



CSSB 192\B and Proposed Amendments



*Presentation to the
Senate Resources Committee
Department of Revenue
February 27, 2012*



Presentation Organization

- Modeling and discussion of CSSB 192\B
- Modeling and discussion of amendments



CS SB 192\B

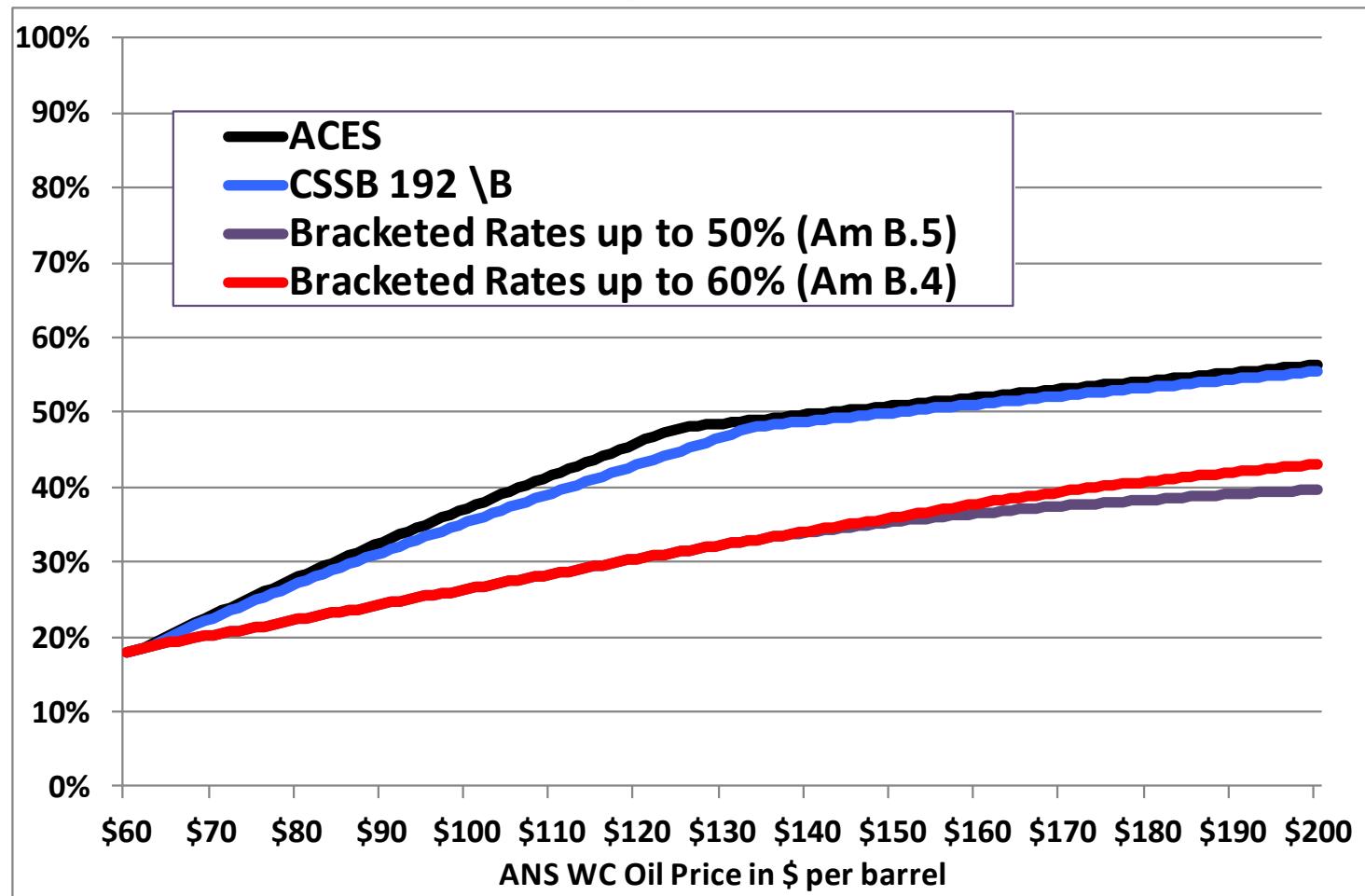


What the CS does as currently written

1. Changes the progressivity rate over \$30 / barrel production tax value from 0.4% to 0.35%
2. Changes the trigger point that slows the rate of progressivity to 0.1%, from \$92.50 to \$101.43 / barrel production tax value
3. Changes the maximum production tax rate from 75% to 60% (would apply over \$201.43 / barrel production tax value)
4. Provides a modest reduction in taxes compared to our Fall 2011 forecast



