

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 CS SENATE BILL NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the 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 is amended to read:

10 Sec. 43.55.010. GROSS PRODUCTION TAX. (a) There is levied upon
11 the producer of oil or [AND] gas a tax based upon a per cent of the
12 gross value at the well of all oil or [AND] gas removed or sold from
13 each lease or property 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 is
16 exempt from taxation is deducted from the tax levied on a pro rata
17 basis as to each production level tax bracket:

18 (1) oil: based upon the total production from each lease
19 or property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar
20 month in barrels, the tax is

21 (A) three per cent on the first 300 barrels of average
22 daily per well production;

23 (B) five per cent on the next 700 barrels of average
24 daily per well production;

25 (C) six per cent on the next 1,500 barrels of average
26 daily per well production; and

27 (D) eight per cent on all production in excess of 2,500
28 barrels of average daily per well production;

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

1 value of the gas and liquid products produced each month.

2 (b) The [PAYMENT OF THE] tax imposed by this chapter is in
3 place [LIEU] of all [AD VALOREM] taxes now [OR HEREAFTER] imposed by
4 the state or any of its political subdivisions upon, and neither
5 the state nor a political subdivision may impose a tax
6 upon

7 (1) property rights attached to or inherent in the right
8 to explore for or produce oil or gas; [,]

9 (2) [PRODUCING] oil or gas leases or properties, whether
10 producing or not; [,]

11 (3) oil or gas in place;

12 (4) oil or [AND] gas produced or extracted in the state;
13 [UPON WHICH GROSS PRODUCTION TAXES ARE PAID, AND]

14 (5) an interest [INVESTMENT] in property described in this
15 subsection; or [SECTION]

16 (6) the value of intangible drilling and development expenses
17 and exploration expenses.

18 (c) An interest in the land not described in (b) of this section
19 may [SHALL] be assessed and taxed under other provisions of state
20 law [AS OTHER PROPERTY WITHIN THE TAXING DISTRICT IN WHICH THE
21 PROPERTY IS LOCATED].

22 (d) The [GROSS PRODUCTION] tax imposed by this chapter is not in
23 place [LIEU] of the tax imposed by AS 43.57 or income taxes or [EXCISE]
24 taxes upon the retail sale of oil or [AND] gas products.

25 (e) If on a tax payment date the amount of tax due under (a)(1) of
26 this section is less than the tax due under sec. 15 of this chapter,
27 the tax levied in sec. 15 of this chapter is payable in place of the
28 tax levied in this section [AND THE TAX LEVIED IN THIS SECTION NEED
29 NOT BE PAID].

1 * Sec. 2. AS 43.55.015 is repealed and re-enacted to read:

2 Sec. 43.55.015. TAX PER BARREL OF OIL. (a) There is levied
3 upon the producer of oil a tax on each barrel of oil removed or sold
4 from each lease or property in the state, less any part the ownership
5 or right to which is exempt from taxation. The tax is determined
6 according to the following cents per barrel tax schedule and any part
7 which is exempt from taxation is deducted from the tax levied on a
8 pro rata basis as to each production level bracket:

9 (1) \$.10125 on the first 300 barrels of average daily
10 per well production;

11 (2) \$.16875 on the next 700 barrels of average daily
12 per well production;

13 (3) \$.2025 on the next 1,500 barrels of average daily
14 per well production;

15 (4) \$.2700 on all production in excess of 2,500 barrels
16 of average daily per well production.

17 (b) The cents per barrel tax schedule set out in this section
18 applies to oil of 27 degrees API gravity. For each degree of API
19 gravity less than 27 degrees the cents per barrel tax in each production
20 level bracket shall be reduced by two per cent of the base rate for
21 27 degree oil and for each degree of API gravity greater than 27
22 degrees the cents per barrel tax for each production level bracket
23 shall be increased by two per cent of the base rate for 27 degree oil;
24 except that oil above 40 degrees API gravity shall be taxed as
25 40 degree oil. In applying the gravity adjustment under this
26 subsection, fractional degrees of API gravity shall be disregarded.

27 (c) The tax levied by this section shall be administered and
28 paid in the same manner as the tax levied in sec. 10 of this chapter.

29 (d) If on a tax payment date the amount of tax due under this

1 section is equal to or less than the tax due under sec. 10(a)(1) of
2 this chapter, the tax levied in sec. 10(a)(1) of this chapter is
3 payable in place of the tax levied in this section.

4 (e) When the tax levied under this section is payable, an
5 amount not less than \$.05 for each barrel of oil produced shall be paid
6 by the state out of its royalties from the oil, whenever payment by
7 the state is required under the revenue-sharing provisions of
8 sec. 9 of the Alaska Native Claims Settlement Act (PL 92-203; 85 Stat.
9 688, 43 U.S.C. 1601 et seq.), into the Alaska Native Fund until all
10 amounts paid in the fund equal \$500,000,000.

11 * Sec. 3. AS 43.55.140 is amended by adding new paragraphs to read:

12 (6) "intangible drilling and development expenses" means
13 those expenses defined in sec. 263(c) of the United States Internal
14 Revenue Code as defined on the effective date of this paragraph;

15 (7) "the ownership or right to which is exempt from
16 taxation" means any ownership interest of the federal government or
17 the state;

18 (8) "produced" means the removal or sale of oil or gas from
19 a lease or property in the state;

20 (9) "production" means the volume or quantity of oil or
21 gas removed or sold from a lease or property in the state;

22 (10) "API gravity" means the specific gravity of oil
23 measured in degrees on the American Petroleum Institute scale;

24 (11) "average daily per well production" means the amount
25 calculated by dividing the total number of barrels of oil produced
26 from each lease or property during the calendar month by the total
27 number of wells produced on the lease or property any time during the
28 calendar month and dividing that amount by the total number of days in
29 the calendar month;

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(12) "lease or property" means a lease or property including, but not limited to, a unitization or pooling agreement under the provisions of Section 614(b)(3) of the Internal Revenue Code of 1954 as defined upon the effective date of this paragraph.

* Sec. 4. This Act takes effect January 1, 1974.