

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: HB 3005  
 (H) Publish Date: 8/1/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title An Act Relating to an Additional Tax on Oil RDU Tax and Treasury  
 Component Tax  
 Sponsor House State Affairs Committee  
 Requester House State Affairs Committee Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	90.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous [OH office, etc]						
<b>TOTAL OPERATING</b>	<b>90.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<i>See analysis section -----</i>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	90.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>90.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: \_\_\_\_\_

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would add to the existing tax on oil production under AS 43.55.011 (a) - (c), another tax based on the price of oil. Specifically, the additional tax would be equal to 0.35% multiplied by the gross value at the point of production on the amount of difference between the U.S. Gulf Coast price of West Texas Intermediate (WTI) oil per barrel and \$50.

For this analysis, we assume that the per barrel price of WTI maintains its historical differential of \$2 per barrel to the price of Alaska North Slope crude oil. Using this assumption, an ANS per barrel price of \$60 would equal a WTI per barrel price of \$62; at \$60 ANS, the additional tax under this bill would equal 4.2% of the gross value at the point of production [(\$62-\$50)\*.0035].

This bill would not change the existing ELF-based production tax on oil and gas production.

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 Date/Time 7/25/06 5:00 PM

Approved by: Jerry Burnett  
 Agency Department of Revenue

Date 7/26/2006

**ANALYSIS CONTINUATION**

Costs associated with this bill include: (1) A one-time information technology/database change estimated to be \$50,000; and (2) A one-time expenditure of about \$40,000 for assistance with drafting regulations.

The bill would be effective April 1, 2006.

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices for oil only (for this analysis we have removed revenues generated from natural gas liquids). The figures reflect North Slope activity; the impact on Cook Inlet is expected to be modest. Both the status quo and the proposed tax changes assume the January 2005 ELF aggregation decision by the Department of Revenue for Prudhoe Bay continues.

The table shows the 2007-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Spring 2006 Revenue Sources Book because of volume adjustments from the oil spill, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

**ANALYSIS CONTINUATION**

The revenues provided in the table below do not reflect increased revenues in FY06 that would result from an effective date of 4/1/06. At an estimated 4-month average price of \$66, the bill would provide approximately \$220 million over the status quo system for FY2006.

All revenues in the table below are in millions of 2005 dollars

Fiscal Year	DOR Forecast	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$53.60	989	1,212	224
2008	\$46.90	759	784	25
2009	\$25.50	355	355	0
2010	\$25.50	315	315	0
2011	\$25.50	281	281	0
2012	\$25.50	271	271	0

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Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$40.00	708	708	0
2008	\$40.00	655	655	0
2009	\$40.00	631	631	0
2010	\$40.00	582	582	0
2011	\$40.00	544	544	0
2012	\$40.00	536	536	0

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Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$60.00	1,120	1,666	546
2008	\$60.00	1,032	1,568	536
2009	\$60.00	978	1,527	550
2010	\$60.00	901	1,440	539
2011	\$60.00	842	1,392	549
2012	\$60.00	831	1,386	555