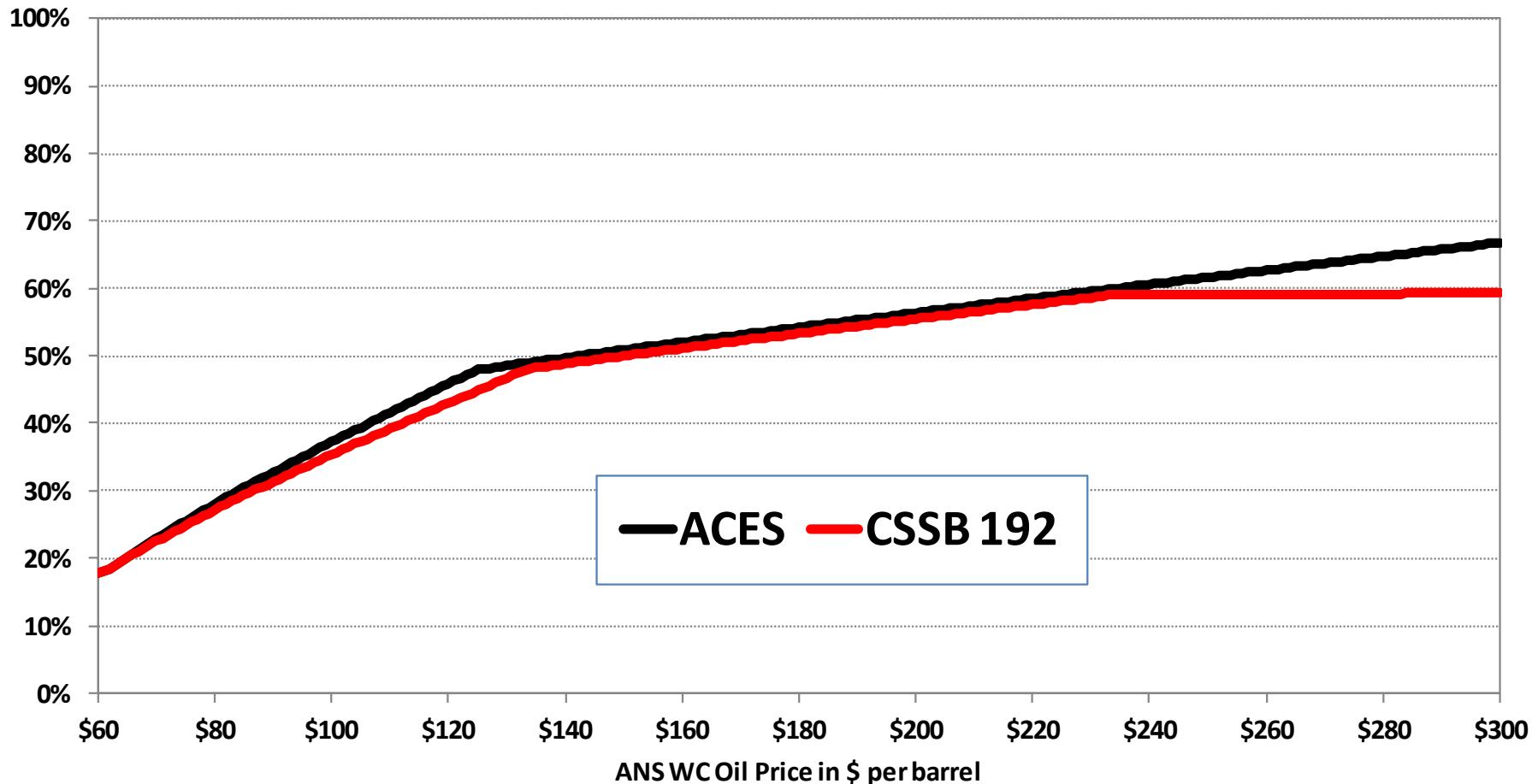
Effective Production Tax Rates: Comparisons



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



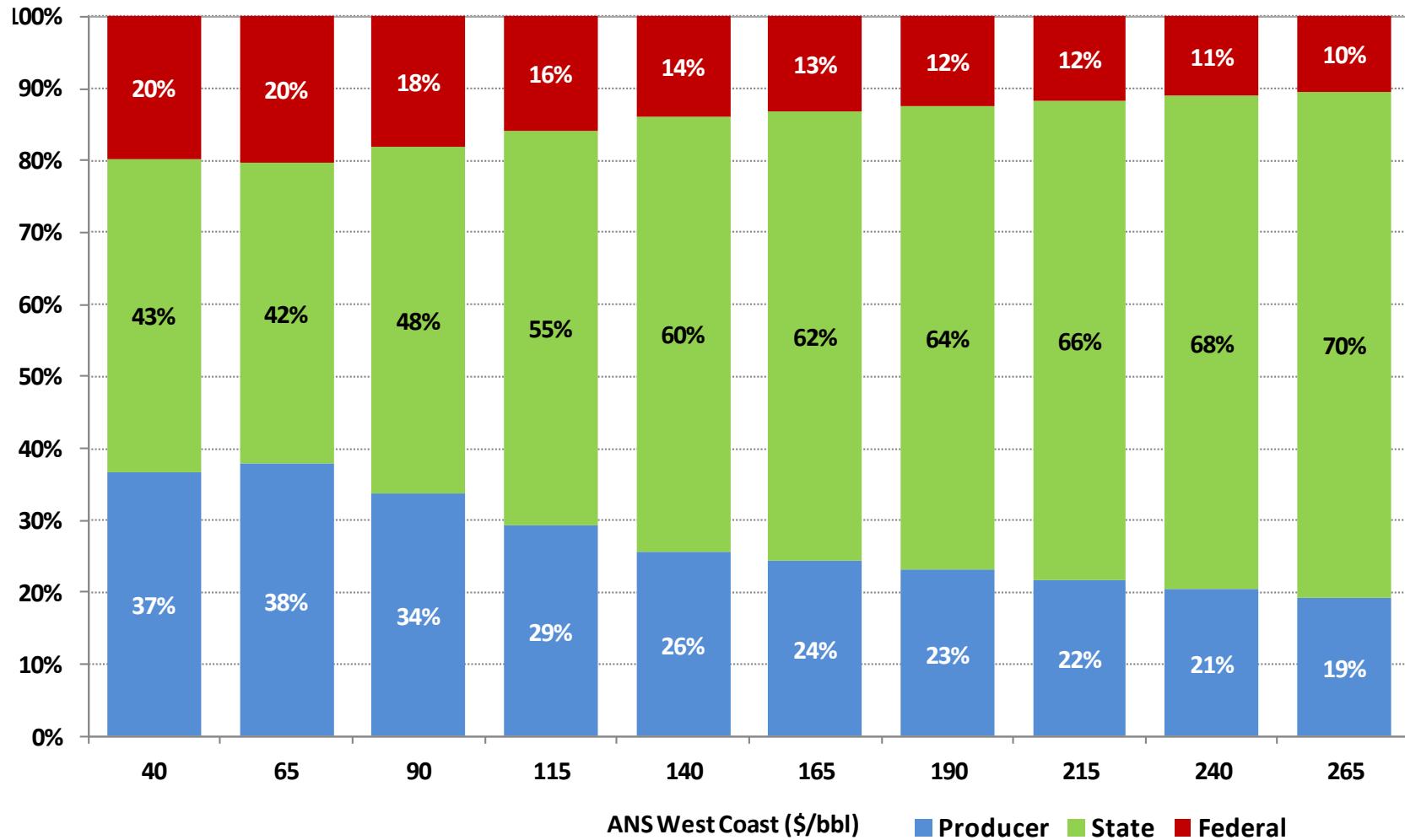
Effective Production Tax Rates: ACES and CSSB 192\B



