

1 IN THE HOUSE

BY RULES COMMITTEE

2 HOUSE BILL NO. 7

3 IN THE LEGISLATURE OF THE TERRITORY OF ALASKA

4 TWENTY-SECOND LEGISLATURE, FIRST EXTRAORDINARY SESSION

5 A BILL

6 For an Act entitled: "An Act to provide a gross production tax
7 on producing oil and gas properties [in ad-
8 dition to other taxes] to provide for the
9 administration thereof; and to provide for
10 the deposit of the proceeds of such tax."

11 BE IT ENACTED BY THE LEGISLATURE OF THE TERRITORY OF ALASKA:

12 Section 1. DEFINITIONS. As used in this Act:

13 (a) "Oil" shall mean petroleum, crude oil, mineral
14 oil, and casinghead gasoline;

15 (b) "Gas" shall mean natural gas and casinghead gas;

16 (c) "Barrel of oil" shall mean 42 U.S. gallons of
17 231 cubic inches per gallon computed at a temperature of sixty
18 degrees fahrenheit;

19 (d) "Person" shall include partnership, corporation,
20 association, fiduciary, trustee, and any combination of indi-
21 viduals;

22 (e) "Commissioner" shall mean the Territorial Tax
23 Commissioner.

24 (f) The words "quarter" and "quarterly" as used in
25 this Act shall mean quarter annual periods of three calendar
26 months each, and the first such quarter shall commence on
27 August 1, 1955.

28 Sec. 2. GROSS PRODUCTION TAX. There is hereby levied
29 every person producing oil and gas a tax of one percent of t

The following amendment, offered by Ways and Means to

Bill No. _____: Section _____ Page 1 Line 8 and 9

strike out the words "in addition to other taxes"

1 gross value at the well of all oil and gas produced within the
2 Territory of Alaska, less the value of any part thereof, the
3 ownership or right to which is exempt from taxation. The tax
4 hereby levied shall attach to and is hereby levied upon the whole
5 production, including what is commonly known as the royalty in-
6 terest. It is expressly provided that the gross production tax
7 shall not be in lieu of income taxes nor excise taxes upon the
8 sale of oil and gas products at retail.

9 Sec. 3. PAYMENT OF TAX ON QUARTERLY BASIS: WHEN TAX DUE:
10 BY WHOM PAID: PAYMENT BY PURCHASER: BY PRODUCER: HOW CASING-
11 HEADS TO BE TAXED. The gross production tax on oil or gas, as
12 herein provided, shall be paid on a quarterly basis. Said tax
13 shall become due on the last day of the calendar month following
14 the preceding quarterly period on all oil or gas produced in and
15 saved during the preceding quarterly period, and if the tax is
16 not paid on or before the end of the month succeeding the month
17 in which the same becomes due the tax shall become delinquent and
18 shall be collected as herein provided. On oil or gas sold at the
19 time of production, the gross production tax thereon shall be
20 paid by the purchaser, and such purchaser shall and is hereby
21 authorized to deduct in making settlement with the producer and/or
22 royalty owner, the amount of tax so paid; Provided, that in the
23 event oil on which such gross production tax becomes due is not
24 sold at the time of production but is retained by the producer,
25 the tax on such oil not so sold shall be paid by the producer for
26 himself including the tax due on royalty oil not sold; Provided
27 further, that in settlement with the royalty owner such producer
28 shall have the right to deduct the amount of such tax so paid on
29 royalty oil or to deduct therefrom royalty oil equivalent in

Page 2, line 6 before sentence beginning with "It" insert the following:

"The payment of the taxes herein imposed shall be in full, and in lieu of all ad valorem taxes now or hereafter imposed by the Territory, cities, towns, school districts, and other local government units upon any property rights attached to or inherent in the right to producing oil and/or gas, upon producing oil and/or gas leases, upon machinery, appliances and equipment used in and around any well producing oil or gas and actually used in the operation of such well, and also upon oil and gas produced in the Territory upon which gross production taxes have been paid, and upon any investment in any property hereinbefore in this paragraph mentioned or described. Any interest in the land, other than that herein enumerated, shall be assessed and taxed as other property within the taxing district in which such property is ~~now~~ situated.

