

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

April 2, 2025

3:30 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Matt Claman  
Senator Forrest Dunbar  
Senator Scott Kawasaki  
Senator Shelley Hughes  
Senator Robert Myers

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Kelly Merrick  
Representative Julie Coulombe

**COMMITTEE CALENDAR**

SENATE BILL NO. 92

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

- MOVED CSSB 92 (RES) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 92

SHORT TITLE: CORP. INCOME TAX; OIL & GAS ENTITIES

SPONSOR(S): RESOURCES

02/10/25	(S)	READ THE FIRST TIME - REFERRALS
02/10/25	(S)	RES, FIN
02/19/25	(S)	RES AT 3:30 PM BUTROVICH 205
02/19/25	(S)	Heard & Held
02/19/25	(S)	MINUTE (RES)
03/03/25	(S)	RES AT 3:30 PM BUTROVICH 205
03/03/25	(S)	Heard & Held

03/03/25	(S)	MINUTE (RES)	
03/14/25	(S)	PRIME SPONSOR CHANGED	- SENATE
		RESOURCES COMMITTEE REPLACED	SENATOR
		YUNDT	
03/14/25	(S)	RES AT 3:30 PM BUTROVICH	205
03/14/25	(S)	Heard & Held	
03/14/25	(S)	MINUTE (RES)	
03/28/25	(S)	RES AT 3:30 PM BUTROVICH	205
03/28/25	(S)	Heard & Held	
03/28/25	(S)	MINUTE (RES)	
04/02/25	(S)	RES AT 3:30 PM BUTROVICH	205

**WITNESS REGISTER**

INTIMAYO HARBISON, Staff  
 Senator Cathy Giessel  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Introduced supporting documents for SB 92.

LUKE SAUGIER, Senior Vice President  
 Hilcorp Energy Company  
 Houston, Texas

**POSITION STATEMENT:** Gave the presentation, SB 92 by Hilcorp Alaska.

DAN STICKEL, Chief Economist  
 Tax Division  
 Department of Revenue (DOR)  
 Juneau, Alaska

**POSITION STATEMENT:** Gave the presentation, CS SB92(RES)\L Corporate Income Tax for Certain Oil and Gas Entities.

INTIMAYO HARBISON, Staff  
 Senator Cathy Giessel  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Introduced Amendment 4 for SB 92.

SONJA KAWASAKI, Legal Council  
 Senate Majority Caucus  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Explained Amendment 4 for SB 92.

**ACTION NARRATIVE**

[3:30:27 PM](#)

CHAIR GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Dunbar, Myers, Hughes, Wielechowski, Claman and Chair Giessel.

**SB 92-CORP. INCOME TAX; OIL & GAS ENTITIES**

[3:30:57 PM](#)

CHAIR GIESSEL announced the consideration of SENATE BILL NO. 92 "An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

[3:31:44 PM](#)

INTIMAYO HARBISON, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, highlighted supporting documents for SB 92. He noted documents from Legislative Research related to the total number of states that currently tax S-Corporations. In addition, there is a document from Legislative Research highlighting tax liabilities (focusing specifically on Texas, Florida, and Nevada). Emails from the Department of Revenue are also included. He also noted several documents from John Letourneau.

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CHAIR GIESSEL noted that the documents from Mr. Letourneau would not be discussed.

[3:34:37 PM](#)

LUKE SAUGIER, Senior Vice President, Hilcorp Energy Company, Houston, Texas, said he would provide an update on Hilcorp's business operations and how various measures could impact industry stability. He expressed excitement regarding a recent liquified natural gas (LNG) pipeline project agreement. He indicated that Hilcorp would continue to work to meet near-term demand in Cook Inlet. He noted a recent agreement between Hilcorp and Furie Operating Alaska for work to be done in summer 2025.

[3:36:35 PM](#)

MR. SAUGIER advanced to slide 2, a map showing Cook Inlet and the North Slope, and provided an overview of Hilcorp Alaska:

[Original punctuation provided.]

**Hilcorp Alaska Overview**

## **Highlights**

### Overview:

- Employee Count: ~1,700
- Contractor Count: ~2,500
- Gross Oil Production: 350 kboe/d
- Net Oil Production: 159 kboe/d
- More than 700 partnerships with local business, generating over \$750 million in annual spend with Alaska vendors

### **Hilcorp Alaska Key Events:**

2012

- Hilcorp enters Alaska with the purchase of Chevron's Cook Inlet assets

2014

- An acquisition from BP expands our operations to include the North Slope

2020

- Hilcorp buys BP's remaining assets in the state, becoming Alaska's largest operator

2024

- Hilcorp's footprint on the Slope expands as Eni and Chevron exit the state
- Hilcorp purchases the Spartan 151 jack-up rig to prevent it from leaving Alaska

### **Cook Inlet**

Production (kboe/d) 25

Percent Gas 56 percent

Well Count 323

### **North Slope**

Production (kboe/d) 134

Percent Oil 100 percent

Well Count 1,728

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MR. SAUGIER advanced to slide 3, a graph showing 2014-2025 legacy production and Hilcorp redevelopment at Milne Point. He stated that Hilcorp has invested over \$1 billion at Milne Point. Hilcorp has invested over \$750 million in Milne Point for 2024-2025. Hilcorp has drilled more than 161 new wells, 430 miles of lateral footage, and produced more than 110 million barrels of oil over the 10 years of ownership. Production has grown significantly during that time. Currently, production is over

51,000 barrels per day. He said this number is expected to surpass 60,000 barrels per day within the next 3-4 years. He said that production growth at Milne requires significant capital investment and briefly discussed those plans.

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MR. SAUGIER advanced to slide 4, containing a graph titled "Milne Point Production," showing legacy development and Hilcorp development from 2005-2025, and discussed Milne Point development highlights:

[Original punctuation provided.]

### **Milne Point Case Study**

Finding New Opportunities and Growing Production

#### **Development Highlights**

- Grew production by 250 percent since acquisition in 2014
  - 127 wells drilled (14 with coiled tubing)
  - 58,000 bbls of polymer solution injected daily
  - 60 percent more produced fluid processed daily vs pre-acquisition
  - 21 ESP to jet pump conversions
  - Two new pads constructed
  - Increased field production by more than 30,000 BOPD since acquisition, more than doubling production
  - Tripled proved reserves since acquisition while replacing runoff
  - Invested \$1.5 billion in development capital

#### **Impact of Milne Growth**

Hilcorp's Milne Point Development has provided an incremental \$500mm in revenue to the State

- \$290 million Property Tax
- \$130 million Royalties
- \$80 million Production Tax

MR. SAUGIER briefly discussed how Alaskans viewed Hilcorp when the company first began work in the state. He said Hilcorp's largest Alaskan investment to date was its acquisition of BP's remaining Alaska assets. This included the 27 percent stake in

Prudhoe Bay. He briefly discussed Prudhoe Bay's role in the Alaskan oil industry and emphasized the importance of this acquisition. He noted that Hilcorp is operating on behalf of other interests and therefore receives a percentage (roughly 23 percent per barrel) of profits.

