

SB

305

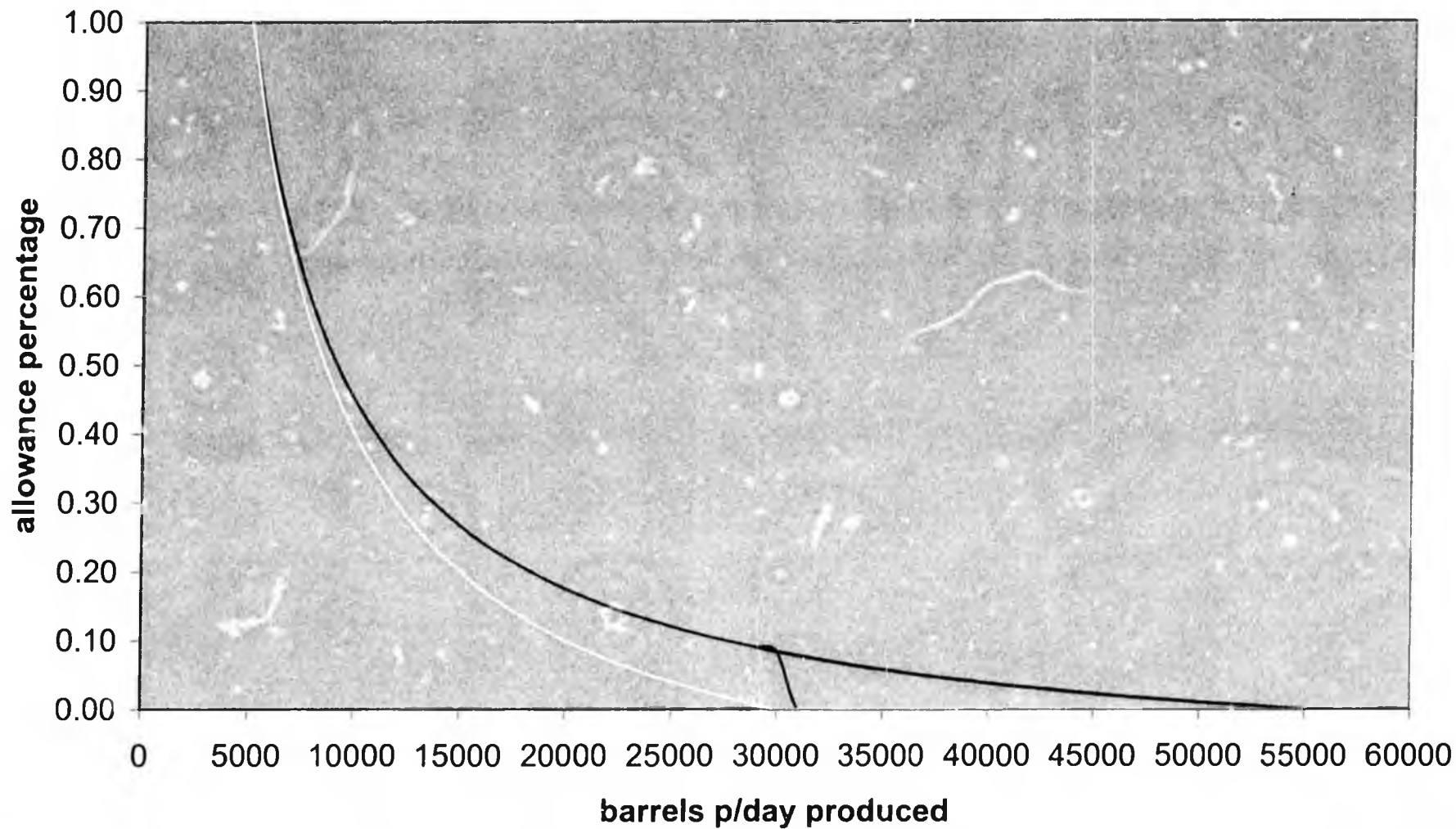
(FILE 23)

LIBRARY

Producer 2005 Daily Production (BOE Equivalents)

