

**State of Alaska**  
Department of Revenue

*Commissioner Bryan Butcher*



**SEAN PARNELL, GOVERNOR**

333 Willoughby Avenue, 11<sup>th</sup> Floor  
P.O. Box 110400  
Juneau, Alaska 99800-0400  
Phone: (907) 465-2300  
Fax: (907) 465-2389

The Honorable Joe Paskvan  
Alaska State Senator  
State Capitol, Room 115  
Juneau, AK 99801

April 5, 2011

The Honorable Thomas Wagoner  
Alaska State Senator  
State Capitol, Room 427  
Juneau, AK 99801

Re: Response to Questions from Senate Resources Hearing on April 1, 2011

Dear Senators Paskvan and Wagoner:

The purpose of this document is to respond to the follow-up questions raised by the Senate Resources Committee meeting during our presentation of the Oil & Gas Production Tax Status Report on April 1, 2011. The requests/questions and responses follow.

**1) Provide information about the Department's use of contract auditors and the possibility of using contract auditors when positions cannot be filled.**

We have used and are currently using contract auditors to perform some of the audits on the AS 43.55.025 alternative credit for oil and gas exploration applications.

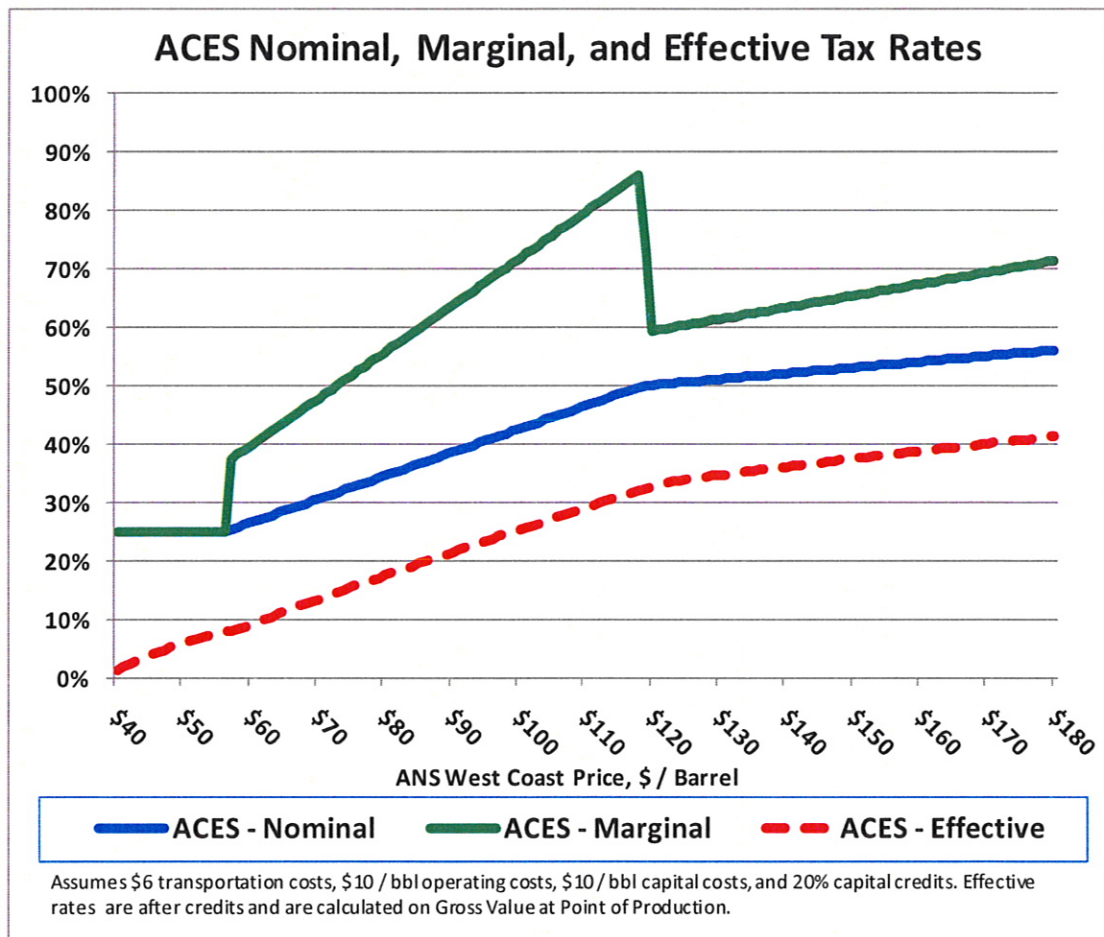
We have also used and will use contract auditors to perform the annual AGIA reimbursement audit of the licensee as required by AS 43.90.220. These audits are calendar year end audits performed and completed within the next tax year.

We have not used contract auditors for other uses, due to lack of available funding.

2) What are the nominal and effective tax rates under ACES when the price for ANS oil is \$100 per barrel?

The following chart compares nominal, marginal, and effective tax rates under ACES at a range of oil prices. For this analysis we assumed \$6 per barrel transportation costs, \$10 per barrel operating costs, \$10 per barrel capital costs, and credits in the amount of 20% of capital costs.

Based on this analysis, at an ANS price of \$100 per barrel, the nominal tax rate is 42.6%, the marginal tax rate is 71.8%, and the effective tax rate on gross value is 25.3%.



We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman  
Deputy Commissioner