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Referred: Resources and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF
THE JOINT PIPELINE IMPACT COMMITTEE

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HOUSE BILL NO. 783

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act relating to the oil and gas properties
7 production tax."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. AS 43.55.010(a) is amended to read:

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(a) There is levied upon the producer or first purchaser of

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[EVERY PERSON PRODUCING] oil and gas a tax on [BASED UPON A PER CENT

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OF THE GROSS VALUE AT THE WELL OF] all oil and gas produced in the

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state, less [THE VALUE OF] any part [, THE OWNERSHIP OR RIGHT TO] which

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is exempt from taxation. The tax is upon the whole production, in-

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cluding what is commonly known as the royalty interest, and is levied

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according to the following schedules:

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(1) oil: based upon the average daily per-well production

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for the calendar month in barrels, the tax is

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(A) [THREE PER CENT] on the first 300 barrels, three

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per cent of the production or of the gross value of the production;

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(B) [FIVE PER CENT] on the next 700 barrels, five per

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cent of the production or of the gross value of the production;

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(C) [SIX PER CENT] on the next 1,500 barrels, six per

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cent of the production or of the gross value of the production;

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and

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(D) [EIGHT PER CENT] on all production in excess of

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2,500 barrels, eight per cent of the production or of the gross

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value of the production;

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(2) gas: the tax [RATE] is four per cent of the production

1 or of the gross value of the gas and liquid products produced.

2 * Sec. 2. AS 43.55.020 is repealed and re-enacted to read:

3 Sec. 43.55.020. PAYMENT OF TAX. (a) When the commissioner of
4 revenue, after consultation with the commissioner of natural resources,
5 determines it to be in the interest of the state to receive in kind
6 the gross production tax due on the production from a well he may,
7 after six months notice to the owner of the well, require that the tax
8 be rendered in kind. The taxpayer shall deliver the tax oil or gas
9 free of charge to the state on the lease or parcel from which it was
10 produced or at another location that is mutually agreeable to the state
11 and the taxpayer. In-kind oil or gas delivered to the state in payment
12 of the gross production tax shall be in good and merchantable condition.
13 The taxpayer shall, if requested, furnish storage for tax oil free of
14 charge for 30 days after the end of the calendar month in which it was
15 produced and shall not be held liable for loss or destruction of stored
16 tax oil from causes beyond taxpayer's reasonable control. The commis-
17 sioner of revenue may, on six months notice, require that tax oil or
18 gas be dehydrated and cleaned or both, by the taxpayer, who shall be
19 reimbursed by the state for the reasonable costs of it.

20 (b) When the state elects to take the gross production tax in
21 kind, the commissioner of revenue may by regulation provide for the
22 tax oil or gas to be delivered to the state throughout the month in
23 which it is produced on the basis of estimates and allowances computed
24 from the latest reasonably available production data.

25 (c) When the state does not elect to take the gross production
26 tax in kind, it shall be paid by the first purchaser. However, when
27 the oil or gas is not sold in the state or not sold within 30 days of
28 production, the tax shall be paid by the producer. A purchaser paying
29 the tax may in settlement with the seller deduct the amount of tax paid;

1 a producer may in settlement with the owner of the oil or gas deduct
2 the amount of tax paid.

3 (d) The gross value shall be the fair market value at the well
4 and shall in no event be less than the value received by a royalty
5 owner for oil or gas of like grade or quality produced in the same
6 field.

7 (e) The gross production tax on oil or gas shall be paid monthly.
8 The tax is due on the last day of each calendar month on the oil or gas
9 produced in and saved during the preceding calendar month. If the tax
10 is not paid on or before the day on which it becomes due, the tax
11 becomes delinquent.

12 * Sec. 3. AS 43.55.030(c) is amended to read:

13 (c) Every person engaged in the production of oil or gas shall,
14 on the last day of each [THE] calendar month [FOLLOWING A QUARTERLY
15 PERIOD], file with the department a statement under oath upon forms
16 prescribed by the department, giving, along with other information
17 required, the following:

18 (1) the name of the property, description by subdivision of
19 quarter section, section, township and range, or other legal description
20 by metes and bounds;

21 (2) the gross amount of oil or gas produced and saved;

22 (3) the name of the producer and the price received for the
23 oil or gas.

24 * Sec. 4. AS 43.55.030(d) is amended to read:

25 (d) [REPORTS FROM THE PURCHASER OR PRODUCER ARE DELINQUENT 30
26 DAYS AFTER THE TIME FIXED FOR FILING THE REPORTS.] Each person re-
27 quired to file a report is subject to a penalty of \$25 a day for each
28 property upon which he fails or refuses to file a report. The penalty
29 for failure to file a report is in addition to the penalty for

1 delinquent taxes, and is a lien against the assets of the person failing
2 or refusing to file the reports.

3 * Sec. 5. AS 43.55.060 is amended to read:

4 Sec. 43.55.060. DELINQUENCY. When the tax provided for in this
5 chapter becomes delinquent, it bears interest at the rate of 10 [SIX]
6 per cent a year. If any person fails to make a report required by this
7 chapter, within the time prescribed by law for the report, the depart-
8 ment shall examine the books, records and files of the person to
9 determine the amount and value of the production to compute the tax,
10 and the department shall add to the tax the cost of the examination,
11 together with any penalties accrued.

12 * Sec. 6. AS 43.55.080 is amended to read:

13 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The department
14 shall deposit monthly [QUARTERLY] in the general fund the money col-
15 lected by it under this chapter.

16 * Sec. 7. AS 43.55.140 is amended to read:

17 Sec. 43.55.140. DEFINITIONS. In this chapter

18 (1) "barrel of oil" means 42 United States gallons of 231
19 cubic inches a gallon computed at a temperature of 60 degrees Fahrenheit;

20 (2) "department" means the Department of Revenue;

21 (3) "gas" means all natural, associated or casinghead gas,
22 all hydrocarbons produced at the wellhead not defined as oil, and all
23 liquid hydrocarbons extracted at a gas processing plant [NATURAL GAS
24 AND CASINGHEAD GAS];

25 (4) "oil" means crude petroleum oil and other hydrocarbons
26 regardless of gravity which are produced at the wellhead in liquid form
27 and the liquid hydrocarbons known as distillate or condensate recovered
28 by separation from gas other than at a gas processing plant [PETROLEUM,
29 CRUDE OIL, MINERAL OIL, AND CASINGHEAD GASOLINE];

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(5) "QUARTER" AND "QUARTERLY" MEANS QUARTER ANNUAL PERIODS OF THREE CALENDAR MONTHS EACH, THE FIRST QUARTER HAVING BEGUN ON AUGUST 1, 1955].