

# SB114 (CS) Oil and Gas Production Tax; Income Tax

## Senate Finance Committee

---

Department of Revenue

May 1, 2023

**Fadil Limani**

Deputy Commissioner  
Alaska Department of Revenue

**Dan Stickel**

Chief Economist, Tax Division  
Alaska Department of Revenue



# Bill Sponsor Request to Department of Revenue

---

- Updated Fiscal Note
- Government Take Analysis
  - Both current statute and SB114 (CS)
  - Retrospective view back to a net profits tax in 2006
  - Prospective view next ten years
- Confirm whether the tax division has adequate information, based on what is currently submitted by taxpayers, to apply the “credit limit” in new section AS 43.55.024(k), which is the same in both versions of the bill.



# Presentation Overview

---

- Tax Program History
  - Oil and Gas Corporate Income Tax
  - Oil and Gas Production Tax
- Proposed Legislation
- Updated Fiscal Note Summary
- Distribution of Profits
- Effective Tax Rates
- Order of Operations



# TAX PROGRAM HISTORY



# Oil & Gas Corporate Income Tax: Historical Review

---

- Alaska Net Income Tax Act – 1949 (Under AS 43.20)
- Uniform Division of Income for Tax Purposes Act (UDIPTA) – 1959
- Multistate Tax Compact (MTC) – 1970 (Under AS 43.19)
- Revised to include adopting Internal Revenue Code (IRC) by reference unless excluded – 1975
- Repealed Individual Income Tax and Retained S-Corporation Exemption – 1980
- Adopted Current Oil & Gas Apportionment Factor on worldwide income (was separate accounting) – 1981



# Oil & Gas Corporate Income Tax: Current Fiscal Regime

---

- Applies to C-Corporations only
  - Many, but not all, companies in Alaska
- “Alaska Taxable Income” determined using an “apportionment factor”
  - Non-Petroleum – based on U.S. “water’s edge” activity, apportioned to Alaska based on Alaska’s share of property, payroll, and sales
  - Petroleum – based on worldwide activity, apportioned to Alaska based on Alaska’s share of property, production, and sales/tariffs
- Bracketed tax rate, with highest rate of 9.4% on taxable income over \$222,000



# Oil & Gas Production Tax: Historical Review

---

- Economic Limit Factor (ELF) – pre-2006
- Petroleum Production Tax (PPT) – 2006
- Alaska's Clear and Equitable Share (ACES) – 2007
  - HB280 (Cook Inlet Recovery Act) – 2010
- More Alaska Production Act (SB21) – 2013
  - HB247 – 2016
  - HB111 – 2017



# Oil & Gas Production Tax: Current Fiscal Regime

---

## SB21 Goals

- Enhance global competitiveness and investment climate
- Incentivize North Slope Development
- Stabilize production

## SB21 Summary

- Tax Base = 35% Production Tax Value (Gross Value less lease expenditures)
  - Minimum Tax Floor = 4% Gross Value
- Progressivity = Sliding scale credit \$0 - \$8 per taxable barrel





# Proposed Legislation

## Primary Bill Provisions

---

- Oil & Gas Corporate Income Tax
- Oil & Gas Production Tax
  - Sliding Scale Per Barrel Credit Rate Changes
    - Per Barrel Credits tied to Capital Spend
- Retroactive to January 1, 2023



# Oil & Gas Corporate Income Tax

---

Current law, only C-Corporations are subject to Alaska's corporate income tax – Oil and Gas and Non-Oil and Gas

## Proposed Legislation Provisions-SB 114 (CS)

- Would tax oil and gas pass-through entities with “qualified taxable income” over \$4 million at a rate of 9.4%
- “Qualified taxable income” as income from the production of oil or gas from a lease or property in the state or from the transportation of oil or gas by pipeline in the state



# Oil & Gas Corporate Income Tax

## SB 114 (CS) Perspective Fiscal Impacts:

- 28 non-C-Corporation, oil and gas entities doing business in Alaska. Real revenue impact is uncertain due to limited data

| \$ Millions                                                                           | Fiscal Note Estimated Impacts |         |         |         |         |         |         |         |         |         |
|---------------------------------------------------------------------------------------|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Unrestricted General Fund Revenue                                                     | FY 2024                       | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 |
| 9.4% effective tax rate,<br>7/1/23 effective date<br>(applies starting tax year 2023) | 190                           | 122     | 119     | 116     | 106     | 110     | 113     | 109     | 98      | 88      |

# Oil & Gas Corporate Income Tax Brackets

## For Qualifying Entities Only:

| Corporate Income Tax Brackets     |  | Current Statute                                  |  |
|-----------------------------------|--|--------------------------------------------------|--|
| Taxable Income                    |  | Tax Rate                                         |  |
| Less than \$25,000                |  | 0.0%                                             |  |
| \$25,000 but less than \$49,000   |  | 2% of taxable income over \$25,000               |  |
| \$49,000 but less than \$74,000   |  | \$480 + 3% of taxable income over \$49,000       |  |
| \$74,000 but less than \$99,000   |  | \$1230 + 4% of taxable income over \$74,000      |  |
| \$99,000 but less than \$124,000  |  | \$2230 + 5% of taxable income over \$99,000      |  |
| \$124,000 but less than \$148,000 |  | \$3480 + 6% of taxable income over \$124,000     |  |
| \$148,000 but less than \$173,000 |  | \$4920 + 7% of taxable income over \$148,000     |  |
| \$173,000 but less than \$198,000 |  | \$6670 + 8% of taxable income over \$173,000     |  |
| \$198,000 but less than \$222,000 |  | \$8670 + 9% of taxable income over \$198,000     |  |
| \$222,000 or More                 |  | \$10,830 + 9.4% of taxable income over \$222,000 |  |

| Corporate Income Tax Brackets |  | CSSB 114\U                              |  |
|-------------------------------|--|-----------------------------------------|--|
| Taxable Income                |  | Tax Rate                                |  |
| Greater than \$4,000,000      |  | 9.4% of taxable income over \$4,000,000 |  |
|                               |  |                                         |  |
|                               |  |                                         |  |
|                               |  |                                         |  |
|                               |  |                                         |  |
|                               |  |                                         |  |
|                               |  |                                         |  |
|                               |  |                                         |  |
|                               |  |                                         |  |



## Oil & Gas Production Tax: Per Barrel Credits

### SB 114(CS) Proposed Legislative Provisions:

- Would change the per barrel credit rates (sliding scale per barrel credits only)
- Would limit the per taxable barrel credits to the amount of qualified capital expenditures





# Oil & Gas Production Tax: Per Barrel Credits

## Retrospective and Perspective Fiscal Impacts

| \$ Millions                                          | History |         |         |         |         |         |         |         |         | Forecast |         |         |
|------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|
| Revenue                                              | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023  | FY 2024 | FY 2025 |
| Per taxable barrel credits,<br>AS 43.55.024(i)-(j) * | 516     | 524     | 86      | 536     | 1,001   | 1,037   | 613     | 749     | 1,018   | 1,135    | 1,208   | 1,238   |
|                                                      |         |         |         |         |         |         |         |         |         |          |         |         |



# Oil & Gas Production Tax: Sliding Scale Per Barrel Credits

## Sliding Scale Credit Rate Changes:

| Current Statute               |                |                    |
|-------------------------------|----------------|--------------------|
| GVPP Greater than or equal to | GVPP less than | Tax Credit Rate \$ |
| \$ -                          | \$ 80.00       | \$8.00             |
| \$ 80.00                      | \$ 90.00       | \$7.00             |
| \$ 90.00                      | \$ 100.00      | \$6.00             |
| \$ 100.00                     | \$ 110.00      | \$5.00             |
| \$ 110.00                     | \$ 120.00      | \$4.00             |
| \$ 120.00                     | \$ 130.00      | \$3.00             |
| \$ 130.00                     | \$ 140.00      | \$2.00             |
| \$ 140.00                     | \$ 150.00      | \$1.00             |
| \$ 150.00                     |                | \$0.00             |

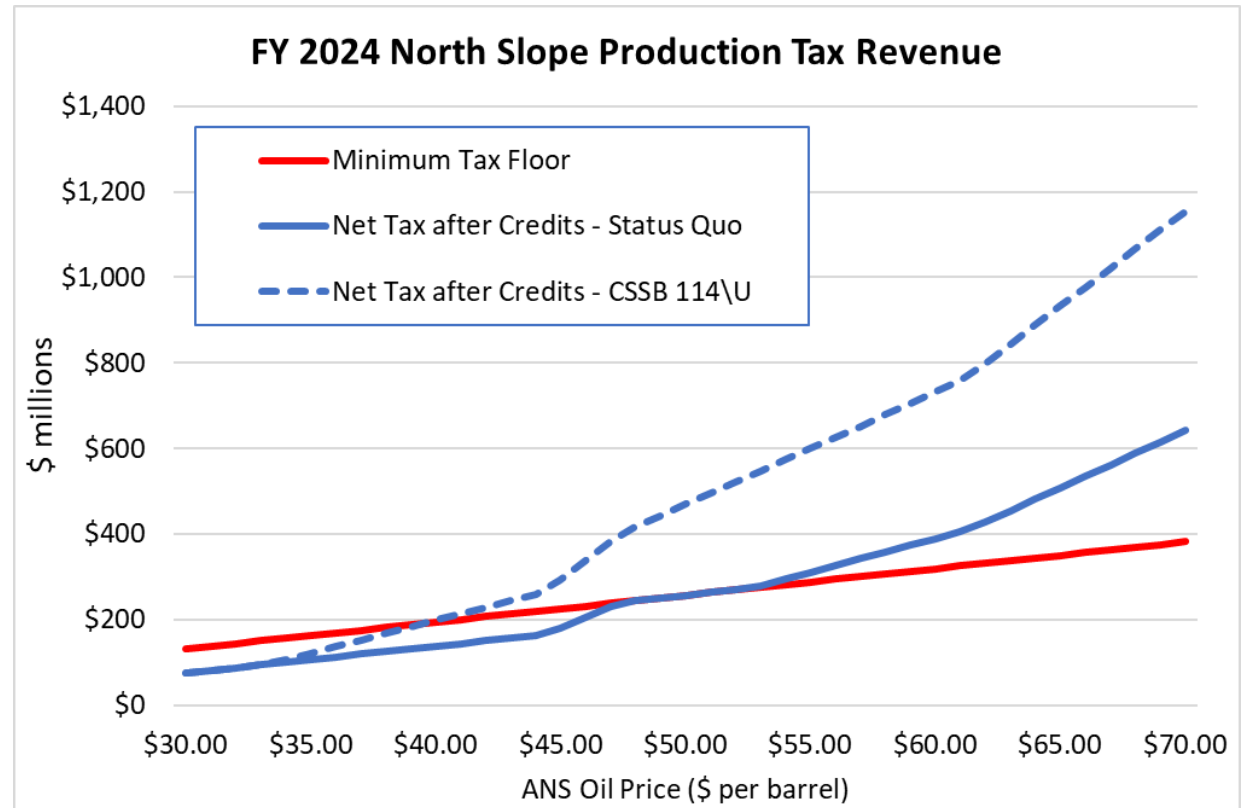
| CSSB 114\U                    |                |                    |
|-------------------------------|----------------|--------------------|
| GVPP Greater than or equal to | GVPP less than | Tax Credit Rate \$ |
| \$ -                          | \$ 80.00       | \$5.00             |
| \$ 80.00                      | \$ 90.00       | \$4.00             |
| \$ 90.00                      | \$ 100.00      | \$3.00             |
| \$ 100.00                     | \$ 110.00      | \$2.00             |
| \$ 110.00                     | \$ 120.00      | \$1.00             |
| \$ 120.00                     |                | \$0.00             |
|                               |                |                    |
|                               |                |                    |
|                               |                |                    |



