

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 10
 Bill Version: SCS CSHB 2001(FIN)
 (S) Publish Date: 11/15/07

Identifier (file name): SCSCSHB2001(FIN)-DOR-REV-11-14-07 Dept. Affected: Revenue 04
 Title: An Act relating to the production tax on oil and gas.. RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Governor
 Requester: Senate Finance Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING								

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES (942,000	745,000	740,000	769,000	778,000	586,000
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note shows changes in revenues resulting from this legislation; operating and capital costs pertaining to the Department of Revenue for the implementation of this legislation are shown on a separate fiscal note.

This bill makes several economic changes to the state's current petroleum profits tax. The bill retains the current tax system's structure, which taxes the net value of petroleum resources. The bill raises the base tax rate to 25%; the progressivity surcharge is increased to 0.4% times the difference between the per barrel net revenue and \$30 (changing to 0.1% when the difference is \$90); the costs for transportation are set at the lower of actual or reasonable costs; the transition investment expenditure credit is eliminated, except to the extent that transition credits earned from April 1, 2006 to the bill's effective date can be carried forward to offset a future tax liability; and qualified capital credits are spread over two years. The effective date of the bill is July 1, 2007.

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 Approved by: Jerry Burnett
Department of Revenue

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 Date/Time 11/14/07 9:30 PM
 Date 11/14/2007

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ANALYSIS CONTINUATION

Other changes to the current tax system include the following: 50% of qualified capital credits may be used in the year earned and the balance used in the following year; excludes from qualified lease expenditures those expenses related to unscheduled production interruptions; excludes dismantlement, removal & restoration (DR&R) costs from allowable expenditures; requires taxpayers to provide cost projections to allow the state to better forecast state revenues and pursue changes in reported costs; authorizes public reporting of some cost data; and authorizes a short-term audit program.

Certain provisions related to lease expenditures are effective April 1, 2006.

See page 3 for projected revenue estimates.

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ANALYSIS CONTINUATION

**Estimated Production Tax Revenues, PPT and ACES,
at Various Prices (in \$millions nominal)**

Fall 2007 DOR Official Forecast Prices

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	SCSCS HB2001 (FIN)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	71.65	71.65	1,947	2,368	3,556	1,609	1,188
2009	64.55	66.30	1,430	1,985	2,372	942	387
2010	60.05	63.40	1,217	1,767	1,962	745	195
2011	59.70	64.75	1,250	1,766	1,990	740	224
2012	59.55	66.35	1,174	1,701	1,943	769	242
2013	58.90	67.45	1,151	1,685	1,929	778	244
2014	58.25	68.55	1,217	1,558	1,803	586	245

DOR Forecast nominal prices rounded to the nearest \$0.05

\$60 per barrel in REAL dollars

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	SCSCS HB2001 (FIN)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	60.00	60.00	1,073	1,452	2,221	1,148	769
2009	60.00	61.65	1,197	1,698	1,994	797	296
2010	60.00	63.35	1,247	1,802	2,003	756	201
2011	60.00	65.09	1,272	1,795	2,026	754	231
2012	60.00	66.88	1,204	1,737	1,988	784	251
2013	60.00	68.72	1,225	1,772	2,042	817	270
2014	60.00	70.61	1,334	1,696	1,983	649	287

\$80 per barrel in REAL dollars

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	SCSCS HB2001 (FIN)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	80.00	80.00	2,693	3,137	4,662	1,969	1,525
2009	80.00	82.20	2,640	3,294	4,187	1,547	893
2010	80.00	84.46	2,751	3,431	4,235	1,484	804
2011	80.00	86.78	2,782	3,431	4,277	1,495	846
2012	80.00	89.17	2,698	3,360	4,229	1,531	869
2013	80.00	91.62	2,783	3,451	4,376	1,593	925
2014	80.00	94.14	2,950	3,407	4,366	1,416	959