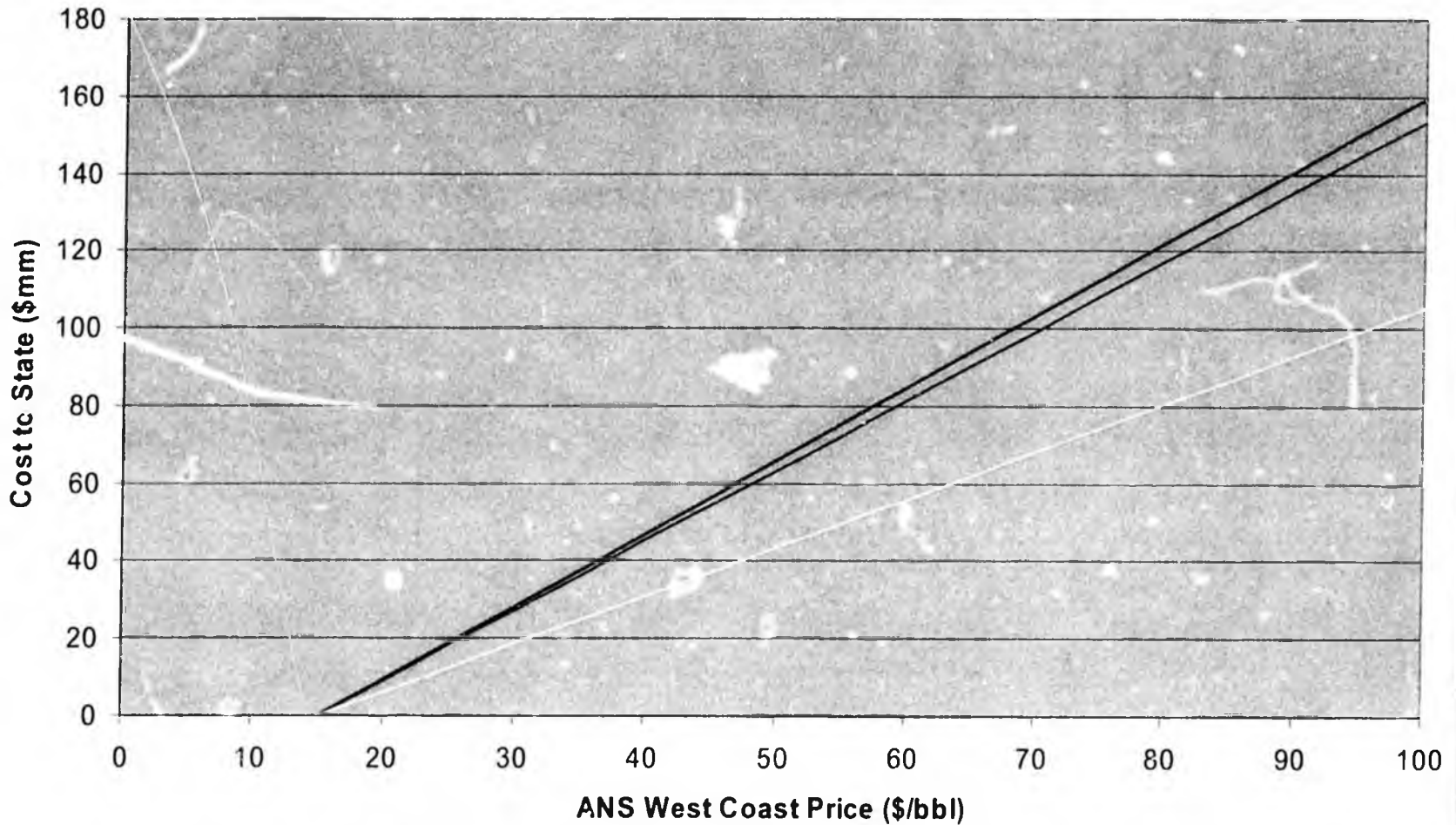
• Anadarko	27,801
• Aurora	1,543
• BP	354,670
• Chevron	44,757
• Doyon	27
• ExxonMobil	182,117
• Forest	7,004
• Marathon	27,705
• ML&P	2,572
• NANA	80
• ConocoPhillips	426,087
• XTOE Energy	3,345
• Kerr-McGhee**	20,000
• Pioneer *	<u>20,000</u>
• TOTAL	1,117,798

Allowance Mechanisms



— amendment as proposed - - - amendment with 30,000 b/d cutoff . . . amendment with 0.2 multiplier

Amendments - Annual Cost to State (\$millions)



— amendment as proposed — amendment with 30,000 b/d cutoff — amendment with 0.2 multiplier

1. Call to order, note time and members present

2. continuing from Monday, working draft "I" CS SB 305:

Y.18 from Sen. Stevens - move it – note Sen. Elton requested page #
Y.24 from Sen. Stevens – move it

Get motion to adopt Admin. #1B
– Joe Balash

Mary Jackson to go through changes made from "Y" to "I" version.

Present new amendments.

