

Alaska Oil and Gas Production Tax Calculation ("Order of Operations")

Presented by



Bruce Tangeman, Commissioner Designee
Dan Stickel, Revenue Economist
Department of Revenue, Tax Division

March 22, 2019 – Senate Finance Committee

Acronyms used in this presentation

- ANS – Alaska North Slope
- Avg - Average
- Bbl – Barrel
- CBRF – Constitutional Budget Reserve Fund
- CIT – Corporate Income Tax
- DOR – Department of Revenue
- GVPP – Gross Value at Point of Production
- GVR – Gross Value Reduction
- Min – Minimum
- NPR-A – National Petroleum Reserve Alaska
- PTV – Production Tax Value
- Ths – Thousands
- FY – Fiscal Year

Overview

- Oil and Gas revenue sources – how production tax fits in
 - FY 2017 – FY 2021 oil and gas revenues
- Production tax calculation “order of operations”
 - Detailed walk-through of each step of tax calculation
 - Defining commonly used jargon
 - Focus on North Slope oil
 - FY 2017 – FY 2021 comparison

Disclaimer

- Alaska's severance tax is one of the most complex in the world, and portions are subject to interpretation and dispute
- These numbers are rough approximations based on public data as presented in the spring 2019 forecasts and other revenue forecasts.
- We are economists, not auditors. This presentation is not an official statement of the Department as to any particular tax liability, interpretation, or treatment. This is not tax advice or guidance. This presentation is solely for illustrative general purposes.

Oil and Gas Revenue Sources

- Royalty - based on gross value of production
 - plus bonuses, rents & interest
 - Paid to owner of the land: State, Federal, or private
 - Usually 12.5% in Alaska, but rates vary
- Corporate Income Tax – based on net income
 - Paid to State (9.4% top rate)
 - Paid to Federal (21% top rate, used to be 35%)
 - Only C-corporations pay this tax *
- Property Tax – based on value of oil & gas property
 - Paid to State (2% of assessed value or “20 mills”)
 - Paid to Municipalities – credit offsets state tax paid
- Production Tax – based on “production tax value”
 - Paid to State – calculation to follow

* “C-corporation” is a business term that is used to distinguish the type of business entity, as defined under subchapter C of the federal Internal Revenue Code.

Oil and Gas Revenue Sources – 5 year comparison of state revenue

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
ANS oil price (\$/bbl)	\$ 49.43	\$ 63.61	\$ 69.80	\$ 66.00	\$ 66.00
ANS production (thb bbl/ day)	526.4	518.4	511.5	529.5	511.7
Property Tax *	\$ 120	\$ 122	\$ 123	\$ 121	\$ 116
Corporate Income Tax	\$ (59)	\$ 66	\$ 195	\$ 210	\$ 210
Production Tax	\$ 134	\$ 750	\$ 735	\$ 525	\$ 511
Royalties	\$ 1,021	\$ 1,365	\$ 1,453	\$ 1,298	\$ 1,242
CBRF Settlements	\$ 482	\$ 121	\$ 125	\$ 150	\$ 125
NPR-A Shared revenue	\$ 1	\$ 24	\$ 8	\$ 11	\$ 10
Total	\$ 1,700	\$ 2,448	\$ 2,639	\$ 2,314	\$ 2,214

Revenue amounts in \$ millions. Source: DOR Spring 2019 forecast.

* Property Tax is does not include municipal share.

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
			\$9,848.1 \$5,025.8
Tax rate			4% 35%
Tax before credits			\$393.9 \$1,759.0
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
			\$9,848.1 \$5,025.8
Tax rate			4% 35%
Tax before credits			\$393.9 \$1,759.0
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

1. Royalty & Taxable Barrels

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
			\$9,848.1 \$5,025.8
Tax rate			4% 35%
Tax before credits			\$393.9 \$1,759.0
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

2. Gross Value At Point of Production (GVPP)

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
			\$9,848.1 \$5,025.8
Tax rate			4% 35%
Tax before credits			\$393.9 \$1,759.0
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
<i>Non-Deductible Lease Expenditures - carried forward</i>			\$823.6

3. Lease Expenditures

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			\$0.0
GVPP or PTV after GVR			\$9,848.1
Tax rate			4%
Tax before credits			\$393.9
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

