

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version: SB 112
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB112-DOR-TAX-3-7-25
Title: OIL & GAS PRODUCTION TAX
Sponsor: RLS
Requester: (S) Resources

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2026 Appropriation Requested	Included in Governor's FY2026 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personal Services							
Travel							
Services	50.0						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	50.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund (UGF)	50.0						
Total	50.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	***	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2026) cost: 1,000.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/25

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Agency: Department of Revenue
Phone: (907)269-1033
Date: 03/07/2025
Date: 03/07/25

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2025 LEGISLATIVE SESSION

BILL NO. SB112

Analysis

Background

This bill proposes two significant changes to the North Slope oil production tax calculations under AS 43.55:

1. The sliding-scale per-taxable-barrel credit under AS 43.55.024(j) is reduced with a maximum value of \$5 per taxable barrel at gross value at the point of production (or commonly called wellhead) values below \$80 per barrel, to \$1 at wellhead values equal to or greater than \$110 per barrel.
2. The per-taxable-barrel credits under both AS 43.55.024(i) and AS 43.55.024(j) applied within a lease or property during a year may not exceed capital expenditures within that lease or property during the year.

This bill provides authority for the department to adopt regulations and establishes a retroactive effective date of January 1, 2025.

Revenue Impact

The revenue impact of this bill is indeterminate, as it is impossible to predict with any degree of certainty how companies will respond to the tax increase, including impacts on investment, production, and jobs. The revenue impact would likely be concentrated in a small number of companies.

A calculation of potential revenue impact is presented based on Fall 2024 forecasts for oil production, oil prices, transportation costs, and company spending/investment. The estimated revenue impact shows the increase in production tax revenue due to the production tax changes, holding all else equal per the Fall 2024 Forecast. The revenue estimate does not account for any potential changes to company investment or production as a result of the tax changes.

In particular, the provision limiting per-taxable-barrel credits based on capital expenditures is highly likely to influence company behavior and allocation of capital, as it creates a tax consequence of increasing or decreasing expenditures of greater than 100 percent in certain circumstances.

The total estimated revenue impact from all changes in this bill is estimated to be between \$100 million and \$300 million.

Implementation Cost

The proposed legislation requires the department to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. There will also be a need for amendments to existing regulations to fully implement the changes. The \$1 million capital cost reflects an estimate for the contract with FAST Enterprises to change the existing Oil & Gas Production Tax module for these tax changes in TRMS. In addition to changing the tax return filing and examination functions, the contractor will need to provide changes for the associated databases, forms, communications, and integration with existing imaging, accounting, and collections modules. There would also need to be changes to Revenue Online, the online program that allow taxpayers to file, pay, and request refunds electronically.

The department will also require expert help in drafting regulations. The FY2026 services cost includes \$50.0 to enable the department to hire an expert, develop a plan, and begin working on regulations.

Aside from one-time costs for programming and regulations support, the department can implement this legislation with existing resources and does not anticipate any continuing costs or additional staff needs.