3. Meeting adjourned at ____.

Issues with Senate Resources CS

3/28/06

Robynn J. Wilson

Tax Division

1. page 3 lines 25 and 26. As written, the bill sets no tax rate on new leases, and might allow renegotiation of existing leases to avoid all tax.

Suggestion: on page 3 lines 25 and 26, delete "that is in effect on the effective date of this subsection."

2. page 4 lines 15—23 progressivity doesn't work. Also note "property" tax at line 23

3. page 7, lines 18—19 still is unclear whether 20% credit is applied to all credits and 30% only against ppt

4. page 8. lines 19 and 24. friendly amendment was made to change "producer" to "producer or explorer" and "producer's" to "producer's and explorer's"

5. put back definition of "ordinary and necessary" because it shows up on page 16, line 9

6. L & M language

a. page 22, lines 15 and 16, delete (d)(2)(O) .

(d)(2)(N) deals with non-arms length, (d)(2)(O) deals with business purchase.

b. page 22 lines 29—31 through page 23 lines 1-11, delete all (deals with business purchase). Page 19 lines 3-6 already adequately deal with this.

7. page 18 line 28 add "regulatory" after "successor" to be consistent with language at page 10, line 27. Also, if language is meant to be identical, at page 10 line 27, add "the" before "Regulatory Commission of Alaska;" and at page 18 line 25, add "other asset" after "a pipeline, facility,"

Issues with Senate Resources CS

3/28/06

Robynn J. Wilson

Tax Division

\$20M problem As codified, AS 43.55.025(f)(5) directs:

“... the department may not issue to an explorer a *production tax credit certificate* [emphasis provided] if the total of production tax credits submitted for Cook Inlet production, based on exploration expenditures for work performed during the period described in (b) of this section for that production, that have been approved by the department exceeds \$20,000,000.

We understand that the intent was to restrict Cook Inlet credit certificates, if total Cook Inlet credit certificates had already exceeded \$20M. However, the actual language of the statute means that no credit certificates for any region, can be issued when Cook Inlet credit certificates have exceeded \$20M.

Moreover, this highlights a tax policy issue. The statute sets the limit of \$20 million but does not say who gets it when the sum of the credits approaches \$20. First past the post? Reduced allocation to everyone that applied in the year? It is not unlikely that we would face a lawsuit from someone who thinks they ought to have qualified. Further, it is possible that a taxpayer would demand to review our audit of the prior 19 million dollars worth of credits, because a dollar granted to explorer X could literally be a dollar out of the pocket of explorer Y.

The alternative solutions are:

- clean up the current language to be clear about intent
- repeal the \$20M limit
- sunset the \$20M limit in the year after the \$20M is reached

(c) To be eligible for a 20 percent production tax credit, exploration expenditures must

- (1) qualify under (b) of this section; and

- (2) be for an exploration well that is located and drilled in such a manner that the bottom hole is located not less than three miles away from the bottom hole of a preexisting suspended, completed, or abandoned oil or gas well; in this paragraph, "preexisting" means a well that was spudded more than 150 days but less than 35 years before the exploration well was spudded.

(d) To be eligible for an additional 20 percent production tax credit, an exploration expenditure must

- (1) qualify under (b) of this section; and
- (2) be for an exploration well that is located not less than 25 miles outside of the outer boundary, as delineated on July 1, 2003, of any unit that is under a plan of development.

(e) To be eligible for the 40 percent production tax credit in (a) of this section, the exploration expenditure must

- (1) qualify under (b) of this section;
- (2) be for seismic exploration; and
- (3) have been conducted outside the boundaries of a production unit or an exploration unit; however, the amount of the expenditure that is otherwise eligible under this subsection is reduced proportionately by the portion of the seismic exploration activity that crossed into a production unit or an exploration unit.

(f) For a production tax credit under this section,

- (1) an explorer shall, in a form prescribed by the department and within six months of the completion of the exploration activity, claim the credit and submit information sufficient to demonstrate to the department's satisfaction that the claimed exploration expenditures qualify under this section;

- (2) an explorer shall agree, in writing,

- (A) to notify the Department of Natural Resources, within 30 days after completion of seismic or geophysical data processing, completion of a well, or filing of a claim for credit, whichever is the latest, for which exploration costs are claimed, of the date of completion and submit a report to that department describing the processing sequence and providing a list of data sets available;

- (B) to provide to the Department of Natural Resources, within 30 days after the date of a request, specific data sets, ancillary data, and reports identified in (A) of this paragraph;

- (C) that, notwithstanding any provision of AS 38, information provided under this paragraph will be held confidential by the Department of Natural Resources for 10 years following the completion date, at which time that department will release the information after 30 days' public notice;

- (3) if more than one explorer holds an interest in a well or seismic exploration, each explorer may claim an amount of credit that is proportional to the explorer's cost incurred;

- (4) the department may exercise the full extent of its powers as though the explorer were a taxpayer under this title, in order to verify that the claimed expenditures are qualified exploration expenditures under this section; and

- (5) if the department is satisfied that the explorer's claimed expenditures are qualified under this section, the department shall issue to the explorer a production tax credit certificate for the amount of credit to be allowed against production taxes due under this chapter.

