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Official Business

CS for Senate Bill 114: Oil and Gas Production Tax, Income Tax
Changes from initial version ("S" to "U")

Original bill was 42 pages long and had 47 sections.

Current CS is five pages long and has nine sections.

Four main changes:

1) Remove the addition of a "ringfence" on the North Slope, which would have required separate calculation of company spending on each field with a separate profit and thus tax calculation for each field.
2) Remove substantial conforming language throughout the bill that referred to the ringfence and the various separate calculations required for it.
3) Corrects an error in the "per barrel credit" change, so that the credit goes all the way to zero at high prices.
4) Removed the repeal of AS 43.55.024(a) and (b). This is an obsolete, sunsetted credit having to do with new field development outside both Cook Inlet and the North Slope. This was removed because it is unnecessary and enabled the elimination of about another 10 pages of conforming text.

What the bill still does:

1) Expands the current petroleum corporate income tax to all oil and gas producers and transporters, regardless of business form. The tax is 9.4% of taxable income greater than $4 million / year. (Section 1)
2) Reduces the "per taxable barrel credit" by $3, from $8 to $5 at the highest point (wellhead value below $80), declining to zero at wellhead value of $120. (Section 2-3)
3) Limits use of the per-barrel credits earned in a year for production from a particular field to no more than the producer's qualified capital spending on that field. (Section 4)
4) Changes are retroactive to January 1, 2023