

HB

803

"An Act providing for an oil production income tax; and providing for an effective date."

COMMITTEE REPORT

HOUSE

4/7/76

FINANCE

Mr. Speaker:

Date 4-15-76

The Committee on RESOURCES has had 2nd SSHH 803

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____
COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Do Not Pass Ever Ever Ever!!!

Walter B. Anderson _____

Members NOT concurring in the Majority report:

_____ recommends: *Do Pass*

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends: *To pass yet over from there*

Walter B. Anderson Chairman

File

HOUSE RESOURCES COMMITTEE
TESTIMONY OF LAWRENCE L. WILSON

April 14, 1976

2d SSHB 803

My name is Lawrence L. Wilson, Associate Tax Counsel, Union Oil Company of California. I appreciate the opportunity to speak to the Committee in connection with 2d Sponsor Substitute for House Bill 803.

This bill purports to define net income from oil producing operations in Alaska and subject it to a 9.4% tax. Such tax would become a credit against the State's corporate income tax which is computed on all operations of the taxpayer.

2d SSHB 803 would introduce new concepts of taxing an oil producer which radically depart from concepts found under the regular State corporate income tax structure. The practical effect for present oil producers in Alaska would be that the regular corporate income tax would be rendered meaningless, and the traditional concepts of taxation worked out over decades of experience would not be applicable.

A further effect of this new form of taxing income would be double taxation on the taxpayer because Alaska would tax the income fully and yet the same income would be subjected to tax in other states under their apportionment formulas. Union and other companies do not object to income taxation by the various states. The objection comes when the states, through taxing mechanisms

such as that contained in 2d SSHB 803, attempt to tax more than what adds up to 100% of the income.

Adoption of this new form of taxation would be in clear violation of the basic concepts of uniformity of state taxation of multistate business embraced by Alaska in its adoption of the Multistate Tax Compact of 1970. In adopting the Compact, the State decided that it was preferable to determine the amount of income attributable to the Alaska operations of a multistate business by means of a uniform apportionment formula. Under this formula, a portion of the taxpayer's total income would be attributed to the State based on the ratio of property, payroll and sales within the State to property, payroll and sales everywhere. The Compact has served the State well, as indicated in a staff "Review of the Multistate Tax Compact" submitted as part of Senator Huber's report to the Legislative Council, January 9, 1976. Having thus enjoyed the fruits of uniform apportionment under the Compact, it would now be extremely unfair for the State to abandon uniformity in favor of the perceived short-range advantage of separately taxing income from oil production operations in Alaska.

The bill is objectionable in that it fails to properly measure net income from oil producing operations. It ignores the basic concepts of arriving at net income under the income tax provisions of Chapter 20, Title 43 of the Alaska Statutes, which concepts have been worked out after decades of experience. The bill would formulate a completely new tax base.

The bill is structured in a way to specify a limited class of specific deductions with certain of the classes given further

limited or restricted meanings. Hence, the traditional broader view of income taxation which permits as deductions those ordinary and necessary expenditures of a business to arrive at net income has been sacrificed in favor of an exceedingly narrow view as to what items constitute legitimate deductions. For example, the following is a partial list of items which are either excluded as a deduction or it is at best unclear that they fit within a category which will provide a deduction:

1. ad valorem taxes on producing equipment;
2. lease rentals;
3. interest paid on borrowed capital invested in production facilities or exploratory operations;
4. abandoned or scrapped property;
5. certain maintenance and repair expenses;
6. cost of abandonment of facilities, such as platforms;
7. fees, licenses, permits, and similar items.

The bill would deny any deduction for depreciation or amortization of lease acquisition or exploration costs incurred before 1974. The bill would also deny deductions for depreciation of development costs incurred before 1970. To give some perspective to this, there would be no deduction for costs of discovering and acquiring interests in the Prudhoe field, there would be no deduction for any of the \$900 million spent on North Slope bonuses, and there would be no deduction for depreciation of any of the platforms and related facilities in the Cook Inlet. We fail to see any rational basis for excluding these substantial costs.