# Oil & Gas Production Tax: Sliding Scale Per Barrel Credits

## SB 114 (CS) “Crossover”

Due to other changes in the bill, the “crossover” between the gross and net taxes moves from about ~\$53 to ~\$40 per barrel



# FISCAL NOTE

# Disclaimer

---

- Alaska's severance tax is one of the most complex in the world and portions are subject to interpretation and dispute
- These numbers are rough approximations based on public data, as presented in the Spring 2023 Revenue Sources Book and other revenue forecasts
- This presentation is solely for illustrative general purposes.
  - Not an official statement as to any particular tax liability, interpretation, or treatment
  - Not tax advice or guidance
- Some numbers may differ due to rounding



# Updated Fiscal Note

Estimated Impact of CS for Senate Bill 114 \U , based on Spring 2023 Forecast (\$millions) - **FC PRICE**

Revised 4/13/2023 by Dept of Revenue

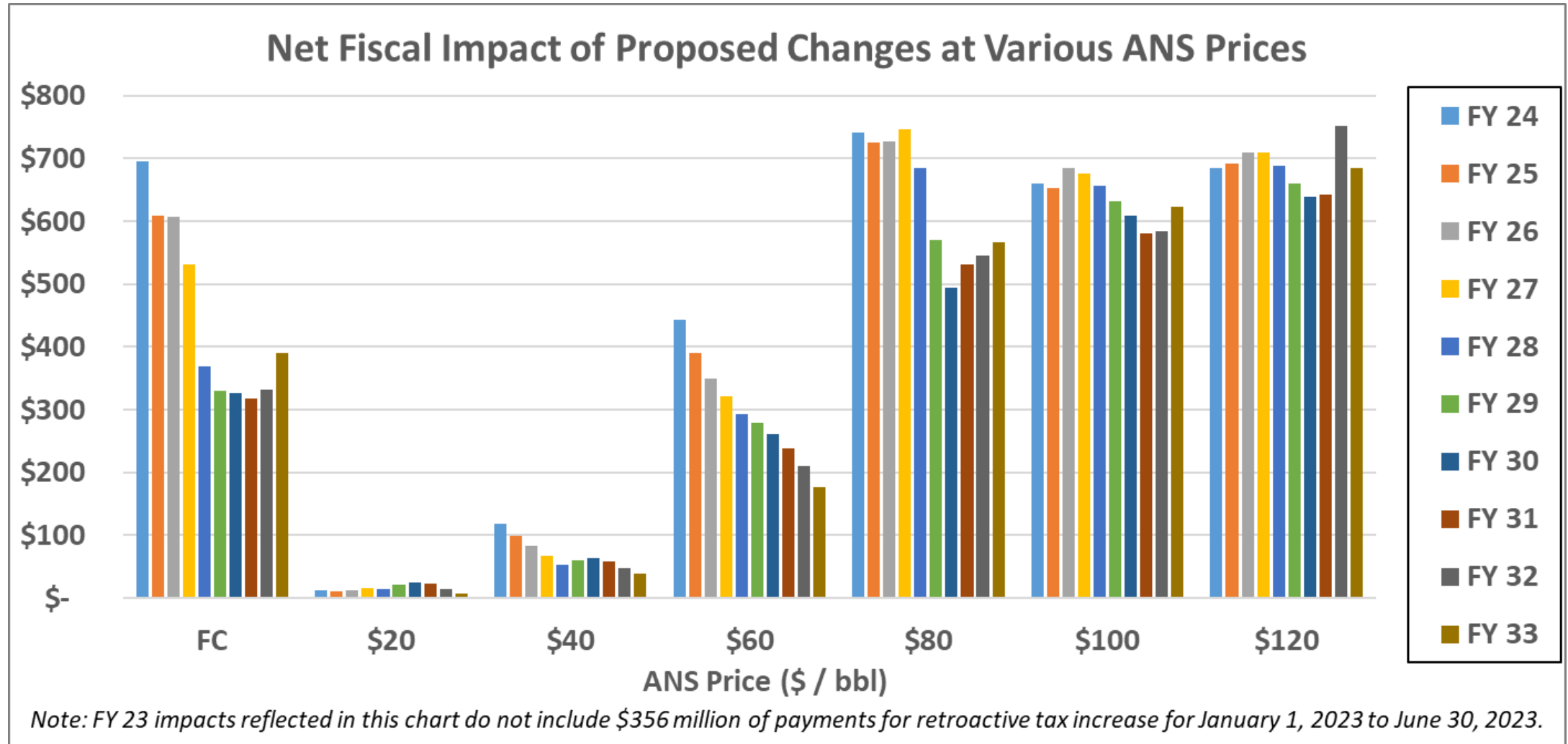
| Description of Provision                                                                                                                                                                                                                                                    | FY 2024        | FY 2025      | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2031      | FY 2032      | FY 2033      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. Retroactive to 1/1/23, for all units, the sliding-scale per-taxable-barrel credit is reduced with a maximum value of \$5 per taxable barrel at wellhead values below \$80 per barrel, reducing down to \$0 at wellhead values equal to or greater than \$120 per barrel. | \$586          | \$322        | \$339        | \$243        | \$172        | \$146        | \$144        | \$148        | \$154        | \$240        |
| 2. Retroactive to 1/1/23, per-taxable-barrel credits generated based on production within a unit during a year may not exceed capital expenditures within that unit during the year.                                                                                        | \$647          | \$332        | \$339        | \$256        | \$207        | \$176        | \$171        | \$167        | \$170        | \$188        |
| 3. Retroactive to 1/1/23, apply a 9.4% tax on income over \$4 million for oil and gas companies not subject to corporate income tax, including S-corporations.                                                                                                              | \$190          | \$122        | \$119        | \$116        | \$106        | \$110        | \$113        | \$109        | \$98         | \$88         |
| 4. Additional impact of implementing above provisions together.                                                                                                                                                                                                             | -\$371         | -\$166       | -\$189       | -\$84        | -\$117       | -\$101       | -\$101       | -\$107       | -\$91        | -\$124       |
| <b>Total Fiscal Impact - (does not include potential changes in investment)</b>                                                                                                                                                                                             | <b>\$1,052</b> | <b>\$610</b> | <b>\$608</b> | <b>\$531</b> | <b>\$369</b> | <b>\$330</b> | <b>\$326</b> | <b>\$317</b> | <b>\$332</b> | <b>\$391</b> |

NOTE: The fiscal impact of this proposal is an estimate based on the Spring 2023 revenue forecast. This analysis assumes that new tax rates and provisions are applied retroactive to January 1, 2023. **Estimates shown here are draft / preliminary based on our interpretation of possible changes, and do not include any changes in company behavior as a result of this proposal. We reserve the right to make modifications to estimates for any forthcoming fiscal notes.**





# Updated Fiscal Note-Illustration



# DISTRIBUTION OF PROFITS

# North Slope Distribution of Profits

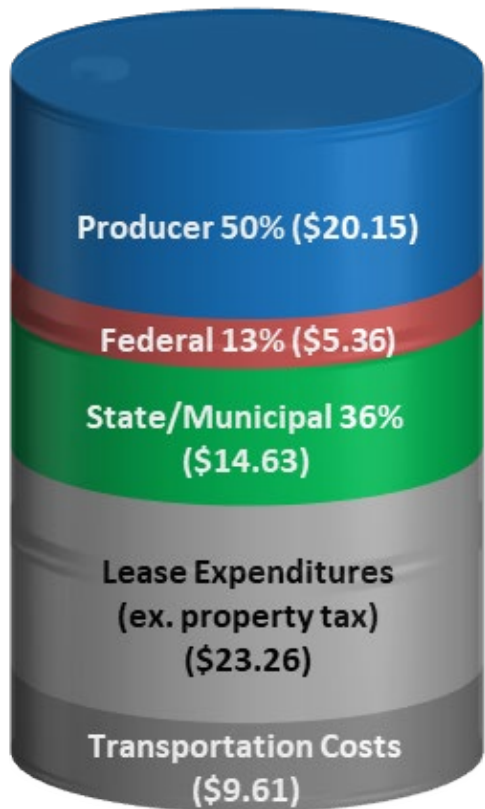
---

- Based on Spring 2023 Forecast for FY 2024
- Assumes “typical” barrel of oil production
- Assumes a single taxpayer on state land, 12.5% royalty
- Assumes \$2.00 per barrel property tax
- Assumes 4.25% effective state corporate income tax, 21% federal corporate income tax
  - 4.25% is based on historical analysis for companies subject to state corporate income tax
- Does not include any potential changes in company behavior or investment as a result of this proposal
- For SB114 (CS), impact of capital expenditure limit on tax credits is estimated based on deductible capital expenditures