(g) An explorer may transfer, convey, or sell its production tax credit certificate to any person, and any person who receives a production tax credit certificate may also transfer, convey, or sell the certificate.

(h) A producer that purchases a production tax credit certificate may apply the credits against its production tax liability under this chapter. Regardless of the price the

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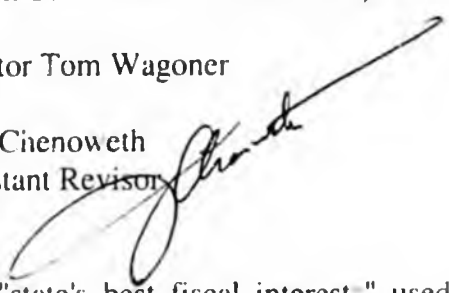
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 27, 2006

SUBJECT: Amendment I.1 to CSSB 305(RES), draft version "I"
(Work Order No. 24-GS2052M.1)

TO: Senator Tom Wagoner

FROM: Jack Chienoweth
Assistant Revisor 

Because I could not find "state's best fiscal interests" used in the body of statute or regulatory law, in the accompanying amendment, I have substituted the phrase "the long-term fiscal interests of the state." The substituted material captures the sense of comparable language appearing in the Alaska Stranded Gas Development Act, AS 43.82,¹ and may have come to have some discrete meaning, at least in the context of that related chapter that might prove helpful in the administration of this provision, if it is adopted and enacted into law.

JBC:ljw
06-156.ljw

Enclosure

¹ These examples appear in that Act:
-- "practicable and consistent with *the long-term fiscal interests of the state*," AS 43.82.210(b);
-- "reasonably necessary to protect *the fiscal interests of the state*," AS 43.82.260(d);
-- "to protect *the long-term fiscal interests of the state*," AS 43.82.310(c);
-- "proposed contract terms are in *the long-term fiscal interests of the state*," AS 43.82.400(a)(1); and
-- "if the commissioner determines that the contract is in *the long-term fiscal interests of the state*," AS 43.82.430(b).

24-GS2052M
Chenoweth
3/29/06

AMENDMENT

OFFERED IN THE SENATE BY SENATOR BEN STEVENS
TO: CSSL 305(RES) Work Draft Version "I"

1 Page 18, lines 25 – 29:

2 Delete all material

3

4 Page 20, line 31 – Page 21, line 3:

5 Delete all material

6

7 Page 24, line 5, following "(2)":

8 Insert "ordinary and necessary" has the meaning given "ordinary and
9 necessary" in 26 U.S.C. 162 (Internal Revenue Code) and regulations
10 adopted under that section;"

11

12 Renumber the following paragraph accordingly.

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AMENDMENT

OFFERED IN THE SENATE BY SENATOR BEN STEVENS
TO: CSSB 305(RES) Work Draft Version "I"

- 1 Page 7, line 16, following "development"
- 2 Insert " exploration"
- 3
- 4 Page 7, lines 17 – 19:
- 5 Delete all material
- 6
- 7 Page 7, line 30 – Page 8, line 2:
- 8 Delete all material
- 9
- 10 Page 10, lines 25-27:
- 11 Delete all material
- 12
- 13
- 14
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NOTE: This replaces Admin. Amend. #1 – now includes line numbers, notes sections previously approved; and identifies pages and lines for the new "I" CS; otherwise, it is identical. //mj 3-26-06

AMENDMENT

OFFERED IN THE SENATE:

BY SENATOR WAGONER

TO: CSSB 305(RES), draft version 24-GS2052\Y

1 Page 18, line 4: insert after "than zero"

Approved

2 "If a producer does not produce taxable oil or gas during a month, the producer is
3 considered to have generated a positive production tax value if the calculation described in this
4 subsection yields a positive number because the producer's adjusted lease expenditures for a
5 month are less than zero as a result of the producer's receiving a payment or credit under (e) of
6 this section or otherwise."