The bill would deny deduction for research, engineering and design costs of facilities necessary to produce oil in Alaska, as well as other costs and overhead attributable to Alaska operations simply because such costs are incurred outside the State. This is an arbitrary and unfair distinction which loses sight of the reality that such costs are necessarily a part of the investment in Alaska. It is somewhat ironic that the State presently is vigilant in seeing that these very same costs are part of the Alaska property tax base for purposes of the state's 20-mill property tax.

The bill would require capitalization of intangible drilling and development costs (IDC), dry hole losses, unsuccessful geological and geophysical projects and non-variable operating expenses, notwithstanding that such costs are currently deductible for Alaska corporate income tax purposes. This feature of the bill alone would in most cases substantially increase taxes on Alaska-based producers, including the Regional Native corporations, as well as on the multistate producers.

The bill contains a formula for determining what part of exploration costs and bonuses is to be attributed to oil. The formula is the ratio of the producer's oil value in the preceding year to the total value of his oil and gas in such preceding year. The formula really has no relationship to costs incurred by the taxpayer or to the objective he may have in mind for a particular exploratory property. In short, the formula is wholly arbitrary and can lead to distorted and inequitable results.

The bill permits a deduction for oil production taxes but limits the deduction to the net production tax paid after any allowance of credit for reserves tax against the production tax. The reserves tax can be viewed as a prepaid production tax since it can be used as a credit for the production tax liability. The bill would deny a deduction for that part of the reserves tax when used as a credit. Put in perspective, the effect would be to deny nearly \$500 million of deductions for the Prudhoe field producers and other producers in Alaska.

The bill permits a deduction of 25 cents per barrel for "general administrative costs." So far as I can determine, the term is not a term of art having a definite meaning nor is it defined in the bill. The amount appears to be an arbitrary one and, because it is arbitrary, it would be coincidence if it applied equitably to all taxpayers. This is a prime example of the narrow view taken in the bill as contrasted to the broader and more traditional view permitting those deductions which are the ordinary and necessary expenses of a business to arrive at net income from that business.

The bill ostensibly provides for certain loss carryovers but these are limited to development and production cost deductions and then only to the extent that such particular deductions exceed the total value of the oil at the point where oil is valued. This fails to accomplish the basic purpose of loss carryovers and carrybacks where such a loss to be carried to a future or prior year does not depend on a particular deduction but, rather, the totality of the deductions.

The bill would create numerous controversies as to the proper interpretation of the statutory language. Where does exploration cease and development begin? What costs are variable, i.e., would not be incurred if production ceased? What constitutes cessation of production? What are "fair" transportation costs? What is a general administrative cost? All of these questions and more would undoubtedly require final resolution in the courts of this State.

Finally, I would like to say a word about the 9.4% rate of tax. As pointed out in my testimony, 2d SSHB 803 represents a radical departure from concepts under the Alaska corporate income tax which also has a 9.4% rate of tax. Even under traditional concepts of income taxation to arrive at net income, a tax rate of 9.4% is one of the highest in the nation. But when the tax base is arrived at under a bill such as 2d SSHB 803 and is still taxed at the same rate, then the effective rate on true net income would be substantially higher than 9.4%. Alaska's present tax package on the oil industry, considering income, property and production taxes, is already the highest of any oil producing state in the nation. It is our belief that any new taxes or increases in existing taxes will work to the detriment of the State and its citizens, as well as the oil industry.