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MR. SAUGIER advanced to slide 5, containing a graph illustrating Prudhoe Bay trends under Hilcorp and the previous operator from 2016-2021, and discussed Hilcorp's operating efficiency:

[Original punctuation provided.]

### **Operating Efficiency**

Hilcorp's Core Values Drive Success

#### **Keys to Success**

- Ownership & Alignment
- Investing in equipment upgrades
- Empowering employees to make decisions

#### **Urgency**

- Field and office alignment results in innovative wins
- Improving operating efficiency requires hundreds of small wins

#### **Integrity & Innovation**

- Investing in new wells
- Reduce emissions
- Operate safely and responsibly

MR. SAUGIER directed attention to the graph on slide 5 and discussed how BP's reduction in investments led to declining production rates in Prudhoe Bay. He briefly discussed the impact of outside forces discouraging investment in Alaska and offered examples.

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MR. SAUGIER stated that Hilcorp is subject to market pressures and estimated that Hilcorp lost two-thirds of the banks in its credit group because of the company's assets in Alaska. He emphasized that bank credit is important to Hilcorp, which is a private company and therefore does not have access to public capital markets. He said Hilcorp has consistently sought to change the anti-Alaska development narrative. He noted

historical concerns related to loss of state revenue due to Hilcorp's exclusion from the corporate net income tax. He quoted a KTUU article titled, "BP Pull Out Could Effect State Revenue" to illustrate -- how the loss of BP's corporate net income tax would impact the state. The article suggested that increased oil production could bridge the gap and cover the loss in revenue. The article also quoted Kara Moriarty of the Alaska Oil and Gas Association, who suggested that private oil companies may have been exempted from the tax to entice new investment. Ms. Moriarty was also quoted as stating that the State of Alaska should focus on increasing production, as the bulk of Alaska's oil revenue comes from production taxes and royalties - and not corporate income taxes. He agreed that Alaska was seeking new investors and stated that Hilcorp answered that call. He indicated that Hilcorp answered the call when the investment was risky. He stated that Hilcorp has invested billions of dollars and production has increased. He asserted that, although Hilcorp has not been subject to the corporate net income tax, the State of Alaska has experienced higher oil revenues under Hilcorp than under BP.

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MR. SAUGIER reiterated that the State of Alaska has benefitted from significantly higher oil revenues due to increased oil production under Hilcorp. He noted that Hilcorp has worked with Conoco Phillips and Exxon to increase investments in Prudhoe Bay and offered examples. Production is no longer declining in Prudhoe Bay. He emphasized that this is a reversal from the prior two decades of decline. He briefly discussed the benefits of increased production for Alaskans and the State of Alaska. He said that Hilcorp's 2025 Alaska budget is larger than previous years. Additionally, Alaska makes up a significant portion of Hilcorp's overall company at nearly 70 percent.

[3:49:38 PM](#)

MR. SAUGIER advanced to slide 6, containing a graph illustrating 2010-2028 production (2025 forecast, 2019 forecast, and actual). He stated that the State of Alaska has reported significant increases in production as a result of Hilcorp's work on the North Slope (at Prudhoe Bay and Milne Point). He explained Hilcorp's work in Prudhoe Bay. This has included billions of dollars in spending focused on drilling new wells, fixing existing wells, adding facilities to grow production, etc. Hilcorp is currently operating seven oil rigs on the North Slope (plus three in the Cook Inlet). Hilcorp plans to drill a well at Point Thompson in 2026. He stated that these major capital investments play a critical role in Alaskan employment and in

generating revenues for North Slope communities and for the State of Alaska.

MR. SAUGIER directed attention to the graph on slide 6, noting that the data is from the Department of Revenue forecast. He pointed to the black line on the graph and noted that in the fall of 2019, production in Prudhoe Bay had been in decline for ten years. This decline was expected to continue. He directed attention to the solid and dashed green lines on the graph, which indicate Hilcorp's production levels. He pointed out that the forecast for Hilcorp is a drastic difference from that of the prior operator. He emphasized that the resulting "wedge" is the result of Hilcorp's investment in the assets. From 2019-2029 the wedge is worth nearly one quarter of a billion barrels of additional production. He noted that each year, the wedge gets larger and offered examples to illustrate the difference between the forecasted amount and what is delivered. In 2025, the difference between the expectation (under the previous operator) and what Hilcorp is delivering is roughly 30 million barrels of additional oil production for the State of Alaska. He opined that this makes a clear statement about Hilcorp's firm commitment to Alaska's energy future. He expressed pride in the work Hilcorp has done to revitalize Cook Inlet and increase production on the North Slope. He stated that certainty and stability are essential for any oil company for making long-term investments. This ultimately generates increased production revenues and royalties for the state.

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MR. SAUGIER said that SB 92 undermines stability. He reiterated and emphasized that stability on the North Slope has enabled Hilcorp to produce millions of barrels of additional oil. He asserted that SB 92 does not recognize the unique structure and operations of independent gas producers. He noted the current potential for future growth and suggested that this is not the time to target independent companies with new taxes that would hinder progress and investment. He stated that SB 92 overlooks the significant investments made by private oil and gas companies that increase production on the North Slope and in Cook Inlet - and which has likewise resulted in increased revenues (royalties and production taxes) for the State of Alaska. He asserted that SB 92 would threaten Alaska's oil and gas industry by substantially raising the oil and gas taxes.

MR. SAUGIER stated that SB 92 targets Hilcorp and other independently owned gas companies and tilts the field against them. He pointed out that Alaska has worked for years to

incentivize these companies to come into the state. He opined that focusing solely on how much money can be made from the industry is the wrong approach and would have a negative impact on investments and growth. He stated that this would send a chilling message to future investors. He said that Hilcorp has sought industry and/or financial partners for exploration opportunities in Alaska and has often heard concerns regarding tax policy stability in the state. He stated that a reputation for instability is not a good thing. He said that if SB 92 were to pass, Hilcorp would be forced to scale back its work Alaska. He noted that SB 92 would impact overall investment in Prudhoe Bay. He noted that this would also negatively impact Conoco Phillips and Exxon.

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MR. SAUGIER concluded that SB 92 and similar legislation has not been modeled and analyzed by independent experts. He directed attention to the Department of Revenue fiscal note, which indicates a high level of uncertainty due to a lack of information. In addition, the fiscal note states that significant regulatory changes are required to implement the changes made by SB 92. He stated that SB 92 does not acknowledge that it is now more difficult to finance and approve fossil fuel projects, which disincentivizes companies from investing in Alaska and creates a cooling effect on new development. He stated that SB 92 does not account for the complex nature of oil and gas accounting and offered examples. He indicated that applying a blanket tax structure over independent oil and gas companies is problematic.