4. Production Tax Value (PTV)

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			\$0.0
GVPP or PTV after GVR			\$9,848.1
Tax rate			4%
Tax before credits			\$393.9
			Net Tax \$5,153.8
			(\$128.0)
			\$5,025.8
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

5. Gross Minimum Tax

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
Tax rate			\$9,848.1 \$5,025.8
Tax before credits			4% 35%
			\$393.9 \$1,759.0
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

6. Net Tax and Gross Value Reduction (GVR)

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
Tax rate			\$9,848.1 \$5,025.8
Tax before credits			4% \$393.9
Higher of minimum or net tax			35% \$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

7. Tax Credits against liability

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Production Tax "Order of Operations" – FY 2020

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$66.00	529.5	
Total Annual Production/Value		193,782	\$12,789.6
Royalty and Federal barrels		(21,595)	(\$1,425.3)
Taxable barrels		172,187	\$11,364.4
Downstream (Transportation) Costs (\$/bbl)	(\$8.81)	172,187	(\$1,516.3)
Gross Value at Point of Production (GVPP)	\$57.19	172,187	\$9,848.1
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$15.55)		(\$2,677.7)
Deductible Capital Expenditures	(\$11.71)		(\$2,016.5)
Total Lease Expenditures	(\$27.26)	172,187	(\$4,694.2)
Production Tax Value (PTV)			\$5,153.8
Production Tax			
Gross Value or Production Tax Value			Min Tax \$9,848.1
Gross Value Reduction (GVR)			Net Tax \$5,153.8
GVPP or PTV after GVR			\$0.0 (\$128.0)
			\$9,848.1 \$5,025.8
Tax rate			4% 35%
Tax before credits			\$393.9 \$1,759.0
Higher of minimum or net tax			\$1,759.0
Per-taxable-barrel credits			(\$1,255.7)
Other credits against liability			(\$22.0)
Total Tax after credits			\$481.3
Other items / adjustments			\$43.4
Total Tax paid to the state			\$524.7
Non-Deductible Lease Expenditures - carried forward			\$823.6

8. Adjustments and Total Tax Paid

Source: Department of Revenue – spring 2019 forecast. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Order of Operations – 5 year comparison

	ACTUAL FY 2017		ACTUAL FY 2018		Current Year FY 2019		Forecast FY 2020		Forecast FY 2021	
	Value (\$ million)		Value (\$ million)		Value (\$ million)		Value (\$ million)		Value (\$ million)	
Total Annual Production/Value	\$9,499.1		\$12,036.0		\$12,862.4		\$12,789.6		\$12,326.7	
Royalty and Federal barrels	(\$1,234.8)		(\$1,444.2)		(\$1,537.9)		(\$1,425.3)		(\$1,362.1)	
Taxable barrels	\$8,264.2		\$10,591.8		\$11,324.5		\$11,364.4		\$10,964.6	
Downstream (Transportation) Costs (\$/bbl)	(\$1,621.8)		(\$1,585.7)		(\$1,382.5)		(\$1,516.3)		(\$1,479.6)	
Gross Value at Point of Production (GVPP)	\$6,642.4		\$9,006.1		\$9,942.0		\$9,848.1		\$9,485.0	
North Slope Lease Expenditures										
Deductible Operating Expenditures	(\$2,835.6)		(\$2,581.0)		(\$2,631.1)		(\$2,677.7)		(\$2,676.1)	
Deductible Capital Expenditures	(\$1,646.8)		(\$1,485.1)		(\$1,631.3)		(\$2,016.5)		(\$2,080.9)	
Total Lease Expenditures	(\$4,482.4)		(\$4,066.1)		(\$4,262.4)		(\$4,694.2)		(\$4,757.0)	
Production Tax Value (PTV)	\$2,160.0		\$4,940.0		\$5,679.6		\$5,153.8		\$4,728.0	
Production Tax	<u>Min Tax</u>	<u>Net Tax</u>	<u>Min Tax</u>	<u>Net Tax</u>	<u>Min Tax</u>	<u>Net Tax</u>	<u>Min Tax</u>	<u>Net Tax</u>	<u>Min Tax</u>	<u>Net Tax</u>
Gross Value or Production Tax Value	\$6,642.4	\$2,160.0	\$9,006.1	\$4,940.0	\$9,942.0	\$5,679.6	\$9,848.1	\$5,153.8	\$9,485.0	\$4,728.0
Gross Value Reduction (GVR)	\$0.0	(\$73.4)	\$0.0	(\$91.1)	\$0.0	(\$96.3)	\$0.0	(\$128.0)	\$0.0	(\$126.3)
GVPP or PTV after GVR	\$6,642.4	\$2,086.6	\$9,006.1	\$4,848.9	\$9,942.0	\$5,583.3	\$9,848.1	\$5,025.8	\$9,485.0	\$4,601.7
Tax rate	4%	35%	4%	35%	4%	35%	4%	35%	4%	35%
Tax before credits	\$265.7	\$730.3	\$360.2	\$1,697.1	\$397.7	\$1,954.2	\$393.9	\$1,759.0	\$379.4	\$1,610.6
Higher of minimum or net tax	\$730.3		\$1,697.1		\$1,954.2		\$1,759.0		\$1,610.6	
Per-taxable-barrel credits	(\$536.0)		(\$1,027.0)		(\$1,241.5)		(\$1,255.7)		(\$1,121.7)	
Other credits against liability	(\$34.0)		(\$60.0)		(\$36.2)		(\$22.0)		(\$14.0)	
Total Tax after credits	\$160.3		\$610.1		\$676.5		\$481.3		\$474.9	
Other items / adjustments	(\$25.8)		\$139.8		\$58.5		\$43.4		\$35.7	
Total Tax paid to the state	\$134.5		\$749.9		\$735.0		\$524.7		\$510.6	
<i>Non-Deductible Lease Expenditures - carried forward (or credit at 35% prior to 2018)</i>	\$318.1		\$312.5		\$359.2		\$823.6		\$1,425.6	

