

HB 3005

REP TARR

CONTEXT

Only constant is change

HOW OIL TAX WORKS

PRICE	\$70 (current)
Transportation	10.00
Gross Value at the Point of Production (GVPP)	\$60.00
<u>Subtract Lease Expenditures (43.55.165)</u>	<u>\$30.00</u>
Production Tax Value (PTV)	\$30.00
Tax at 35%	\$10.50
Subtract Per Barrel Credit	\$8.00
Tax Per Net	\$2.50
Minimum Tax	\$2.40
HIGHER OF	\$2.50

SCENARIO 1 – HIGHER SPEND

PRICE	\$70 (high spend scenario)
Transportation	10.00
Gross Value at the Point of Production (GVPP)	\$60.00
<u>Subtract Lease Expenditures (43.55.165)</u>	<u>\$40.00</u>
Production Tax Value (PTV)	\$20.00
Tax at 35%	\$7.00
Subtract Per Barrel Credit	\$8.00
Tax Per Net	-\$1.00
Minimum Tax	\$2.40
HIGHER OF	\$2.40

SCENARIO 2 – HIGHER PRICE

PRICE	\$80 (low spend scenario)	\$80 (high spend scenario)
Transportation	10.00	10.00
Gross Value at the Point of Production (GVPP)	\$70.00	\$70.00
Subtract Lease Expenditures (43.55.165)	<u>\$30.00</u>	<u>\$40.00</u>
Production Tax Value (PTV)	\$40.00	\$30.00
Tax at 35%	\$14.00	\$10.50
Subtract Per Barrel Credit	\$8.00	\$8.00
Tax Per Net	\$6.00	\$2.50
Minimum Tax	\$2.80	\$2.80
HIGHER OF	\$6.00	\$2.80

SCENARIO 3 – LOWER PRICE

PRICE	\$60 (low spend scenario)	\$60 (high spend scenario)
Transportation	10.00	10.00
Gross Value at the Point of Production (GVPP)	\$50.00	\$50.00
<u>Subtract Lease Expenditures (43.55.165)</u>	<u>\$30.00</u>	<u>\$40.00</u>
Production Tax Value (PTV)	\$20.00	\$10.00
Tax at 35%	\$7.00	\$3.50
Subtract Per Barrel Credit	\$8.00	\$8.00
Tax Per Net	-\$1.00	-\$4.50
Minimum Tax	\$2.00	\$2.00
HIGHER OF	\$2.00	\$2.00

WHAT BILL DOES

- ▶ PAUSE ALL COMPONENTS OF OIL AND GAS TAX SYSTEM FOR TWO YEARS
- ▶ FUNCTIONS AS A GROSS TAX VS NET PROFITS TAX
- ▶ RAISES MINIMUM TAX FROM 4% TO 6%
- ▶ PROVIDE MORE PREDICTABLE REVENUE FOR TWO YEARS
- ▶ MINIMIZE ADMINISTRATIVE BURDEN
- ▶ DEFAULTS TO CURRENT TAX AFTER TWO YEARS

REVENUE ESTIMATE

	FY 2022	FY 2023
Taxable Barrels/Day	404,000	417,025
Taxable Barrels/Year	147,460,000	152,214,125
GVPP (Gross Value at Point of Production)	\$51.28	\$52.22
Taxable Barrels/Year X GVPP	\$7,561,748,800	\$7,948,621,607.50
X 0.04 (current min. tax)	\$302,469,952	\$317,944,864.30
X 0.06 (proposed min. tax)	\$453,704,928	\$476,917,296.45
Difference	\$151,234,976	\$158,972,432.15

OPTIONS

- ▶ DEFAULT TO GROSS TAX
- ▶ ADJUST TO HIGHER MINIMUM TAX

MISSING

- ▶ NEED TO ADD A PROVISION FOR NON-PRODUCERS
- ▶ COULD ADD PROVISION TO LIMIT MINIMUM TAX PROVISIONS TO PRODUCERS OF OVER 10,000 BARRELS/DAY

PART OF SEVEN PART FISCAL PLAN

REVENUE GENERATION:

- ▶ HJR 7: The constitutional amendment protecting the Permanent Fund by changing to the percent of market value (POMV) management, limiting the annual draw to 5%, and saying there shall be a dividend as provided by law.
- ▶ HB 73: Legislation that establishes a 50/50 split between government expenditures and dividends for the annual draw.
- ▶ HB 104: Legislation that increases the base tax rate per gallon for four separate motor fuels (8 cents for highway, 5 cents for marine, 4.7 cents for aviation, and 3.2 cents for jet).
- ▶ HB 130: Legislation that closes tax loopholes in Alaska's corporate income tax structure.

NEW LEGISLATION:

- ▶ HB 3005: Legislation that increases the minimum tax on oil and gas from 4% to 6%, suspends all other components of the oil and gas tax until December 31, 2024.
- ▶ HB 3006: Legislation establishing a sales tax which exempts food for groceries, heating oil, health care services (including services at a health care facility, drugs, durable medical equipment, mobility enhancing equipment, and prosthetic devices, childcare services, feminine hygiene products), among other exemptions.

BUDGET REDUCTIONS:

- ▶ Significant budget reductions can be made by stemming the negative externalities of certain public health issues – a start to this process could be accomplished through a Medicaid waiver request.

CONSIDERATIONS

ONE OPPORTUNITY FOR CHANGE-
WRITING OIL TAX CHANGE DONE RIGHT TAKES
DOZENS OF HEARINGS

INDUSTRY NEEDS STABILITY

STATE NEEDS STABILITY