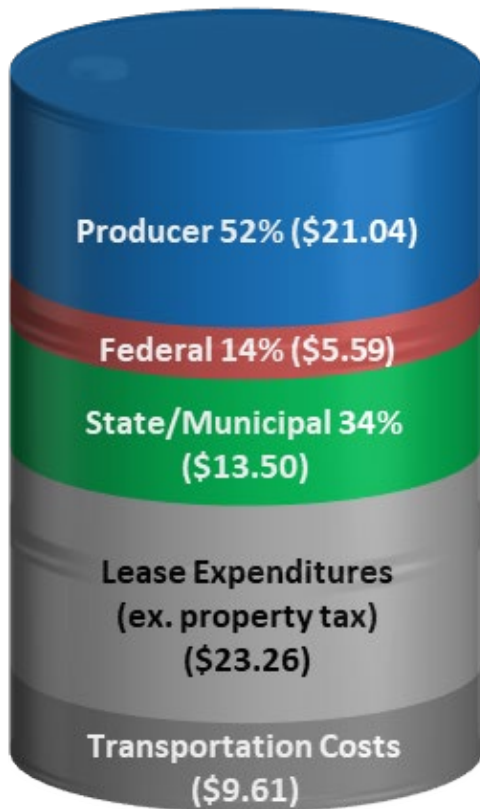


# Government Take Per Barrel: Status Quo vs. SB 114 (CS) (Total CapEx)

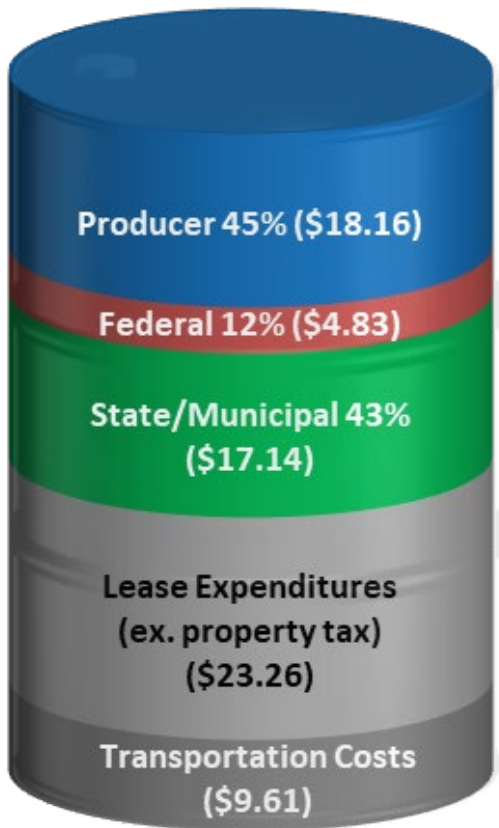
Status Quo at \$73/bbl  
w/ State CIT



Status Quo at \$73/bbl  
w/o State CIT

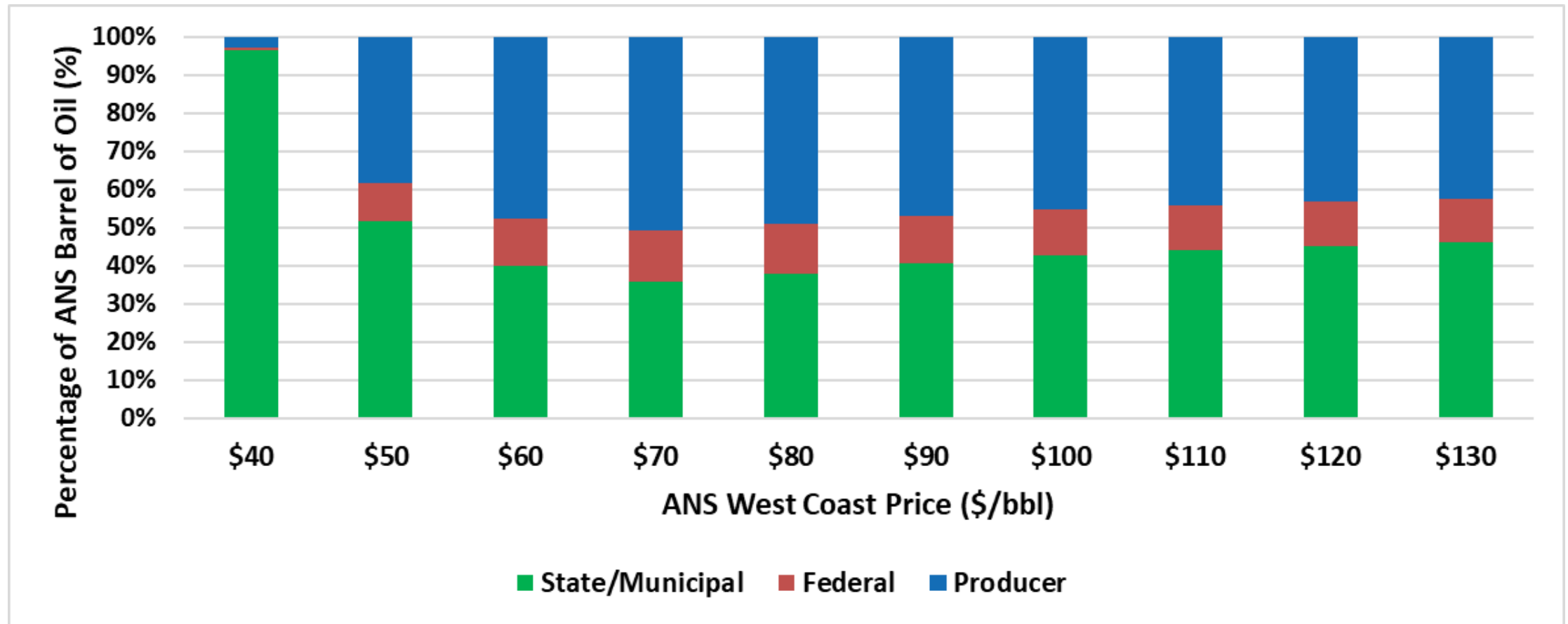


SB 114 (CS) \U at \$73/bbl



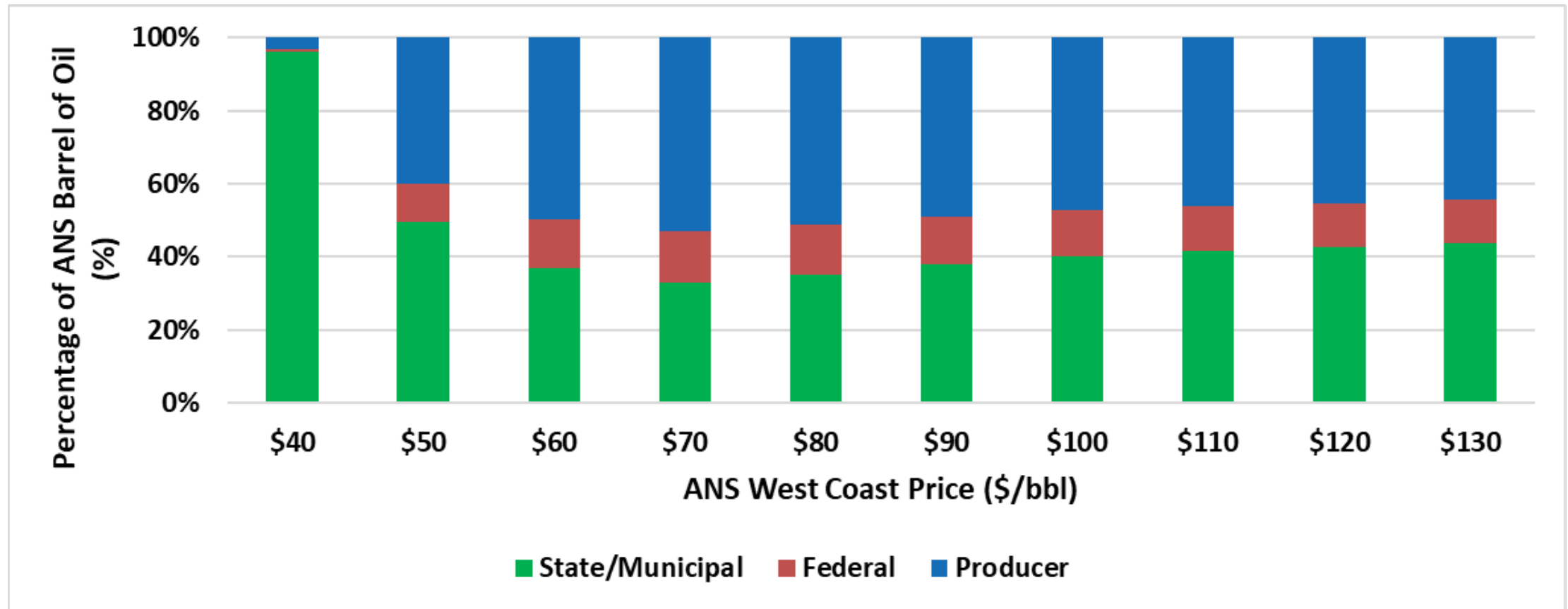
Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

# Government Take at Various Oil Prices: Status Quo (w/ CIT, Total CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

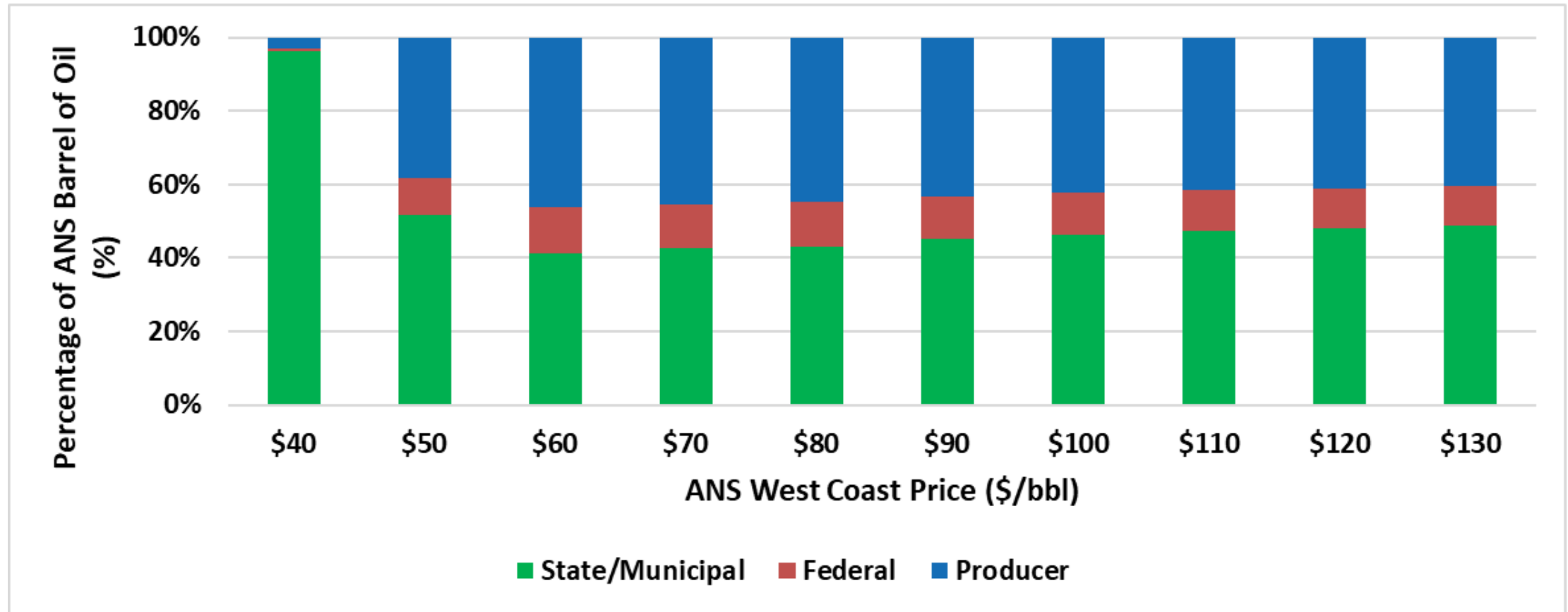
# Government Take at Various Oil Prices: Status Quo (w/o CIT, Total CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