7
8 Page 18, line 23: insert new paragraph (3)

Approved

9 "(3) an explorer that has taken a tax credit under AS 43.55.024(b) or that has obtained a
10 transferable tax credit certificate under AS 43.55.024(d) for the amount of a tax credit under AS
11 43.55.024(b) is considered a producer, subject to the tax levied under AS 43.55.011(e), to the
12 extent that the explorer generates a positive production tax value as the result of the explorer's
13 receiving a payment or credit described in (e) of this section."

14
15 Page 19, line 29: replace (A) "outlays for capital assets" with

Approved

16 "(A) an expenditure, when incurred, to acquire an item if the acquisition cost is otherwise
17 a direct cost, notwithstanding that the expenditure may be required to be capitalized rather than
18 treated as an expense for financial accounting or federal income tax purposes;"

19
20 Page 21, line 9: replace "amounts that have not been paid" with

Approved

21 "amounts incurred"
22

NOTE: This replaces Admin. Amend. #1 – now includes line numbers, notes sections previously approved; and identifies pages and lines for the new “I” CS; otherwise, it is identical. //mj 3-26-06

Approved

1 Page 21, lines 14-15: after “business entity” delete all material and insert:

2 “, whether or not the transaction is treated as an asset sale for federal income tax
3 purposes.”

4
5 Page 21, line 16-17: replace “any payment of credit the producer receives for” with

6 “certain payments or credits received by the producer, as provided in this subsection. If
7 one or more payments or credits subject to this subsection are received by a producer during a
8 month or, under (f) of this section, during a calendar year, and if either the total amount of the
9 payments or credits exceeds the amount of the producer’s lease expenditures or the producer has
10 no lease expenditures, the producer shall nevertheless subtract those payments or credits from the
11 lease expenditures or from zero, respectively, and the producer’s adjusted lease expenditures for
12 that month or calendar year are a negative number and shall be applied to the calculation under
13 (a) of this section as a negative number. The payments or credits that a producer must subtract
14 from the producer’s lease expenditures, or from zero, under this subsection are payments or
15 credits received by the producer for”

16
17 Page 21, line 18-22: Page 19, lines 19-23: delete all material, insert:

18 “(1) the use by another person of a production facility in which the producer has an
19 ownership interest or the management by the producer of a production facility under a
20 management agreement providing for the producer to receive a management fee;”

21
22 Page 23, line 1 Page 20, line 2: replace (n) (o) with (m) (n) and after “2006:” insert

23 “for purposes of this subsection, if a producer removes from the state, for use outside the
24 state, an asset described in this subparagraph, the value of the asset at the time it is removed is
25 considered a payment received by the producer for the transfer of the asset;”

26
27 Page 23, line 28 Page 22, line 13: insert “(b),” at the beginning of the line

28
29 Page 23, lines 29 through 30: replace (d)(2)(L) with (d)(2)(N) and delete “or (d)(2)(M)”

30 Page 22, Line 14: delete “or (d)(2)(O)”

Approved

NOTE: This replaces Admin. Amend. #1 – now includes line numbers, notes sections previously approved; and identifies pages and lines for the new "I" CS; otherwise, it is identical. //mj 3-26-06

1 Page 23, line 31: Page 22, Line 16: delete "(d)(2)(L) or (d)(2)(M)" and insert "(e)(3)(A)"

2
3 Page 24, line 10: delete "(d)(2)(L)" and replace with (d)(2)(N): See page 22, line 26: this is
4 now in "I" version, was picked up as a drafting correction

5 +
6 Page 24, line 4: insert after "Revenue Code):"

7 "as amended," See page 22, line 20: this is now in "I" version, was picked up as a
8 drafting correction

9
10 Page 24, lines 12-13: Page 22, Lines 27-28: after "due:" delete all material and insert

11 "if a producer fails to comply with a request under this paragraph, there shall be added to
12 any underpayment determined by the department under this section a penalty in the amount of 20
13 percent of the underpayment."

14
15 Page 24, lines 14-27: Page 22, Line 29 through Page 23, Line 11: delete all material and
16 reorder

17
18 Page 24, lines 28-30: Page 23, Line 12 through 14: delete all material and insert

19 "(n) For purposes of determining the amount of the adjustment by subtraction that must
20 be made to a producer's lease expenditures as a result of the producer's receiving a payment or
21 credit under (e)(3)(A) of this section,"

22
23 Page 25, lines 7-11: Page 23, Lines 22-26: delete all material and reorder

NOTE: "I" version deleted the definition of "ordinary and necessary" which was previously approved by the Committee.

