

State of Alaska

Department of Revenue
Administrative Services Division



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January 20, 2011

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Senators Paskvan and Wagoner:

Senate Bill 49 was read across the floor on January 19, 2011 and transmitted to the Senate Resources Committee for consideration. I respectfully request a hearing to be scheduled at your earliest convenience for the changes to the production tax on oil and gas to be discussed.

Governor Parnell is committed to getting more oil into the pipeline and increasing job opportunities for Alaskans. As oil production declines and as the federal government moves on several fronts to block responsible projects, we must offer more incentives for development of state lands.

Senate Bill 49:

- Establishes a lower base tax rate for areas outside of current fields and units to encourage development of undeveloped leases or properties;
- Caps overall production tax rates to encourage investment at most commodity prices;
- Establishes a bracket system based on existing ACES tax rates;
- Extends tax incentives available in Cook Inlet to the North Slope to encourage in-field drilling in existing units;
- Limits the time for assessment of additional production taxes; and
- Reduces the interest rate on delinquent taxes and refunds.

These changes are aimed at ensuring that the state continues to receive fair compensation for the sale of its resource while establishing a more competitive investment climate for job creation.

If the Committee requires any additional information, please contact me.

Sincerely,

Ginger Blaisdell
Director