

**SENATE BILL NO. 239**

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

**BY SENATOR FRENCH**

**Introduced: 1/17/06**

**Referred: Resources, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act establishing minimum rates of tax under the oil and gas properties production**  
2 **(severance) tax for certain oil produced from North Slope reservoirs; and providing for**  
3 **an effective date."**

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

5 **\* Section 1.** AS 43.55.013 is amended by adding a new subsection to read:

6 (l) The provisions of this subsection apply to oil produced from a portion of a  
7 reservoir located north of 68 degrees North latitude. During each month in which the  
8 average West Coast prevailing value for that oil determined under AS 43.55.020(f) on  
9 which tax is due under this chapter is equal to or exceeds \$35 per barrel, the provisions  
10 of this section may not apply to reduce the tax rate to less than 10 percent of the gross  
11 value of that oil at the point of production, except that, if the provisions of this section  
12 without consideration of the effects of the application of this subsection would result  
13 in a tax rate of at least 10 percent but not more than 15 percent of the gross value of  
14 the oil at the point of production, the provisions of this section may not apply to

1 reduce the tax rate to less than 15 percent of the gross value of the oil at the point of  
2 production. For purposes of application and administration of this subsection,

3 (1) the provisions of this subsection do not apply to

4 (A) heavy oil; for purposes of this subparagraph, "heavy oil"  
5 means oil equal to or less than 20 degrees API gravity; and

6 (B) oil if the taxpayer, by clear and convincing evidence,  
7 demonstrates to the commissioner that payment of tax under this chapter  
8 without application of the economic limit factor authorized by this section  
9 would make the production of the oil uneconomic;

10 (2) on the first July 1 that follows the effective date of this subsection,  
11 and annually on each July 1 thereafter, the commissioner shall

12 (A) revise the dollar price set out in this subsection to reflect  
13 inflation during the intervening period as defined by regulation adopted by the  
14 department; the dollar price revision shall have effect on the computation of  
15 the tax due under this chapter retroactively to the index date for the revision as  
16 described in this subparagraph; and

17 (B) promptly report the application of the revision described in  
18 (A) of this paragraph to all taxpayers subject to the tax levied and collected  
19 under this chapter.

20 \* **Sec. 2.** This Act takes effect on the first day of the calendar month following this Act's  
21 becoming law under AS 01.10.070(f)(4).