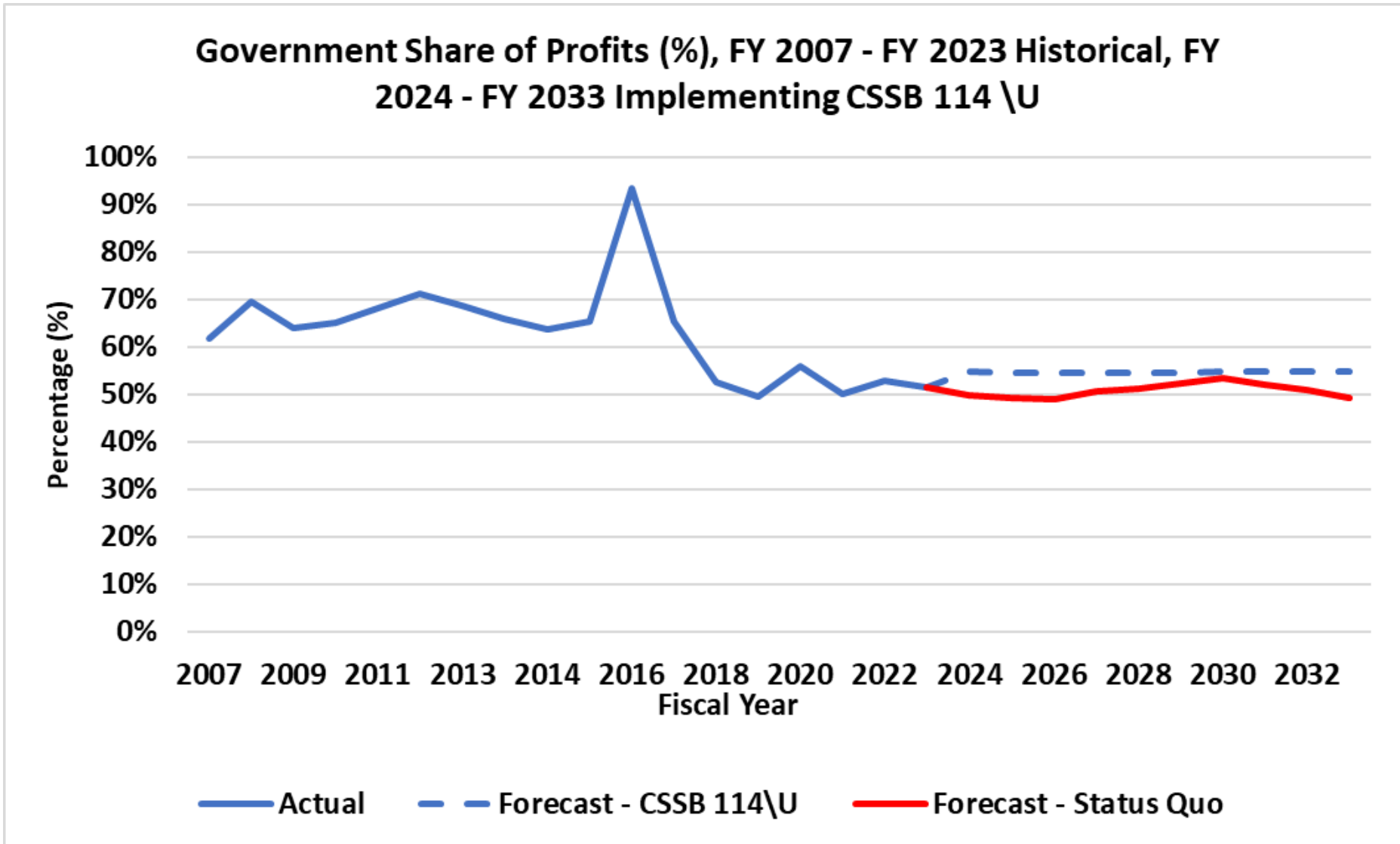


# Government Take at Various Oil Prices: SB 114 (CS) (Total CapEx)



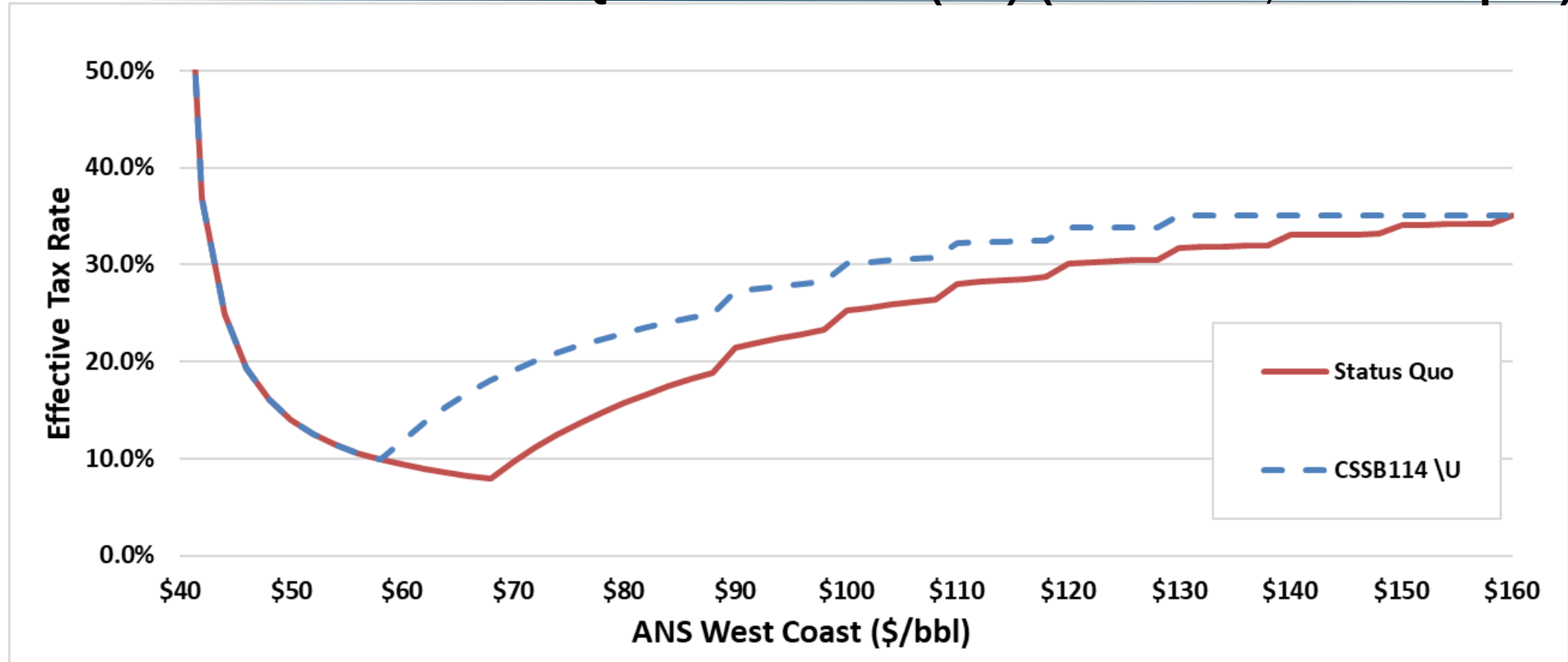
Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

# Government Take: Retrospective and Prospective



# EFFECTIVE TAX RATES

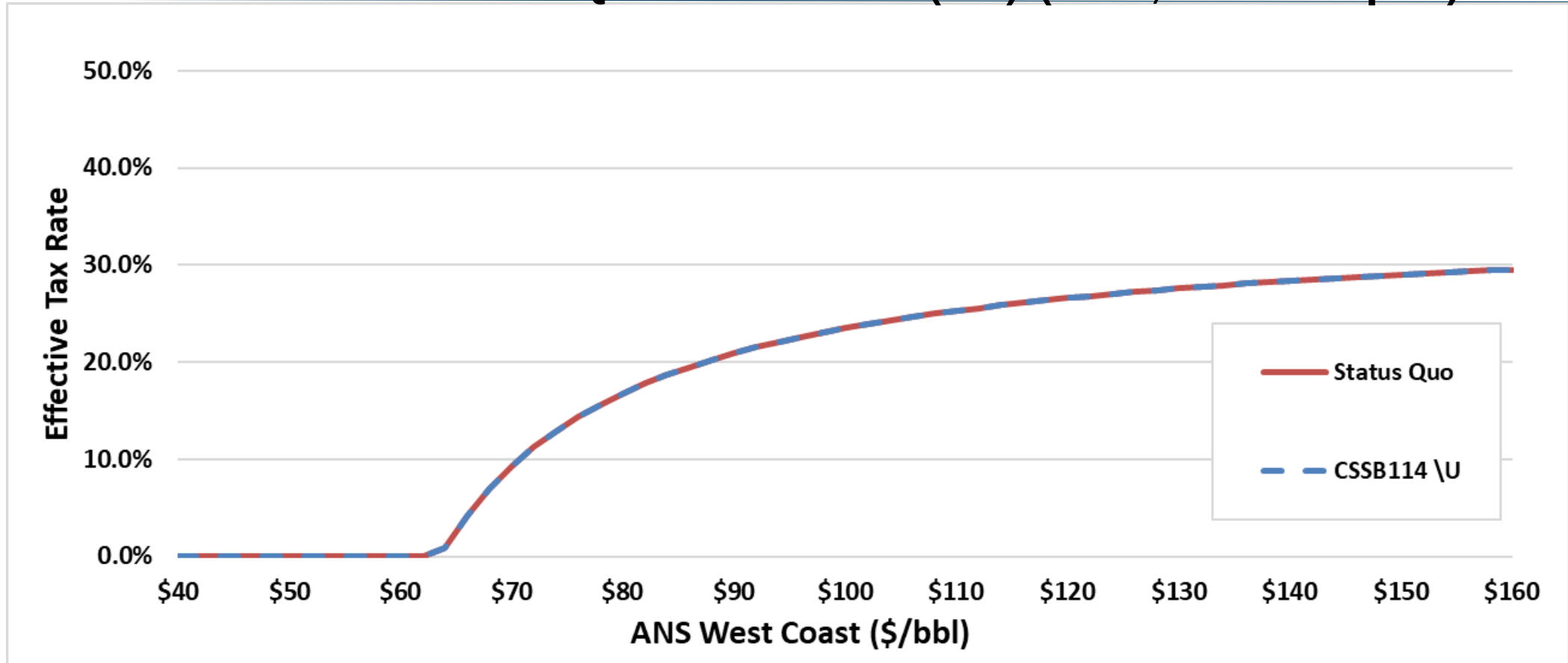
# Effective Tax Rate: Status Quo vs SB 114 (CS) (Non-GVR, Total CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.