WORK COPY-

TAXES IN THE EIGHT LARGEST OIL PRODUCING STATES^{a/}

Rank in Oil Production	State	Tax As A Percent Of Producer's Share Of Oil Revenue			Maximum State Corporate Income Tax Rates (Percent)	Production, Property, and State Income Tax as a Percent of Producers Share of Oil Revenue ^{g/} (Percent)
		Production Tax (Percent)	Property Tax ^{b/} (Percent)	Total (Percent)		
1	Texas	4.6	2.5	7.1	None	7.1
2	Louisiana	12.5	0.4	12.9	4.0 (Louisiana has 38% depletion allowance)	14.2
3	California	None	8.0	8.0	9.0	15.2
4	Oklahoma	7.0	Nil	7.0	4.0	10.3 9.3
5	Wyoming	4.0	5.5	9.5	(Okla. has 22% depl.) None	9.5
6	New Mexico	6.5	1.5	8.0	5.0	11.9
7	Kansas	Nil	4.5	4.5	6.75	10.1
8	Alaska					
	-Present Taxes					
	At Cook Inlet	8.3 ^{c/}	2.5	10.8	9.4	
	At Prudhoe Bay	7.7 ^{d/}	1.9 ^{e/}	9.6	9.4	17.0
	-Dr. Tanzer's Proposed Income Tax					
	At Prudhoe Bay	7.7 ^{d/}	1.9 ^{e/}	9.6	50.0	48.7
	-Senator Huber's Proposed Taxes					
	At Cook Inlet	9.9 ^{f/}	2.5	12.4	50.0	
	At Prudhoe Bay	12.6 ^{d/}	1.9 ^{e/}	14.5	50.0	

a/ Disregards nominal conservation and regulatory levies.

b/ Used estimated industry statewide average except in Alaska.

c/ Industry average in December 1975.

d/ Assumes 10,000 barrels per well per day of 27° oil at \$7.00 per barrel.

e/ Assumes \$50 million annual property tax and 1.2 million barrels per day of \$7.00 oil.

f/ Assumes 875 barrels per well per day of \$4.65 oil, 35° gravity.

g/ Assumes \$7.00 per barrel wellhead price, 12.5% royalty and \$0.75 per barrel operating expenses and depreciation. See page 2 for the calculation of these figures.

PRUDHOE BAY

With Huber Severance	12.6 ^{d/}	1.9 ^{e/}	14.5	9.4	21.4
With CSSB 295 Severance	11.2 ^{d/}	1.9 ^{e/}	13.1	9.4	20.3

AGD 547409

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TAXES IN THE LARGEST OIL PRODUCING STATES

Production, Property, And State Income Tax As A Combined Percent of Producer's Share of Revenue^{a/}
(Dollars Per Barrel)

Item	Prudhoe Bay, Alaska		Texas	Louisiana	California	Oklahoma	Wyoming	New Mexico	Kansas
	Under Present Law	Under Tanzer Proposal							
1. Wellhead Value	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
2. Royalty (12.5%)	.88	.88	.88	.88	.88	.88	.88	.88	.88
3. Producer's Share of Oil Revenue	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12
4. Production Tax ^{b/}	.47	.47	.28	.76	-	.43	.24	.40	-
5. Property Tax ^{b/}	.12	.12	.15	.02	.49	-	.34	.09	.28
6. Operating Expenses and Depreciation	.75	.75	.75	.75	.75	.75	.75	.75	.75
7. Depletion Allowance	-	-	-	2.33	-	-	1.35*	-	-
8. Subject to State Income Tax	4.78	4.78	4.94	2.26	4.88	4.94	3.59	4.79	4.88
9. State Income Tax ^{b/}	.45	2.39	-	.09	.44	.20	.14	-	.24
10. Production, Property and State Income Tax									
-Total (4+5+9)	1.04	2.98	.43	.87	.93	.63	.57	.58	.62
-Total as Percent of Producer's Share of Oil Revenue	17.0%	48.7%	7.1%	14.2%	15.2%	10.3%	9.3%	9.5%	10.1%

a/ Assuming a wellhead value of \$7.00 per barrel and \$0.75 per barrel operating expenses and depreciation.

b/ At the tax rates shown on page 1.

*Note: After this page was prepared we noted that we forgot to take into account the 22% depletion allowance in Oklahoma.