1 value at the time such tax becomes due with the amount of the tax
2 paid. Gas when produced and utilized in any manner, except when
3 used for fuel or otherwise used in the operation of any lease or
4 premises in the drilling for or production of oil or gas there-
5 from, or for repressuring thereon, shall be considered for the
6 purpose of this Act, as to the amount utilized, as gas actually
7 produced and saved. In case oil or gas is sold under circum-
8 stances where the sale price does not represent the cash price
9 thereof prevailing for oil or gas of like kind, character or
10 quality in the field from which such product is produced, the
11 Tax Commissioner may require the said tax to be paid upon the
12 basis of the prevailing price then being paid at the time of pro-
13 duction thereof in said field for oil, or gas of like kind,
14 quality and character.

15 Sec. 4. TAX PAID TO TAX COMMISSIONER: STATEMENTS BY PERSON
16 PAYING TAX: STATEMENTS BY PRODUCER. The tax herein provided for
17 shall be paid to the commissioner and the person paying the tax,
18 shall file with said commissioner at the time the tax is required
19 to be paid, a statement, under oath, on forms prescribed by said
20 commissioner, giving with other information required, the
21 following:

22 (a) Full description of the property by lease name,
23 subdivision of quarter section, section, township and range, or
24 other legal description by notes and bounds, from which said oil
25 or gas was produced;

26 (b) The name of the producer;

27 (c) The gross amount of said oil or gas purchased.

28 (d) The total value of such oil or gas at the price
29 paid therefor, if purchased at time of production; and

1 (c) The prevailing market price of oil or gas sold at
2 time of production; Provided, that in lieu of such statement, a
3 purchaser, at time of production, may furnish a true verified
4 copy of the regular settlement sheet in use by such purchaser,
5 if such sheet contains all the information required.

6 Any person engaged in the production within this Territory
7 of oil or gas, shall on the last day of the calendar month follow-
8 ing a quarterly period file with the Commissioner a statement
9 under oath upon forms prescribed by said commissioner, giving,
10 along with other information required, the following:

11 (a) Name of the property, description by subdivision
12 of quarter section, section, township and range, or other legal
13 description by notes and bounds;

14 (b) The gross amount of oil or gas produced and saved;

15 (c) The name of the purchaser and the price received
16 therefor.

17 Reports from either purchaser and/or producer, as the case
18 may be, shall be delinquent thirty days after the time fixed for
19 filing the same, and every person required to file such report
20 shall be subject to penalty of twenty-five dollars per day for
21 each such property upon which such person shall fail or refuse
22 to file such reports. The penalties herein prescribed shall be
23 for failure to file reports and shall be in addition to the
24 penalty imposed at the rate of seven per cent per annum for de-
25 linquent tax, and shall likewise constitute a lien against the
26 assets of such person failing or refusing to file such reports.

27 Sec. 5. POWERS OF TERRITORIAL TAX COMMISSIONER. The commis-
28 sioner shall have power to require any person engaged in such
29 production and the agent or employee of such person, and/or

1 purchaser of such oil or gas, or the owner of any royalty interest
2 therein to furnish any additional information by him deemed to be
3 necessary for the purpose of correctly computing the amount of
4 said tax, and to examine the books, records and files of such
5 person, and shall have power to conduct hearings and compel the
6 attendance of witnesses, the production of books, records and
7 papers of any person, and full authority to make any investiga-
8 tion or hold any inquiry deemed necessary to a full and complete
9 disclosure of the true facts as to the amount of production from
10 any oil or gas location, or of any company or other producer
11 thereof, and as to the rendition thereof for taxing purposes.

12 Sec. 6. TERRITORIAL TAX COMMISSIONER SHALL COMPUTE TAX ON
13 INTEREST RETURNS. The commissioner shall have the power and
14 authority to ascertain and determine whether or not any return
15 herein required to be filed with him is a true and correct return
16 of the gross products, and of the value thereof, of such person;
17 and if any person has made an untrue or incorrect return of the
18 gross production or value thereof, as heretofore required, or
19 shall have failed or refused to make such return, the commissioner
20 shall under rules and regulations prescribed by him, ascertain
21 the correct amount of either, and compute said tax.

22 Sec. 7. PENALTIES AND PENALTY ON DELINQUENCY. Where the
23 tax provided for in this Act shall become delinquent it shall, as
24 a penalty for such delinquency, bear interest at the rate of
25 seven per cent per annum, and shall be collected in the manner
26 heretofore provided. If any person shall fail to make any re-
27 port herein required, within the time prescribed by law for such
28 report, it shall be the duty of the commissioner to examine the
29 books, records and files of such person to ascertain the amount

1 and value of such production to compute the tax thereon as pro-
2 vides herein, and he shall add thereto the cost of such examina-
3 tion, together with any penalties accrued thereon.