# Effective Tax Rate: Status Quo vs SB 114 (CS) (GVR, Total CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.





# ORDER OF OPERATIONS



# Production Tax “Order of Operations”: FY 2024

|                                                                     | Per Barrel     | Barrels        | Value (\$ million)   |                  |
|---------------------------------------------------------------------|----------------|----------------|----------------------|------------------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | <b>\$73.00</b> | <b>496.4</b>   | <b>\$36.2</b>        |                  |
| <b>Total Annual Production/Value</b>                                | <b>\$73.00</b> | <b>181,686</b> | <b>\$13,263.1</b>    |                  |
| Royalty, Federal, and Other Barrels                                 |                | (23,576)       | (\$1,721.1)          |                  |
| <b>Taxable Barrels</b>                                              | <b>\$73.00</b> | <b>158,109</b> | <b>\$11,542.0</b>    |                  |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)       |                | (\$1,519.0)          |                  |
| <b>Gross Value at Point of Production (GVPP)</b>                    | <b>\$63.39</b> | <b>158,109</b> | <b>\$10,023.0</b>    |                  |
| <b>North Slope Lease Expenditures</b>                               |                |                |                      |                  |
| Deductible Operating Expenditures                                   | (\$17.22)      |                | (\$2,723.4)          |                  |
| Deductible Capital Expenditures                                     | (\$11.80)      |                | (\$1,865.9)          |                  |
| Total Lease Expenditures                                            | (\$29.03)      |                | (\$4,589.2)          |                  |
| <b>Production Tax Value (PTV)</b>                                   | <b>\$34.37</b> | <b>158,109</b> | <b>\$5,433.8</b>     |                  |
| <b>Production Tax</b>                                               |                |                | <u>Min Tax Floor</u> | <u>Net Tax</u>   |
| Gross Value or Production Tax Value                                 |                |                | \$10,023.0           | \$5,433.8        |
| Gross Value Reduction (GVR)                                         |                |                | \$0.0                | (\$142.2)        |
| <b>GVPP or PTV after GVR</b>                                        |                |                | <b>\$10,023.0</b>    | <b>\$5,291.6</b> |
| <b>Tax rate</b>                                                     |                |                | 4%                   | 35%              |
| <b>Tax before credits</b>                                           |                |                | <b>\$400.9</b>       | <b>\$1,852.1</b> |
| <b>Higher of minimum tax floor or net tax</b>                       | <b>\$11.71</b> | <b>158,109</b> | <b>\$1,852.1</b>     |                  |
| GVR Per-taxable-barrel credits                                      | (\$1.73)       | 11,053         | (\$19.1)             |                  |
| Non-GVR Per-taxable-barrel credits                                  | (\$7.61)       | 147,059        | (\$1,119.2)          |                  |
| Other credits against liability                                     | (\$0.00)       |                | (\$0.6)              |                  |
| <b>Total Tax after credits</b>                                      | <b>\$4.51</b>  | <b>158,109</b> | <b>\$713.2</b>       |                  |
| Other items / adjustments                                           | \$0.18         |                | \$28.6               |                  |
| <b>Total Tax paid to the state</b>                                  | <b>\$4.69</b>  | <b>158,109</b> | <b>\$741.8</b>       |                  |
| <i>Net New Lease Expenditures Earned and Carried Forward</i>        |                |                | \$913.7              |                  |



# Production Tax “Order of Operations”: FY 2024 with SB114 (CS)

|                                                                     | Per Barrel      | Barrels        | Value (\$ million)   |                  |
|---------------------------------------------------------------------|-----------------|----------------|----------------------|------------------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | <b>\$73.00</b>  | <b>496.4</b>   | <b>\$36.2</b>        |                  |
| <b>Total Annual Production/Value</b>                                | <b>\$73.00</b>  | <b>181,686</b> | <b>\$13,263.1</b>    |                  |
| Royalty, Federal, and Other Barrels                                 |                 | (23,576)       | (\$1,721.1)          |                  |
| <b>Taxable Barrels</b>                                              | <b>\$73.00</b>  | <b>158,109</b> | <b>\$11,542.0</b>    |                  |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)        |                | (\$1,519.0)          |                  |
| <b>Gross Value at Point of Production (GVPP)</b>                    | <b>\$63.39</b>  | <b>158,109</b> | <b>\$10,023.0</b>    |                  |
| <b>North Slope Lease Expenditures</b>                               |                 |                |                      |                  |
| Deductible Operating Expenditures                                   | (\$17.22)       |                | (\$2,723.4)          |                  |
| Deductible Capital Expenditures                                     | (\$11.80)       |                | (\$1,865.9)          |                  |
| Total Lease Expenditures                                            | (\$29.03)       |                | (\$4,589.2)          |                  |
| <b>Production Tax Value (PTV)</b>                                   | <b>\$34.37</b>  | <b>158,109</b> | <b>\$5,433.8</b>     |                  |
| <b>Production Tax</b>                                               |                 |                | <u>Min Tax Floor</u> | <u>Net Tax</u>   |
| Gross Value or Production Tax Value                                 |                 |                | \$10,023.0           | \$5,433.8        |
| Gross Value Reduction (GVR)                                         |                 |                | \$0.0                | (\$142.2)        |
| <b>GVPP or PTV after GVR</b>                                        |                 |                | <b>\$10,023.0</b>    | <b>\$5,291.6</b> |
| <b>Tax rate</b>                                                     |                 |                | 4%                   | 35%              |
| <b>Tax before credits</b>                                           |                 |                | <b>\$400.9</b>       | <b>\$1,852.1</b> |
| <b>Higher of minimum tax floor or net tax</b>                       | <b>\$11.71</b>  | <b>158,109</b> | <b>\$1,852.1</b>     |                  |
| GVR Per-taxable-barrel credits                                      | (\$1.73)        | 11,053         | (\$19.1)             |                  |
| <b>Non-GVR Per-taxable-barrel credits</b>                           | <b>(\$3.76)</b> | <b>147,059</b> | <b>(\$553.5)</b>     |                  |
| Other credits against liability                                     | (\$0.00)        |                | (\$0.6)              |                  |
| <b>Total Tax after credits</b>                                      | <b>\$8.09</b>   | <b>158,109</b> | <b>\$1,278.8</b>     |                  |
| Other items / adjustments                                           | \$0.18          |                | \$28.6               |                  |
| <b>Total Tax paid to the state</b>                                  | <b>\$8.27</b>   | <b>158,109</b> | <b>\$1,307.4</b>     |                  |
| <i>Net New Lease Expenditures Earned and Carried Forward</i>        |                 |                | \$913.7              |                  |

**Per taxable barrel  
credits reduced by  
\$566 million**

**\$566 million  
additional tax =  
76% tax increase**



## Lease Expenditures Example: Takeaways

---

- Under both status quo (current law) and SB 114 (CS), companies that spend more in Alaska pay less taxes, when above the minimum tax floor
- Current law provides a 35% tax savings for additional investments, when above the minimum tax floor
- Capping tax credits by capital expenditures creates potential for “gold plating”
  - In certain circumstances, SB 114 (CS) would provide a 135% tax saving for additional investments, when above the minimum tax floor
  - Dollar-for-dollar increase in tax credits plus 35% tax deduction
- Each company and field would have unique economics, creating varying incentives between and within fields
- Adds complexity and uncertainty, and encourages inefficient investment decisions



# THANK YOU

Fadil Limani  
Deputy Commissioner  
Department of Revenue  
fadil.limani@alaska.gov  
(907) 465-3761

Dan Stickel  
Chief Economist  
Department of Revenue  
daniel.stickel@alaska.gov  
(907) 465-3279



[dor.alaska.gov](http://dor.alaska.gov)



