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Referred: Resources and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 817

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an oil and gas properties
7 production tax; and providing for an effective date."

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

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

10 (a) There is levied upon the producer of [EVERY PERSON
11 PRODUCING] oil and gas a tax based upon a per cent of the gross value
12 at the well of all oil and gas removed or sold from each lease or
13 property [PRODUCED] in the state, less the value of any part [,] the
14 ownership or right to which is exempt from taxation. The tax is
15 determined according to the following schedules, and any part which
16 is exempt from taxation is deducted from the tax levied on a pro rata
17 basis as to each production level tax bracket [THE TAX IS UPON THE
18 WHOLE PRODUCTION, INCLUDING WHAT IS COMMONLY KNOWN AS THE ROYALTY
19 INTEREST, AND IS LEVIED ACCORDING TO THE FOLLOWING SCHEDULES]:

20 (1) oil: based upon the average daily per-well production
21 for the calendar month in barrels, the tax is

22 (A) three per cent on the first 300 barrels;

23 (B) five per cent on the next 700 barrels;

24 (C) six per cent on the next 1,500 barrels; and

25 (D) eight per cent on all production in excess of

26 2,500 barrels;

27 (2) gas: the rate is four per cent of the gross value of
28 the gas and liquid products produced.

29 * Sec. 2. AS 43.55.010 is amended by adding a new subsection to read;

1 (e) If on a tax payment date the amount of tax due under (a)(1)
2 of this section is less than the tax due under sec. 015 of this
3 chapter, the tax levied in sec. 015 of this chapter is payable and
4 the tax levied in this section need not be paid.

5 * Sec. 3. AS 43.55 is amended by adding a new section to read:

6 Sec. 43.55.015. TAX PER BARREL OF OIL. (a) There is levied
7 upon the producer of oil a tax on each barrel of oil removed or sold
8 from each lease or property in the state less any part the ownership
9 or right to which is exempt from taxation. The tax is based upon
10 the average daily per-well production for the calendar month in
11 barrels determined according to the following schedule and any part
which is exempt from taxation is deducted from the tax levied on a
13 pro-rata basis as to each production level bracket:

- 14 (1) \$.432 on the first 300 barrels
15 (2) \$.482 on the next 700 barrels
16 (3) \$.507 on the next 1,500 barrels
17 (4) \$.557 on all production in excess of 2,500 barrels.

18 (b) In computing the tax payable under this section the
19 producers of oil may deduct from the amount owing the value of the
20 royalty share paid or transferred by the producer in an amount up
21 to one-eighth of the value of all the oil produced. For any lease
22 where a state discovery royalty of five per cent is paid, the
23 deduction allowed shall be two and one-half times the amount of the
24 royalty owing for so long as the discovery royalty applies to the
25 production.

26 (c) The tax levied by this section shall be administered and
27 paid in the same manner as the tax levied in sec. 010 of this chapter.

28 (d) If on any tax payment date the amount of tax due under (a)
29 of this section is less than the tax due under sec. 010(a) (1) of this

1 chapter, the tax levied in sec. 010(a)(1) of this chapter is payable
2 and the tax levied in this section need not be paid.

3 * Sec. 4. AS 43.55.020(a) is amended to read:

4 (a) The gross production tax on oil or gas shall be paid
5 monthly [QUARTERLY]. The tax is due on the last day of each [THE]
6 calendar month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on [ALL]
7 oil or gas removed or sold from each lease or property [PRODUCED IN
8 AND SAVED] during the preceding month [QUARTERLY PERIOD]. If the
9 tax is not paid before the end of the month in which it becomes due,
10 the tax becomes delinquent.

11 * Sec. 5. AS 43.55.020(b) is amended to read:

12 (b) The gross production tax on oil or gas [SOLD AT THE TIME OF
13 PRODUCTION] shall be paid by [THE PURCHASER,] or on behalf of the
14 producer [AND THE PURCHASER SHALL DEDUCT THE AMOUNT OF THE TAX PAID
15 IN MAKING SETTLEMENT WITH THE PRODUCER OR ROYALTY OWNER, OR BOTH].

16 * Sec. 6. AS 43.55.020(c) is repealed.

17 * Sec. 7. AS 43.55.020(d) is amended to read:

18 (d) In making settlement with the royalty owner the producer
19 may deduct the amount of the tax paid on royalty oil or gas, or may
20 deduct royalty oil or gas equivalent in value at the time the tax
21 becomes due to the amount of the tax paid.