MEMORANDUM

To: Sen. Tom Wagoner, Chair
Senate Resources Committee

From: Joe Balash, Professional Legislative Assistant
Legislative Budget and Audit Committee

Date: March 27, 2006

RE: Section 22 of Draft (RES) CS for SB 305

You have asked for a summary of the changes to proposed AS 43.55.160 contained in the draft committee substitute labeled 24-GS2052\I. All of these changes appear in section 22 of that draft.

Under the proposed legislation, section 160 establishes the tax base against which the tax rate will be applied. It identifies the gross value of the oil and gas at the point of production and then allows a series of costs (or lease expenditures) to be deducted. In this case, we are talking about money flowing out of the taxpayer's wallet. The section relies on a standard of "direct, ordinary, and necessary." Taxpayers are required to make adjustments to those costs in those instances where revenue is flowing back into the wallet of a taxpayer—if they sell an asset or receive facilities access payments.

After introduction of the governor's original legislation, Marvin Kirsner, tax counsel at the firm of Greenberg Traurig, authored a memorandum dated February 27, 2006 that was delivered electronically to every member of the Legislature. He also appeared before the Resources Committee telephonically on March 23. His memorandum delved into those areas in which the state could be exposed to deductions and cost recovery mechanisms that the Legislature might find unacceptable. He offered a series of recommendations to address those concerns.

First, he recommended the provision embodied in subsection (o) [appearing at p. 23, line 12 through p. 24, line 1 of the revised draft CS] that would prevent a taxpayer from churning assets or engaging in what are referred to as "wash sales." You might recall that the Governor's original legislation (and your draft CS) contains an anti-churning provision in the tax credit section of the bill [appearing at p. 10, lines 13-19 of the revised draft CS]. In that case, the administration sought to prevent a taxpayer from buying and selling assets for the sole purpose of accruing multiple tax credits. The same principle applies here—only this section deals with deductions. Keep in mind that a credit is worth 20% of the value of an asset but a deduction is worth 25% of the value due to the tax rate established in the CS.

Second, he recommended that the purchase of a business entity not be allowed as a deduction. For example, when Chevron purchased Unocal last year, you would want to prevent Chevron from deducting 25% of the value of Unocal's Alaska assets against their tax liability on North Slope production. This was embodied in subsection (n) [appearing at p. 22, line 29 through p. 23, line 11 of the revised draft CS]. It was also included in the list of excluded costs as (d)(2)(O) [appearing at p. 19, lines 3-6 of the revised draft CS].

Third, he recommended that the adjustment required under subsection (e)(1) be broadened. The original legislation contains a mechanism to capture revenue received by a producer for providing access to their production facilities. However, that language speaks only to facilities in which the producer has an ownership interest. A producer could sell or otherwise transfer its assets to a non-producer and then provide management services at the facility for a fee. In that event, it was recommended that such revenues be accounted for in the production tax. This was embodied in (e)(3)(B) [appearing at p. 19, lines 21-23 of the revised draft CS].

Finally, he recommended that the State protect itself against inflated pricing in transactions that occur between affiliated parties OR third parties. He recommends two things to accomplish this.

First, exclude as a direct cost that amount which was inflated. This exclusion appears as (d)(2)(N) [appearing at p. 18, line 30 through p. 19, line 2 of the revised draft CS]. An example would be 'Taxpayer A' purchases 50 drill bits at \$100,000 apiece for a total of \$5,000,000 for use at properties in Louisiana and Alaska. Since Louisiana's production tax system does not consider upstream costs, 'Taxpayer A' requests that the 25 drill bits headed for Alaska be priced at \$150,000 and the 25 drill bits headed for Louisiana be priced at \$50,000. The provisions of (d)(2)(N) would allow the department to exclude the inflated \$50,000 per drill bit—a total of \$1,250,000 that would have cost the state \$312,500 if it were deducted.

Second, give the department the tools necessary to conduct the types of audits that the IRS uses to uncover these sorts of inflated transactions. These power are granted in subsection (m) [appearing at p. 22, lines 14-28 of the revised draft CS].

There were numerous references throughout the section of the draft CS that were incorrect and led to confusion amongst the administration as well as committee members and staff. The portion of Administrative Amendment #1 that was not taken up by the committee contained the necessary corrections. Additionally, that amendment contained changes that would make the language more efficient and reduce some redundancies—changes that personnel from the Departments of Law, Revenue and the Office of the Governor agreed were technically correct.

However, the department—as well as the Governor's Chief of Staff—has made clear that it does not feel the additional audit powers granted in subsection (l) are necessary to achieve the goal of protecting the state against inflated price transactions. If the Committee agrees, removing these audit powers is a straight-forward process, mechanically speaking.