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



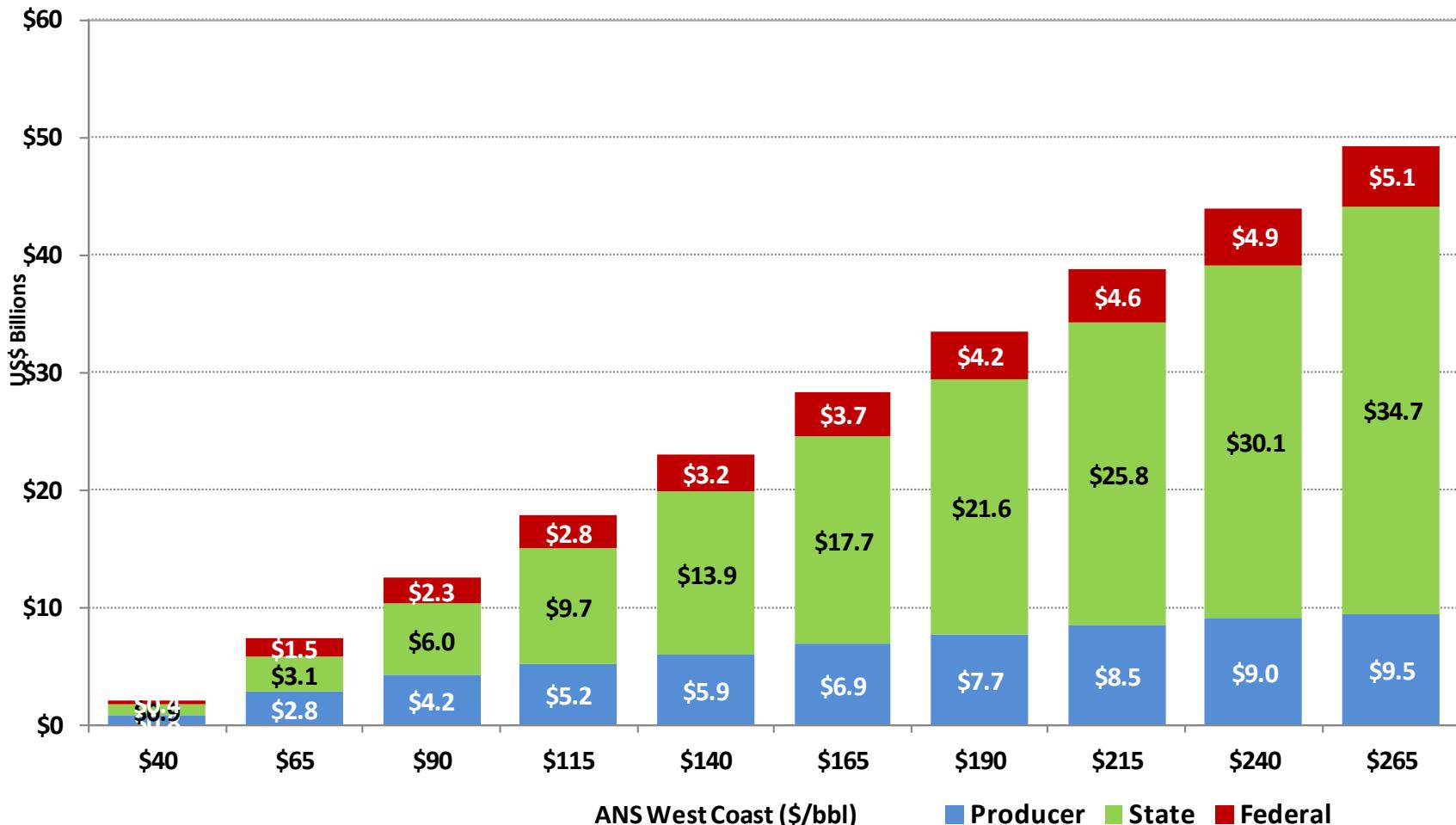
Share of Profit under CSSB 192\B



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



Absolute Profit under CSSB 192\B



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



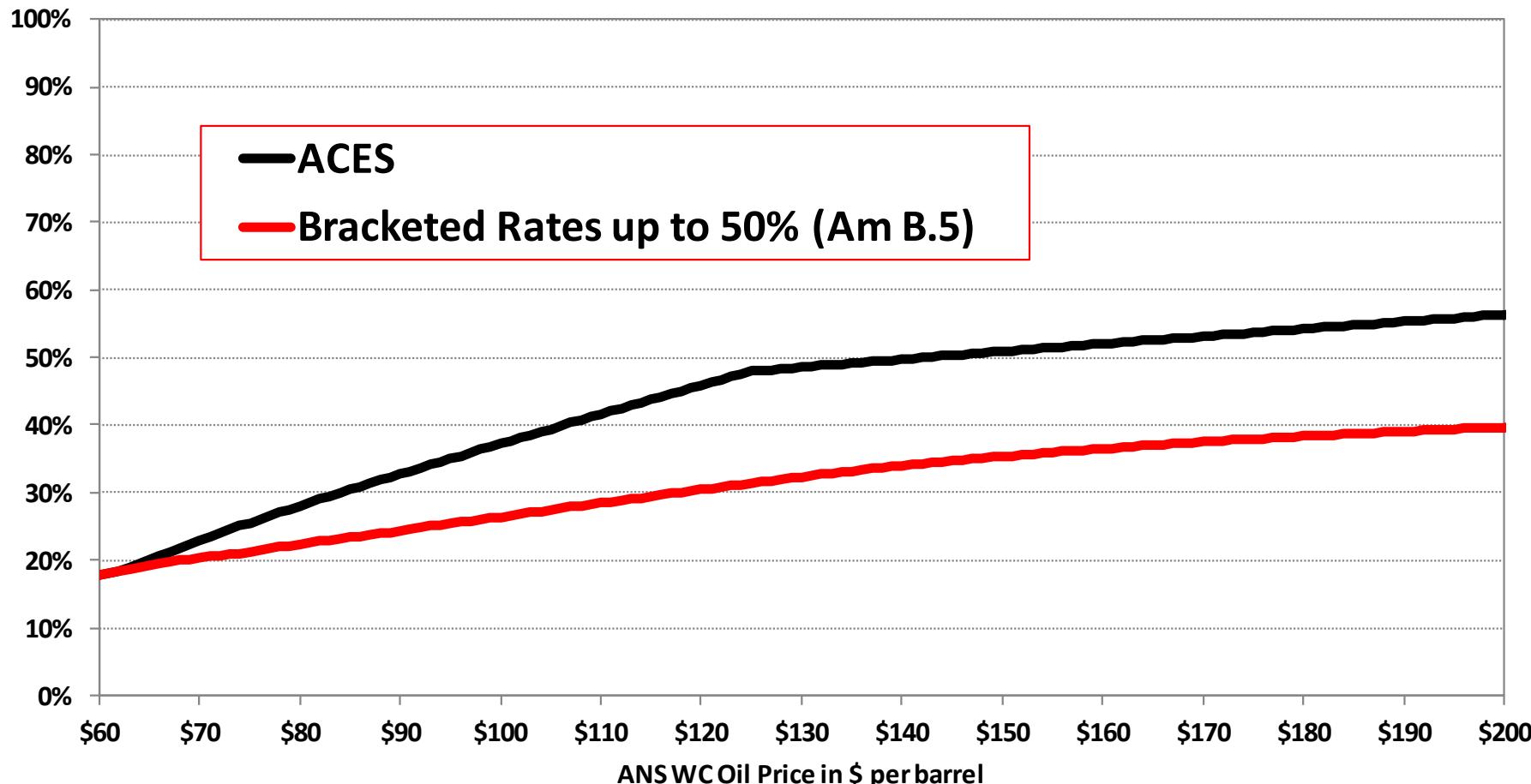
Amendment B.5

Progressivity bracketed – 25% top bracket