[3:58:11 PM](#)

MR. SAUGIER said Hilcorp is structured as a Limited Liability Company (LLC) and briefly explained the reasons for this. He emphasized that Hilcorp is an American-owned independent business that does not have access to the same resources as a large, multi-national public corporation. He reiterated that Hilcorp is smaller and nimbler and thus has fewer resources. He noted that Hilcorp is structured the same in all jurisdictions and has been structured this way for the duration of its time in Alaska. He noted several benefits to Hilcorp's smaller size and private ownership, including an efficient management structure and less susceptibility to pressure from those targeting Alaska. He opined that Hilcorp aligns well with Alaska's long-term interests. He pointed out that Hilcorp is known as a late-life investor that can produce oil and gas from aging fields well after other companies have moved on. He noted several benefits of Hilcorp's efficient management structure and offered

examples. He stated that Hilcorp is working hard to sustain development in Cook Inlet and SB 92 targets Cook Inlet natural gas producers. He asserted that SB 92 targets Cook Inlet producers at a time when additional investment is needed to bring natural gas to market. He stated that small, nimble LLCs are the future of Cook Inlet and North Slope investment; however, SB 92 would drive that much needed investment elsewhere.

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MR. SAUGIER noted discussion that SB 92 would level the playing field. He disagreed and reiterated that SB 92 would tilt the playing field against the companies that the State of Alaska worked for decades to incentivize to come to Alaska. He noted that many Alaskan companies are structured as LLCs and S-Corps. He argued that to single Hilcorp out from the 55 thousand LLCs and S-Corps in Alaska is deeply unfair. He stated that the previous three Alaskan governors were aware of Hilcorp's structure when approving the company's transactions. However, Hilcorp is being unfairly targeted after investing billions of dollars and dramatically increasing production on the North Slope and in Cook Inlet.

MR. SAUGIER directed attention to SB 112, which would change the sliding scale credit and would have an immediate and substantial negative impact on Hilcorp and its partners on the North Slope. He stated that both SB 112 and SB 92 would impact planned investment levels, including upcoming capital investments. This would impact future royalties and production taxes. He stated that Alaska is a critical pillar to the Hilcorp strategy; Hilcorp is dedicated to investing the necessary capital to deliver increased production, new jobs, and a long future in the state. However, it is difficult to commit to long-term investment when the fiscal regime is subject to continued uncertainty. He commented that rule changes make continued work difficult - despite having invested billions of dollars. He said Hilcorp can only respond to those changes; unfortunately, this would mean shifting capital outside of Alaska. He emphasized that Hilcorp is excited about its future in Alaska, is proud of its accomplishments in the state, and is looking forward being a part of the Alaskan economy and community well into the future.

[4:02:54 PM](#)

SENATOR DUNBAR directed attention to the appendix on page 10, which shows a \$600 million North Slope production tax as a five-year impact of the Hilcorp wedge. He asked if the production tax is based solely on the wedge or if it is the total production

tax Hilcorp pays. He asked how much Hilcorp pays annually in state and local taxes, royalties aside.

[4:03:41 PM](#)

MR. SAUGIER said the \$600 million is only on the wedge. He said that this amount is the value provided to the State of Alaska for having Hilcorp as the steward of the North Slope assets. He said that at \$70/barrel, it is worth roughly \$7 billion to the State of Alaska over a ten-year period. He noted that this is based on price assumptions; however, he emphasized that the wedge brings great value to the state. With respect to the total amount of state and local taxes Hilcorp pays, he said that, on average, Hilcorp contributes over \$1 billion each year to overall State of Alaska revenues.

[4:04:54 PM](#)

SENATOR DUNBAR noted that the documents on Hilcorp's assets in Louisiana and Texas indicate the total amount of state and local taxes Hilcorp pays in those locations. The document for Alaska speaks to overall economic impact. He pointed out that in Alaska, the State of Alaska is the royalty owner, while in other states the royalties are held by private landowners. He repeated his question regarding how much Hilcorp pays annually in state and local taxes, royalties aside.

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MR. SAUGIER said he is unfamiliar with the documents regarding Louisiana and Texas. He said he does not know how much Hilcorp pays in state and local taxes.

[4:05:51 PM](#)

CHAIR GIESSEL clarified that the pages in question were taken from the Hilcorp website. She directed attention to an additional chart from the Hilcorp website, with a yellow header, which identifies the six areas where Hilcorp operates, including state and local taxes paid in each state.

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SENATOR DUNBAR said that it would be helpful to know how much Hilcorp pays in state and local taxes (e.g. property taxes and production taxes) less royalties, as this would provide additional context for determining policy impact.

[4:07:37 PM](#)

SENATOR WIELECHOWSKI directed attention to slide 10, which shows an additional \$600 million in production taxes and 167 million barrels. He estimated that this is \$3.59/barrel in production

taxes. He asked how much per barrel profit Hilcorp made in that timeframe.

[4:08:06 PM](#)

MR. SAUGIER said Hilcorp is a private company and does not disclose profits.

[4:08:21 PM](#)

SENATOR WIELECHOWSKI said that it is challenging to model the impacts of SB 92. He noted earlier testimony that SB 92 would force Hilcorp to scale down in Alaska. He said that the State of Alaska has an obligation to ensure it receives a maximum value for its resource. He indicated that it is reasonable to request this information. He asked whether Hilcorp has modeled how much the additional taxes imposed by SB 92 would cost.

[4:09:16 PM](#)

MR. SAUGIER clarified that profit information is provided to DOR and DNR and that information is confidential. He said modeling the impacts of SB 92 has been challenging due to the complexity of the federal tax code.

[4:10:21 PM](#)

SENATOR WIELECHOWSKI asked for clarification that Hilcorp does not know how much the additional taxes would be.

[4:10:34 PM](#)

MR. SAUGIER replied no. He said Hilcorp has not successfully modeled the specific impacts of SB 92; however, he expressed confidence that it would have a chilling effect.

[4:11:03 PM](#)

SENATOR WIELECHOWSKI pointed out the federal laws governing oil production, which require active production for leases with a 15 percent minimum rate of return. He asked what the rate of return is at Milne Point.

[4:11:55 PM](#)

MR. SAUGIER said he would not disclose that information outside of the appropriate oversight and governmental agencies.

[4:12:10 PM](#)

SENATOR WIELECHOWSKI asked whether the rate of return is higher or lower than 20 percent at Prudhoe Bay, Milne Point, and Cook Inlet.

[4:12:21 PM](#)

MR. SAUGIER replied that he would not disclose that information in an open committee hearing.

[4:12:28 PM](#)

SENATOR WIELECHOWSKI asked whether SB 92 would cause Hilcorp's internal rate of return to drop below 20 percent at Prudhoe Bay, Milne Point, or Cook Inlet.

[4:12:41 PM](#)

MR. SAUGIER replied that he could not answer because it is challenging to accurately model the impacts of SB 92. However, he stated that if this information was available, he would not disclose it in an open hearing.

[4:13:06 PM](#)

SENATOR WIELECHOWSKI asked if there was any indication that the internal rate of return would come close to 20 percent or remain well above 20 percent. He asked for a rough estimate.

[4:13:24 PM](#)

MR. SAUGIER replied that he would not discuss that information in an open committee hearing.

[4:13:32 PM](#)

SENATOR WIELECHOWSKI expressed difficulty understanding the testimony that SB 92 would force Hilcorp to scale back in Alaska, considering that Hilcorp does not know how much the additional taxes would be and cannot confirm whether SB 92 would cause the rate of return to drop below 20 percent. He indicated that this puts policymakers in a difficult position.