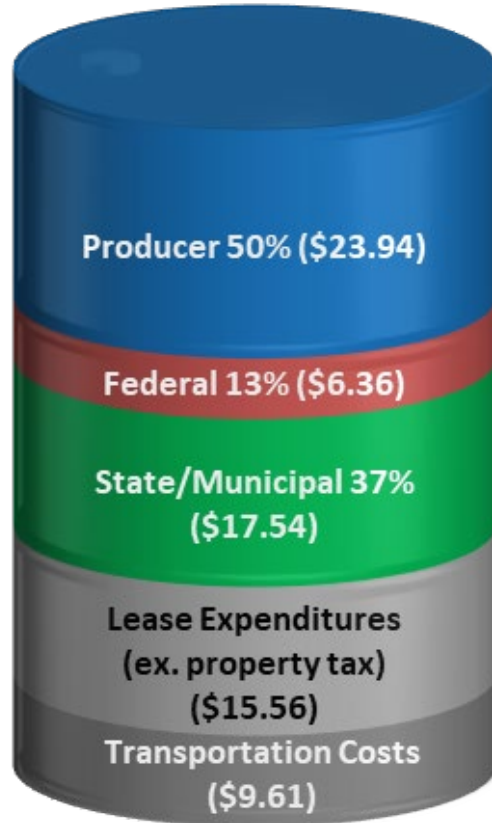
# APPENDIX

## Impact of Capital Spend Changes

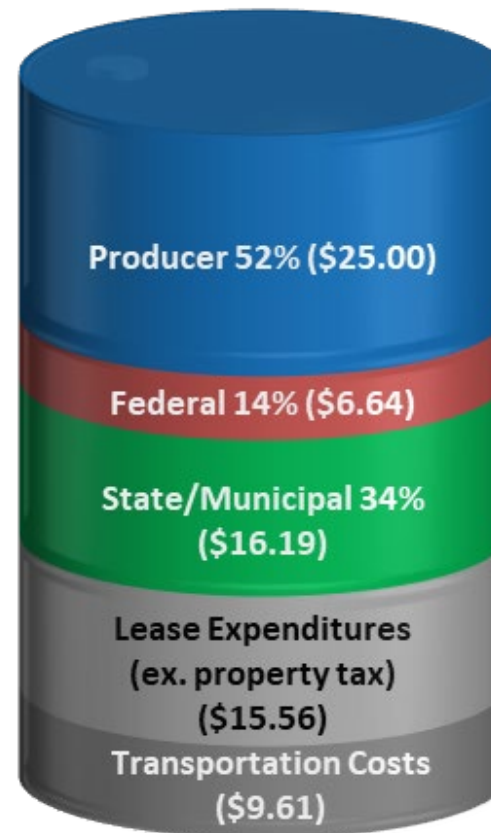


# Government Take Per Barrel: Status Quo vs. SB 114 (CS)\U (¼ CapEx)

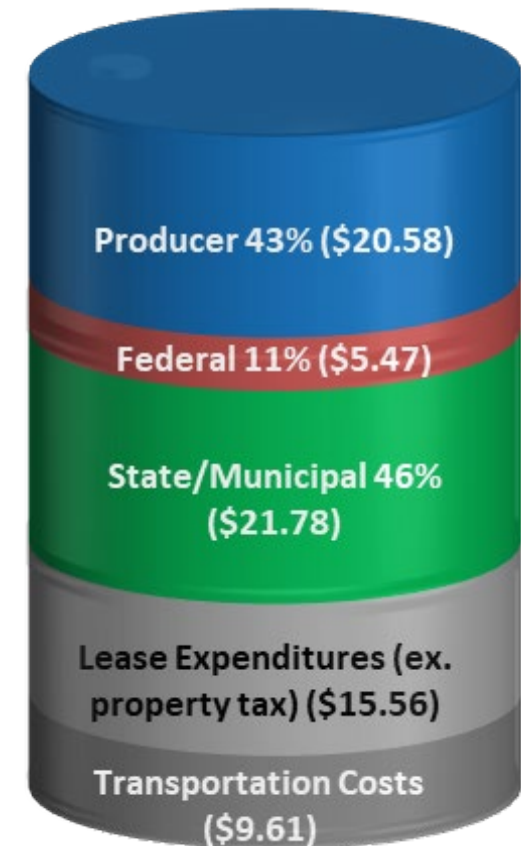
Status Quo at \$73/bbl  
w/ State CIT



Status Quo at \$73/bbl  
w/o State CIT



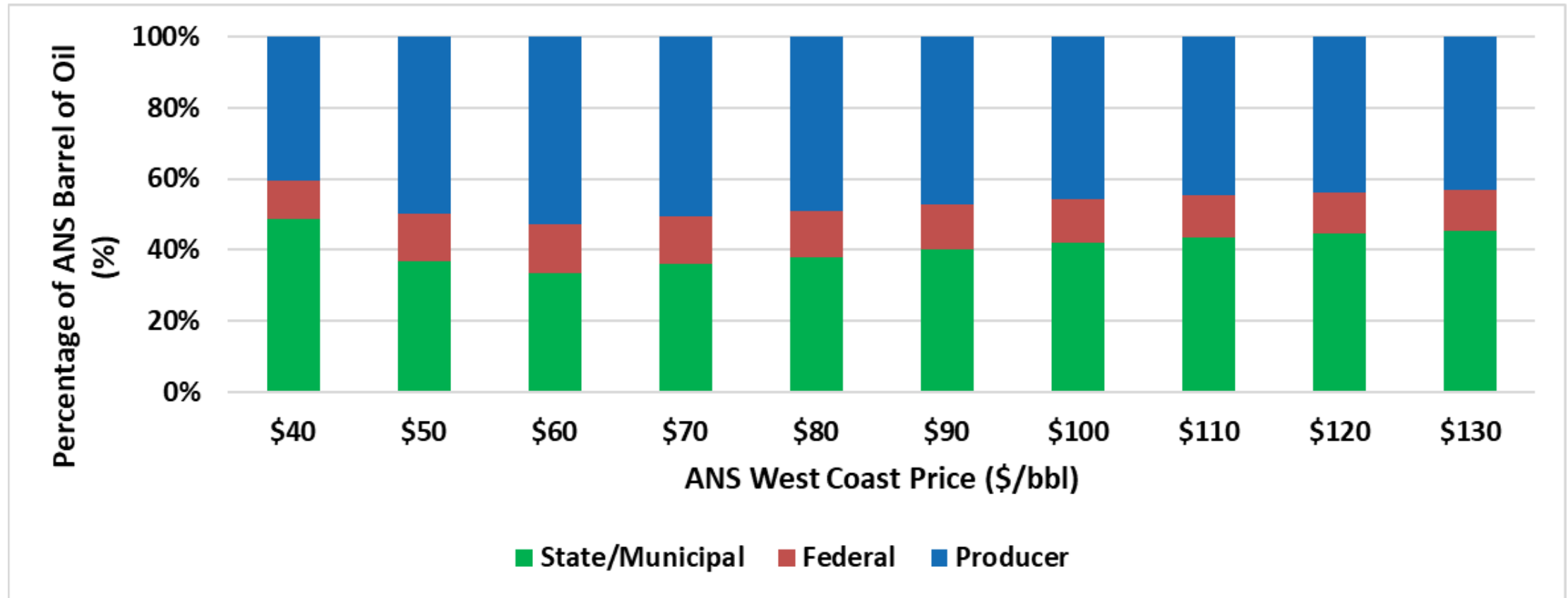
SB 114 (CS) at \$73/bbl



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

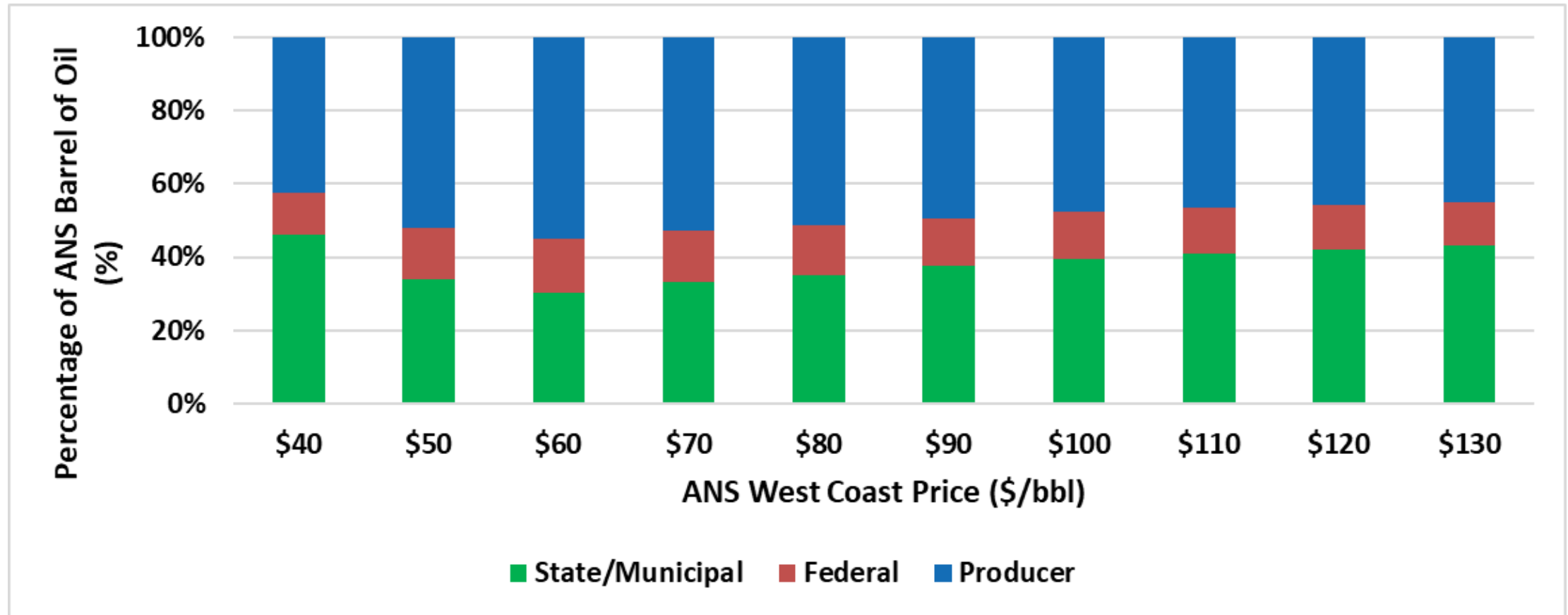


# Government Take at Various Oil Prices: Status Quo (w/ CIT, 1/4 CapEx)



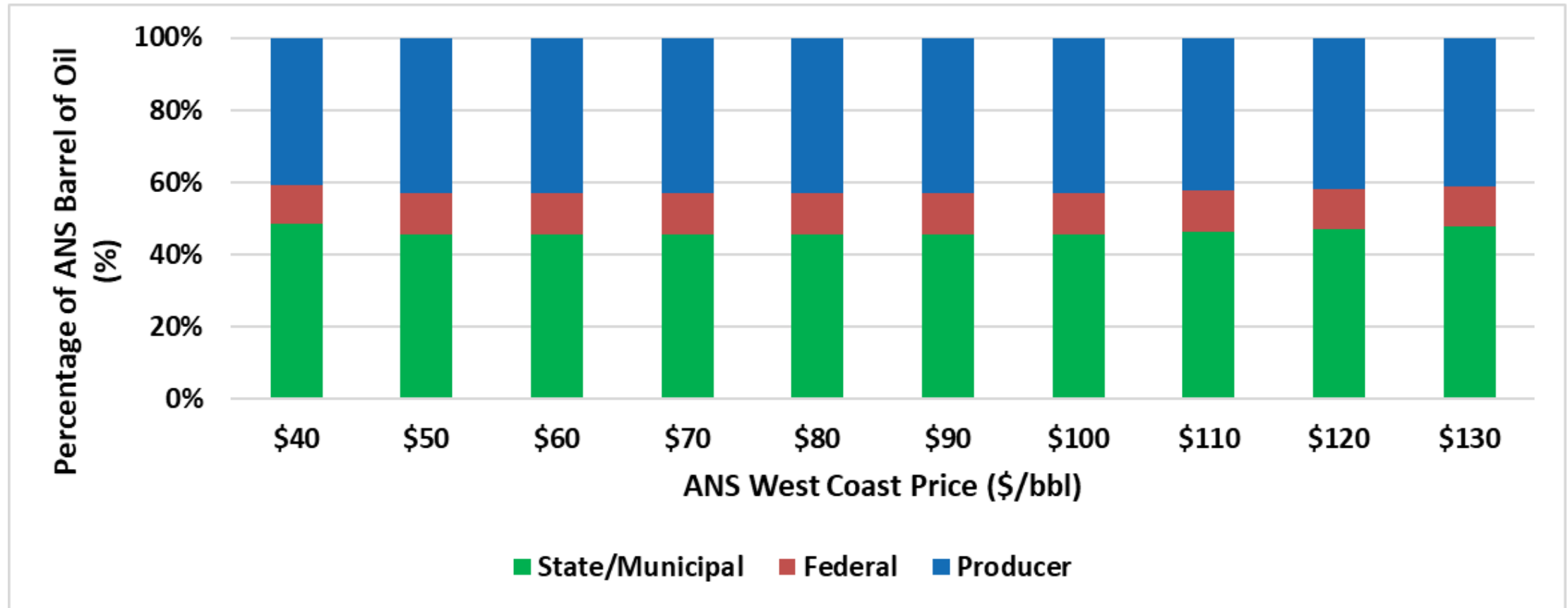
Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

