

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

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

Identifier (file name): HB2001SCSCS(FIN)-DNR-O&G-11-15-07 Dept. Affected: Natural Resources  
 Title Oil and Gas Tax Amendments RDU Resource Development  
 Component Oil and Gas Development  
 Sponsor Rules Committee  
 Requester Senate Finance Component Number 439

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

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

|                               | Appropriation<br>Required | Information                        |              |              |              |              |              |
|-------------------------------|---------------------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                               |                           | FY 2009                            | FY 2009      | FY 2010      | FY 2011      | FY 2012      | FY 2013      |
| <b>OPERATING EXPENDITURES</b> |                           |                                    |              |              |              |              |              |
| Personal Services             | 450.0                     |                                    | 450.0        | 450.0        | 450.0        | 450.0        | 450.0        |
| Travel                        |                           |                                    |              |              |              |              |              |
| Contractual                   | 10.4                      |                                    | 10.4         | 10.4         | 10.4         | 10.4         | 10.4         |
| Supplies                      | 4.0                       |                                    | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          |
| Equipment                     |                           |                                    |              |              |              |              |              |
| Land & Structures             |                           |                                    |              |              |              |              |              |
| Grants & Claims               |                           |                                    |              |              |              |              |              |
| Miscellaneous                 |                           |                                    |              |              |              |              |              |
| <b>TOTAL OPERATING</b>        | <b>464.4</b>              | <b>0.0</b>                         | <b>464.4</b> | <b>464.4</b> | <b>464.4</b> | <b>464.4</b> | <b>464.4</b> |
| <b>CAPITAL EXPENDITURES</b>   |                           |                                    |              |              |              |              |              |
| <b>CHANGE IN REVENUES ( )</b> |                           | <b>** INDETERMINATE POSITIVE**</b> |              |              |              |              |              |

**FUND SOURCE** (Thousands of Dollars)

|                            |              |            |              |              |              |              |              |
|----------------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts      |              |            |              |              |              |              |              |
| 1003 GF Match              |              |            |              |              |              |              |              |
| 1004 GF                    | 464.4        |            | 464.4        | 464.4        | 464.4        | 464.4        | 464.4        |
| 1005 GF/Program Receipts   |              |            |              |              |              |              |              |
| 1037 GF/Mental Health      |              |            |              |              |              |              |              |
| Other Interagency Receipts |              |            |              |              |              |              |              |
| <b>TOTAL</b>               | <b>464.4</b> | <b>0.0</b> | <b>464.4</b> | <b>464.4</b> | <b>464.4</b> | <b>464.4</b> | <b>464.4</b> |

Estimate of any current year (FY2008) cost: 172.4

**POSITIONS**

|           |   |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|---|
| Full-time | 2 | 0 | 2 | 2 | 2 | 2 | 2 |
| Part-time |   |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |   |

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

This bill would amend the oil and gas production tax under AS 43.55 to increase the base tax rate from 22.5% to 25% of net income with no retroactivity. The bill has a progressivity surcharge increasing at 0.4% per dollar between \$30 and \$90, and 0.1% above \$90, to a maximum possible surcharge of 50%. Some EICs are increased from 20% to 30%.

Administrative changes to the current tax system include changes in the administration of EICs under AS 43.55.025 relating to the kind of information that EIC applicants must provide to the state and time that this information may be kept confidential.

Prepared by: Kevin Banks, Acting Director Phone 269-8800  
 Division Oil and Gas Date/Time 11/15/2007  
 Approved by: Tom Irwin, Commissioner Date 11/15/2007  
Natural Resources

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**BILL NO. SCS CSHB 2001(FIN)**

**ANALYSIS CONTINUATION**

The bill would eliminate the transition investment expenditure credit for all but producers that did not have commercial production before April 2006. The bill also increases the net loss carry-forward credit to 25%, and defers the ability to take half of this credit and the qualified expenditure capital credit for a year.

**\*\*Indeterminate Positive:** The royalty revenue impact to the State of ACES is indeterminate positive. The improvements of EICs will bring favorable economics to exploration projects. Increasing the tax rate, and the reduction of TIE credits available to lessees, will alter project specific economics. Furthermore, the progressivity element that has an impact only when oil prices or margins are high, will also alter project specific economics.

**Personal Services:** This bill would create two new oil and gas revenue audit master positions in the Division of Oil and Gas. These two positions would be the senior level auditors and are expected to have extensive oil and gas auditing experience. They will be the division's most senior auditor positions and will have salaries that are consistent with market comparables and will be above the current salary levels allowed under the existing Oil and Gas Revenue Auditor pay classification system. The division shares the experience with the Department of Revenue in failing to successfully recruit auditors with the required industry experience. These two positions will direct and provide training to existing staff. Salary and benefits for these positions plus other salary adjustments within the audit staff will be \$450.0 per year. Any contractual, supplies, and equipment line items listed on page 1 support these two new positions.