

HB

29

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S—JUNEAU 99801

JAY S. HAMMOND, Governor

February 27, 1975

The Honorable Nels Anderson, Chairman
House Resources Committee
Alaska State Legislature
State Capitol Building
Juneau, AK 99811

Dear Mr. Anderson:

re House Bill No. 29

House Bill No. 29, an Act to provide a school tax on oil according to the House Journal of February 26, 1975 was referred to the House Resources Committee after which it will be referred to the House Finance Committee.

The bill provides in general that there is levied upon the producer of oil a tax of one cent on each barrel of oil which is transported intrastate by pipeline and removed or sold from any lease or property in the State, less any part the ownership or right to which is exempt from taxation. Line 18 on page 2 of the bill provides for repeal of the present \$10 per head School Tax.

In order to evaluate the effect on the Treasury as to revenue to be gained by school tax on oil and as to revenue to be lost by the repeal of the present School Tax of \$10 per head, requests were made to Mr. O. K. Gilbreth, Director, Division of Oil and Gas as to the school tax on oil and to the Audit Division of the Department of Revenue for School Tax.

Attached for your consideration are copies of memorandums and schedules from Mr. O. K. Gilbreth indicating new revenues to be gained by imposition of the school tax on oil for the fiscal years 1975 through 1980 and a schedule prepared by Darrell D. Knox, Audit Supervisor II of the Audit Division of the Department of Revenue incorporating new revenue from school tax on oil and loss of revenues under proposed repeal of the present \$10 per head school tax and net gain or loss to Treasury for the fiscal years 1975 to 1980.

If you have questions on the enclosed material call the writer at 465-2397

AGO 547296 +

Honorable Nels Anderson

-2-

February 27, 1975

and arrangements can be made to have Darrell D. Knox of the Department of Revenue available for committee hearings. Mr. Gilbreth is stationed in Anchorage, Alaska.

Very truly yours,



R. D. Stevenson
Special Assistant

RDS:sp

attachments

cc The Honorable Leslie Swanson
Sponsor, House Bill No. 29

The Honorable Hugh Malone
Chairman, House Finance Committee

Darrel D. Knox
Department of Revenue

AGO 547297

FEB 10 1975

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

TO: Gary L. Jenkins
Director
Audit Division

DATE: February 7, 1975

FILE NO:

TELEPHONE NO:

FROM: O. K. Gilbreth *OKG*
Director

SUBJECT: Fiscal Note Information,
House Bill #29

We have examined the proposed bill and submit the information you have requested as follows:

1. Impact on treasury

This bill would result in the following income to the State of Alaska during the fiscal year 1975 through the fiscal year 1980:

<u>Fiscal Year</u>					
<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
\$624,000	\$568,00	\$520,000	\$3,224,000	\$5,544,000	\$5,984,000

2. Impact on budgetary accounts

Since this proposed tax is applied essentially the same as the oil and gas conservation tax, the additional burden to administer the program should be almost negligible.

3. This tax is only on oil transported by a pipeline and which has been removed or sold from a lease. This exempts oil carried by trucks. At present there is a very minor amount carried by trucks but it should be pointed out that as remote wells are completed it is possible that we will have more production carried by trucks to central gathering facilities.

In Section 43.58.010 (a) the tax is levied on oil transported intrastate by pipeline.....it should be pointed out that about 75 percent of the present production is moved by interstate lines to a terminal for shipment to the South 48. It should be determined that from a legal point of view this production is transported intrastate for purposes of this tax. We have assumed that it would be covered in our estimates however if by some legal quirk it is not, then our estimates should be reduced approximately 75 percent.

cc: W. C. Fackler, Acting Commissioner

TO: Frederick P. Boetsch
Deputy Commissioner, Taxation
Department of Revenue

February 18, 1975

FROM: Darrell D. Knox *DK*
Audit Supervisor II
Audit Division

House Bill 29

Per your request I have reviewed House Bill 29 and submit the following data for your information.

<u>Source of Data</u>	<u>Fiscal Year</u>						<u>Total</u>
	<u>'75</u>	<u>'76</u>	<u>'77</u> (000)	<u>'78</u>	<u>'79</u>	<u>'80</u>	
O.K. Gilbreath's Oil School Tax memo dated 2/07/75	\$ 624.0	\$ 568.0	\$ 520.0	\$3,224.0	\$5,544.0	\$5,984.0	\$16,464.0
Less: Present School Tax estimate Per revenue sources - Alaska FY 74-80	1,820.9	1,939.7	1,981.3	1,960.8	2,038.2	2,103.7	11,844.6
Net gain (loss) to Treasury	<u>(\$1,196.9)</u>	<u>(\$1,371.7)</u>	<u>(\$1,461.3)</u>	<u>\$1,263.2</u>	<u>\$3,505.8</u>	<u>\$3,880.3</u>	<u>\$ 4,619.4</u>

If I can be of further assistance, please call.

DDK/bjm