[4:14:03 PM](#)

CHAIR GIESSEL noted the arrival of Senators Merrick and Coulombe.

[4:14:17 PM](#)

SENATOR HUGHES directed attention to documents provided by Hilcorp and compared the San Juan Basin to Alaska. She surmised that it is less expensive for Hilcorp to operate in the San Juan Basin. She noted a variety of differences between these locations and emphasized the high cost of doing business in Alaska. She noted that Hilcorp has listed state and local tax paid in San Juan to just over \$191 million. She recalled that the government would receive \$1 billion in production taxes, property taxes, and royalties. She said that a 50 percent decrease would result in higher state and local taxes for a similar production amount. She opined that this is reasonable.

She referred to a CPA document and briefly discussed this. She shared her understanding that Hilcorp would not receive the 20 percent s-corporation deduction referred to in that document. She shared her understanding that Hilcorp would pay roughly \$80 million more than a c-corporation as a result. She stated that SB 92 would put Hilcorp at a disadvantage. She surmised that the original intention was to create a balanced playing field. She asked for further information regarding Hilcorp's expenses in other locations. She also asked about federal tax implications, noting that the CPA documents indicate that Hilcorp would pay significantly more.

[4:17:09 PM](#)

CHAIR GIESSEL interjected, saying the data quoted by Senator Hughes was inaccurate, and reminded her that the committee was not discussing the CPA documents at this hearing.

[4:17:21 PM](#)

MR. SAUGIER said that he could not speak to the complexities of the federal tax code. He offered context for the cost of operating in Alaska compared to other areas. He stated that operating an oil rig to fix a well in the San Juan Basin is roughly one tenth of the cost for the same operation on the North Slope. He suggested that it is reasonable to say it is ten times as costly to operate in Alaska. He offered an example to illustrate the challenges of operating on the North Slope.

[4:19:27 PM](#)

SENATOR MYERS asked for additional details regarding the status of Prudhoe Bay infrastructure when Hilcorp took over in 2020.

[4:19:45 PM](#)

MR. SAUGIER said that when Hilcorp took over in 2020, the infrastructure and facilities had not been well-maintained. He stated that the previous operator did not perform regular maintenance (or drill new wells) in order to maximize profit. He stated that this is supported by the data from that timeframe. He said that this was intentional, as BP considered Prudhoe Bay to have a short life. He emphasized that Hilcorp takes a different approach, managing Prudhoe Bay with the next 50 years in mind.

[4:21:05 PM](#)

SENATOR MYERS asked if it is fair to say that part of the production tax and corporate income tax paid by the previous operator was due to BP deferring maintenance.

[4:21:26 PM](#)

MR. SAUGIER opined that this is a fair assumption.

[4:21:37 PM](#)

SENATOR WIELECHOWSKI asked if the issue of corporate income taxes came up during Hilcorp's acquisition of assets and, if so, what Hilcorp's stance was at that time.

[4:21:55 PM](#)

MR. SAUGIER said that he is not aware of any specific discussion related to corporate income tax. He stated that Hilcorp has always operated with the same structure in all its locations.

[4:22:28 PM](#)

SENATOR WIELECHOWSKI asked whether Dave Wilkins is still at Hilcorp.

[4:22:38 PM](#)

MR. SAUGIER said Mr. Wilkins was with Hilcorp at that time but has since retired.

[4:22:43 PM](#)

SENATOR WIELECHOWSKI offered a quote from a 2020 Joint Resources Committee hearing during which Mr. Wilkins stated that Hilcorp does not have an opinion on corporate income tax and would pay a corporate income tax if implemented by the Legislature. He asked if Mr. Saugier recalled that testimony.

[4:23:16 PM](#)

MR. SAUGIER replied no. He explained that he was focused on assets in other states at that time.

[4:24:02 PM](#)

DAN STICKEL, Chief Economist, Tax Division, Department of Revenue (DOR), Juneau, Alaska, introduced himself.

[4:24:18 PM](#)

MR. STICKEL advanced to slide 2 and provided an overview of the request DOR received from the Senate Resources Standing Committee:

[Original punctuation provided.]

**Bill Sponsor Request to Department of Revenue**

- "Fiscal Policy Analysis" for CS SB 92 \L
- Similar to SB 114 presentation to Senate Finance on May 1, 2023

- SB 114 (2023) included both production tax and corporate income tax provisions, while SB 92 (2025) includes only corporate income tax
- Similar presentation outline, except for "order of operations" and effective tax rate slides for production tax

[4:25:06 PM](#)

MR. STICKEL advanced to slide 3 and provided a presentation overview:

[Original punctuation provided.]

**Presentation Overview**

- Background & Tax Program History
- Proposed Legislation
- Updated Fiscal Note Summary
- Distribution of Profits
- Appendix: Distribution of Profits with Higher and Lower Cost Producer

[4:25:58 PM](#)

MR. STICKEL advanced to slide 5 and discussed the various legal entities:

[Original punctuation provided.]

**Types of Legal Entities**

- Individual - files an individual income tax return
- C-corporation - income taxed on corporate tax return
- "Pass-through entities"
  - Sole proprietorship - one individual owner
  - Partnership - at least two owners, individual or corporate
  - Limited Liability Company - one or more owners, individual or corporate
  - **S-corporation - up to 100 individual owners**
  - Note: Pass-through can own other pass-through, for example an S-corp can be an owner of an LLC or partnership
- Other entity types: Benefit, Closely held, Co-op, LLP, etc.

[4:27:59 PM](#)

MR. STICKEL advanced to slide 6 and gave an historical review of the oil & gas corporate income tax:

[Original punctuation provided.]

**Oil & Gas Corporate Income Tax: Historical Review**

- Alaska Net Income Tax Act - 1949
- Uniform Division of Income for Tax Purposes Act - 1959
- Multistate Tax Compact (MTC) - 1970
- Revised to include adopting Internal Revenue Code (IRC) by reference unless excluded - 1975
- Separate Accounting - 1978-1981
- Repealed Individual Income Tax and "Created" S-Corporation "Exemption" - 1980
- Adopted Current Oil & Gas Apportionment Factor on worldwide income - 1981
- Current tax brackets (reduced tax for small businesses) - 2014

MR. STICKEL stated that Alaska's corporate income tax has changed over the years. At its inception, the tax rate was 10 percent of federal income tax liability. This was applied to both individual and corporate income tax. The corporate income tax apportionment requirement was established in 1959 as part of the Uniform Division of Income for Tax Purposes Act. This was done to create uniformity amongst state tax codes nationwide and avoid taxing the same income across multiple states. The Multistate Tax Compact established the standard, three-factor apportionment methodology. He briefly described this methodology. The 1975 tax revision was based on Alaska taxable income rather than federal tax liability. At that time, Alaska's tax rate was 5.4 percent plus a 4 percent surtax, for a total of 9.4 percent. He said this remains the top marginal rate for corporate income taxes. He briefly explained how the State of Alaska uses the Internal Revenue Code. He noted that from 1978-1981, the successful start of Prudhoe Bay production led to discussions regarding taxing oil companies and utilizing newfound oil wealth. He briefly discussed how the 2014 tax bracket adjustments benefited smaller businesses.