TAXES IN THE EIGHT LEADING OIL PRODUCING STATES
 COMBINED ALASKAN PRODUCTION PROPERTY AND STATE INCOME TAX
 AS A PERCENT OF THE COMBINED TAXES IN OTHER STATES

<u>Prudhoe Bay Alaska</u>				<u>Texas</u>	<u>Louisiana</u>	<u>California</u>	<u>Oklahoma</u>	<u>Wyoming</u>	<u>New Mexico</u>	<u>Kansas</u>	
<u>Existing</u>	<u>Tanzer</u>	<u>Huber Severance</u>	<u>CSSB 295 Severance</u>								
<u>Taxes as a % of Producers Share of Oil Revenue:</u>											
17.0%	48.7%	21.4%	20.3%	7.1%	14.2%	15.2%	10.3%	9.3%	9.5%	11.9%	10.1%
<u>Alaskan Taxes as a Percent of Taxes in Other States (%)</u>											
With Alaska's Existing Taxes				239% ^a	120%	112%	165% 182%	179%	143%	168%	
With Tanzer Income Tax				686	343	320	473 524	513	409	482	
With Huber Severance Tax				301	151	141	208 230	225	180	212	
With CSSB 295 Severance Tax				286	143	134	197 218	214	171	201	

a. This indicates that existing Alaskan taxes are 239% of the taxes in the State of Texas -- 17.0% + 7.1% = 239%.

Note: These figures reflect taxes only, not the State of Alaska's royalty at Prudhoe Bay.



PO Box 2380
Anchorage Alaska 99510
Telephone 907/274 1511

March 22, 1976

The Honorable Nels A. Anderson, Jr.
Chairman, House Resource Committee
Alaska State House of Representatives
Fouch V, State Capitol
Juneau, Alaska 99811

Dear Mr. Anderson:

Thank you for your letter of March 8, 1976, advising of your House Resource Committee Hearings on oil and gas legislation.

Because a number of other companies will be presenting witnesses, we fear that our testimony would be repetitive. Therefore, we do not plan to testify. It may be, however, that there will be testimony presented during the hearings which we wish to support or rebut, in which case we would ask for time at these or other hearings of your Committee.

We respectfully request, however, that in your deliberations concerning oil and gas taxes, you consider the type of operations conducted by our company in Alaska. We think we've made a positive contribution to Alaska and we think Alaska has potential for continued exploration. But we don't have enough exploration capital to look everywhere there might be oil. Obviously, we must explore where the yield will be the best. As long as taxes are equal in all the places we have under consideration, they will not be a factor. If one area has disproportionately high taxes, we must disregard the area.

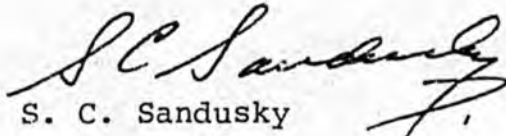
We sincerely believe that if such were the case here, the State of Alaska and her people would be detrimentally impacted. Marathon's operations in the Cook Inlet are significant to Alaska in a number of respects. Marathon employs about 160 permanent Alaska residents. These are sound citizens who make their homes in Alaska. Marathon has produced oil in this state on a significant scale since

The Honorable Nels A. Anderson, Jr.
March 22, 1975
Page Two

1966. While there is much subjective debate about some types of development in the state, we sincerely doubt that any serious objector could say that Marathon's presence in Alaska has been anything but a real and positive contribution. While many do not even know where our operations are, we and our associates have supplied the natural gas needs of the City of Anchorage and supply the fuel necessary for electricity generation for Alaskans. We have contributed 32.9 million dollars in taxes and this does not include the taxes which our Alaskan employees pay.

In short, we think we have been good Alaskan citizens, both individual and corporate. We sincerely urge that you not make it difficult for us to go about our business by adding to a state tax burden that already ranks among the most expensive in the nation.

