Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	SB 61
Fiscal Note Number:	2
(S) Publish Date:	1/29/2021

Identifier: 0706-DOR-TAX-01-15-2021
Title: OIL/GAS LEASE:DNR MODIFY NET PROFIT SHARE
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2022**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	*******	**0.0**	*******	*******	*******	*******	*******

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2022) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Date: 01/15/2021 04:30 PM
Approved By: Brian Fechter, Administrative Services Director
Date: 01/15/2021
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

Analysis

The proposed legislation allows the Commissioner of the Department of Natural Resources (DNR) to adjust the Net Profit Share rate through royalty modification. This will incentivize additional resource development which may otherwise be expected to be uneconomic, potentially generating revenues to the State in the form of royalties, taxes, or net profit share payments that would not otherwise occur.

This legislation is limited to existing leases that are Net Profit Share Leases (NPSLs). Any changes from this legislation are assumed to only impact NPSL payments on a going forward basis only, not retroactive.

The proposed legislation does not change any programs within the Department of Revenue.

Revenue Impact
The revenue impacts of this legislation cannot be determined. It is unknown at this time which fields, if any, would apply for net profit share rate reduction, making it difficult to forecast the revenue impact of this legislation.

The revenue impacts to the Tax Division is as follows for an existing Net Profit Share Lease:

- Net profits taxpayer: A positive impact, in that if any fields are able to get a reduced net profit share rate, there would be an increase to the amount of production tax paid.
- Minimum taxpayer: No impact if they are a minimum (i.e. gross) taxpayer unless they have any carryforward lease expenditures. If they do have carryforward lease expenditures, then there is a positive impact the same as a net profits taxpayer.

Also, if the proposed legislation incentivizes more production, then there will be incremental revenue to State from oil and gas production taxes.

Implementation Cost
The proposed legislation does not require the Department of Revenue to update its Tax Revenue Management System (TRMS). Besides having no implementation costs, this legislation would not cause any administrative burden on the Tax Division.