1. Provides “tax brackets” for progressivity, with the progressively higher rate only applying to the value within that tax bracket
2. Generally follows existing progressivity slope
3. Top bracket is 25% progressivity (50% tax rate)
4. Maximum production tax rate of 50% (would apply over \$92.50 / barrel production tax value)



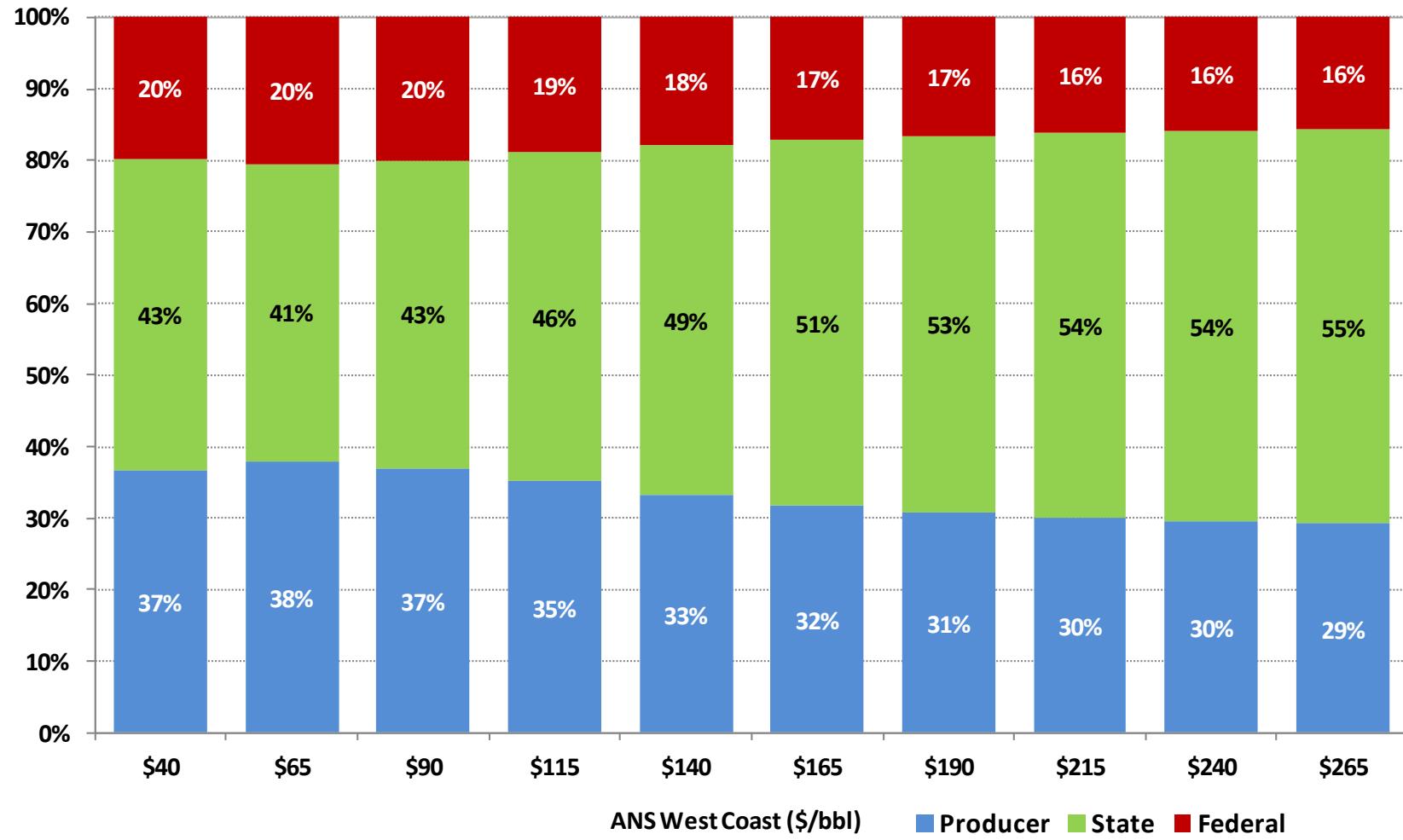
Effective Production Tax Rates: ACES and Bracketed Rates up to 50% (Am B.5)