[4:31:45 PM](#)

MR. STICKEL advanced to slide 7 and provided an overview of the oil and gas corporate income tax current fiscal regime:

[Original punctuation provided.]

**Oil & Gas Corporate Income Tax: Current Fiscal Regime**

- Applies to C-Corporations only
  - Many, but not all, companies in Alaska
- "Alaska Taxable Income" determined using an "apportionment factor"
  - Non-Petroleum - based on U.S. "water's edge" activity, apportioned to Alaska based on Alaska's share of property, payroll, and sales
  - Petroleum - based on worldwide activity, apportioned to Alaska based on Alaska's share of property, production, and sales/tariffs
- Bracketed tax rate, with highest rate of 9.4 percent on taxable income over \$222,000

MR. STICKEL said Alaska follows the Internal Revenue Code when determining an entities taxable status. Alaska does not have a personal income tax.

[4:33:11 PM](#)

MR. STICKEL advanced to slide 9 and discussed how SB 92 would impact corporate income tax:

[Original punctuation provided.]

**Primary Bill Provisions**

- Oil & Gas Corporate Income Tax extended to pass-through entities
- Retroactive to January 1, 2025

[4:33:39 PM](#)

MR. STICKEL advanced to slide 10 and discussed the mechanics of this change:

**Oil & Gas Corporate Income Tax**

- Current law, only C-Corporations are subject to Alaska's corporate income tax - Oil and Gas and Non-Oil and Gas Proposed Legislation Provisions - SB 92 (CS)
- Would tax oil and gas pass-through entities with "taxable income" over \$5 million at a rate of 9.4 percent (no tax on income up to \$5 million)

- "Taxable income" defined as income from the production of oil or gas from a lease or property in the state or from the transportation of oil or gas by pipeline in the state
- Applies only to entities that do not flow through to a C-corporation. No impact on current tax on C-Corporations

[4:34:40 PM](#)

MR. STICKEL advanced to slide 11, containing two tables. The first table shows corporate income tax brackets, taxable income and current statute tax rates for C-Corporations. The second table shows Corporate Income Tax brackets taxable income and CS SB 92 (RES) tax rates for SB 92 Qualifying Entities. He discussed how SB 92 would impact existing tax brackets:

[Original punctuation provided.]

#### Oil & Gas Corporate Income Tax Brackets

- Top marginal rate would be the same for C-Corporations and qualifying passthrough entities
- The \$5 million exclusion would be larger for qualifying passthrough entities than C-Corporations

MR. STICKEL said there are several tax brackets for C-Corporations. The top bracket of 9.4 percent applies to taxable income over \$222,000. SB 92 would create two tax brackets for qualifying pass-through entities. The first is a zero percent tax rate on income up to \$5 million. The second is a 9.4 percent tax rate on income above \$5 million. The top marginal rate would be the same for all oil and gas companies. Pass through entities would have a slightly higher level of income excluded before paying tax. Some of the smallest pass-through entities would likely avoid taxation.

[4:35:37 PM](#)

MR. STICKEL advanced to slide 13 and offered a disclaimer:

[Original punctuation provided.]

#### **Disclaimer**

- Fiscal Impact of SB 92 (CS) is Indeterminate

- DOR does not have complete data about the worldwide income and apportionment factors for qualifying companies
- Range of impacts per Spring 2025 Forecast is zero to \$150 million/ year
- One possible scenario is based on a simple "scale up" methodology
- All analysis presented is based on this one scenario within a range of potential outcomes

MR. STICKEL directed attention to the DOR fiscal note, which states that SB 92 could have a zero impact on some companies. He offered examples to illustrate this possibility. He briefly explained the "scale up" methodology, which provides a rough estimate of one potential scenario for potential revenues.

[4:36:49 PM](#)

MR. STICKEL advanced to slide 14, containing a table displaying fiscal scenario potential impacts for FY 2025-FY 2034:

[Original punctuation provided.]

#### **Oil & Gas Corporate Income Tax: Fiscal Scenario**

CS SB92 (RES) Potential Fiscal Impact Scenario:

- Fiscal Impact is indeterminate, with a potential range from zero to \$150 million/ year

Assumptions:

- Ownership structure for Alaska oil and gas production as of the Spring 2025 Forecast, including announced transactions
- Profitability for non-C corporations is similar on a per-barrel basis to that of C corporations
- Revenue is based on production activities, excluding pipeline ownership or other in-state assets
- A single non-C corporation taxpayer, taxed as of January 1, 2025, at a rate of 9.4 percent for income over \$5,000,000

MR. STICKEL said slide 14 illustrates the "scale up" scenario by fiscal year, beginning with fiscal year (FY) 2025. He explained that 2025 represents 6 months of potential revenue (an estimated \$50 million) due to the January 2025 effective date. The potential revenue increases to as much as \$130 million in FY

2027. A decline is expected in later years, leading to revenues of roughly \$80 million in FY 2033. He explained that production for non-C-Corporations is expected to decline in later years. He reiterated this data represents one possible scenario in the range of zero to \$150 million per year.

[4:37:59 PM](#)

SENATOR HUGHES asked whether the estimate assumes that activity level and pace of production would remain the same over time. She noted the potential for companies to invest elsewhere and questioned whether that possibility is considered.

[4:38:35 PM](#)

MR. STICKEL acknowledged that the impact of a company's response to the tax increase is unknown. He said that this is one reason the fiscal impact in the official revenue forecast is indeterminate. He explained that the estimates on slide 14 assumed that the company's behavior would remain the same. In addition, non-C-Corporations and C-Corporations are assumed to have the same level of profit (for corporate income tax purposes).

[4:39:11 PM](#)

MR. STICKEL advanced to slide 15, containing a bar chart showing the potential impacts of CSSB 92 (RES) fiscal scenario at various ANS prices. He explained the importance of considering revenue impacts over a range of oil prices, as the actual price is unknown. He noted that FY 2025 represents a 6-month impact and uses a combination of actual and forecast prices. He noted that the impacts of expanding the corporate income tax to pass-through entities vary based on price. At low prices, there is little profit to tax. \$100 and above per barrel could potentially result in revenues at or above \$200 million per year.

[4:40:24 PM](#)

MR. STICKEL advanced to slide 17 and discussed the various assumptions used in upcoming slides:

[Original punctuation provided.]

