

## Simple Bracketed Progressivity Example

*The following example takes the PTV for FY 2012 from the Fall 2011 Revenue Sources Book and calculates the severance taxes levied and the nominal rate under amendments B.4 and B.5.*

*Note: The tax levied, and nominal rates under B.4 and B.5 are the same because the PTV is not high enough to trigger the additional brackets added by amendment B.4.*

ANS Oil Price                   \$109.33

Production Tax Value       \$75.98

\*Source: Fall 2011 Revenue Sources Book p. 103

	Tax Rate	Tax Levied	Amendment Progressive Tax Rate	5.65%
Base Tax	25%	\$19.00	Amendment Nominal Tax Rate	30.65%
Progressive Tax	18.40%	\$13.98	ACES Progressive Tax Rate	18.40%
			ACES Nominal Tax Rate	43.40%
Brackets				
30-42.50	2.50%	\$0.31		
42.50-55.00	7.50%	\$0.94		
55.00-67.50	12.50%	\$1.56		
67.50-80.00	17.50%	\$1.48		
80-92.50	22.50%	NA		
92.50-105.00	25%	NA		
105-117.50	30%	NA		
Above 117.50	35%	NA		
Total		\$4.30		

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**Amendment 27-LS1305\M.14 – Bullock 2/21/12**

- Tax rate is changed to use bracketed progressivity.
- The tax rates under the amendment are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to \$30 per barrel to 60% for PTV over \$117.50 per barrel. The maximum total production tax rate is 60%. The effective date of this provision is 1/1/2013.
- Same rates as HB 110 for existing production, with two additional brackets added: 55% for PTV from \$105 to \$117.50 / barrel, and 60% for PTV over \$117.50 / barrel.
- No distinction between existing units and "new" production
- Under our Fall 2011 forecast assumptions, the addition of the 2 additional brackets would have NO CHANGE on revenue this decade compared to bracketing with a 50% maximum rate, because our forecast prices and production tax values are expected to be below \$92.50 each year. We are forecasting PTV per taxable barrel in the \$65-\$70 range over this time period.
- The following presents the estimated fiscal impact, based on Fall 2011 forecast assumptions and no change in production.

Fiscal Year	Revenue Impact (\$ millions)
FY 2013*	(\$700)
FY 2014	(\$1,300)
FY 2015	(\$1,100)
FY 2016	(\$1,150)
FY 2017	(\$1,050)
FY 2018	(\$1,150)

\*provisions in place for half of  
FY 2013