Allowable Lease Expenditures	AS 43.55.165		Bill Section 46-51	Bill Section 48-53
Allowed by regulation	no language	must be	must be	must be
Use producer audits of operators?	Explicit	Explicit repealed; Implicit	Explicit repealed; Implicit	Explicit for WIOs
Disallow bad acts II?	yes	add violation of law, lease or license	costs arising from Bad Acts III - criminal	Disallow bad acts II?
Net Profit Shares?	no deduction	no deduction	no deduction	no deduction, except for DNR NPSL leases
DR&R Allowed?	Allocated	No	No	No
"Corrosion" Issue	\$.30 a bbl disallowed	\$0.30 + unscheduled events disallowed	\$.30 a bbl disallowed+ intent language	\$.30 a bbl disallowed+ unscheduled interruption
Field Topping Plants allowed?	Yes	No	No	No
Off Lease allowed	yes; other tests	yes; other tests	must be in state	yes; other tests
Public Outreach costs	not explicit	not explicit	no; listed	no; listed
Opex	actual	actual	Yet to be written regulations will define 2006; then 3% annual increase; (regardless of production or ownership?)	actual
Information	AS 43.05.230 and royalty statutes		Bill Sections 2-9,11,13,36-39, 52	Bill Sections 2-9,11-14,39-42,55
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.	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]	if aggregated w/2 other producers, no requirement to prevent identification
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

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Statute of Limitations	<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>	<i>Bill Sections 1,14,43 new AS 43.55.075</i>
State assessment must be issued within	3 yrs	6 yrs	6 yrs	4 yrs
DOR Auditors	<i>As 39.25.100</i>	<i>Bill Sections 10, 65, 67</i>	<i>Bill Sections 10, 56</i>	<i>Bill Sections 10, 59, 60</i>
DOR & DNR auditors exempt employees?	no	yes	2 DNR and 4 DOR exempt master auditors authorized.	2 DNR and 4 DOR exempt master auditors authorized.
Effective Date		<i>Bill Section 64</i>	<i>Bill Section 1, 60-61</i>	<i>Bill Section 1, 64-66</i>
Generally	n/a	Jan 1 2008	Jan 1 2008	July 1 2007
Retroactive to April 1 2006	n/a	unscheduled interruption	deferred maintenance issues (Intent language)	TECHNICAL AMENDMENT: unscheduled interruption
Downstream Costs	<i>As 43.55.150</i>		<i>Bill Section 43</i>	<i>Bill Section 45</i>
Reasonable v actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual	Downstream Tanker and Pipelines = Actual, except, reasonable if lower	Downstream Tanker and Pipelines = Actual, except, reasonable if lower
Prima facie reasonable Taps Tariff	Filed TAPS tariff	Filed TAPS tariff	"just and reasonable" and arms' length transactions	"just and reasonable" and arms' length transactions
Gas Ceilings thru 2022		<i>As 43.55.011</i>	<i>Bill Section 22</i>	<i>Bill Section 20,22</i>
Where	CI	CI	CI + gas used in the state	CI
Interaction with credits	implicit	explicit importing from regs	implicit	explicit high-level statement of rules
Additional Penalties	<i>new As 43.55.055</i>		<i>Bill Section 40</i>	
Additional Penalties for Under reporting	none	none	10% for 10% or 10mm understmnt, 20% for 20% or 20mm understmnt	none

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Intent Language			<i>Bill Section 1</i>	<i>Bill Section 1</i>
overall intent of legislation	n/a	no	included	no
long standing interpretation of SOL	n/a	included	included	included
Half the money from certain retroactive applications to PERS and public education fund	n/a	n/a	n/a	retroactivity dollars to public education fund, incremental dollars to other listed investments
tax savings from gas ceilings outside CI passed on to ultimate consumers	n/a	no	encourage availability of affordable gas	no
Admin	<i>AS 43.55.020(a)</i>		<i>Bill Sections 12,23-25,42</i>	<i>Bill Sections 12,21,23-25,42,46</i>
Monthly Estimated payments	Estimated payments without ceilings, refund due taxpayer at year end	Ceilings applied monthly	Ceilings applied monthly (sec A and C could be parallel)	Ceilings applied monthly
LIHEAP funding	No	No	may appropriate \$50 mm from progressivity	No
Whistleblower language	No	No	yes - with limitation for bad faith up to \$1mm	Technical Amendment yes - with limitation for bad faith, up to \$.5mm
DNR NPSL regulations	n/a	general grant for retroactive applications	may be retroactive	may be retroactive
Required 2011 Report -	Yes	Yes	deleted	Yes