#### North Slope Distribution of Profits

- Based on Spring 2025 Forecast for FY 2026
- Assumes "typical" barrel of oil production
- Assumes typical lease expenditures for a producer
  - \$20.77/ bbl. capex, \$15.84/ bbl. opex

- Assumes a single taxpayer on state land, 12.5 percent royalty
- Assumes \$2.00 per barrel property tax
- Assumes 4.25 percent effective state corporate income tax, 21 percent federal corporate income tax
  - 4.25 percent is based on historical analysis for companies subject to state corporate income tax
- Does not include any potential changes in company behavior or investment as a result of this proposal

[4:41:55 PM](#)

MR. STICKEL advanced to slide 18 and discussed the government take per barrel for FY 2026. Slide 18 contains an infographic illustrating the status quo with and without state corporate income tax (CIT). He referred to the section depicting the status quo with state CIT and explained that this scenario results in a profit of \$23.09/barrel. The producer would keep 39 percent of that profit, state and municipalities would receive 51 percent, and the federal government would receive 10 percent. He contrasted this with a company not subject to the state corporate income tax. In this scenario, the profit would be 2 percent higher. He explained that the State CIT would take about 40 cents per barrel (2 percent) and transfers that from the producer to the state. State CIT is deductible against federal CIT; therefore, 10 cents per barrel is transferred from the federal to state government (for companies subject to state CIT).

[4:43:17 PM](#)

MR. STICKEL advanced to slide 19 and discussed government take at various oil prices for companies subject to state CIT. Slide 19 contains a bar chart illustrating the status quo with state corporate income tax, forecast CapEx. He pointed out that state and municipal governments take 100 percent of the profits at \$40-\$50. He explained that companies pay royalty, property tax, and a minimum tax floor for production tax regardless of whether there is any profit. He noted that the lowest amount of government take is around 53 percent (\$80-\$90/barrel). Beyond this, the government take increases. He reiterated that this analysis does not account for possible changes in capital expenditures that would result from higher or lower prices.

[4:44:50 PM](#)

MR. STICKEL advanced to slide 20 and discussed government take at various oil prices for companies not subject to state CIT. Slide 20 contains a bar chart to illustrate the status quo without state corporate income tax, forecast CapEx. In this scenario, the state and municipal share is slightly lower while the producer and federal shares are slightly higher.

[4:45:13 PM](#)

MR. STICKEL advanced to slide 21 and continued to discuss total government take. Slide 21 contains a graph to illustrate total government take for non-gross value reduction (non-GVR) production (status quo, forecast CapEx) with CIT and without CIT. He said the total government take is 100 percent of profit (or greater) until \$54/barrel. The lowest total government take, which occurs at roughly \$84/barrel, is 51 percent (with state CIT) and 49 percent (without CIT). He explained that GVR is a provision in the production tax statute that allows for a benefit against the production tax (and a lower production tax liability) for new fields for the first 3-7 years of production. He noted that this slide shows total government take (with and without state CIT) for non-GVR production (e.g. legacy fields such as Prudhoe Bay and Kaparuk).

[4:46:29 PM](#)

MR. STICKEL advanced to slide 22 and discussed total government take for GVR production. Slide 22 contains a graph to illustrate total government take for GVR production (status quo, forecast CapEx). For example, a new producing area within an existing unit that qualifies for the new field benefit. He noted that this data does not line up directly with major new fields (e.g. Pikka and Willow projects), as this analysis is based on a 12.5 percent royalty rate (whereas current those fields have a 16.7 percent royalty rate). He drew attention to the difference between the GVR and non-GVR eligible fields. He noted lower government take for GVR eligible fields. Government take is greater than 100 percent of profit until roughly \$54/barrel.

[4:47:31 PM](#)

MR. STICKEL advanced to slide 23 and discussed government take, retrospective and prospective. Slide 23 contains a chart to illustrate the government share of profits, historical (from 2010 onward) and forecast as of Spring 2025. He said government take was consistently 60-70 percent for most years through FY 2017. In 2016, low oil prices resulted in decreased profits; at that time, the state and municipalities took over 90 percent government take (due to royalties, property tax, and minimum tax floor for production tax). He discussed the significant impact

of the Tax Cuts and Jobs Act of 2017, which reduced the federal CIT from 55 percent to 21 percent. This significantly reduced government take. He noted that near-term forecast has lower oil prices and significantly higher government spending. Government take is expected to be 55-65 percent for the next 5-6 years before dropping down to 50-55 percent towards the end of the forecast period. He said the difference between the rate with state CIT and the rate without state CIT is around 2 percent most years.

[4:49:48 PM](#)

MR. STICKEL advanced to slide 24 and discussed fiscal analysis takeaways:

[Original punctuation provided.]

**Fiscal Analysis: Takeaways**

- Fiscal Impact is uncertain and indeterminate
- Alaska is a high-cost jurisdiction so there is a limited amount of "profit" to share between stakeholders
- At forecast price, state CIT adds about 40 cents/barrel to government take or about 2 percent of total distributable income
- Assuming typical effective tax rate
- Each company and field has unique economics, so this simple analysis should be taken in context
- Impacts on individual companies may be more less than estimated here

[4:50:58 PM](#)

MR. STICKEL concluded his presentation. He noted that the appendix slides include sensitivity analysis.

[4:51:36 PM](#)

CHAIR GIESSEL opened public testimony on SB 92; finding none, she closed public testimony.

[4:52:28 PM](#)

CHAIR GIESSEL solicited a motion.

[4:52:33 PM](#)

SENATOR MYERS moved to adopt Amendment 1, work order 34-LS0540\L.3.

34-LS0540\L.3

A M E N D M E N T 1

OFFERED IN THE SENATE BY SENATOR MYERS

TO: CSSB 92(RES), Draft Version "L"

Page 1, lines 1 - 2:

Delete "**producing or transporting oil or gas**"

Insert "**with income derived from a source**"

Page 2, lines 16 - 17:

Delete "from the production of oil or gas from a lease or property in the state or from the transportation of oil or gas by pipeline"

Insert "derived from a source"

[4:52:47 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[4:52:53 PM](#)

SENATOR MYERS explained that Amendment 1 would expand the tax on pass-through entities to include all businesses in Alaska. He said this would create parity for all industries. He noted that other industries have pass-through entities that are not taxed. He indicated that he has heard comments that private sector growth is a cost for government, as it does not pay into government coffers for the services that it requires. He stated that Amendment 1 would ensure that the private sector pays into the government. He surmised that this could also benefit the private sector by increasing the government's interest in the private sector. He noted comments that a state CIT is one way for the state to receive the maximum benefit for its natural resources and directed attention to Article 8, sections 1 and 2 of the Constitution of the State of Alaska.

SENATOR MYERS stated that SB 92 applies the state CIT to one set of natural resources. He noted that other natural resources (fishing, mining, etc.) have C-Corporations. He opined that all natural resources should be treated the same if the intention is

parity, equality, and receiving the maximum benefit for natural resources from state government. With respect to whether SB 92 would increase revenue for state government, he quoted the 2024 Revenue Resources book which showed \$210 million from oil CIT in FY 2024. This same amount is projected for FY 2025. \$177 million in non-oil CIT in FY 2024 and \$210 million projected for FY 2025. He asserted that, if increasing revenue for state government is the goal, the legislature should not ignore the non-oil sectors. He stated that he is not generally a proponent of higher taxes; however, he supports an honest discussion of what is at stake.

[4:56:05 PM](#)

SENATOR HUGHES stated that she would not support Amendment 1. She said that a corporate income tax is different from a severance tax. She stated that Amendment 1 conflates these. She said that a severance tax is an oil production tax. She said she would not support raising taxes without a constitutional spending cap.

