HOUSE BILL NO. 441

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES GARA, Croft, Guttenberg, Kerttula

Introduced: 2/5/04
Referred: House Special Committee on Ways and Means, House Special Committee on Oil and Gas, Resources, Finance

A BILL

FOR AN ACT ENTITLED

"An Act amending the oil and gas properties production (severance) tax as it relates to oil to require payment of a tax of at least five percent of the gross value at the point of production after application of the economic limit factor and before any adjustments authorized by this Act, to provide for adjustments to the tax when the prevailing value of the oil either exceeds or falls below specified limits and to limit the effect of the adjustments, to exempt certain kinds of oil from application of the adjustments, to waive the payment of a portion of the tax on oil when its prevailing value falls below specified limits, and to defer the payment of a portion of the tax on oil when its prevailing value falls below specified limits; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** AS 43.55.011(a) is amended to read:

(a) There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation. The tax is equal to either the percentage-of-value amount calculated under (b) of this section or the cents-per-barrel amount calculated under (c) of this section, whichever is greater, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 **if the amount calculated under (b) or (c) of this section when multiplied by the economic limit factor for the lease or property is not less than five percent of the gross value at the point of production. However, if the amount calculated under (b) or (c) of this section, whichever is greater, when multiplied by the economic limit factor for the lease or property is less than five percent of the gross value at the point of production, then the tax is five percent of the gross value at the point of production**. If the amounts calculated under (b) and (c) of this section are equal, the amount calculated under (b) of this section shall be treated as if it were the greater for purposes of this section.

*** Sec. 2.** AS 43.55.011 is amended by adding new subsections to read:

(e) Subject to (f) - (h) of this section, the tax determined under (a) - (c) of this section shall be modified during a month in which the West Coast prevailing value for oil under AS 43.55.020(f) averages less than $16 per barrel or more than $20 per barrel. Under this subsection, in lieu of the amount determined under (a) of this section, the taxpayer shall calculate and apply an adjustment of the tax. The adjustment to be calculated and applied is an amount determined by multiplying the number determined under (b) or (c) of this section, as appropriate, by the West Coast prevailing value divided by

(1) 20 if the averaged reference price exceeds $20 per barrel;

(2) 16 if the averaged reference price is less than $16 per barrel.

(f) An adjustment that is calculated and applied under (e) of this section may not be applied to increase the effective tax rate to more than the greater of

(1) 25 percent of the gross value of the oil at the point of production if the tax is determined under (b) of this section; or

(2) the equivalent of 25 percent of the gross value of the oil at the point of production if the tax is determined under (c) of this section.

(g) During a month in which the West Coast prevailing value for oil determined under AS 43.55.020(f) on which tax is due under this chapter averages less than $10 per barrel,

(1) the payment of one-half of the tax due and payable under this chapter is waived; and

(2) payment of the remaining one-half of the tax due and payable under this chapter is deferred, subject to the following:

(A) the amount of tax payment of which is deferred under this paragraph is payable by the taxpayer

(i) during each month in which the West Coast prevailing value for oil on which tax is due under this chapter averages at least $16 per barrel; and

(ii) sequentially on a month-for-month basis in the order in which the tax payment was deferred based on payment of one month's deferred tax during each month that the West Coast prevailing value for oil on which tax is due under this chapter averages at least $16 per barrel; and

(B) amounts due and payable by reason of a payment deferral under this paragraph bear interest at the rate of a 10-year note of the United States treasury at the time of the deferral.

(h) On and after July 1, 2005, the commissioner shall

(1) annually revise the dollar prices described in (e) and (f) of this section to reflect inflation as defined by regulation adopted by the department; and

(2) promptly report the application of the revisions to all taxpayers subject to the tax levied and collected under this chapter.

(i) The provisions of (e) - (h) of this section do not apply to heavy oil; in this subsection, "heavy oil" means oil having a weighted average equal to or less than 20 degrees API gravity.

*** Sec. 3.** This Act takes effect July 1, 2004.