Copy Committee

STATE OF ALASKA

JAY S. HAMMOND, Governor

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER / POUCH S—JUNEAU 99801

April 4, 1975

The Honorable Kathryn Poland
Chairman
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99811

Dear Senator Poland:

re Senate Bill No. 295

Senate Bill No. 295, an Act relating to the oil and gas properties production tax was introduced on March 21, 1975 and referred to the Senate Resources and Finance Committees.

For the consideration of the Senate Resources Committee, I am enclosing a copy of a memorandum from Frederick P. Boetsch, Deputy Commissioner of the Department of Revenue which will disclose the projected increases in revenues for the fiscal years 1976 through 1980 and will indicate no additional cost of administration.

If you or any of the members of the Senate Resources Committee have any questions on the material submitted, please telephone the writer at 465-2397 and I will contact Mr. Boetsch for further material or testimony.

Very truly yours,

R. D. Stevenson
Special Assistant

RDS:eh

Enclosures

cc: The Honorable Bill Ray
Chairman
Senate Finance Committee

Frederick P. Boetsch
Deputy Commissioner
Department of Revenue

MEMORANDUM

State of Alaska

TO: Sterling Gallagher
Commissioner of Revenue

DATE: April 2, 1975

FILE NO:

TELEPHONE NO:

FROM: Frederick P. Boetsch
Deputy Commissioner
Department of Revenue

SUBJECT: Proposed Gas Severance Tax
Senate Bill 295

A bill has been introduced which would increase the severance tax on natural gas production from 4% to 10% of the value or 5¢ per thousand cubic feet which ever is higher. This would place the gas severance tax on the same alternative basis as our oil production tax. The main incidence of this tax would fall on oil companies producing gas in the Cook Inlet Area at the present time, the Collier Carbon Chemical plant, the Gas Liquefaction Facility and its customers in Japan, and the residents of the City of Anchorage. At the present time sixteen percent of the gas produced in Cook Inlet either goes to the people of Anchorage, the Chugach Electric Association, or to the City of Kenai. In the future, of course, when gas is being produced from other areas this percentage will decline significantly and most of the tax incidence will fall on out-of-state consumers.

It is interesting to note that 5¢ per MCF equates in terms of equivalent BTU output to the present cents-per-barrel tax at the lower end of the scale.

The projected revenues on this source for FY 76 - 80 are as follows:

Projected Increases in Revenues
($000 Omitted)

FY 76	FY 77	FY 78	FY 79	FY 80
4061.0	4670.0	5852.0	6381.0	21,541.0

There are no additional administrative costs in connection with the administration of this tax.

FPB:lw