[4:56:39 PM](#)

CHAIR GIESSEL maintained her objection and asked for a roll call vote.

[4:56:43 PM](#)

A roll call vote was taken. Senator Myers voted in favor of Amendment 1 and Senators Wielechowski, Kawasaki, Hughes, Dunbar, Claman and Giessel voted against it. The vote was 1:6.

[4:57:04 PM](#)

CHAIR GIESSEL announced that [Amendment 1] failed on a vote of 1 yea and 6 nays.

[4:57:14 PM](#)

CHAIR GIESSEL solicited a motion.

[4:57:15 PM](#)

SENATOR MYERS moved to adopt Amendment 2, work order 34-LS0540\L.4.

34-LS0540\L.4  
Nauman  
4/1/25

**A M E N D M E N T 2**

OFFERED IN THE SENATE BY SENATOR MYERS  
TO: CSSB 92(RES), Draft Version "L"

Page 1, following line 3:

Insert a new bill section to read:

**"\* Section 1.** AS 43.20.011(e) is amended to read:

(e) Each [THERE IS IMPOSED FOR EACH] taxable year, a tax is imposed on [UPON] the entire taxable income derived from sources within the state of every corporation primarily engaged in the production of oil or gas from a lease or property in the state or the transportation of oil or gas by pipeline in the state. The [DERIVED FROM SOURCES WITHIN THE STATE A] tax is computed as follows:

If the taxable income is:	Then the tax is:
Less than \$25,000	zero
\$25,000 but less than \$49,000	2 percent of the taxable income over \$25,000
\$49,000 but less than \$74,000	\$480 plus 3 percent of the taxable income over \$49,000
\$74,000 but less than \$99,000	\$1,230 plus 4 percent of the taxable income over \$74,000
\$99,000 but less than \$124,000	\$2,230 plus 5 percent of the taxable income over \$99,000
\$124,000 but less than \$148,000	\$3,480 plus 6 percent of the taxable income over \$124,000
\$148,000 but less than \$173,000	\$4,920 plus 7 percent of the taxable income over \$148,000
\$173,000 but less than \$198,000	\$6,670 plus 8 percent of the taxable income over \$173,000
\$198,000 but less than \$222,000	\$8,670 plus 9 percent of the taxable income over \$198,000
\$222,000 or more	\$10,830 plus 9.4 percent of the taxable income over \$222,000."

Page 1, line 4:

Delete "**Section 1**"  
Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 3, line 14:

Delete "This"  
Insert "Section 2 of this"

Page 3, line 19, following "tax":

Insert "under AS 43.20.019, added by sec. 2 of this Act,"

Page 3, line 20:

Delete "this Act under AS 43.20.019, added by sec. 1 of this Act,"

Insert "sec. 2 of this Act"

4:57:17 PM

CHAIR GIESSEL objected for purposes of discussion.

4:57:21 PM

SENATOR MYERS explained that [Amendment 2] would change the current corporate tax structure so that it applies only to oil and gas companies (regardless of corporate structure). He shared his belief that the committee would like to make the state CIT into an oil and gas tax, without parity in other resources or contributions from other industries into state government. He stated that Amendment 2 is upfront with that policy. He suggested that a policy that applies only to oil and gas would remove barriers to doing business in Alaska and allow greater economic growth.

4:58:14 PM

CHAIR GIESSEL found the objection was maintained and asked for a roll call vote.

4:58:22 PM

A roll call vote was taken. Senators Myers and Hughes voted in favor of Amendment 2 and Senators Dunbar, Claman, Wielechowski, Kawasaki and Giessel voted against it. The vote was 2:5.

4:58:41 PM

CHAIR GIESSEL announced that [Amendment 2] failed on a vote of 2 yeas and 5 nays.

4:58:55 PM

CHAIR GIESSEL solicited a motion.

4:58:58 PM

SENATOR HUGHES moved to adopt Amendment 3, work order 34-LS0540\L.5.

34-LS0540\L.5  
Nauman  
4/1/25

A M E N D M E N T 3

OFFERED IN THE SENATE BY SENATOR HUGHES  
TO: CSSB 92(RES), Draft Version "L"

Page 1, line 7:  
Delete "9.4"  
Insert "five"

[4:59:01 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[4:59:03 PM](#)

SENATOR HUGHES briefly noted the differences between federal deductions for C-Corporations and S-Corporations. She also noted that Massachusetts has a state CIT of 4.5 percent (this does not apply until \$9 million is reached). She opined that it is reasonable to lower the tax rate and explained that Amendment 3 lowers the tax rate to five percent.

[5:00:01 PM](#)

CHAIR GIESSEL found the objection was maintained and asked for a roll call vote.

A roll call vote was taken. Senators Myers and Hughes voted in favor of Amendment 3 and Senators Dunbar, Wielechowski, Kawasaki, Claman, and Giessel voted against it. The vote was 2:5.

[5:00:27 PM](#)

CHAIR GIESSEL announced that [Amendment 3] failed on a vote of 2 yeas and 5 nays.

[5:00:34 PM](#)

CHAIR GIESSEL solicited a motion.

[5:00:50 PM](#)

CHAIR GIESSEL moved to adopt Amendment 4, work order 34-LS0540\L.7.

34-LS0540\L.7  
Nauman  
4/1/25

A M E N D M E N T 4

OFFERED IN THE SENATE BY SENATOR GIESSEL  
TO: CSSB 92(RES), Draft Version "L"

Page 2, line 5:

Delete "The department shall"

Insert "For the purpose of determining the tax due under this section, the department shall

(1)"

Page 2, line 6:

Delete "for the purpose of determining the tax due under this section"

Page 2, line 8, following "entity":

Insert "; and

(2) except as provided in (c) of this section, include in the calculation of taxable income of the qualified entity income that is attributable to an entity that is part of a unitary business with the qualified entity paying tax under this section"

[5:01:01 PM](#)

SENATOR WIELECHOWSKI objected for purposes of discussion.

[5:01:18 PM](#)

INTIMAYO HARBISON, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, explained that Amendment 4 includes clarifying language for the adopted committee substitute for SB 92.

[5:01:38 PM](#)

SONJA KAWASAKI, Legal Council, Senate Majority Caucus, Alaska State Legislature, Juneau, Alaska, explained that Amendment 4 clarifies and makes certain the income of entities that meet the test for a "unified business with a taxpayer" under SB 92 would be subject to tax with a taxpayer. She said that, as currently written, entities in the same general industry as oil and gas producers or pipeline transportation of a petroleum product would be considered a unitary business under current regulations. She referred to a letter from the Department of Revenue dated March 11, 2025, responding to questions related to

this concept and explained that Amendment 4 would settle any ambiguity on this issue.

[5:02:53 PM](#)

CHAIR GIESSEL noted that the letter from DOR is in the committee packet and asked Ms. Kawasaki to summarize the issue and the response from DOR.

