

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 7
 Bill Version: CSHB 2001(FIN)
 (H) Publish Date: 11/11/07

Identifier (file name): CSHB2001(FIN)-DOR-REV-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.

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

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES (374,095	306,613	301,905	485,862	493,481	279,539
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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 makes the following changes to the current system: it calculates the progressivity surcharge as the difference between the per barrel net revenue and \$30 at 0.4%; It eliminates the recognition of investments made during the period April 1, 2001 to April 1, 2003 for purposes of the transition investment expenditure credits (AS 43.55.023(i)); and EIC credits are increased from 20% to 30%.

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 Date/Time: 11/10/07 9:30 PM
 Date: 11/10/2007

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BILL NO. CSHB 2001(FIN)

ANALYSIS CONTINUATION

Other changes to the current tax system include the following: 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 lease expenditure allowance provisions are retroactive to April 1, 2006; the other provisions of the tax proposal become effective January 1, 2008.

See page 3 for projected revenue estimates.

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	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	71.65	71.65	1,947	2,368	2,210	263	-158
2009	64.55	66.30	1,430	1,985	1,804	374	-180
2010	60.05	63.40	1,217	1,767	1,523	307	-243
2011	59.70	64.75	1,250	1,766	1,552	302	-214
2012	59.55	66.35	1,174	1,701	1,660	486	-41
2013	58.90	67.45	1,151	1,685	1,645	493	-40
2014	58.25	68.55	1,217	1,558	1,497	280	-62

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	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	60.00	60.00	1,073	1,452	1,213	139	-239
2009	60.00	61.65	1,197	1,698	1,476	280	-222
2010	60.00	63.35	1,247	1,802	1,561	313	-241
2011	60.00	65.09	1,272	1,795	1,583	311	-212
2012	60.00	66.88	1,204	1,737	1,703	499	-35
2013	60.00	68.72	1,225	1,772	1,750	526	-22
2014	60.00	70.61	1,334	1,696	1,662	328	-34

\$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	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	80.00	80.00	2,693	3,137	3,140	447	2
2009	80.00	82.20	2,640	3,294	3,475	835	181
2010	80.00	84.46	2,751	3,431	3,642	891	212
2011	80.00	86.78	2,782	3,431	3,681	899	250
2012	80.00	89.17	2,698	3,360	3,808	1,110	448
2013	80.00	91.62	2,783	3,451	3,945	1,162	493
2014	80.00	94.14	2,950	3,407	3,903	953	496