Nevertheless, I would like to bring to your attention that the department believes its current regulations protecting the state on transportation charges will accomplish the same goal on upstream charges. However, the department derives its authority on transportation charges from language in AS 43.55.150(a). That language says that the reasonable costs of transportation shall be the 'actual costs' of transportation. The department relies on the 'actual costs' standard to bore down into the transactions between affiliated companies and prevent the state from absorbing more than actual cost to provide transportation. The proposed section we are dealing with for PPT relies on a different standard—costs that are "direct, ordinary, and necessary."

A final note: the revised draft CS no longer contains a definition that may have been removed in error. 'Ordinary and necessary' was defined in the final subsection, (o) [appearing at p. 25, lines 21 through 23 of the "Y" draft CS], as the meaning found in 26 U.S.C. 162 (Internal Revenue Code). If that language is to go back in, 2 of the 3 words in the standard for the department to rely on in allowing costs for deduction purposes will be defined. That will leave the word 'direct.' So, the question the department will have to answer in the future is whether or not the Legislature intended 'direct' costs to mean 'actual' costs. If it is not clear, the department may be faced with challenges to the regulations they intend to adopt.

MEMORANDUM

To: Sen. Tom Wagoner, Chair
Senate Resources Committee

From: Joe Balash, Professional Legislative Assistant
Legislative Budget and Audit Committee

Date: March 28, 2006

RE: Section 22 of Draft (RES) CS for SB 305

You have asked for a description on the origins of the amendments to section 22 of the "I" version of the draft (RES) CS.

As a refresher, Section 22 establishes the tax base (Determination of Production Tax Value) and then makes deductions and requires adjustments.

In a memo dated February 27, 2006, tax counsel Marvin Kirsner identified concerns with the language in the Governor's original legislation. Changes made in the first CS to address those concerns included an expansion of the list of costs which will not qualify for deduction [the (d)(2) list]; adjustments to direct costs [subsection (e)(1) of the revised CS]; increased audit powers for the Department of Revenue [subsection (m) of the revised CS]; and a recapture provision similar to that used in the qualified capital credit section [subsection (o) of the revised CS].

Following the administration's review and comments on the first CS on Saturday, March 18, a teleconference between the department personnel, administration consultant, and tax counsel took place on Monday, March 20 to discuss and resolve issues raised by the department.

Generally speaking, the department gained a better understanding of—and appreciation for—the issues raised. They did, however, continue to voice concern with the increased audit powers [subsection (m) of the revised CS].

With that understanding, over the next two and a half days, we were able to craft language to clean up references and make some adjustments to the sections. Those changes were contained in Administrative Amendment #1. I have attached a 'clean' version of the remaining elements in Administrative Amendment #1, with page and line references adjusted to address the revised CS. I have also attached an email from Assistant Attorney General Rob Mintz indicating their satisfaction with technical changes made.

The department recognized that the revenues derived from 'management fees' for a facility not owned by the producer ought to be captured in the adjustments [subsection (e)(1)(B) in the revised CS]. The lawyers have settled on language to insert on p. 19, lines 19-23.

The recapture provision Kirsner developed for 160(o) on pages 23-4 contains a mechanism to deal with assets purchased in Alaska and then transferred out of the state for use elsewhere. The department recognized the need for this provision and it was agreed that a portion of that section, p. 23, lines 22-26, could be moved into 160(e)(3)(A). The department had hoped to delete the rest of that subsection, but our tax counsel has advised that we retain it.

Kirsner's concern with the acquisition of a business entity was also recognized as a legitimate concern, although it was dealt with by including it as a prohibited item on the direct costs list in 160(d)(2). This allows for the deletion of subsection (n) on p. 22, line 29 through p. 23, line 11.

The remaining area of disagreement lies in the treatment of transactions that are not at arm's length and the tools to deal with them. Subsection (m) establishes a standard and then provides for the adoption of regulations similar to Section 482 of the Internal Revenue Code. It is unclear to me whether or not the department objects only to the audit powers, or to the arm's length standard as well. Attached is a memo from Carolyn Fanaroff of the firm Greenberg Traurig, who was formerly with the Internal Revenue Service, which speaks to the differences between Section 482 and Section 162 of the Internal Revenue Code.