# Government Take at Various Oil Prices: Status Quo (w/o CIT, 1/4 CapEx)



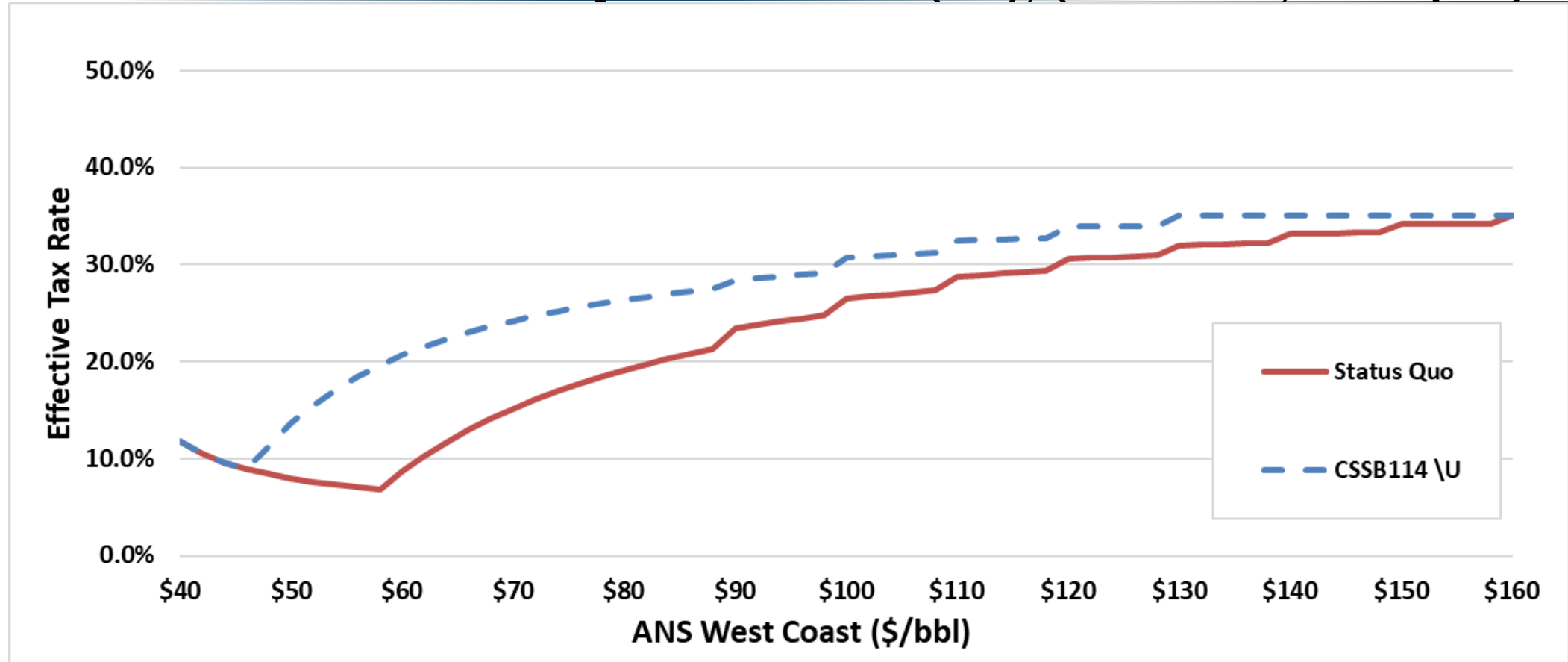
Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

# Government Take at Various Oil Prices: SB 114 (CS) (1/4 CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.

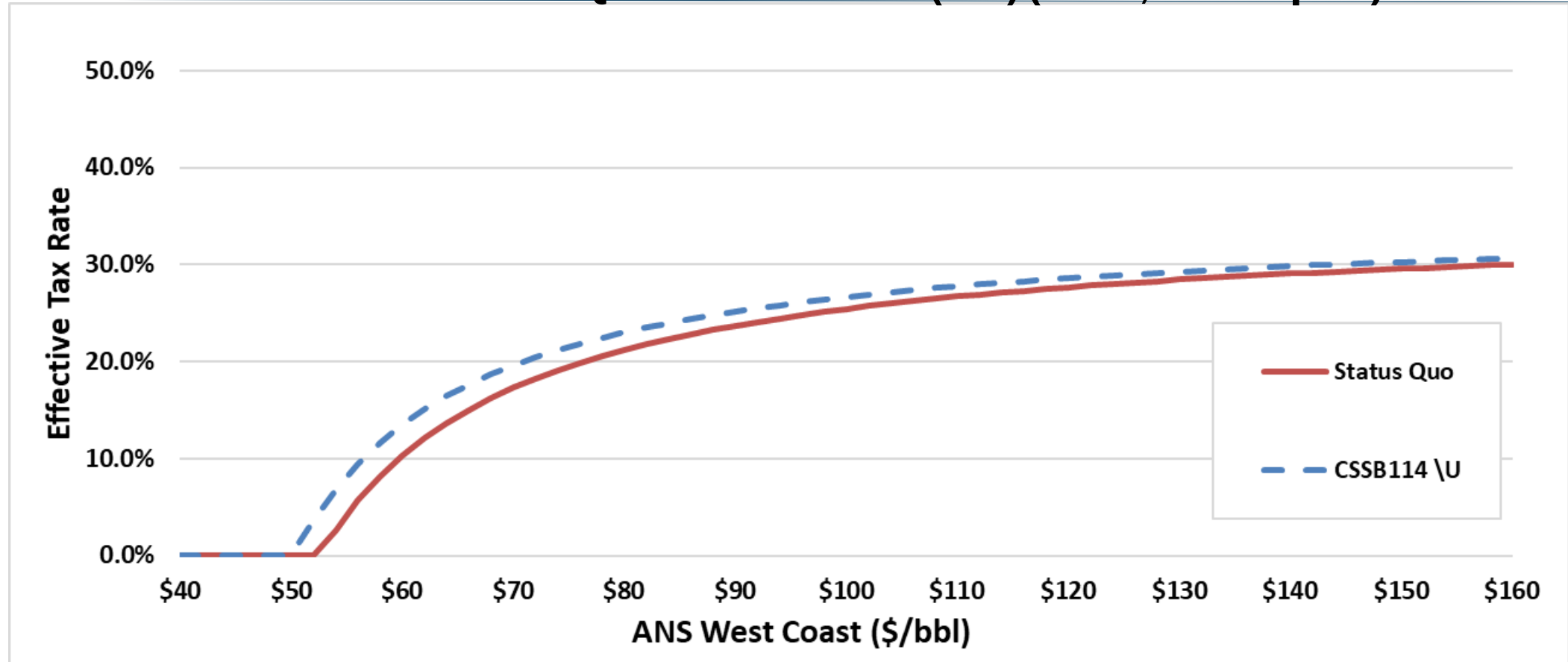
# Effective Tax Rate: Status Quo vs SB 114 (CS), (Non-GVR, 1/4 CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.



# Effective Tax Rate: Status Quo vs SB 114 (CS)(GVR, 1/4 CapEx)



Source: DOR Spring 2023 Forecast for FY 2024. This model is a simplified and aggregated one-year illustration of government take. DOR is in the process of reviewing and analyzing the data on which this is based. Future analyses could have different results. Numbers may not add exactly due to rounding.



# Example A1: Company with Forecast Spend, Status Quo

|                                                                     | Per Barrel | Barrels  | Value (\$ million) |           |
|---------------------------------------------------------------------|------------|----------|--------------------|-----------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | \$73.00    | 229.8    | \$16.8             |           |
| <b>Total Annual Production/Value</b>                                | \$73.00    | 84,115   | \$6,140.4          |           |
| Royalty, Federal, and Other Barrels                                 |            | (10,915) | (\$796.8)          |           |
| <b>Taxable Barrels</b>                                              | \$73.00    | 73,200   | \$5,343.6          |           |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)   |          | (\$703.3)          |           |
| <b>Gross Value at Point of Production (GVPP)</b>                    | \$63.39    | 73,200   | \$4,640.3          |           |
| <b>North Slope Lease Expenditures</b>                               |            |          |                    |           |
| Deductible Operating Expenditures                                   | (\$17.23)  |          | (\$1,260.9)        |           |
| Deductible Capital Expenditures                                     | (\$11.80)  |          | (\$863.9)          |           |
| Total Lease Expenditures                                            | (\$29.03)  |          | (\$2,124.8)        |           |
| <b>Production Tax Value (PTV)</b>                                   | \$34.37    | 73,200   | \$2,515.6          |           |
| <b>Production Tax</b>                                               |            |          | Min Tax Floor      | Net Tax   |
| Gross Value or Production Tax Value                                 |            |          | \$4,640.3          | \$2,515.6 |
| Gross Value Reduction (GVR)                                         |            |          | \$0.0              | (\$65.8)  |
| <b>GVPP or PTV after GVR</b>                                        |            |          | \$4,640.3          | \$2,449.7 |
| <b>Tax rate</b>                                                     |            |          | 4%                 | 35%       |
| <b>Tax before credits</b>                                           |            |          | \$185.6            | \$857.4   |
| <b>Higher of minimum tax floor or net tax</b>                       | \$11.71    | 73,200   | \$857.4            |           |
| GVR Per-taxable-barrel credits                                      | (\$5.00)   | 5,117    | (\$25.6)           |           |
| Non-GVR Per-taxable-barrel credits                                  | (\$8.00)   | 68,085   | (\$544.7)          |           |
| Other credits against liability                                     | (\$0.00)   |          | (\$0.3)            |           |
| <b>Total Tax after credits</b>                                      | \$3.92     | 73,200   | \$286.9            |           |
| Net New Lease Expenditures Earned and Carried Forward               |            |          | \$0.0              |           |

**Full value of per-taxable-barrel credits**

**\$287 million production tax**





## Example A2: Company with Forecast Spend, SB 114 (CS)

|                                                                     | Per Barrel     | Barrels       | Value (\$ million)   |                  |
|---------------------------------------------------------------------|----------------|---------------|----------------------|------------------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | <b>\$73.00</b> | <b>229.8</b>  | <b>\$16.8</b>        |                  |
| <b>Total Annual Production/Value</b>                                | <b>\$73.00</b> | <b>84,115</b> | <b>\$6,140.4</b>     |                  |
| Royalty, Federal, and Other Barrels                                 |                | (10,915)      | (\$796.8)            |                  |
| <b>Taxable Barrels</b>                                              | <b>\$73.00</b> | <b>73,200</b> | <b>\$5,343.6</b>     |                  |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)       |               | (\$703.3)            |                  |
| <b>Gross Value at Point of Production (GVPP)</b>                    | <b>\$63.39</b> | <b>73,200</b> | <b>\$4,640.3</b>     |                  |
| <b>North Slope Lease Expenditures</b>                               |                |               |                      |                  |
| Deductible Operating Expenditures                                   | (\$17.23)      |               | (\$1,260.9)          |                  |
| Deductible Capital Expenditures                                     | (\$11.80)      |               | (\$863.9)            |                  |
| Total Lease Expenditures                                            | (\$29.03)      |               | (\$2,124.8)          |                  |
| <b>Production Tax Value (PTV)</b>                                   | <b>\$34.37</b> | <b>73,200</b> | <b>\$2,515.6</b>     |                  |
| <b>Production Tax</b>                                               |                |               | <u>Min Tax Floor</u> | <u>Net Tax</u>   |
| Gross Value or Production Tax Value                                 |                |               | \$4,640.3            | \$2,515.6        |
| Gross Value Reduction (GVR)                                         |                |               | \$0.0                | (\$65.8)         |
| <b>GVPP or PTV after GVR</b>                                        |                |               | <b>\$4,640.3</b>     | <b>\$2,449.7</b> |
| <b>Tax rate</b>                                                     |                |               | 4%                   | 35%              |
| <b>Tax before credits</b>                                           |                |               | <b>\$185.6</b>       | <b>\$857.4</b>   |
| <b>Higher of minimum tax floor or net tax</b>                       | <b>\$11.71</b> | <b>73,200</b> | <b>\$857.4</b>       |                  |
| GVR Per-taxable-barrel credits                                      | (\$5.00)       | 5,117         | (\$25.6)             |                  |
| Non-GVR Per-taxable-barrel credits                                  | (\$5.00)       | 68,085        | (\$340.4)            |                  |
| Other credits against liability                                     | (\$0.00)       |               | (\$0.3)              |                  |
| <b>Total Tax after credits</b>                                      | <b>\$6.71</b>  | <b>73,200</b> | <b>\$491.1</b>       |                  |
| <i>Net New Lease Expenditures Earned and Carried Forward</i>        |                |               | \$0.0                |                  |