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



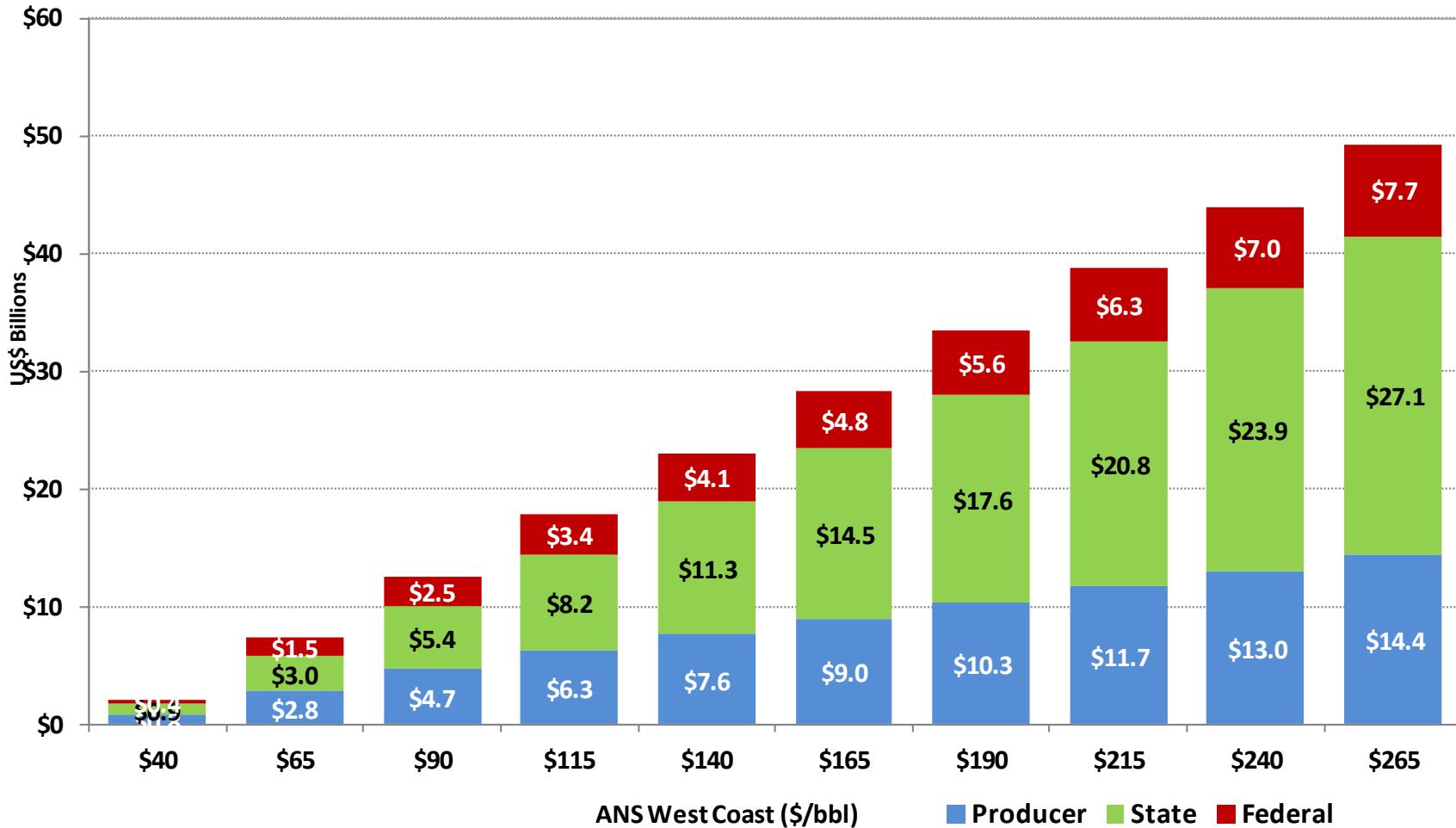
Share of Profit under Bracketed Rates up to 50% (Am B.5)



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



Absolute Profit under Bracketed Rates up to 50% (Am B.5)



