

LEG. FINANCE - BILLS 1975 - 1976 473

CSHB 798 thru 2nd SSB 803 473



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

2/6/90  
Date

"An Act making a special appropriation to the Department of Environmental Conservation to conduct a study on low water sanitary waste disposal systems; and providing for an effective date."

### COMMITTEE REPORT

3/29/76

HOUSE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on FINANCE has had HB 798

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:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

"An Act making a special appropriation to the Department of Environmental Conservation to conduct a study on low water sanitary waste disposal systems; and providing for an effective date."

COMMITTEE REPORT

2/17/76

HOUSE

FINANCE

Mr. Speaker:

Date 3-29-76

The Committee on COMMUNITY AND REGIONAL AFFAIRS has had HB 798

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

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() recommends it BE REPLACED WITH CS FOR HB 798 AND THAT

CS FOR HB 798 ~~DO PASS~~ BE REFERRED BACK WITH INDIV REC.

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_ COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

Samuel Otter Do pass  
Bria Rudd  
Kathryn Ostrosky

Members NOT concurring in the Majority report:

Freeman recommends: no Rec  
Steve Haskins recommends: No Rec  
Lawrence Chen recommends: No Rec  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:

Samuel Otter Chairman

Original sponsor: H. Beirne, Miller  
and Rudd

Offered: 3/29/76  
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 798

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-  
7 ment of Environmental Conservation to contract a program  
8 concerned with sewage disposal; and providing for an  
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. The sum of \$75,000 is appropriated to the Department of  
12 Environmental Conservation for the purpose of contracting the gathering and  
13 disseminating of information on sewage waste disposal.

14 \* Sec. 2. The unexpended and unobligated portion of this appropriation  
15 lapses into the general fund June 30, 1977.

16 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
17 070(c).

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COMMITTEE COPY

-1-

CSHB 798

2190  
Rotham

Introduced: 2/17/76  
Referred: Community &  
Regional Affairs and  
Finance

1 IN THE HOUSE

BY H. BEIRNE, MILLER AND RUDD

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11 \* Section 1. The sum of \$57,000 is appropriated to the Department of  
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14 new construction in the state.

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COMMITTEE COPY

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HB 798

ALASKA STATE LEGISLATURE

NINTH Legislature SECOND Session

HOUSE BILL NO. 738

By H. DEERNE, MILLER AND RUDD

"An Act making a special appropriation to the Department of Environmental Conservation to conduct a study on low water sanitary waste disposal systems; and providing for an effective date."

Low water sanitary waste disposal systems/study  
Introduced in the House .. 2/17/76, 19.76

HISTORY IN THE HOUSE

19 76	Read first time and referred to Committee on Community and Regional Affairs and Finance
Feb 17	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by Speaker
	Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
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	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by President
	Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Reported correctly enrolled
	Sent to Governor
	..... By Governor
	Filed with Lt. Governor
	Chapter No. ....

Original sponsor: H. Beirne, Miller  
and Rudd

Offered: 3/29/76  
Referred: Finance

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Introduced: 2/17/76  
Referred: Community &  
Regional Affairs and  
Finance

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Offered: 3/29/76  
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Referred: Community &  
Regional Affairs and  
Finance

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THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
 Second Session - Ninth Legislature

I. REQUEST  
 Bill No. CS HB 798  
 Title: Appropriation of DEC  
 Requested by: C&RA Committee Date: 3/25/76  
 Return Date Requested: ASAP  
 Agency: Environmental Conservation Program: Water Programs

II. FISCAL DETAIL  
 Budget Request Unit(s) Affected: \_\_\_\_\_  
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

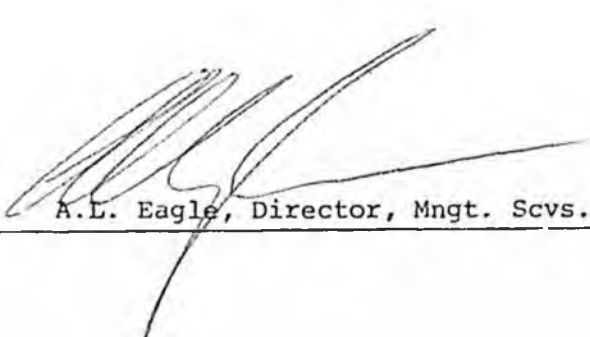
C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This bill provides funding to impelment the increased provisions in CS for HB 796. There is no other fiscal impact from this bill.

