

Original sponsor: Rules Committee by
request of the Governor

Offered: 11/2/73

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR 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 AS 43.55.010(a) is repealed and re-enacted to read:

10 (a) There is levied upon every person producing oil or gas a
11 tax on each barrel of oil produced within the state and on the gross
12 value at the well of all gas produced within the state, both less
13 any part or value of any part the ownership or right to which is
14 exempt from taxation. The tax is upon the whole production, including
15 what is commonly known as the royalty interest, and is levied according
16 to the following schedules:

17 (1) oil: based upon the average daily per well production
18 and the average gravity of the oil sold from each lease or property
19 for the calendar month in barrels, the tax on each barrel of oil
20 produced is:

	Production Rate			
	100 BPD	101-1000	1001-2000	2001 BPD
Gravity	or less	BPD	BPD	or more
24 20.9° and below	\$.091	\$.182	\$.243	\$.304
25 21.0° - 23.9°	.098	.197	.262	.328
26 24.0° - 26.9°	.106	.211	.282	.352
27 27.0° - 29.9°	.113	.226	.301	.376
28 30.0° - 32.9°	.120	.240	.320	.400
29 33.0° - 35.9°	.127	.254	.339	.424

1	36.0° - 38.9°	.134	.269	.358	.448
2	39.0° - 41.9°	.142	.283	.378	.472
3	42.0° and above	.149	.298	.397	.496

4 (2) oil: if 10 per cent of the highest price paid for
5 State of Alaska royalty crude oil exceeds the tax for oil of like
6 gravity from wells producing 2001 BPD or more as shown in (1) of this
7 subsection, the tax for that gravity oil shall be increased to a cents
8 per barrel equivalent to 10 per cent of the highest price paid for
9 State of Alaska royalty crude oil of like gravity. The cents per
10 barrel taxes in the other production ranges shall be increased by the
11 same percentage. The department shall adjust and post the tax rates
12 accordingly at least semi-annually.

13 (3) gas: the tax rate shall be four per cent of the gross
14 value of the gas and liquid products produced.

15 * Sec. 2. AS 43.55.010(b), (c) and (d) are amended to read:

16 (b) The [PAYMENT OF THE] tax imposed by this chapter is in
17 place [LIEU] of all [AD VALOREM] taxes now [OR HEREAFTER] imposed by
18 the state or any of its municipalities [POLITICAL SUBDIVISIONS] upon,
19 and neither the state nor a municipality may impose a tax upon

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

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

24 (3) oil or gas in place;

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

27 (5) an interest [INVESTMENT] in property described in this
28 subsection; or

29 (6) the value of intangible drilling and development expenses

1 and exploration expenses [SECTION].

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

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

10 * Sec. 3. AS 43.55.010(e) is repealed.

11 * Sec. 4. AS 43.55.015 is repealed.

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

13 Sec. 43.55.016. NATIVE CLAIMS PAYMENTS. When the tax levied
14 under sec. 10 of this chapter is payable, an amount not less than
15 \$.05 for each barrel of oil produced shall be paid by the state out
16 of its royalties from the oil, whenever payment by the state is
17 required under the revenue-sharing provisions of sec. 9 of the Alaska
18 Native Claims Settlement Act (PL 92-203; 85 Stat. 688; 43 U.S.C.
19 1601 et. seq.), into the Alaska Native Fund until all amounts paid
20 in the fund equal \$500,000,000.

21 * Sec. 6. AS 43.55.140 is amended by adding new paragraphs to read:

22 (6) "average daily per well production" means the amount
23 calculated by dividing the total number of barrels of oil produced
24 from each lease or property during the calendar month by the number
25 of days each well produced on the lease or property any time during
26 the calendar month;

27 (7) "gravity" means the API gravity of oil measured at
28 60° F. and is determined by the following formula:

29
$$\text{API Gravity} = \frac{141.5}{\text{Specific Gravity}} - 131.5$$

1 (8) "intangible drilling and development expenses" means
2 those expenses defined in sec. 263(c) of the United States Internal
3 Revenue Code of 1954 as of the effective date of this paragraph;

4 (9) "lease or property" means a lease or property including
5 mineral interests in oil and gas and working interests, royalty
6 interests and overriding royalty interests in oil and gas leases and
7 unitization or pooling agreements under the provisions of sec. 614(b)(3)
8 of the Internal Revenue Code of 1954 as of the effective date of this
9 paragraph;

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

12 (11) "produce" means to remove or sell oil or gas from a
13 lease or property in the state;

14 (12) "production" means the volume or quantity of oil or
15 gas removed or sold from a lease or property in the state.

16 * Sec. 7. If any provision of this Act, or the application of it to any
17 person or circumstance is held invalid, the remainder of this Act and the
18 application to other persons or circumstances is not affected by that
19 holding.

20 * Sec. 8. This Act takes effect January 1, 1974.
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