AMENDMENT

OFFERED IN THE SENATE:

BY SENATOR WAGONER

TO: CSSB 305(RES), draft version 24-GS2052\I

Page 19, line 19-23: delete all material, insert

(1) the use by another person of a production facility in which the producer has an ownership interest or the management by the producer of a production facility under a management agreement providing for the producer to receive a management fee;

Page 20, line 2: replace (o) with (n) and after "2006:" insert

for purposes of this subsection, if a producer removes from the state, for use outside the state, an asset described in this subparagraph, the value of the asset at the time it is removed is considered a payment received by the producer for the transfer of the asset;

Page 22, line 13: insert "(b)." at the beginning of the line

Page 22, line 14: delete "or (d)(2)(O)"

Page 22, line 16: delete "(d)(2)(N) or (d)(2)(O)" and insert (e)(3)(A)

Page 22 lines 27-28: after due; delete all material and insert

if a producer fails to comply with a request under this paragraph, there shall be added to any underpayment determined by the department under this section a penalty in the amount of 5 percent of the underpayment.

Page 22, line 29 through Page 23, line 11: delete all material and reorder

Page 23, line 12-14: delete all material and insert

(n) For purposes of determining the amount of the adjustment by subtraction that must be made to a producer's lease expenditures as a result of the producer's receiving a payment or credit under (e)(3)(A) of this section,

Page 23, lines 22-26: delete all material and reorder

ALASKA STATE LEGISLATURE

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SENATOR BERT K. STEDMAN

MEMORANDUM

To: Senator Tom Wagoner/ Mary Jackson
From: Senator Bert Stedman/ Kim Carnot *KHC For B.J.*
Date: March 28, 2006
Re: Progressivity Formula Tracking

The progressive feature is a surcharge; it is in addition to the base PPT tax. The surcharge is a monthly payment on gross oil production, separate from the PPT tax on net revenues. The surcharge is triggered by a threshold price to prevent diminishment of the state share in times of high oil prices. The surcharge results in an effective tax rate that is less than the nominal tax rate. Because the surcharge is measured on gross value of the oil at production, the formula includes a factor of "1-PPT rate" in order to reflect the built in deductibility of the surcharge (similar to royalty payments and property tax payments).

As amended in the Senate Resources Committee, the ANS price based progressivity feature is applied on total taxable barrels of oil at the point of production, is triggered by a \$40 price per barrel, and has an accelerator of .002.

SB 305

No progressivity concept

CS SB 305 (RES) Version "Y"

Page 5 Line 30 through Page 6 Line 5

(g) In addition to the taxes levied under (e) and (f) of this section, for each month for which the average United States Gulf Coast price for that month of West Texas Intermediate crude oil is more than \$40 a barrel, there is levied upon the producer of oil or gas a tax for oil or gas produced during that month from each lease or property in the state, less any oil or gas the ownership or right to which is exempt from taxation. The tax is equal to .20 percent for each \$10 increment or portion of the increment that the average price of oils exceeds \$40 a barrel.

Y.39 Offered by Senator Stedman

Page 5 Line 30 through Page 6 Line 5

(g) In addition to the taxes levied under (e) and (f) of this section, there is levied upon the producer of oil a tax for oil produced during that month from each lease or

DISTRICT A

Ketchikan • Sitka • Petersburg • Wrangell
Pelican • Elfin Cove • Port Alexander • Sarman • Myers Chuck • Thorne Bay • Coffman Cove • Hollis

AMENDMENT

OFFERED IN THE SENATE:

BY SENATOR WAGONER

TO: CSSB 305(RES), draft version 24-GS2052\1 (dated 3-27-06)

1 Page 7, line 14, after "amount of" insert:

2 "20 percent of that expenditure."

3

4 Page 7, lines 15 through 19, delete all material.

5

6 Page 7, line 30, through page 8, line 18, delete all material.

7

8 Page 10, line 26-27, following "Federal Energy Regulatory Commission," insert:

9 "the"

10

11 page 18, line 25, following "a pipeline. facility" insert:

12 "other asset"

13

14 Page 18, line 28, following "successor" insert:

15 "regulatory"

16

17 Page 20, lines 12 through page 21 line 3, delete all material and insert deleted materials
18 into Sec. 13, on page 10, line, 28 as new subsection (i)

19

20 Page 10, line 28, renumber accordingly.

21

22

23 Page 20, line 31 through page 21, line 3: delete all material.

24

1 Page 24, line 5: Insert new (2):

2 “(2) “ordinary and necessary” has the meaning given “ordinary and necessary”
3 in 26 U.S.C. 162 (Internal Revenue Code) and regulations adopted under that section;

4 Page 24, line 5, renumber accordingly.

5

6 Page 27, lines 31-32, and Page 28, lines 1-3, delete all material.

7

8

9