

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/29/72
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 168

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

20 (1) oil: based upon the average daily [PER-WELL] production
21 for each well 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. 15 of this chapter,
3 the tax levied in sec. 15 of this chapter is payable and the tax levied
4 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 upon
7 the producer of oil a tax on each barrel of oil removed or sold from
8 each lease or property in the state less any part the ownership or
9 right to which is exempt from taxation. The tax is determined according
10 to the following schedule:

11 Average Daily Production for each well for Calendar Month

	0-300	301-1000	1001-2500	Over 2500
12 Cents per Barrel tax	\$.432	\$.482	\$.507	\$.557

13
14 In computing the tax payable under this section the producers of oil
15 may deduct from the amount owing the value of the royalty share paid
16 or transferred by the producer in an amount up to one-eighth of the
17 value of all the oil produced. For any lease where a state discovery
18 royalty of five per cent is paid, the deduction allowed shall be two
19 and one-half times the amount of the royalty owing for so long as the
20 discovery royalty applies to the production.

21 (b) The tax levied by this section shall be administered and
22 paid in the same manner as the tax levied in sec. 10 of this chapter.

23 (c) If on any tax payment date the amount of tax due under (a)
24 of this section is less than the tax due under sec. 10(a)(1) of this
25 chapter, the tax levied in sec. 10(a)(1) of this chapter is payable
26 and the tax levied in this section need not be paid.

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

28 (a) The gross production tax on oil or gas shall be paid monthly
29 [QUARTERLY]. The tax is due on the last day of each [THE] calendar

1 month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on [ALL] oil or gas
2 removed or sold from each lease or property [PRODUCED IN AND SAVED]
3 during the preceding month [QUARTERLY PERIOD]. If the tax is not
4 paid on or before the end of the month in which it becomes due, the tax
5 becomes delinquent.

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

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

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

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

13 (d) In making settlement with the royalty owner the producer
14 may deduct the amount of the tax paid on royalty oil or gas, or may
15 deduct royalty oil or gas equivalent in value at the time the tax
16 becomes due to the amount of the tax paid.

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

18 (e) Gas produced and used, except gas used in the operation of
19 a lease or property [PREMISES] in drilling for or producing oil or
20 gas, or for repressuring, is considered, for the purpose of this
21 chapter and in the amount used, as gas removed or sold from each lease
22 or property [ACTUALLY PRODUCED AND SAVED].

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

24 (a) The tax shall be paid to the department and the person
25 paying the tax shall file with the department at the time the tax is
26 required to be paid a statement, under oath, on forms prescribed by
27 or acceptable to the department, giving with other information re-
28 quired, the following:

29 (1) a [FULL] description of the lease or property from

1 which the oil or gas was removed or sold, by [LEASE] name, [SUBDIVISION
2 OF QUARTER SECTION, SECTION, TOWNSHIP AND RANGE, OR OTHER] legal
3 description, lease number or by accounting code numbers assigned by
4 the department [BY METES AND BOUNDS, FROM WHICH THE OIL OR GAS WAS
5 PRODUCED];

6 (2) the names [NAME] of the producer and the person paying the
7 tax;

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

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

14 [(5) THE PREVAILING MARKET PRICE OF OIL OR GAS SOLD AT
15 TIME OF PRODUCTION]

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

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

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

20 (d) Reports on behalf of the [FROM THE PURCHASER OR] producer
21 are delinquent the first day following the day the tax is due [30 DAYS
22 AFTER THE TIME FIXED FOR FILING THE REPORTS]. Each producer [PERSON
23 REQUIRED TO FILE A REPORT] is subject to a penalty of \$25 a day for
24 each lease or property upon which the [HE FAILS OR REFUSES TO FILE A]
25 report is not filed. The penalty for failure to file a report is in
26 addition to the penalty for delinquent taxes, and is a lien against
27 the assets of the producer [PERSON FAILING OR REFUSING TO FILE THE
28 REPORTS].

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

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

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

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

12 * Sec. 14. AS 43.55.100 is repealed.

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

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

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

18 Sec. 43.55.140. DEFINITIONS. In this chapter

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

22 (2) "cubic foot of gas" means the volume of gas contained
23 in one cubic foot of space measured at a pressure base of 14.65 pounds
24 per square inch absolute and a temperature base of 60 degrees Fahrenheit;

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

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

29 (5) "oil" means crude petroleum oil and other hydrocarbons

1 regardless of gravity which are produced at the wellhead in liquid
2 form and the liquid hydrocarbons known as distillate or condensate
3 recovered by separation from gas other than at a gas processing plant.

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