

Major Provisions Under Proposed and Current Oil Production Tax Systems for North Slope Production

Version revised 3/12/13 by Alaska Department of Revenue Version 12:15PM

FEATURE	ACES	SB21 as introduced	CSSB21(RES)	SB21 -CS Finance version
<u>Base Tax Rate</u>				
Base Tax Rate - the base percentage of the tax charged on the Production Tax Value (PTV). The Production Tax Value is the net value of the taxable oil after allowable operating, capital, and transportation costs are deducted from the market value.	25% of PTV on all fields	25% of PTV on all fields	35% of PTV on all fields	30% of PTV on all fields
<u>Progressivity</u>				
Progressivity - a tax mechanism that increases the tax rate at higher oil prices and/or profits	Based on PTV	No progressivity	No progressivity	No progressivity
● "Bracketed" or "unbracketed"	Unbracketed	No progressivity	No progressivity	No progressivity
● Progressivity calculation	0.4 % per dollar of per barrel-PTV from \$30 to \$92.50; 0.1% per dollar of per barrel-PTV above \$92.50	No progressivity	No progressivity	No progressivity
● Progressivity calculation period	Calculated monthly	No progressivity	No progressivity	No progressivity
<u>Incentives for New Oil</u>				
Gross Revenue Exclusion (GRE)	None	Gross Revenue Exclusion (GRE): In calculating the PTV, a producer’s GVPP is reduced by 20% of the Gross Value of the eligible production. Oil is from new PA.	Gross Revenue Exclusion (GRE): In calculating the PTV, a producer’s GVPP is reduced by 30% of the Gross Value of the eligible production. Oil is from new PA and PA expansions.	Gross Revenue Exclusion (GRE): In calculating the PTV, a producer’s GVPP is reduced by 20% of the Gross Value of the eligible production. Oil is from new PA, PA expansions, and "challenged" oil in legacy fields.
GRE Time limit	Not applicable	None	None	Ten years
<u>Maximum and Minimum Tax</u>				
Maximum Tax	75% of PTV for all fields	25% of PTV for all fields	35% of PTV for all fields	30% of PTV for all fields
Minimum Tax	4% of Gross Value at Point of Production when oil prices are above \$25 per barrel; reduced to 0% at \$15 per barrel	4% of Gross Value at Point of Production when oil prices are above \$25 per barrel; reduced to 0% at \$15 per barrel	4% of Gross Value at Point of Production when oil prices are above \$25 per barrel; reduced to 0% at \$15 per barrel	4% of Gross Value at Point of Production when oil prices are above \$25 per barrel; reduced to 0% at \$15 per barrel
<u>Tax Credits</u>				
Qualified Capital Expenditure Credit under AS 43.55.023(a)(1) and (a)(2)	20% for qualified capital expenditures all AK	Eliminated for qualified capital expenditures after December 31, 2013 for NS	Eliminated for qualified capital expenditures after December 31, 2013 for NS	Eliminated for qualified capital expenditures after December 31, 2013 for NS
	Must be taken over two years	May be applied in a single year	May be applied in a single year	May be applied in a single year
		No change for QCE Credit Cook Inlet and Middle Earth	No change for QCE Credit Cook Inlet and Middle Earth	No change for QCE Credit Cook Inlet and Middle Earth
Qualified oil and gas industry service expenditures against tax liabilities under AS 43.20			10% of qualified oil and gas industry service expenditures up to \$10 million per taxpayer per year	10% of qualified oil and gas industry service expenditures up to \$10 million per taxpayer per year
Per oil barrel allowance	None	None	\$5 per barrel of oil, applies to North Slope and other areas	\$5 per barrel of oil, applies to North Slope and other areas
Carry-Forward Annual Loss Credit under AS 43.55.023(b); applicability				
● Percentage	25% for Carry-Forward Annual Loss Credit for NS	25% for Carry-Forward Annual Loss Credit	35% for Carry-Forward Annual Loss Credit for NS	30% for Carry-Forward Annual Loss Credit for NS, monetizable to the extent additional spend is made in following years
● Period applied	Must be taken over two years	May be applied in a single year	May be applied in a single year	May be applied in a single year
● Applicability	May be transferred, used against tax liability, or refunded by State	Must be applied against production tax liability, increases in value at 15% compounded per year, and may be carried forward for 10 years	Must be applied against production tax liability, increases in value at 15% compounded per year, and may be carried forward for 10 years	If not montetized (see above), must be applied against production tax liability, increases in value at 15% compounded per year, and may be carried forward for 10 years
	25% for Carry-Forward Annual Loss Credit for Cook Inlet and Middle Earth	No change for Cook Inlet and Middle Earth (25% for Carry-Forward Annual Loss Credit)	No change for Cook Inlet and Middle Earth (25% for Carry-Forward Annual Loss Credit)	No change for Cook Inlet and Middle Earth (25% for Carry-Forward Annual Loss Credit)
Small Producer Credit under AS 43.55.024	Expires in 2016	Extended to 2022	Extended to 2022	Extended to 2022
<u>Other provisions</u>				
Interest rate for deliquent payments	Greater of Fed rate plus 5% or 11 %, compounded quarterly	Same as ACES	Same as ACES	Lesser of Fed rate plus 3 % or 11 %, compounded quarterly
Competitiveness Board	No	No	Yes	No
Community Sharing Provision	Yes	Yes	Yes	Yes

*Different provisions may apply to oil and gas production in other parts of the state outside of the North Slope.