IV. ATTACHMENTS

V. DATE: 3/25/76 PREPARED BY:  A.L. Eagle, Director, Mngt. Scvs.

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)



# RECORDS CERTIFICATION



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James O. Smith  
Signature of Camera Operator

2/6/90  
Date

"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 SSB 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!!!*

①	<u>Nels G. Anderson</u>	_____	<u>Do Not Pass</u>	_____
②	<u>W. H. ...</u>	_____	<u>Do Not Pass</u>	_____
③	<u>Mike Hershberger</u>	_____	<u>Do Not Pass</u>	_____
④	<u>DeKlerck</u>	_____	" " "	_____

*J. Huntington Do Not Pass*

Members NOT concurring in the Majority report:

①	<u>W. H. ...</u>	recommends: <u>Do Not Pass</u>
②	<u>Mike Hershberger</u>	recommends: <u>Do Not Pass</u>
③	<u>Alexander Osterhead</u>	recommends: <u>Do not Pass</u>
④	<u>Bob Brown</u>	recommends: <u>Do Pass</u>
⑤	<u>Louis C. ...</u>	recommends: <u>Do pass get our fair share</u>

Nels G. Anderson Chairman

9

COMMITTEE REPORT

4/15/76

HOUSE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on FINANCE has had 2d SS HB 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)

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( ) "other"

Members signing the Majority report:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:

\_\_\_\_\_ Chairman

~~John~~ Nancy,

Could you get about 5  
copies of

2nd Sponsor Substitute for  
HB 803

+ put them in the HB 803  
bill file in the front office.

M. H.

Introduced: 4/7/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
12 year upon an oil producer deriving income from oil production in the  
13 state a tax equal to 9.4 per cent of the net income computed in accor-  
14 dence with sec. 20 of this chapter.

15 Sec. 43.59.020. COMPUTATION OF TAX BASE. The tax under this  
16 chapter is imposed on that portion of the value of the oil at the point  
17 of first sale or its value at the refinery, whichever is less, which  
18 exceeds the sum of the following allowable costs:

19 (1) exploration costs attributable to oil, including bonus  
20 payments, as computed under sec. 30 of this chapter;

21 (2) those field development costs and variable production  
22 costs that are attributable to oil, as computed under secs. 40 and 50 of  
23 this chapter;

24 (3) cost of transport of the oil from the field in which it  
25 was produced to the refinery or the point of first sale, whichever is  
26 the base for the value determination for the computation of the tax;

27 (4) payments of the oil and gas properties production tax  
28 made according to ch. 55 of this title during the taxable year, after  
29 allowance for the credit accrued for the lease or property under

1 AS 43.58.180;

2 (5) general administrative costs of an amount equal to 25  
3 cents per barrel.

4 Sec. 43.59.030. EXPLORATION COST DEDUCTIONS. (a) Exploration  
5 cost deductions shall be limited to

6 (1) the cost attributable to oil of geophysical and geologi-  
7 cal investigations incurred for the purpose of finding oil and gas in  
8 Alaska;

9 (2) that part of the payments for the right to extract oil  
10 and gas in Alaska that is attributable to oil;

11 (3) the cost attributable to oil of drilling for oil and gas  
12 in Alaska.

13 (b) The percentage of total costs and payments that is attri-  
14 butable to oil shall be equal to the percentage accounted for by oil in  
15 the total value at the wellhead of oil and gas produced in the state  
16 during the calendar year preceding that in which the cost is incurred or  
17 the payment made, i.e.,

18 
$$C_o = C_{o+g} \cdot WV_o / WV_{o+g}, \text{ where}$$

19  $C_o$  = an oil producer's deductible costs and payments attributable  
20 to oil during a given calendar year;

21  $C_{o+g}$  = the total costs incurred and payments made by the taxpayer  
22 in that year in exploring for oil and gas in Alaska;

23  $WV_o$  = the wellhead value of all oil produced in the state during  
24 the preceding year;

25  $WV_{o+g}$  = the wellhead value of all oil and gas produced in the state  
26 during the preceding year.

27 (c) No costs paid for services or any portion of services used or  
28 provided outside Alaska, salaries or wages not subject to the withhold-  
29 ing of state income tax under AS 43.20.170, or payments for materials or

1 supplies not physically located or consumed in Alaska may be deducted as  
2 an exploration cost.