Yours very truly,


S. C. Sandusky

SCS/l.s

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 586-6140

JUNEAU, ALASKA 99801

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02 027 ANCHORAGE AK 197 03-24 1132A AST

1976 MAR 24 PM 3 22

PMS NELS ANDERSON

6955

JUN

PROPOSED HOUSE AND SENATE BILLS CONCERNING TAX INCREASES ON OIL AND GAS DEVELOPMENT THROUGH AN EXCESSIVELY HIGH NET PROCEEDS TAX DOUBLING OF THE SEVERANCE TAX AND AN EXCESS VALUE SURE TAX COULD PROVE DISASTROUS FOR ALASKA OIL AND GAS DEVELOPMENT FOR YEARS TO COME. AS A LONG TIME ALASKA RESIDENT AND PROFESSIONAL BUSINESSMAN INVOLVED THROUGHOUT THE STATE IN DESIGN AND CONSTRUCTION ADMINISTRATION OF ALL TYPES OF PROJECTS FOR PRIVATE INDUSTRY AND GOVERNMENT I AM INTIMATELY AWARE OF THE ONGOING AND SIGNIFICANT INCREASES IN LABOR MATERIALS EQUIPMENT AND BUILDING COSTS FACED BY THE OIL AND GAS INDUSTRY AND BY OTHER INDUSTRIES. ALASKA'S LACK OF AN EXTENSIVE SURFACE TRANSPORTATION NETWORK TOGETHER WITH SUBSTANTIAL YEARLY INCREASES IN EXPLORATION AND DEVELOPMENT COSTS DRASTICALLY ERODE THE DESIRABILITY FOR OIL AND GAS PRODUCTION IN ALASKA AS COMPARED TO OTHER PARTS OF THE WORLD. I RESPECTFULLY REQUEST THAT THESE BILLS NOT BE PASSED IN THEIR PRESENT FORM. AN EXCESSIVE TAXATION MAY CURTAIL PRODUCTION ALL TOGETHER. FURTHER THE PROPOSED EXEMPTION OF NON-GOVERNMENTALLY OWNED LAND IS NOT CONSISTANT WITH FAIR TAXATION PRINCIPLES AND I URGE THAT NON-GOVERNMENTALLY OWNED LANDS NOT BE EXEMPTED FROM THE FINAL LEGISLATIVE TAX STRUCTURE.

DAVID G FRITZ EXECUTIVE VICE PRESIDENT KELLY PITTELKO
FRITZ AND FORSSEN

AGO 547414 +

Thomas J. Miklautsch
& Associates

10 April 1976

Post Office Box 1
Fairbanks, Alaska 99707
Area Code 907
452-5503 - 452-5571 - 452-5574

Hon. Nels Anderson
Alaska House of Representatives
Juneau, Alaska 99801

Dear Nels:

One of the issues of this legislature that has caught the attention of almost everyone is the proposed oil-tax legislation. I am sure that if it were possible for the legislature to somehow capture the response quickly of the electorate, there would be clear cut direction for action.

Of course, we don't have that utopian advantage, and perhaps it's a good thing because instant mass communication would eliminate the need for legislatures. I still like our good old system.

I am concerned, however, along with so many others that the legislature is misunderstanding the ethics and morality of the people they represent, the people who in good conscience intend its elected ones to act wisely and prudently.

In the matter of the proposed oil-tax legislation of which you have some direct concern as Chairman of the House Resources Committee, there is a growing feeling that the legislature is trying to win something without regard to possible consequences down the road.

Nels, I really don't know your stand on this, but I trust you will give consideration to the opinions of others statewide. There is an overall attitude that the legislature is crowding the industry in an untimely way and that imposing heavy restrictions before the industry is economically sound in Alaska could bring adverse reactions to the people.

You won't find argument with fair taxation of the industry, but to prevent it from growing and developing is to bring abuse upon the State in not realizing the benefits it is struggling for.

It is important that the legislature keep in mind that a proper time exists for everything. There will be a time when once the oil industry is entrenched on a sound economic basis, the legislature will reassess the value of returns from its resources and act accordingly. That time is not here yet.

You know I have some oil interests, Nels, but ruling them out and in good conscience I would have to make the same recommendation to oppose the proposed oil-tax legislation.

The people today are weary of "government". Be assured that they are looking for legislation that is fair, rational and sensible.

