Title: Separate Accounting Analysis

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Purpose: To update the Senate Finance Committee on the difference between oil and gas corporate income taxes paid under separate accounting and current statutes.

Data Source: Tax Revenue Management System, FERC Forms 6.

Key Assumptions: Transportation revenue in Forms 6 filed with the FERC approximates transportation revenue.

Separate accounting net operating losses are not carried to other years to offset income.

Taxable income of all six companies is aggregated and a 9.4% rate applied.

History: Update of 2017 version.

Disclaimer: The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analyses could have different results.

Numbers may not add exactly due to rounding.

TOP SIX OIL & GAS COMPANIES
CORPORATE INCOME TAX COMPARISON
YEARS: 2016-2019
March 19, 2021

	2016	2017	2018	2019
Production Tax Value (PTV)	$ 1,237,497,599	$ 3,596,916,097	$ 5,530,976,662	$ 3,704,774,562
Production Tax net of Credits	208,288,773	282,983,630	735,907,723	423,947,809
PTV net of Production Tax/ Subtotal Production Income	1,029,208,826	3,313,932,467	4,795,068,939	3,280,826,753
Transportation Income **(A)**	(241,273,925)	195,963,128	(226,023,629)	(98,549,340)
Separate Accounting Taxable Income **(B)**	787,934,901	3,509,895,595	4,569,045,310	3,182,277,413
Separate Accounting Tax @ 9.4% **(C)**	74,065,881	329,930,186	429,490,259	299,134,077
Actual Corporate Income Tax Paid **(D)**	32,267,054	90,469,777	208,706,970	139,071,734
Difference **(C - D)**	$ 41,798,827	$ 239,460,409	$ 220,783,289	$ 160,062,343
Effective Tax Rate Under Separate Accounting Rule **(D / B)**	4.1%	2.6%	4.6%	4.4%

(A) Using FERC Form 6, Net Carrier Operating Revenue less Interest Expense. Certain companies may include transportation activities outside of Alaska.

(B) Separate accounting taxable income does not include apportioned other income (prior SB 328 Sec. 43.21.240). Carrying net operating losses back or forward to other years under separate accounting is not included in this analysis, while current statutes allow for reducing taxable income by certain Alaska net operating losses incurred in other years.

(C) Corporate income tax estimated under the separate accounting method is at the highest possible rate of 9.4%, due to aggregating separate accounting taxable income for all six companies. Calculated individually, some of the companies would not pay tax at the highest rate, therefore there is a high probability that the tax estimated using separate accounting is overstated.

(D) Audits, appeals, and amendments or audits at the federal level may not be complete, and may result in changes. Actual corporate income tax paid may be understated. Also, certain taxpayers incurred net operating losses ("NOLs") in 2015, 2016, and 2017 that were carried back or forward, offsetting other years and/or resulting in refunds.