

**SENATE BILL NO. 321**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

**BY SENATORS FRENCH, Hoffman**

**Introduced: 2/11/04**

**Referred: Resources, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

12 (a) There is levied upon the producer of oil a tax for all oil produced from

1 each lease or property in the state, less any oil the ownership or right to which is  
 2 exempt from taxation. The tax is equal to either the percentage-of-value amount  
 3 calculated under (b) of this section or the cents-per-barrel amount calculated under (c)  
 4 of this section, whichever is greater, multiplied by the economic limit factor  
 5 determined for the oil production of the lease or property under AS 43.55.013 **if the**  
 6 **amount calculated under (b) or (c) of this section when multiplied by the**  
 7 **economic limit factor for the lease or property is not less than five percent of the**  
 8 **gross value at the point of production. However, if the amount calculated under**  
 9 **(b) or (c) of this section, whichever is greater, when multiplied by the economic**  
 10 **limit factor for the lease or property is less than five percent of the gross value at**  
 11 **the point of production, then the tax is five percent of the gross value at the point**  
 12 **of production.** If the amounts calculated under (b) and (c) of this section are equal,  
 13 the amount calculated under (b) of this section shall be treated as if it were the greater  
 14 for purposes of this section.

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

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

24 (1) 20 if the averaged reference price exceeds \$20 per barrel;

25 (2) 16 if the averaged reference price is less than \$16 per barrel.

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

28 (1) 25 percent of the gross value of the oil at the point of production if  
 29 the tax is determined under (b) of this section; or

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

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

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

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

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

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

13 (ii) sequentially on a month-for-month basis in the  
 14 order in which the tax payment was deferred based on payment of one  
 15 month's deferred tax during each month that the West Coast prevailing  
 16 value for oil on which tax is due under this chapter averages at least  
 17 \$16 per barrel; and

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

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

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

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

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

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