Best regards,

Tom

AGO 547415 +

THE ALASKA MINERS ASSOCIATION

Anchorage Branch

Star Route A - Box 78D
Anchorage, AK 99507

April 7, 1976

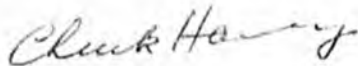
The Honorable Nels A. Anderson, Jr.
Chairman House Resources Committee
Box 234
Dillingham, AK 99576

Dear Nels:

Enclosed is a resolution just passed by the Alaska Miners Association on the Oil Taxation issue. It looks like the proposals will not pass, but we do want to be on record in opposition to these proposals.

Also enclosed is another and more critical resolution together with a copy of a letter to Governor Hammond. Somehow we must get mining expertise into the regulation of the placer mining industry. This resolution is a beginning. We would appreciate your efforts in drafting legislation on this subject.

Sincerely,



C. C. Hawley, Chairman
Anchorage Branch AMA

ams

cc Governor Hammond
Charles Towill, BP
Keith Arnold, AOGA
Anchorage Times
Anchorage News

Adopted - Alaska Miners Meet April 5

BE IT RESOLVED BY THE ALASKA MINERS ASSOCIATION:

WHEREAS, additional oil industry taxation will substantially reduce bonus payments at future Native Corporation and State of Alaska lease sales; and

WHEREAS, additional excessive oil industry taxation by the State of Alaska could precipitate Congressional action to drastically alter the rights of individual states to tax interstate companies; and

WHEREAS, additional oil industry taxation would reduce the incentives to explore for new oil fields in the State of Alaska, the most promising of the fifty United States, and would contribute to our nation's tragic increasing dependence on foreign sources; and

WHEREAS, additional oil industry taxation would substantially reduce employment opportunities for many Alaskan residents; and

WHEREAS, additional taxation of our Natural Resource industries is not in the best interests of the State of Alaska or our nation;

the Alaska Miners Association strongly urges the Ninth Legislature of the State of Alaska to refrain from further consideration of those proposals advocating additional taxation of the oil industry.

Resolved

Legislative Affairs Agency
Research Division
April 13, 1976

2d SSHB 803
PROJECTED TAX REVENUE - PRUDHOE BAY
(In Millions of Dollars)

Year	\$10	\$13	\$16
1977	6.7	27.5	48.3
1978	142.4	254.6	361.4
1979	205.1	337.0	468.9
1980	219.3	353.8	488.3
1981	222.7	357.2	491.8
1982	226.9	361.5	496.0
1983	226.7	361.2	495.8
1984	226.9	361.4	496.0
1985	226.4	360.9	495.5

Legislative Affairs Agency
Research Division
April 13, 1976

2d SSB 803
PROJECTED TAX REVENUE - COOK INLET
(In Millions of Dollars)

<u>Year</u>	
1977	21.3
1978	22.0
1979	22.2
1980	21.9
1981	20.2
1982	19.2
1983	18.2
1984	17.6
1985	16.5

NOTES TO PROJECTED REVENUE ESTIMATES FOR 2d SSHB 803

PRUDHOE BAY

The revenue estimate is on calendar year basis and was developed on the following assumptions:

1. We used the thruput figures from the Tanzer Report, on calendar year basis. Since then, new Division of Oil and Gas estimates reflect a certain delay in the completion of the transportation system. This will cause a limited shift of expected revenue from 1977 to calendar 1978 and early 1979.
2. Transportation cost as well as operating cost figures were taken from the Tanzer Report. Since then we obtained new cost figures for the pipeline. These will tend to lower the respective wellhead values in the chosen price categories. The estimates presented are thus slightly high.
3. The depreciation estimate is based on a 10 year, straight line depreciation schedule.
4. The severance tax deduction was estimated by applying a 7.5 per cent rate to the respective wellhead values.

COOK INLET

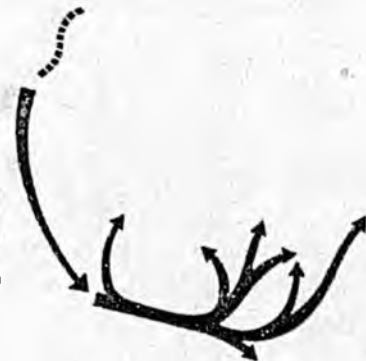
Operating revenue was derived from production data and projections published by the Division of Oil and Gas, and price projections published by the Division of Research. Other assumptions are:

1. Straight line depreciation beginning in 1970, but (as the legislation specified) only those accruals after 1 January 1977 counted, and with apportionment as between oil and gas based on projected oil and gas wellhead values published by the Division of Research.
2. Secondary recovery and workover costs estimated and treated as development costs.
3. No exploration costs deducted.