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



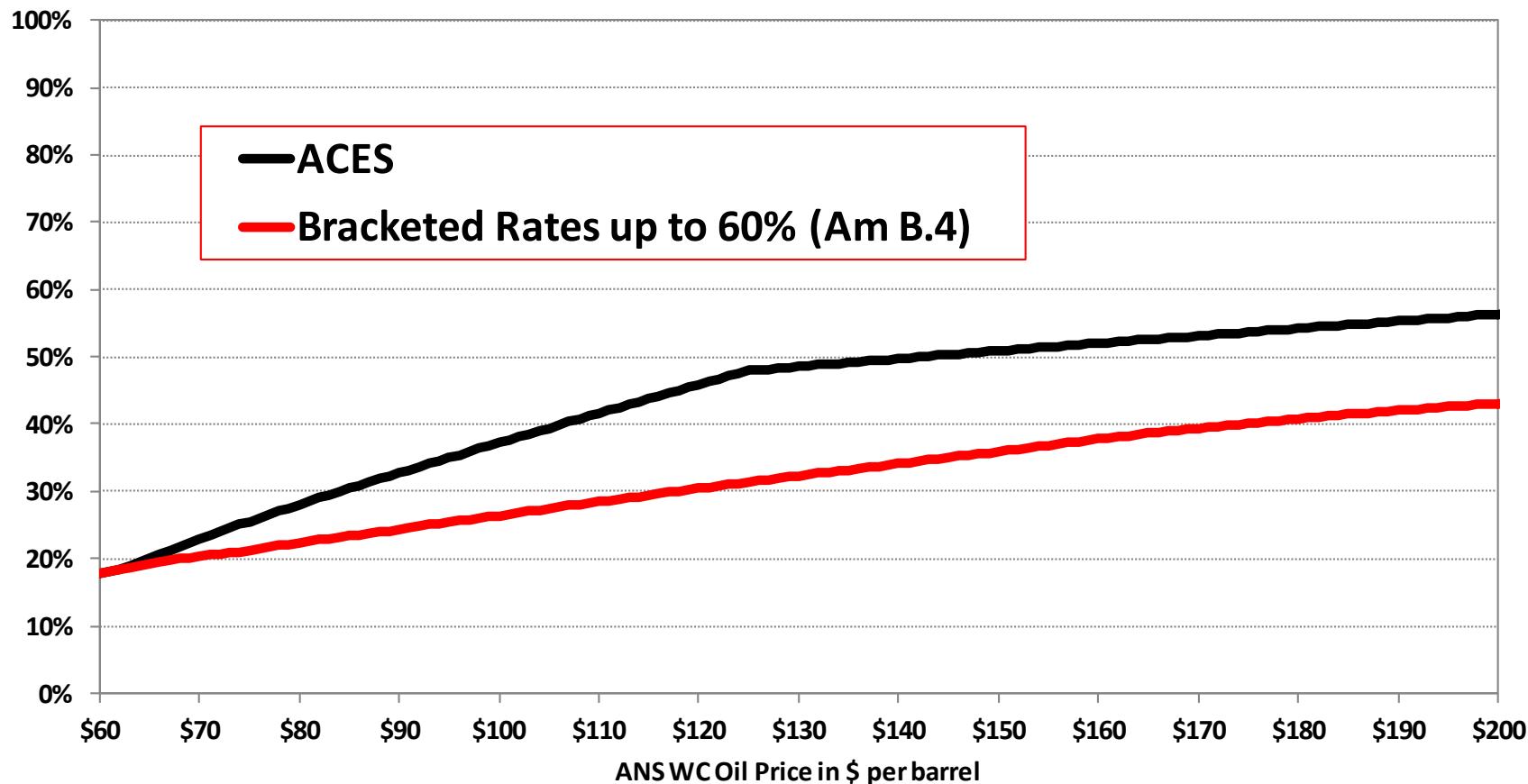
Amendment B.4

Progressivity bracketed – 35% top bracket

1. Provides “tax brackets” for progressivity, with the progressively higher rate only applying to the value within that tax bracket
2. Generally follows existing progressivity slope
3. Top bracket is 35% progressivity (60% tax rate)
4. Maximum production tax rate of 60% (would apply over \$92.50 / barrel production tax value)