[5:03:07 PM](#)

MS. KAWASAKI explained the concern, which was related to whether, if enacted, SB 92 would enable a group of entities in the oil and gas industry to aggregate into one entity for tax purposes. She briefly described the five related companies that could potentially aggregate in this way. She said that according to the Department of Revenue, the income from those companies would be combined for tax purposes, according to the unitary business test under current law. She noted that this is the first question contained in the March 11 letter from DOR. Clarification is necessary to avoid this.

[5:04:47 PM](#)

CHAIR GIESSEL asked for confirmation that the unitary business reference is found on line 14 of Amendment 4.

[5:05:10 PM](#)

MS. KAWASAKI replied yes.

[5:05:28 PM](#)

SENATOR MYERS directed attention to the March 11 letter from DOR and asked for confirmation of his understanding that without Amendment 4, all five entities would be taxed, while Amendment 4 would only tax two of those.

[5:05:50 PM](#)

MS. KAWASAKI replied no. She explained that, according to the committee substitute (CS), DOR would have already applied the unity test (and determined that those five entities would be taxed as one). She explained that Amendment 4 clarifies the intent of SB 92.

[5:06:35 PM](#)

SENATOR WIELECHOWSKI removed his objection.

[5:06:39 PM](#)

CHAIR GIESSEL found no further objection and [Amendment 4], work order 34-LS0540\L.7 was adopted.

[5:06:54 PM](#)

CHAIR GIESSEL solicited a motion.

[5:06:57 PM](#)

SENATOR HUGHES moved to adopt Amendment 5, work order 34-LS0540\L.8.

34-LS0540\L.8  
Nauman  
4/2/25

**A M E N D M E N T 5**

OFFERED IN THE SENATE BY SENATOR HUGHES  
TO: CSSB 92(RES), Draft Version "L"

Page 1, line 5:

Delete "If"

Insert "Except as provided in (e) of this section, if"

Page 2, following line 8:

Insert a new subsection to read:

"(e) The tax under this section does not apply to income from an asset that was acquired before January 1, 2026. Income from an asset acquired before January 1, 2026, shall be taxed under the laws applicable at the time of acquisition. The Department of Revenue shall adopt regulations that establish the method to determine an asset acquisition date."

Reletter the following subsection accordingly.

Page 3, line 6:

Delete "AS 43.20.019(e)"

Insert "AS 43.20.019(f)"

Page 3, line 16:

Delete "AS 43.20.019(e)"

Insert "AS 43.20.019(f)"

[5:07:02 PM](#)

CHAIR GIESSEL objected for purposes of discussion.

[5:07:04 PM](#)

SENATOR HUGHES explained that Amendment 5 creates a grandfather clause and ensures that the 9.4 percent income tax would apply only to new oil and gas acquisitions after January 1, 2026. She said companies that invested in Alaska under the prior tax framework did so with long-term expectations based on those rules. She opined that creating a grandfather clause would maintain Alaska's credibility as a stable place to do business. She indicated that the State of Alaska recruited independent operators to assume ownership of these assets and made commitments to those independent operators. Amendment 4 would honor those commitments. She directed attention to a memo from DOR which shows an increase in production volume, royalties, and revenue to the state. She noted that there may be a future question of equal protection and stated that this would ensure that oil related business seeking to do resource development work in Alaska can do so with confidence and those plans would not be upended by substantial tax change. She clarified that, in this case, the substantial change would be a new tax on a business that did not exist when the company began work in the state.

[5:08:55 PM](#)

CHAIR GIESSEL invited further discussion.

[5:09:01 PM](#)

CHAIR GIESSEL found the objection was maintained and asked for a roll call vote.

A roll call vote was taken. Senators Hughes and Myers voted in favor of Amendment 5 and Senators Claman, Wielechowski, Kawasaki, Dunbar and Giessel voted against it. The vote was 2:5.

[5:09:23 PM](#)

CHAIR GIESSEL announced that [Amendment 5], work order 34-LS0540\L.8 failed on a vote of 2 yeas and 5 nays.

[5:09:40 PM](#)

CHAIR GIESSEL solicited the will of the committee.

[5:09:43 PM](#)

SENATOR WIELECHOWSKI moved to report SB 92, work order 34-LS0540\N, as amended, from committee with individual recommendations and attached fiscal note(s). Legislative Legal Services has the authority to make any technical and conforming changes.

5:09:59 PM

SENATOR HUGHES objected. She said that the committee has not heard an independent economic analysis of the impacts of SB 92. The long-term impacts on oil and gas production, state revenues, and economic growth are unknown. She noted that one consideration has been whether the state would collect more revenue without adopting SB 92 or whether adopting this legislation would lead to more revenue over time. She briefly discussed the Laffer curve theory, which indicates a point at which negative returns begin. She emphasized that the point is unknown and opined that the Senate Resources Standing Committee (rather than the Senate Finance Committee) is responsible for understanding the impacts on oil and gas production. She stated that the committee has not fulfilled this responsibility; therefore, she does not support moving SB 92 from committee.

5:11:11 PM

SENATOR WIELECHOWSKI noted that the impact of SB 92 is unknown - both to the legislature and to the companies potentially impacted. He noted the company's unwillingness to provide information regarding rate of return and profits. He directed attention to the presentation by DOR which showed a 40 cent per barrel difference (at \$68/barrel). He shared his belief that this would have no impact on investment. He recalled testimony several years earlier that indicated a rate of return of over 120 percent at Prudhoe Bay. He pointed out that there is no current testimony that would rebut that information and surmised that the current rate of return at Prudhoe Bay is well over 50 percent. He recalled that the rate of return (supplied by previous testimony) is over 30 percent. He emphasized that there is no evidence that SB 92 would impact investment or production. He shared his belief that, based on this, SB 92 should be moved from committee.

5:12:30 PM

SENATOR MYERS agreed that the impact of SB 92 is unknown. He surmised that it could impact multiple companies. He noted that increasing natural gas production in Cook Inlet has been a focus for several years due to the upcoming natural gas shortage. He commented that the tax would apply to natural gas production as well as oil rigs and import facilities. He said that [Amendment 1] addressed all the concerns he has heard regarding the need for SB 92; however, the amendment was rejected. Considering this, he questioned why there is support for SB 92. He opined that SB 92 would target a single company and would negatively impact the State of Alaska's relationship with companies in the future (both within and in addition to the oil and gas

industry). He emphasized his belief that SB 92 is bad policy and said he would not support moving it from committee.

5:14:49 PM

CHAIR GIESSEL said the legislature is charged with the responsibility to ensure the State of Alaska receives the maximum benefit for its resources. She asserted that the number of companies does not matter. She pointed to the high levels of investment in the North Slope and Cook Inlet and surmised that the rate of return is quite good for both.

5:15:17 PM

CHAIR GIESSEL found the objection was maintained and asked for a roll call vote.

A roll call vote was taken. Senators Kawasaki, Wielechowski, Dunbar, Claman, and Giessel voted in favor of moving SB 92, as amended, from committee and Senators Hughes and Myers voted against it. The vote was 5:2.

5:15:41 PM

CHAIR GIESSEL announced that CSSB 92(RES) was reported from the Senate Resources Standing Committee on a vote of 5 yeas and 2 nays.

5:16:04 PM

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 5:16 p.m.