



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Bryan Butcher, Commissioner

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January 17, 2013

The Honorable Eric Feige, Co-Chair
House Resources Committee
State Capitol Room 126
Juneau, Alaska 99801

The Honorable Dan Saddler, Co-Chair
House Resources Committee
State Capitol Room 104
Juneau, Alaska 99801

Dear Co-Chairs Feige and Saddler:

House Bill 72 was read across the floor on January 16, 2013 and referred to the House Resources Committee for consideration. I respectfully request a hearing to be scheduled at your earliest convenience for the proposed changes to Alaska's oil and gas production tax to be discussed.

Governor Parnell is committed to getting more oil into the pipeline and increasing job opportunities for Alaskans. The current oil and gas production tax system is one of the obstacles the Governor has identified to stemming the decline in TAPS throughput and increasing oil production in Alaska.

House Bill 72:

- Eliminates the progressive function in the current production tax and maintains the current 25% tax rate.
- Eliminates qualified capital expenditure credits for expenditures made after December 31, 2014 for expenditures made, north of 68 degrees north latitude (the North Slope) to explore for, and develop oil and gas.
- Establishes a 20% gross revenue exclusion for production from units formed after January 1, 2003 and new participating areas in units that were in existence prior to January 1, 2003.
- Reforms the current net loss carry forward to require that it be carried forward to offset a tax liability and limits the instances in which the credit may be transferred.
- Extends the current small producer tax credit.
- Changes the fund source for the Community Revenue Sharing Fund from the progressive function in the current production tax system to the Alaska Net Income tax.

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Bryan Butcher", with a stylized, cursive script.

Bryan Butcher
Commissioner