NATIONAL COMMITTEE FOR THE ALL-AMERICAN, ALL-ALASKAN GAS PIPELINE

USA Alaska Energy

ORGANIZATION FOR THE MANAGEMENT OF ALASKA'S RESOURCES (OMAR)
Box 516 / Anchorage, Alaska 99510
907/278-9615



March 22, 1976

Representative Nels Anderson
Pouch V
Juneau, Alaska

Dear Nels:

Please enter the enclosed in your records of the gas line hearings.

Yours truly,

Beverly Isenson
Executive Director

BI:lr

A Vital Link in . . . "PROJECT INDEPENDENCE"



AGO 547422 +

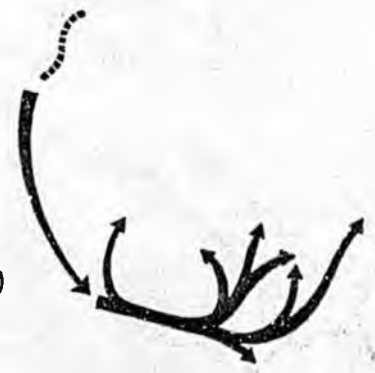
NATIONAL COMMITTEE FOR THE ALL-AMERICAN, ALL-ALASKAN GAS PIPELINE

USA Alaska Energy

ORGANIZATION FOR THE MANAGEMENT OF ALASKA'S RESOURCES (OMAR)

Box 516 / Anchorage, Alaska 99510

907/278-9615



RESOLUTION

BE IT RESOLVED by the unanimous vote of Directors attending the Board of Directors meeting of the Organization for the Management of Alaska's Resources, assembled on March 20, 1976, in Anchorage, Alaska; that The OMAR (Organization for the Management of Alaska's Resources) opposes any new or additional taxes on resources or the extraction, or processing thereof, for the following reasons:

1. Alaska's present taxes on resources are equitable. They are comparable to resource taxes in the other states.
2. New or additional taxes on resources will impair efforts to obtain oil, gas and other processing facilities within the state.
3. New or additional taxes on resources will impair efforts to have a gas pipeline built across Alaska.
4. New or additional taxes on resources will make financing of a gas pipeline difficult, if not impossible.
5. New or additional taxes on resources will severely limit the availability of jobs and of energy sources within Alaska.
6. New or additional taxes on resources will deter exploration for and development of oil, gas and minerals within Alaska.
7. New or additional taxes on resources, or even proposals therefor, contribute to economic and political instability, to the detriment of all Americans.
8. New or additional taxes on resources will impede efforts of Alaska Native Corporations to develop resources on their lands.

Page 1 of 2

Signatures attached for:

Homer L. Burrell	George R. Dash	P. M. McCollum
Paula P. Easley	Tom Fink	James M. Crawford
Muktuk Marston	Kelly Gay	Richard M. Pittenger
Elaine Atwood	Lee E. Fisher	H. Glenzer Jr.
Barton R. Vernon	Philip G. Degnan	Richard L. Cattanach
John Rhodes	John C. Morris, M.D.	George Ed Smith
Glória J. Tokar	Frank Chapados	Robert W. Fleming
Wm. R. Wood	Beverly Isenson	Robert Penney
Kay M. Linton	John C. Garland	P. J. Penney

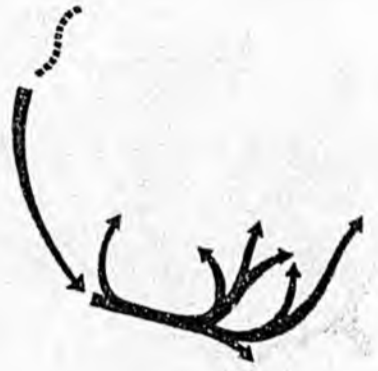
A Vital Link In... "PROJECT INDEPENDENCE"
J. M. Foode
James G. Dye



