THE STATE of ALASKA
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March 22, 2021

The Honorable Neal Foster
Alaska State Representative
Co-Chair, House Finance Committee
State Capitol Rooms 505
Juneau, AK 99801

The Honorable Kelly Merrick
Alaska State Representative
Co-Chair, House Finance Committee
State Capitol Rooms 511
Juneau, AK 99801

Dear Co-Chairs Foster and Merrick,

The purpose of this letter is to provide you with a response to the questions asked of the Department of Revenue (DOR) during the Order of Operations presentation to the House Finance Committee on March 3, 2021. Please see the questions in italics and our responses immediately below the questions.

1. ***Provide a multi-year history of Alaska North Slope oil transportation costs.***

   A 10-year history of transportation costs, with detailed breakdown of the components, can be found in Appendix Table B-1 on page 105 of the Fall 2020 Revenue Sources Book. We are also attaching and extended version of this table with data from FY 2003 – FY 2020.

2. ***Provide a range of the effective tax rates that producers on the North Slope pay in production taxes.***

   Effective tax rates (as a percentage of production tax value) range from 0% to over 100% depending on the year and the company. On the low end, some producers can reduce their tax liability below the gross minimum tax floor down to zero using various credits (for example, using GVR-eligible per-taxable-barrel credits if the company foregoes using any non-GVR sliding-scale per-taxable-barrel

credits). In other cases, producers can owe production taxes when profits are very small or even negative. When that happens, the effective tax rate can exceed 100%.

In aggregate, based on the Fall 2020 revenue forecast, the average effective tax rate for typical, non-GVR production is estimated to be 15% in FY 2022.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Colleen Glover
Tax Division Director

Attachment: Nominal Netback Costs, FY 2003-2020 (RSB Table B-1 Extended)