22 * Sec. 8. AS 43.55.020(e) is amended to read:

23 (e) Gas produced and used, except gas used in the operation of
24 a lease or property [PREMISES] in drilling for or producing oil or
25 gas, or for repressuring, is considered, for the purpose of this
26 chapter and in the amount used, as gas removed or sold from a lease
27 or property [ACTUALLY PRODUCED AND SAVED].

28 * Sec. 9. AS 43.55.030(a) is amended to read:

29 (a) The tax shall be paid to the department and the person

1 paying the tax shall file with the department at the time the tax is
2 required to be paid a statement, under oath, on forms prescribed by
3 or acceptable to the department, giving with other information
4 required, the following:

5 (1) a [FULL] description of the lease or property from
6 which the oil or gas was removed or sold, by [LEASE] name, [SUB-
7 DIVISION OF QUARTER SECTION, SECTION, TOWNSHIP AND RANGE, OR OTHER]
8 legal description, lease number or by accounting code numbers assigned
9 by the department [BY METES AND BOUNDS, FROM WHICH THE OIL OR GAS WAS
10 PRODUCED];

11 (2) the names of the producer and the person paying the
12 tax;

13 (3) the gross amount of oil or gas removed or sold from the
14 lease or property, [PURCHASED] and the percentage of the gross amount
15 owned by each producer for whom the tax is paid;

16 (4) the total value of the oil or gas removed or sold from
17 the lease or property owned by each producer for whom the tax is paid
18 [AT THE PRICE PAID FOR IT, IF PURCHASED AT THE TIME OF PRODUCTION];

19 and

20 [(5) THE PREVAILING MARKET PRICE OF OIL OR GAS SOLD AT
21 TIME OF PRODUCTION.]

22 (6) the name of the first purchaser and the price received
23 for the oil or gas if sold in the state.

24 * Sec. 10. AS 43.55.030(b) and (c) are repealed.

25 * Sec. 11. AS 43.55.030(d) is amended to read:

26 (d) Reports by or on behalf of the [FROM THE PURCHASER OR]
27 producer are delinquent the first day following the day the tax is
28 due [30 DAYS AFTER THE TIME FIXED FOR FILING THE REPORTS]. Each
29 producer [PERSON REQUIRED TO FILE A REPORT] is subject to a penalty

1 of \$25 a day for each lease or property upon which the [HE FAILS OR
2 REFUSES TO FILE A] report is not filed. The penalty for failure to
3 file a report is in addition to the penalty for delinquent taxes,
4 and is a lien against the assets of the producer [PERSON FAILING OR
5 REFUSING TO FILE THE REPORTS].

6 * Sec. 12. AS 43.55.070 is amended to read:

7 Sec. 43.55.070. LIEN FOR TAX. The tax is a first and paramount
8 lien against the [PURCHASER'S OR] producer's real and personal
9 property. [THE PROVISIONS OF THIS CHAPTER MAKING THE PURCHASER LIABLE
10 TO PAY THE TAX, AND THE PROVISIONS REQUIRING THE PRODUCER TO PAY THE
11 ROYALTY OWNER'S TAX, DO NOT RELEASE THE PRODUCER OR PURCHASER FROM
12 LIABILITY TO PAY THE TAX, IF THE TAX IS NOT PAID.] The tax may be
13 recovered at the suit of the state upon relation to the department.

14 * Sec. 13. AS 43.55.080 is amended to read:

15 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The
16 department shall deposit [QUARTERLY] in the general fund the money
17 collected by it under this chapter.

18 * Sec. 14. AS 43.55.100 is repealed.

19 * Sec. 15. AS 43.55 is amended by adding a new section to read:

20 Sec. 43.55.135. MEASUREMENT. For the purposes of this chapter,
21 oil shall be measured in terms of a "barrel of oil" and gas shall be
22 measured in terms of a "cubic foot of gas".

23 * Sec. 16. AS 43.55.140 is repealed and re-enacted to read:

24 Sec. 43.55.140. DEFINITIONS. In this chapter

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

28 (2) "cubic foot of gas" means the volume of gas contained
29 in one cubic foot of space measured at a pressure base of 14.65

1 pounds per square inch absolute and a temperature base of 60 degrees
2 Fahrenheit;

3 (3) "department" means the Department of Revenue;

4 (4) "gas" means all natural, associated or casinghead gas,
5 all hydrocarbons produced at the wellhead not defined as oil, and
6 all liquid hydrocarbons extracted at a gas processing plant;

7 (5) "oil" means crude petroleum oil and other hydrocarbons
8 regardless of gravity which are produced at the wellhead in liquid
9 form and the liquid hydrocarbons known as distillate or condensate
10 recovered by separation from gas other than at a gas processing
11 plant.

12 * Sec. 17. This Act takes effect July 1, 1972.