NATIONAL COMMITTEE FOR THE ALL-AMERICAN, ALL-ALASKAN GAS PIPELINE

USA Alaska Energy

ORGANIZATION FOR THE MANAGEMENT OF ALASKA'S RESOURCES (OMAR)
Box 516 / Anchorage, Alaska 99510
907/278-9615



Howard L. Burrell	Philip S. Wagner
Paula P. Casley	John Morris MD
Muntak Marston	Frank Chapard
Claine Atwood	Beverly Jackson
Barton R. Verner	John C. Garland
John Rhode	J. M. M. C. Ellum
Gloria J. Toker	James M. Crawford
Wm R. Wood	Richard H. Linger
Kay M. Linton	W. Henry Jr.
Geo R. Hark	Leland L. Cottrell
Tom Fish	George Ed. Smith
Kelly Gray	Rich W. Fleming
Lee Fisher	Robert Steiner
	A.C. Swalling
	P.J. Penney
	Jim Foote
	James Skye

A Vital Link In ... "PROJECT INDEPENDENCE"



AGO 547424 +

Sec #1
5 cci 020

q.4

How to compute the tax

q.5. Each individual's ~~tax~~ ^{Taxpayer} or wells throughout the state =

ques on sub-section (c) pg 3.

How would the tax affect the feelings in

washington w/ F.E.A.

Fred Boethel - Deputy Comm. of Revenue

Concerns

(1) Timing - could have been depressing

(2) Gov has asked for more research on taxing ability

Oil production won't begin till next yr - appears to be a replacement for corporate income tax

Mark Singletary A.R.C.O. - Oil + Gas industry has

provided for a better force for the people of Alaska - question whether it is appropriate for the leg. Should discriminate against the oil + gas industry - No objection to taxing all industry at the same rate. This tax is not equitable with other industries. Why??

Dick Donaldson S.O.H.I.D.

Questions: Multi-State compact 21 states -

Property - Payroll - sales - 803 based only on sales.

Contrary to fundamental concept of multiple state.

attempts to tax all of the income wherever it's earned

Tom Williams 4-14-76 Director Div. of Petroleum Revenues - Department of Rev.

will take at least one million more in the Dept of

Revenue than is now in their budget. to ~~the~~ administrator

The program.

Duplicative taxation. Other states tax also. Tax falls on other Royalty producers.

Sales only - Drifts into Commerce clause + Restraint of trade.

(1) Time limitations

limitations of expenses occurred outside of state for dev.

(2) Sec 24. Deduction for severance tax. Deduction from deduction - Taking 50% for money paid for reserves urged period of stability - Gov asked for period of research - Lipton look over the "Big Picture" before you make any tax decision.

Larry Uabru - Union Oil - Larry Wilson Assoc. Tax Council
Union Oil Based in Los Angeles. -

Credit to taxing on income tax. - Double taxation - OTHER

Uniformity with other states. - Ignored -

Net Income - Formulate New TAX base - HARROW list of deductions.

20.43.

1. Ad Valorem

3 Lease Rentals

4

Abandoned or scrapped property

4. ~~Deprac~~ Depreciation of Platform

5. Research & Design.

6.

Arbitrary + unfair costs - Distorted. STATE USES ~~THE~~ The non-allowable deductions for taxing on the property tax.

500 Million dollar deductions Not allowed for Prudon -

Nels A. Anderson. Not in the best interest of the state of Alaska to have a tax at this time. Should take the time to address the problems, but will bow to the expertise of the finance committee.

Too many unanswered questions regarding this.

Brown moved to pass the bill out of Committee + requested a roll call Vote. Swanson seconded the motion.

~~Eliaison~~ Eliaison commented on the bill - untimely, No one in favor of the bill except the sponsors. Should not make the

Eliaison moved to table -
Anderson Adjourned.