

# HOUSE BILL 288 CS VERSION D FAIRNESS IN OIL TAXES

REPRESENTATIVE GERAN TARR



# WHERE DOES ALASKA STAND NOW?

- Alaska Compared to Lower 48: Petroleum Taxation Terms
  - Royalty
    - In line with older leases
    - Favorable when compared to new leases
    - However in the Lower 48, many new leases have 'drill or drop' clauses, which will force spending and activity on those leases if acreage is believed to be productive
  - Effective tax rate
    - One of the lowest at lower price levels
    - Competing mainly against gross based severance taxes
  - Exploration and Production Credits
    - Very unique and valuable to the oil companies
  - Other unique aspects
    - Different taxation structures depending on location
    - Substantial tax credits for exploration and production, including cashable credits
    - 'Monthly' taxation

**Source: CASTLEGAP House Resources Presentation, February 27, 2017**

# OTHER POSSIBLE CONSIDERATIONS

PRICE	\$60 with 4% min tax	\$60 with 7% min tax	\$60 with 6% min tax	\$60 with 5% min tax	\$60 with Low Cost Lease Exp	\$60 with High Cost Lease Exp
Transport	\$9.86				\$9.86	\$9.86
GVPP	\$50.14				\$50.14	\$50.14
Lease Exp	\$26.79				\$20.88	\$40.88
PTV (net)	\$23.35				\$29.26	\$9.26
Tax at 35%	\$8.17				\$10.24	\$2.19
Per Barrel Credit	\$8				\$8	\$8
Tax per net	\$0.17	\$0.17	\$0.17	\$0.17	\$2.24	-\$5.81
Minimum Tax	\$2.01	\$3.51	\$3.01	\$2.51	\$2.01	\$2.01
HIGHER OF	\$2.01					
Tax as % of Price	3%					
Tax as % of GVPP	4%					
Tax as % of PTV	9%					

## ASK 3 QUESTIONS

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1. How much profit per barrel?
2. How many barrels total?
3. How much revenue to the state?

# TAXABLE BARRELS PLUS ROYALTY BARRELS VALUE WITH \$60 OIL

A BARREL CAN EITHER BE A TAXABLE BARREL OR A ROYALTY BARREL – can only be used once

Total Value =

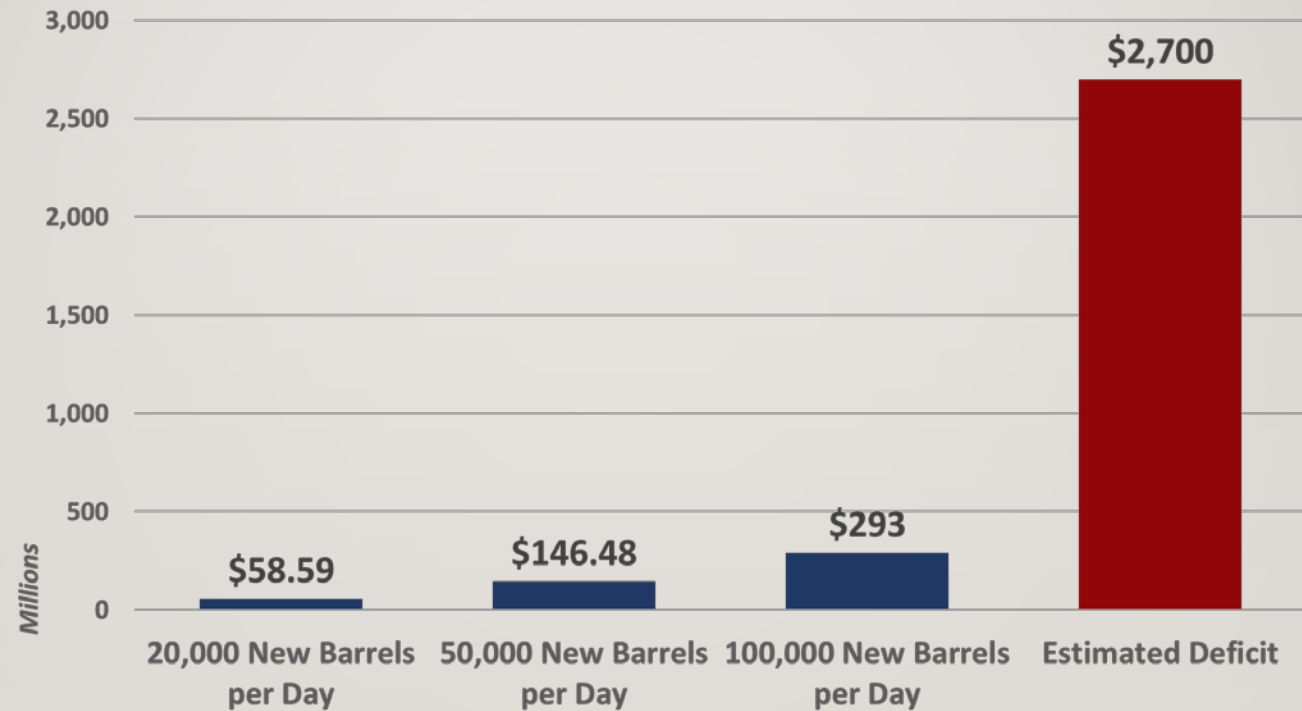
X number of barrels increase X 365 days = increase barrels X .875 for taxable barrels = total barrels X \$2.01 = value of TB

