

Original sponsor: Rules Committee by  
request of the Governor

Offered: 10/30/73  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HCS CS FOR 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 average daily production for each  
19 well for the calendar month in barrels, the tax is

- 20 (A) three per cent on the first 300 barrels;  
21 (B) five per cent on the next 700 barrels;  
22 (C) six per cent on the next 1,500 barrels; and  
23 (D) eight per cent on all production in excess of 2,500

24 barrels;

25 (2) gas: the tax [RATE] is four per cent of the gross  
26 value of the gas and liquid products produced each month.

27 (b) The [PAYMENT OF THE] tax imposed by this chapter is in  
28 place [LIEU] of all [AD VALOREM] taxes now [OR HEREAFTER] imposed by  
29 the state or any of its political subdivisions upon, and neither

1 the state nor a political subdivision may impose a tax upon

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

4 (2) producing oil or gas leases,

5 (3) oil or [AND] gas produced or extracted in the state;  
6 [UPON WHICH GROSS PRODUCTION TAXES ARE PAID, AND]

7 (4) an interest [INVESTMENT] in property described in this  
8 subsection; or

9 (5) the value of intangible drilling and exploration  
10 expenses [SECTION].

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

15 (d) The [GROSS PRODUCTION] tax imposed by this chapter is not  
16 in place [LIEU] of the tax imposed by ch. 57 of this title or income  
17 taxes or [EXCISE] taxes upon the retail sale of oil or [AND] gas  
18 products.

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

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 AS 43.55.015 is repealed and re-enacted to read:

25 Sec. 43.55.015. TAX PER BARREL OF OIL. (a) There is levied  
26 upon the producer of oil a tax on each barrel of oil removed or sold  
27 from each lease or property in the state less any part the ownership  
28 or right to which is exempt from taxation. The tax is based upon  
29 the average daily production for each well for the calendar month in

1 barrels determined according to the following schedule and any part  
2 which is exempt from taxation is deducted from the tax levied on a pro  
3 rata basis as to each production level bracket:

- 4 (1) \$.10125 on each of the first 300 barrels;
- 5 (2) \$.16875 on each of the next 700 barrels;
- 6 (3) \$.2025 on each of the next 1,500 barrels;
- 7 (4) \$.2700 on each barrel of production in excess of 2,500  
8 barrels.

9 (b) The cents per barrel tax schedule set out in this section  
10 applies to oil of 27 degrees API gravity. For each degree of API  
11 gravity less than 27 degrees the cents per barrel tax in each produc-  
12 tion level bracket shall be reduced by two per cent of the base rate  
13 for 27 degree oil and for each degree of API gravity greater than 27  
14 degrees the cents per barrel tax for each production level bracket  
15 shall be increased by two per cent of the base rate for 27 degree oil;  
16 except that oil above 40 degrees API gravity shall be taxed as  
17 40 degree oil. In applying the gravity adjustment under this sub-  
18 section, fractional degrees of API gravity shall be disregarded.

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

21 (d) If on a tax payment date the amount of tax due under this  
22 section is equal to or less than the tax due under sec. 10(a)(1) of  
23 this chapter, the tax levied in sec. 10(a)(1) of this chapter is  
24 payable in place of the tax levied in this section.

25 (e) When the tax levied under this section is payable, an  
26 amount not less than \$.05 for each barrel of oil produced shall be  
27 paid by the state out of its royalties from the oil, whenever payment  
28 by the state is required under the revenue-sharing provisions of  
29 sec. 9 of the Alaska Native Claims Settlement Act (PL 92-203; 85 Stat.

1 688; 43 U.S.C. 1601 et seq.), into the Alaska Native Fund until all  
2 amounts paid in the fund equal \$500,000,000.

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

4 (6) "API gravity" means the specific gravity of oil  
5 measured in degrees on the American Petroleum Institute scale;

6 (7) "intangible drilling expenses" as defined in sec.  
7 263(c) of the United States Internal Revenue Code as defined on the  
8 effective date of this paragraph;

9 (8) "lease or property" means a lease or property including  
10 mineral interests in oil and gas and working interest, royalty inter-  
11 ests and overriding royalty interests in oil and gas leases and  
12 unitization or pooling agreements under the provisions of sec. 614(b)(3)  
13 of the Internal Revenue Code of 1954 as defined upon the effective  
14 date of this paragraph;

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

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

19 (11) "production" means the volume or quantity of oil or  
20 gas removed or sold from a lease or property in the state.

21 " Sec. 4. This Act takes effect January 1, 1974.  
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