

Original sponsor: Rules Committee by
request of the Governor

Offered: 11/10/73

1 IN THE SENATE BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR 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 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) five [THREE] per cent on the first 300 barrels;

21 (B) six [FIVE] per cent on the next 700 barrels;

22 (C) eight [SIX] per cent on all production in excess of
23 1,000 barrels; [THE NEXT 1,500 BARRELS; AND

24 (D) EIGHT PER CENT ON ALL PRODUCTION IN EXCESS OF 2,500
25 BARRELS;]

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

28 (b) The [PAYMENT OF THE] tax imposed by this chapter is in
29 place [LIEU] of all [AD VALOREM] taxes now [OR HEREAFTER] imposed by

1 the state or any of its municipalities [POLITICAL SUBDIVISIONS],
2 and neither the state nor a municipality may impose a tax upon

3 [(1) PROPERTY RIGHTS ATTACHED TO OR INHERENT IN THE RIGHT
4 TO PRODUCE OIL OR GAS,]

5 (2) producing oil or gas leases;

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

8 (4) AND INVESTMENT IN PROPERTY DESCRIBED IN THIS SECTION]

9 (5) the value of intangible drilling and exploration expenses.

10 (c) The tax imposed by this chapter is in place of all taxes
11 imposed by a municipality upon oil or gas in place or non-producing oil
12 or gas leases or properties [AN INTEREST IN THE LAND NOT DESCRIBED IN
13 THIS SECTION SHALL BE ASSESSED AND TAXED AS OTHER PROPERTY WITHIN THE
14 TAXING DISTRICT IN WHICH THE 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) \$.16875 on each of the first 300 barrels;

5 (2) \$.2025 on each of the next 700 barrels;

6 (3) \$.2700 on each barrel of production in excess of 1,000
7 barrels.

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

18 (c) The tax rates set out in this section will be increased or
19 decreased by a percentage equal to the percentage of change in the
20 Wholesale Price Index for crude petroleum published by the Bureau of
21 Labor Statistics, of the U. S. Department of Labor. The year 1967 is
22 the base year of 100 for computing the tax rates. Changes in tax
23 rates will be computed based on changes in the Wholesale Price Index
24 occurring after the effective date of this subsection and will not
25 include changes in the Wholesale Price Index prior to the effective
26 date of this subsection. The department shall post the changes in the
27 tax rates at least semi-annually and shall notify every person pro-
28 ducing oil within the state of the changes.

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
6 paid by the state out of its royalties from the oil, whenever payment
7 by 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) "API gravity" means the specific gravity of oil
13 measured in degrees on the American Petroleum Institute scale;

14 (7) "intangible drilling expenses" as defined in sec.
15 263(c) of the United States Internal Revenue Code as defined on the
16 effective date of this paragraph;

17 (8) "lease or property" means a lease or property including
18 mineral interests in oil and gas and working interests, royalty inter-
19 ests and overriding royalty interests in oil and gas leases and
20 unitization or pooling agreements under the provisions of sec. 614(b)(3)
21 of the Internal Revenue Code of 1954 as defined upon the effective
22 date of this paragraph;

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

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

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

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