X number of barrels increase X 365 days = increase barrels X .125 for royalty barrels = total barrels X \$50.14 = value of RB

Barrel Per Day Increase	20,000	VALUE	50,000	VALUE	100,000	VALUE
Total Barrels	7,300,000		18,250,000		36,500,000	
Taxable Barrels (TB)	6,387,500	\$12,838,875	15,968,750	\$32,097,187.50	31,937,500	\$64,194,375
Royalty Barrels (RB)	912,500	\$45,752,750	2,281,250	\$114,381,875.00	4,562,500	\$228,763,750
Total Value (severance tax + royalty value)		\$58,591,625		\$146,479,062.50		\$292,958,125



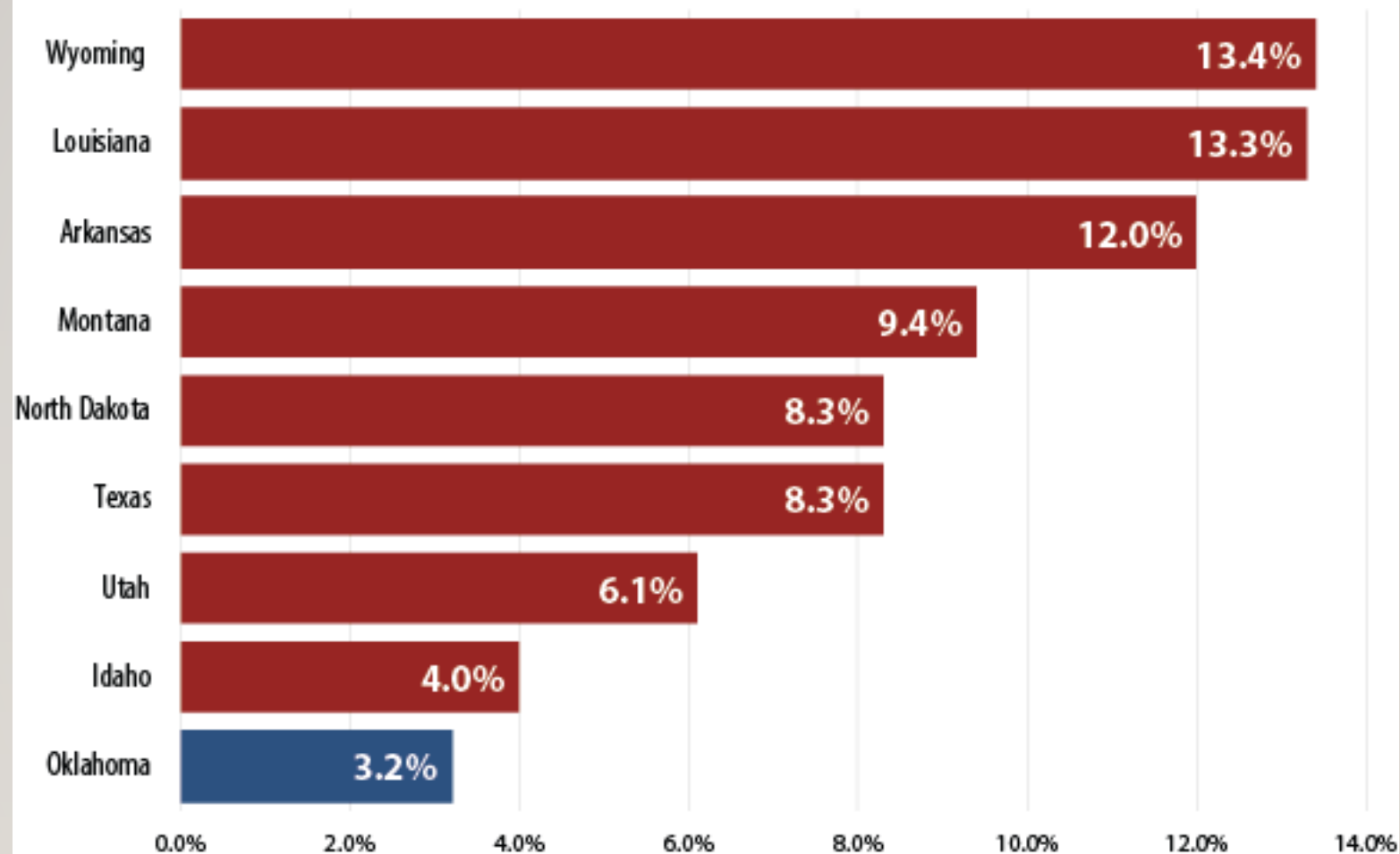
# ROYALTY + PRODUCTION TAX REVENUE FROM POTENTIAL NEW PRODUCTION COMPARED TO STATE DEFICIT



# THE CHANGE MADE WITH THE CS FOR HB 288 VERSION D

Price Per Barrel	Current Minimum Tax	HB 288 Minimum Tax	HB 288 Minimum Tax in CS Version D
\$25-\$40	4%	7%	4%
\$40-\$55	4%	7%	5%
\$55-\$65	4%	7%	6%
\$65 +	4%	7%	7%

## Effective Severance and Ad Valorem Tax Rates Paid By Oil and Gas Industry, FY 2016



Source: Covenant Consultant Group, 2016 Oil and Gas Tax Comparison for the State of Idaho, Jan. 2017