Source: Department of Revenue – spring 2018, and spring 2019 forecasts. Illustration only of North Slope oil production tax calculation and may not exactly match company-specific calculations

Thank You

Bruce Tangeman
Commissioner Designee
Department of Revenue
bruce.tangeman@Alaska.gov
(907) 269-0081

Dan Stickel
Revenue Economist
Tax Division
dan.stickel@Alaska.gov
(907) 465-3279



dor.alaska.gov

Addendum

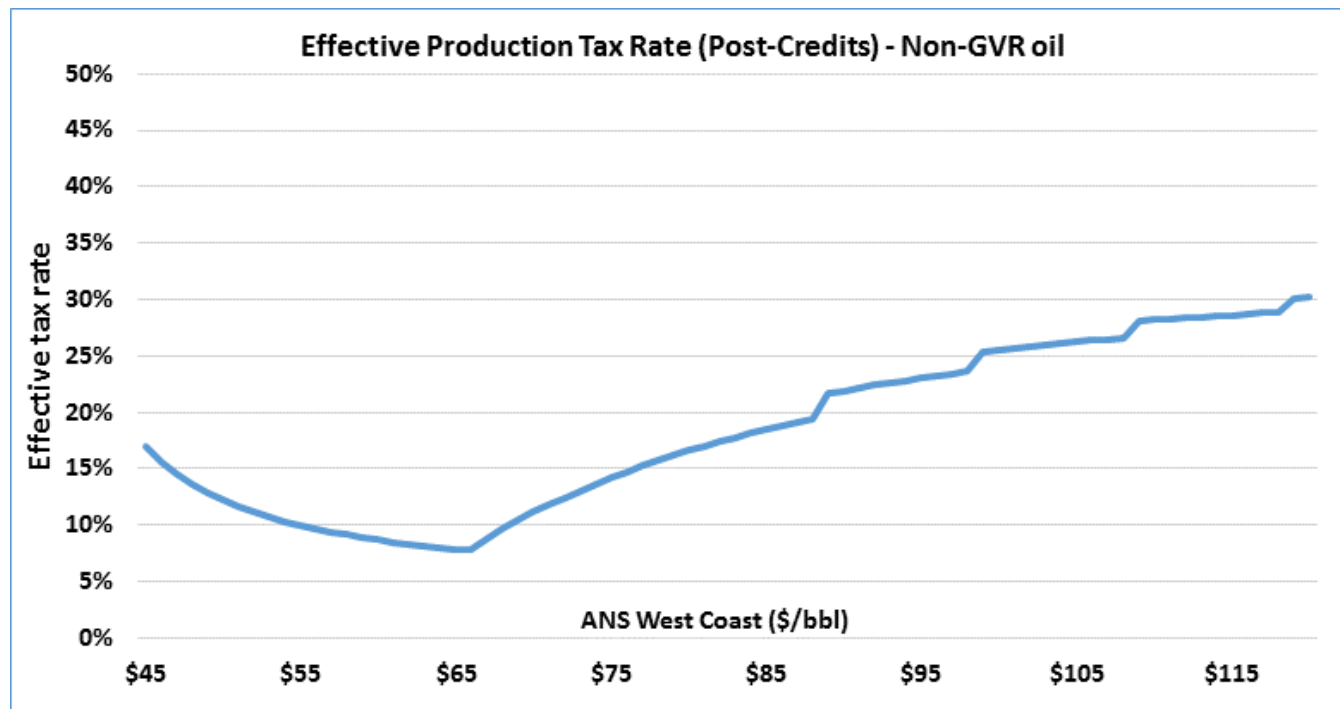
Follow-up Questions from
3-18-19 Senate Finance Hearing