4 Sec. 8. LIEN FOR TAX. The tax herein referred to shall, at
5 all times, be and constitute a first and paramount lien against
6 the purchaser's or producer's property as the case may be, both
7 real and personal; and the provisions hereof, making the purchaser
8 liable to pay such tax, and the provisions requiring the producer
9 to pay the royalty owner's tax, in no way releases the producer
10 or purchaser from liability to pay same, in all cases where such
11 tax is not paid, and it may be recovered at the suit of the
12 Territory, upon relation to the commissioner, in any court of
13 competent jurisdiction in the judicial division where any such
14 property, assets and effects are located.

15 Sec. 9. FALSE REPORT DEEMED PERJURY. Any person who shall
16 knowingly make any false oath to any report required by the pro-
17 visions of this Act shall be deemed guilty of perjury.

18 Sec. 10. DUTIES OF TERRITORIAL TAX COMMISSIONER AND TERRI-
19 TORIAL TREASURER. It shall be the duty of the commissioner to
20 deposit with the Territorial Treasurer all moneys collected by
21 him under this Act. The Territorial Treasurer, quarterly, shall
22 deposit the moneys in the General Fund.

23 Sec. 11. REFUND OF OVERPAYMENTS, DUPLICATE PAYMENTS, AND
24 EXCESSIVE PAYMENTS. In all cases of overpayment, duplicate pay-
25 ment or payment made in error, the commissioner may issue his
26 certificate stating therein the facts and the amount of the re-
27 fund to which the taxpayer may be entitled. Upon presentation
28 of such certificate to the Director of Finance, the Director of
29 Finance shall issue a warrant for the purpose of refunding any

1 such overpaid, duplicate or erroneous tax out of the unappor-
2 tioned gross production tax in the Territorial Treasury.

3 Sec. 12. STATEMENTS AS TO TAX ON SETTLEMENTS: ACCEPTANCE
4 OF DEBITS. All statements or settlement sheets for oil or
5 gas shall have stamped or written thereon the following words:
6 "Gross production tax deducted and paid, and payee accepts such
7 deduction and authorizes payment thereof to the Territory of
8 Alaska."

9 Sec. 13. RULES AND REGULATIONS: BOND: REPORTS: ACTIONS.
10 The commissioner is hereby authorized and empowered to prescribe
11 and promulgate all necessary rules and regulations for the pur-
12 pose of making and filing of all reports required hereunder and
13 of service necessary to the enforcement of this Act; and may, at
14 his option and discretion, require a sufficient bond from any
15 person charged with the making and filing of reports and the pay-
16 ment of the taxes herein provided; and said bond shall run to the
17 Territory of Alaska and shall be conditioned upon the making and
18 filing of reports as required by law, upon compliance with the
19 rules and regulations of the commissioner, and for the prompt
20 payment, by the principal therein, of all taxes justly due the
21 Territory by virtue of the provisions hereof; and when any re-
22 ports required have not been filed, or may be insufficient to fur-
23 nish all the information required by the commissioner, the com-
24 missioner shall institute, in the name of the Territory of Alaska
25 upon relation of the commissioner, any necessary action or pro-
26 ceedings in the courts having jurisdiction, to enjoin such person
27 from continuing operations until such reports have been filed as
28 required, and in all proper cases, injunction shall issue without
29 bond from the Territory of Alaska. Upon showing that the

1 Territory is in danger of losing its claims or the property is
2 being mismanaged, dissipated or concealed, a receiver shall be
3 appointed at the suit of the Territory.

4 Sec. 14. NONCOMPLIANCE BY PRODUCERS, REFINERS, PROCESSORS
5 OR PURCHASERS. Wilful failure on the part of any such producer,
6 refiner, processor or purchaser of oil or gas to comply with the
7 provisions of this Act shall be deemed a misdemeanor. Each day's
8 failure to file a report within the period of time fixed in this
9 Act shall constitute a separate offense.

10 Sec. 15. APPLICATION OF ACT. The tax imposed by this Act
11 shall apply to oil and gas produced from and after the effective
12 date of this Act.

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