3 (d) No costs incurred more than three years before the effective  
4 date of this Act may be deducted as an exploration cost.

5 (e) No more than 20 per cent of the exploration costs incurred in  
6 any calendar year may be deductible for that calendar year, or for any  
7 succeeding calendar year.

8 (f) Exploration costs may be carried forward for purposes of com-  
9 puting deductions a maximum of 10 years, and may be allocated among  
10 fields at the election of the producer.

11 Sec. 43.59.040. FIELD DEVELOPMENT COST DEDUCTIONS. (a) For the  
12 purpose of computing development cost deductions, all field development  
13 costs shall be capitalized and depreciated over the life of the field  
14 or the useful life of the facility to which they are attributable,  
15 whichever is less, in accordance with regulations promulgated by the  
16 department. Each year the depreciation chargeable to oil shall be  
17 determined by multiplying the total depreciation chargeable to the  
18 field for that year by the fraction of the value of the field's produc-  
19 tion accounted for by oil during that year.

20 (b) Field development costs shall be limited to the costs of goods  
21 and services used in Alaska and useful in the production of the field  
22 other than variable production costs as defined in sec. 50 of this  
23 chapter; administrative, engineering, or design costs incurred outside  
24 Alaska may not be allowed in calculating the deductions or the deprecia-  
25 tion basis.

26 (c) No development cost incurred before January 1, 1970 shall be  
27 included in calculating allowable deductions, and in the case of facili-  
28 ties in operation before the effective date of this Act, the carrying  
29 forward of depreciation accruing before the effective date of this Act

1 shall not be permitted.

2 (d) Interest not to exceed nine per cent per annum on funds used  
3 during and in the construction of facilities used and useful in the  
4 production of a field may be capitalized.

5 Sec. 43.59.050. VARIABLE PRODUCTION COST DEDUCTIONS. (a) Deduc-  
6 tible production costs are limited to those costs allocable to oil which  
7 would not be incurred if production were to cease, and may be carried  
8 forward only under the conditions specified in sec. 70 of this chapter.

9 (b) Production costs allocable to oil shall be determined each  
10 year by multiplying aggregate production costs in the field for oil and  
11 gas by the fraction of the value of the field's production accounted for  
12 by oil.

13 Sec. 43.59.060. TRANSPORTATION COST DEDUCTIONS. When the commis-  
14 sioner of revenue determines that transportation tariffs or charges may  
15 not accurately represent the true costs and that transportation charges  
16 are being paid to an entity affiliated with an oil producer taxpayer,  
17 he may, after promulgation of regulations governing the determination by  
18 him of the fair transportation costs, and public hearing, make a deter-  
19 mination of the deductible transportation cost for the purposes of com-  
20 puting the taxes due under this chapter. No producer affected by this  
21 determination shall be allowed transportation cost deductions in excess  
22 of the amounts determined by the commissioner to be fair and deductible.

23 Sec. 43.59.070. LOSS CARRY FORWARD. Development and production  
24 cost deductions may be carried forward only to the extent that they  
25 exceed the total value of the oil at the point of value determination  
26 for this tax, less transportation costs from the field; they may be  
27 carried beyond any succeeding year only if no tax was due in that year.

28 Sec. 43.59.080. ROYALTY OIL. The tax imposed by this chapter is  
29 upon the value of the total production of all oil removed or sold from

Introduced: 4/7/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

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11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
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14 dance with sec. 20 of this chapter.

15 Sec. 43.59.020. COMPUTATION OF TAX BASE. The tax under this  
16 chapter is imposed on that portion of the value of the oil at the point  
17 of first sale or its value at the refinery, whichever is less, which  
18 exceeds the sum of the following allowable costs:

19 (1) exploration costs attributable to oil, including bonus  
20 payments, as computed under sec. 30 of this chapter;

21 (2) those field development costs and variable production  
22 costs that are attributable to oil, as computed under secs. 40 and 50 of  
23 this chapter;

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25 was produced to the refinery or the point of first sale, whichever is  
26 the base for the value determination for the computation of the tax;

27 (4) payments of the oil and gas properties production tax  
28 made according to ch. 55 of this title during the taxable year, after  
29 allowance for the credit accrued for the lease or property under

1 AS 43.58.180;

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3 cents per barrel.