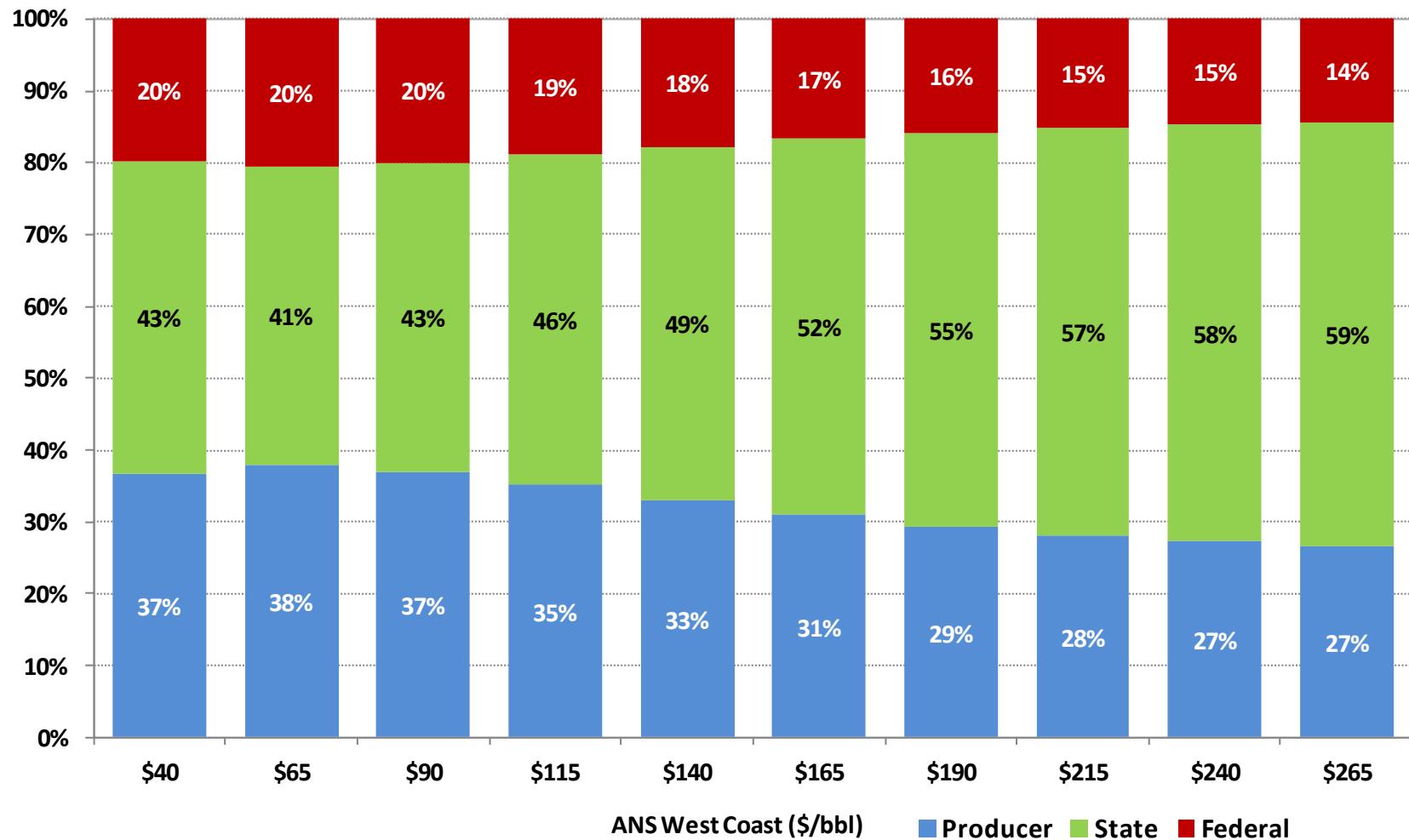
Effective Production Tax Rates: ACES and Bracketed Rates up to 60% (Am B.4)



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



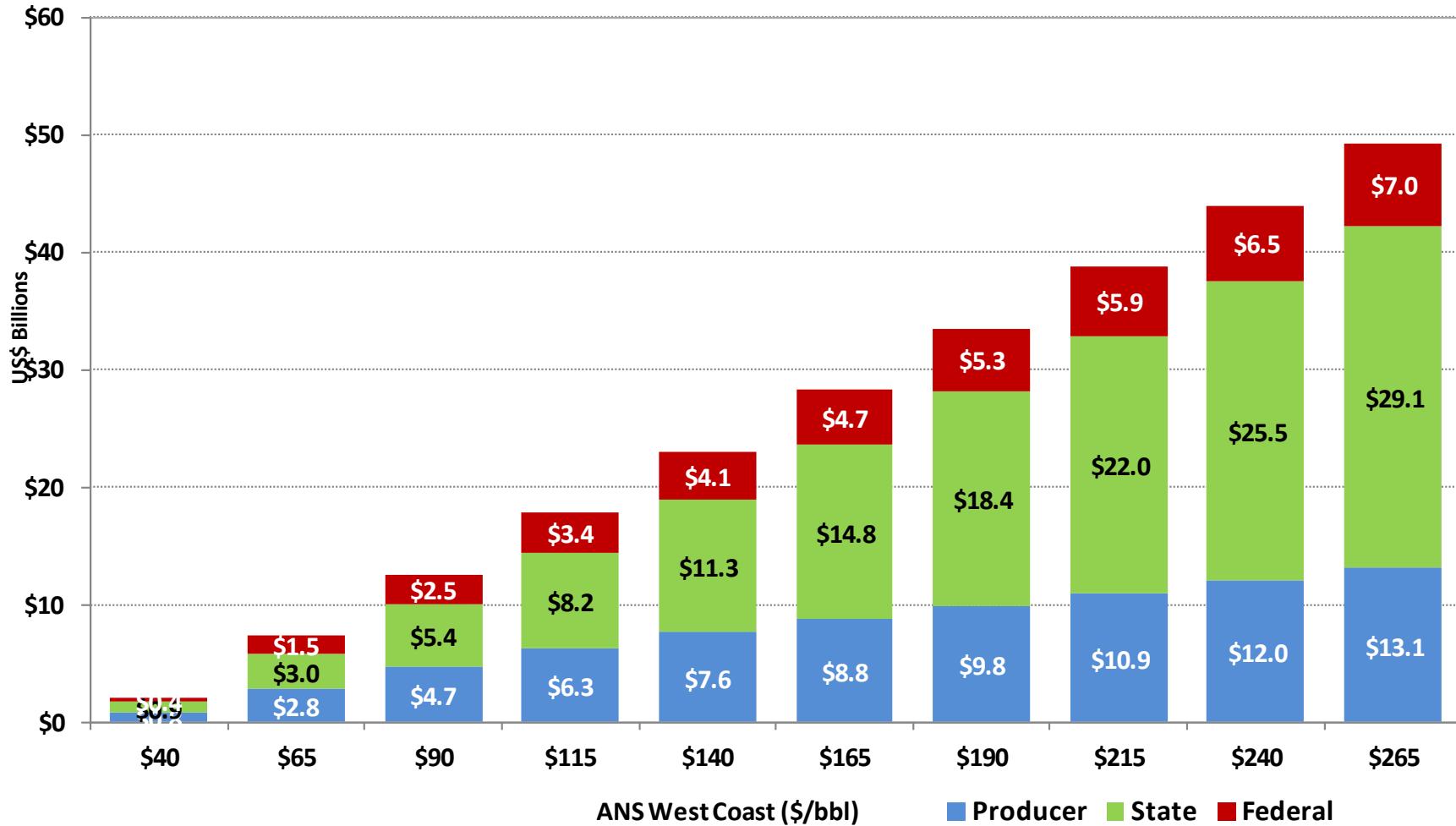
Share of Profit under Bracketed Rates up to 60% (Am B.4)