**Sliding Scale credit  
reduced from \$8 to  
\$5**

**Full value of per-  
taxable-barrel  
credits**

**\$204 million  
additional tax =  
71% tax increase**



# Example B1: Company with Lower Capital Spend, Status Quo

|                                                                     | Per Barrel | Barrels  | Value (\$ million)      |
|---------------------------------------------------------------------|------------|----------|-------------------------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | \$73.00    | 229.8    | \$16.8                  |
| <b>Total Annual Production/Value</b>                                | \$73.00    | 84,115   | \$6,140.4               |
| Royalty, Federal, and Other Barrels                                 |            | (10,915) | (\$796.8)               |
| <b>Taxable Barrels</b>                                              | \$73.00    | 73,200   | \$5,343.6               |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)   |          | (\$703.3)               |
| <b>Gross Value at Point of Production (GVPP)</b>                    | \$63.39    | 73,200   | \$4,640.3               |
| <b>North Slope Lease Expenditures</b>                               |            |          |                         |
| Deductible Operating Expenditures                                   | (\$17.23)  |          | (\$1,260.9)             |
| Deductible Capital Expenditures                                     | (\$2.95)   |          | (\$216.0)               |
| Total Lease Expenditures                                            | (\$20.18)  |          | (\$1,476.8)             |
| <b>Production Tax Value (PTV)</b>                                   | \$43.22    | 73,200   | \$3,163.5               |
| <b>Production Tax</b>                                               |            |          |                         |
| Gross Value or Production Tax Value                                 |            |          | Min Tax Floor \$4,640.3 |
| Gross Value Reduction (GVR)                                         |            |          | \$0.0                   |
| <b>GVPP or PTV after GVR</b>                                        |            |          | \$4,640.3               |
| Tax rate                                                            |            |          | 4%                      |
| <b>Tax before credits</b>                                           |            |          | \$185.6                 |
| <b>Higher of minimum tax floor or net tax</b>                       | \$14.81    | 73,200   | \$1,084.2               |
| GVR Per-taxable-barrel credits                                      | (\$5.00)   | 5,117    | (\$25.6)                |
| Non-GVR Per-taxable-barrel credits                                  | (\$8.00)   | 68,085   | (\$544.7)               |
| Other credits against liability                                     | (\$0.00)   |          | (\$0.3)                 |
| <b>Total Tax after credits</b>                                      | \$7.02     | 73,200   | \$513.6                 |
| <i>Net New Lease Expenditures Earned and Carried Forward</i>        |            |          | \$0.0                   |

CapEx ¼ of North Slope Average

Full value of per-taxable-barrel credits

\$514 million production tax



## Example B2: Company with Lower Capital Spend, SB 114 (CS)

|                                                                     | Per Barrel | Barrels  | Value (\$ million) |           |
|---------------------------------------------------------------------|------------|----------|--------------------|-----------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | \$73.00    | 229.8    | \$16.8             |           |
| <b>Total Annual Production/Value</b>                                | \$73.00    | 84,115   | \$6,140.4          |           |
| Royalty, Federal, and Other Barrels                                 |            | (10,915) | (\$796.8)          |           |
| <b>Taxable Barrels</b>                                              | \$73.00    | 73,200   | \$5,343.6          |           |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)   |          | (\$703.3)          |           |
| <b>Gross Value at Point of Production (GVPP)</b>                    | \$63.39    | 73,200   | \$4,640.3          |           |
| <b>North Slope Lease Expenditures</b>                               |            |          |                    |           |
| Deductible Operating Expenditures                                   | (\$17.23)  |          | (\$1,260.9)        |           |
| Deductible Capital Expenditures                                     | (\$2.95)   |          | (\$216.0)          |           |
| Total Lease Expenditures                                            | (\$20.18)  |          | (\$1,476.8)        |           |
| <b>Production Tax Value (PTV)</b>                                   | \$43.22    | 73,200   | \$3,163.5          |           |
| <b>Production Tax</b>                                               |            |          | Min Tax Floor      | Net Tax   |
| Gross Value or Production Tax Value                                 |            |          | \$4,640.3          | \$3,163.5 |
| Gross Value Reduction (GVR)                                         |            |          | \$0.0              | (\$65.8)  |
| <b>GVPP or PTV after GVR</b>                                        |            |          | \$4,640.3          | \$3,097.7 |
| Tax rate                                                            |            |          | 4%                 | 35%       |
| <b>Tax before credits</b>                                           |            |          | \$185.6            | \$1,084.2 |
| <b>Higher of minimum tax floor or net tax</b>                       | \$14.81    | 73,200   | \$1,084.2          |           |
| GVR Per-taxable-barrel credits                                      | \$0.00     | 5,117    | \$0.0              |           |
| Non-GVR Per-taxable-barrel credits                                  | (\$3.17)   | 68,085   | (\$216.0)          |           |
| Other credits against liability                                     | (\$0.00)   |          | (\$0.3)            |           |
| <b>Total Tax after credits</b>                                      | \$11.86    | 73,200   | \$867.9            |           |
| Net New Lease Expenditures Earned and Carried Forward               |            |          | \$0.0              |           |

Sliding Scale credit  
reduced from \$8 to  
\$5

Per-taxable-barrel  
credits limited by  
capital spending

\$354 million  
additional tax =  
69% tax increase



## Example C2: Lower Capital + \$100 million additional, Status Quo

|                                                                     | Per Barrel     | Barrels       | Value (\$ million)      |
|---------------------------------------------------------------------|----------------|---------------|-------------------------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | <b>\$73.00</b> | <b>229.8</b>  | <b>\$16.8</b>           |
| <b>Total Annual Production/Value</b>                                | <b>\$73.00</b> | <b>84,115</b> | <b>\$6,140.4</b>        |
| Royalty, Federal, and Other Barrels                                 |                | (10,915)      | (\$796.8)               |
| <b>Taxable Barrels</b>                                              | <b>\$73.00</b> | <b>73,200</b> | <b>\$5,343.6</b>        |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)       |               | (\$703.3)               |
| <b>Gross Value at Point of Production (GVPP)</b>                    | <b>\$63.39</b> | <b>73,200</b> | <b>\$4,640.3</b>        |
| <b>North Slope Lease Expenditures</b>                               |                |               |                         |
| Deductible Operating Expenditures                                   | (\$17.23)      |               | (\$1,260.9)             |
| Deductible Capital Expenditures                                     | (\$4.32)       |               | (\$316.0)               |
| Total Lease Expenditures                                            | (\$21.54)      |               | (\$1,576.8)             |
| <b>Production Tax Value (PTV)</b>                                   | <b>\$41.85</b> | <b>73,200</b> | <b>\$3,063.5</b>        |
| <b>Production Tax</b>                                               |                |               |                         |
| Gross Value or Production Tax Value                                 |                |               | Min Tax Floor \$4,640.3 |
| Gross Value Reduction (GVR)                                         |                |               | \$0.0                   |
| <b>GVPP or PTV after GVR</b>                                        |                |               | <b>\$4,640.3</b>        |
| Tax rate                                                            |                |               | 4%                      |
| <b>Tax before credits</b>                                           |                |               | <b>\$185.6</b>          |
| <b>Higher of minimum tax floor or net tax</b>                       | <b>\$14.33</b> | <b>73,200</b> | <b>\$1,049.2</b>        |
| GVR Per-taxable-barrel credits                                      | (\$5.00)       | 5,117         | (\$25.6)                |
| Non-GVR Per-taxable-barrel credits                                  | (\$8.00)       | 68,085        | (\$544.7)               |
| Other credits against liability                                     | (\$0.00)       |               | (\$0.3)                 |
| <b>Total Tax after credits</b>                                      | <b>\$6.54</b>  | <b>73,200</b> | <b>\$478.6</b>          |
| Net New Lease Expenditures Earned and Carried Forward               |                |               | \$0.0                   |

**\$100 million  
additional CapEx**

**Full value of per-  
taxable-barrel  
credits**

**\$35 million tax  
savings = 35%  
benefit of spend**



## Example C2: Lower Capital + \$100 million additional, SB 114 (CS)

|                                                                     | Per Barrel     | Barrels       | Value (\$ million)   |                  |
|---------------------------------------------------------------------|----------------|---------------|----------------------|------------------|
| <b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (ths bbls)</b> | <b>\$73.00</b> | <b>229.8</b>  | <b>\$16.8</b>        |                  |
| <b>Total Annual Production/Value</b>                                | <b>\$73.00</b> | <b>84,115</b> | <b>\$6,140.4</b>     |                  |
| Royalty, Federal, and Other Barrels                                 |                | (10,915)      | (\$796.8)            |                  |
| <b>Taxable Barrels</b>                                              | <b>\$73.00</b> | <b>73,200</b> | <b>\$5,343.6</b>     |                  |
| Downstream (Transportation) Costs (\$/bbl)                          | (\$9.61)       |               | (\$703.3)            |                  |
| <b>Gross Value at Point of Production (GVPP)</b>                    | <b>\$63.39</b> | <b>73,200</b> | <b>\$4,640.3</b>     |                  |
| <b>North Slope Lease Expenditures</b>                               |                |               |                      |                  |
| Deductible Operating Expenditures                                   | (\$17.23)      |               | (\$1,260.9)          |                  |
| Deductible Capital Expenditures                                     | (\$4.32)       |               | (\$316.0)            |                  |
| Total Lease Expenditures                                            | (\$21.54)      |               | (\$1,576.8)          |                  |
| <b>Production Tax Value (PTV)</b>                                   | <b>\$41.85</b> | <b>73,200</b> | <b>\$3,063.5</b>     |                  |
| <b>Production Tax</b>                                               |                |               | <u>Min Tax Floor</u> | <u>Net Tax</u>   |
| Gross Value or Production Tax Value                                 |                |               | \$4,640.3            | \$3,063.5        |
| Gross Value Reduction (GVR)                                         |                |               | \$0.0                | (\$65.8)         |
| <b>GVPP or PTV after GVR</b>                                        |                |               | <b>\$4,640.3</b>     | <b>\$2,997.7</b> |
| <b>Tax rate</b>                                                     |                |               | 4%                   | 35%              |
| <b>Tax before credits</b>                                           |                |               | <b>\$185.6</b>       | <b>\$1,049.2</b> |
| <b>Higher of minimum tax floor or net tax</b>                       | <b>\$14.33</b> | <b>73,200</b> | <b>\$1,049.2</b>     |                  |
| GVR Per-taxable-barrel credits                                      | \$0.00         | 5,117         | \$0.0                |                  |
| Non-GVR Per-taxable-barrel credits                                  | (\$4.64)       | 68,085        | (\$316.0)            |                  |
| Other credits against liability                                     | (\$0.00)       |               | (\$0.3)              |                  |
| <b>Total Tax after credits</b>                                      | <b>\$10.01</b> | <b>73,200</b> | <b>\$732.9</b>       |                  |
| <i>Net New Lease Expenditures Earned and Carried Forward</i>        |                |               | \$0.0                |                  |

**\$100 million  
additional CapEx**

**Increased value  
from per-taxable-  
barrel credits**

**\$135 million tax  
savings = 135%  
benefit of spend**

