

# FISCAL NOTE

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

Fiscal Note Number: 6  
 Bill Version: CSHB 2001(FIN)  
 (H) Publish Date: 11/11/07

Identifier (file name): CSHB2001(FIN)-DOR-TAX-11-10-07 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: House 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
<b>OPERATING EXPENDITURES</b>								
Personal Services	115.7		115.7	115.7	115.7	115.7	115.7	115.7
Travel								
Contractual	1,018.4		1,018.4	1,018.4	511.8	5.2	5.2	
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>1,134.1</b>		<b>1,134.1</b>	<b>1,134.1</b>	<b>627.5</b>	<b>120.9</b>	<b>120.9</b>	

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES (</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	1,134.1		1,134.1	1,134.1	1,134.1	1,134.1	1,134.1	1,134.1
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>1,134.1</b>		<b>1,134.1</b>	<b>1,134.1</b>	<b>1,134.1</b>	<b>1,134.1</b>	<b>1,134.1</b>	<b>1,134.1</b>

Estimate of any current year (FY2008) cost: 3,191.2

**POSITIONS**

Full-time	1	1	1	1	1	1	1
Part-time							
Temporary							

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

This bill makes economic and several administrative 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.

This fiscal note shows operating and capital expenses related to the change in reporting and administering the tax.

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Phone: 269-6628  
 Date/Time: 11/10/07 9:00 PM  
 Date: 11/10/2007

## FISCAL NOTE #6

STATE OF ALASKA  
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BILL NO. CSHB 2001(FIN)

### ANALYSIS CONTINUATION

Administrative changes to the current tax system include the following: 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; authorizes a short-term audit program; and designates an exempt class of oil and gas auditors.

**Personal Services:** The bill requires the Department of Administration to create a new class and pay system for Oil and Gas revenue auditors. Assuming that this can be done, we have no basis on which to estimate additional costs arising under this pay plan. In addition to the uncertain costs for auditors, the department expects that it will need one additional Programmer Analyst V position to maintain and manage the new oil and gas production tax database system at a cost of \$115,700 annually.

**Contractual:** Contractual expenditures include \$1,013,200 annually to contract for audit assistance. This estimate is based on 3 auditors, working 40 hours per week each, for 4 years starting in January 2008 at an average rate of \$100 per hour, plus estimated transportation and lodging costs, and additional costs for training auditors. The need for such assistance is based upon the department's substantial difficulty in recruiting enough auditors to administer the oil and gas production tax. The department only anticipates the need for contract audit assistance for 4 years while the department recruits and trains auditors for positions that are currently vacant. The contract auditors would work in conjunction with department auditors during this time to maximize department resources and help train department auditors. The department will also need an additional \$5,200 each year in contractual costs associated with the new Analyst Programmer V position.

**Current FY2008 costs:** The department expects it will incur costs beginning January 2008 to immediately implement the new production tax structure. Those costs include: **Contractual** - \$2,620,800 capital funding to fund the scoping and development of an oil and gas production tax database system (including associated hardware) and \$506,600 to contract for audit assistance (as described above). The new database system will permit accurate and efficient management of information submitted by taxpayers to facilitate auditing and forecasting of revenues, and timely and accurate reports for internal and public uses. The proposed system will accommodate the migration of ELF-based data and continue to collect supplemental data from producers on volumes, wells and production. The system will include income-based data, including tracking credits, required under PPT and upon which the ACES tax structure is based. The system will also integrate into the division's accounting systems. **Personal Services** - \$218,000 from the period January 1, 2008 through June 30, 2008 due to creating an exempt class of oil and gas revenue auditors and increasing pay to more closely reflect what the market in Alaska pays for roughly similar positions. In addition, we will recruit for the Analyst Programmer V and bring that person on board to participate in the database scoping meetings. We estimate FY 2008 costs for this position to be approximately \$57,800. **Supplies** - \$6,000 for a computer and software for the new analyst programmer V position.

Revenue changes will be shown in another fiscal note.