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



Absolute Profit under Bracketed Rates up to 60% (Am B.4)



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



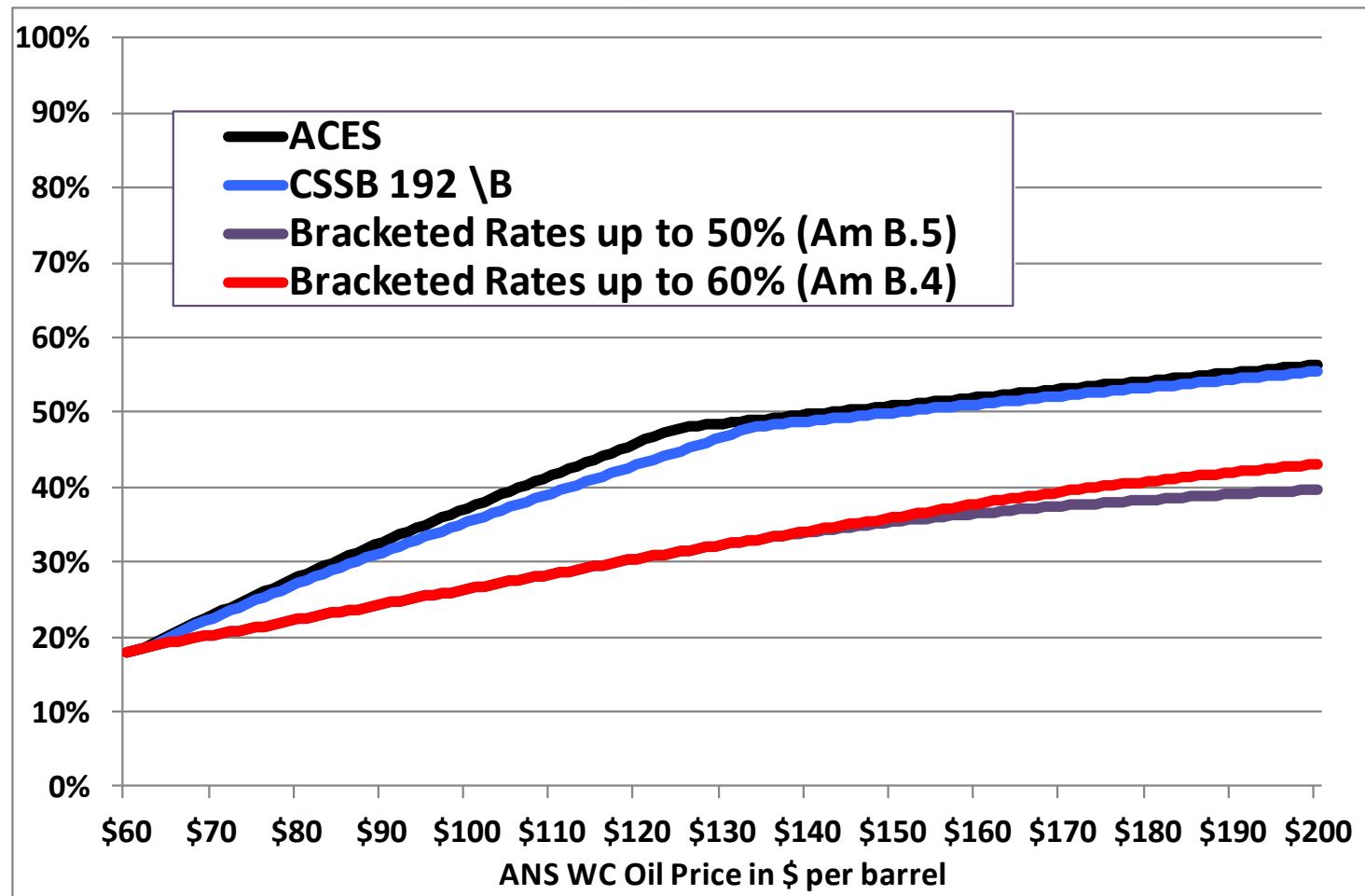
Bracketed progressivity

| Bracket | Base Rate | Progressivity Rate | Total Rate |
|----------------|-----------|--------------------|------------|
| \$0-\$30 | 25% | 0% | 25% |
| \$30-\$42.50 | 25% | 2.5% | 27.5% |
| \$42.50-\$55 | 25% | 7.5% | 32.5% |
| \$55-\$67.50 | 25% | 12.5% | 37.5% |
| \$67.50-\$80 | 25% | 17.5% | 42.5% |
| \$80-\$92.50 | 25% | 22.5% | 47.5% |
| \$92.50-\$105* | 25% | 25% | 50% |
| \$105-\$117.50 | 25% | 30% | 55% |
| \$117.50+* | 25% | 35% | 60% |

* Under Amendment B.5, 25% is the maximum progressivity rate for a total production tax rate of 50%. Under amendment B.4, 35% is the maximum progressivity rate for a total production tax rate of 60%.



Effective Production Tax Rates: Comparisons



Assumes FY 2012 Transport costs of \$8.72/ bbl, Opex of \$14.03 per taxable barrel, and Capex of \$10.25 per taxable bbl.



Questions ?