Follow-ups from Senate Finance 3-18-19

- Provide FY20 effective tax rate
- Provide current Point Thomson feeder pipeline tariff
- Provide additional clarification of when pipeline costs are included in netback vs leases expenditures
- Provide estimated amount of credits that were purchased and later adjusted on audit
- Provide additional clarification of difference between capital credits and per-barrel credits

Follow-ups from Senate Finance 3-18-19

- Provide FY20 effective tax rate
- At \$66 ANS, estimated average effective production tax rate for non-GVR oil is 8%.



Source: Department of Revenue – spring 2019 forecast for FY 2020. Represents effective production tax rate, as a percent of production tax value, after per-barrel credits for a typical non-GVR (Gross Value Reduction) field.

Follow-ups from Senate Finance 3-18-19

- Provide current Point Thomson feeder pipeline tariff
- As of 1/1/2019, oil produced in Point Thomson is subject to the following feeder pipeline tariffs
 - \$19.490/barrel from the Point Thomson Pipeline*
 - \$1.720/barrel from the Badami Pipeline
 - \$1.300/barrel from the Endicott – Badami Connection
 - Total feeder tariff charge of \$22.510/barrel for moving Point Thomson production from the unit boundary to the Trans-Alaska Pipeline (TAPS)

* This Point Thomson Pipeline tariff is currently in dispute, the value presented here is the initial Federal Energy Regulatory Commission (FERC) filing that has been disputed.

Follow-ups from Senate Finance 3-18-19

- Provide additional clarification of when pipeline costs are included in netback vs lease expenditures
- Distinction is “point of production” – specifically where processed crude passes through the LACT meter
- “Gathering lines” bring unprocessed oil / gas / water to a production facility (upstream of “point of production”)
 - Deductible as lease expenditures in production tax value calculation
- “Feeder pipelines” bring processed crude to TAPS (downstream of “point of production”)
 - Tariffs are regulated by RCA or FERC
 - Deductible as netback costs in gross value calculation

Follow-ups from Senate Finance 3-18-19

- Provide estimated amount of credits that were purchased and later adjusted on audit

2006-2014 Audits of AS 43.55.023 Credits		
Amount	Count	
\$ 66,967,964	39	Credits Disallowed in Audit (already cashed out under 028 fund)
5,057,092	12	Credits Allowed in Appeal (including settlements)
61,910,871	12	Credits Paid Back (paid or reduced outstanding certificates)
	5	Credit Audits Still Open
	3	Credit Appeals Still Open

- For all of the audits performed through tax year 2014, the certificates have already been cashed out.
- A thorough due diligence review has been completed on all 2015 – 2017 credit applications.

Follow-ups from Senate Finance 3-18-19

- Provide additional clarification of difference between capital (QCE) credits and per-barrel credits
- Two main differences: incentive and monetization
- Incentive: QCE credits provided an incentive for spending; per-barrel credits provide an incentive for production
- Monetization: QCE credits could be applied against tax liability, carried forward, transferred, or sold to the state; per-barrel credits can only be used against liability in the year earned, and are limited by a company's liability before credits and minimum tax floor