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$$C_o = C_{o+g} \cdot WV_o / WV_{o+g}, \text{ where}$$

19  $C_o$  = an oil producer's deductible costs and payments attributable  
20 to oil during a given calendar year;

21  $C_{o+g}$  = the total costs incurred and payments made by the taxpayer  
22 in that year in exploring for oil and gas in Alaska;

23  $WV_o$  = the wellhead value of all oil produced in the state during  
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26 during the preceding year.

27 (c) No costs paid for services or any portion of services used or  
28 provided outside Alaska, salaries or wages not subject to the withhold-  
29 ing of state income tax under AS 43.20.170, or payments for materials or

1 supplies not physically located or consumed in Alaska may be deducted as  
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3 (d) No costs incurred more than three years before the effective  
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5 (e) No more than 20 per cent of the exploration costs incurred in  
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8 (f) Exploration costs may be carried forward for purposes of com-  
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20 (b) Field development costs shall be limited to the costs of goods  
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22 other than variable production costs as defined in sec. 50 of this  
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26 (c) No development cost incurred before January 1, 1970 shall be  
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29 forward of depreciation accruing before the effective date of this Act

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28 Sec. 43.59.080. ROYALTY OIL. The tax imposed by this chapter is  
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6 Sec. 43.59.090. PAYMENT OF TAX. (a) The oil production income  
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10 (b) Every producer whose income is subject to the tax imposed by  
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7           Sec. 43.59.140. DEPOSIT OF REVENUE. (a) The department shall  
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12           Sec. 43.59.150. PAYMENT TO ALASKA NATIVE FUND. When the tax  
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19           Sec. 43.59.160. DEFINITIONS. In this chapter "department" means  
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22 \* Sec. 2. This Act takes effect January 1, 1977.  
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12 department, a statement showing the value of oil as specified in sec. 20  
13 of this chapter, and shall under the penalty of perjury furnish all the  
14 information the Department of Revenue prescribes on a form supplied by  
15 the department.

16 (c) The tax payable under this chapter shall be allowed as a credit  
17 against the tax due under ch. 20 of this title.

18 Sec. 43.59.100. VALUE MAY BE DETERMINED BY DEPARTMENT. The de-  
19 partment may, under regulations promulgated in advance, determine the  
20 fair market value of the oil at the point of first sale or at the  
21 refinery when

22 (1) the seller and purchaser are affiliated persons;

23 (2) the sale and purchase of the production is not an arm's  
24 length transaction or is not representative of competitive market value;  
25 or

26 (3) there is no competitive market at the refinery for oil of  
27 similar kind and quality.

28 Sec. 43.59.110. ADMINISTRATION OF TAX. AS 43.55.040, 43.55.050,  
29 43.55.070, 43.55.090, and 43.55.110 apply with respect to this chapter.

1           Sec. 43.59.120. NONPAYMENT OF TAX. The provisions for civil  
2 penalty, interest and remedy established in AS 43.58.120, 43.58.130,  
3 and 43.58.150 apply to this chapter.

4           Sec. 43.59.130. REGULATIONS. The department may adopt regulations  
5 in accordance with the Administrative Procedure Act (AS 44.62) as appro-  
6 priate to administer and enforce this chapter.

7           Sec. 43.59.140. DEPOSIT OF REVENUE. (a) The department shall  
8 deposit the money collected under this chapter in the general fund.

9           (b) Sixty per cent of the money deposited in the general fund  
10 under this chapter shall be placed in a special "permanent fund account"  
11 in the general fund.

12           Sec. 43.59.150. PAYMENT TO ALASKA NATIVE FUND. When the tax  
13 levied under this chapter is payable, an amount equivalent to not less  
14 than two per cent of the tax shall be paid by the state from oil and gas  
15 royalties, bonuses and rentals into the Alaska Native fund established  
16 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203; 85  
17 Stat. 688; 43 U.S.C. 1601 et seq.) until all payments made into the fund  
18 equal \$500,000,000.

19           Sec. 43.59.160. DEFINITIONS. In this chapter "department" means  
20 the Department of Revenue, and oil and gas are as defined in AS 43.55.-  
21 140.

22 \* Sec. 2. This Act takes effect January 1, 1977.  
23  
24  
25  
26  
27  
28  
29

*Ericksen*

Introduced: 4/7/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
12 year upon an oil producer deriving income from oil production in the  
13 state a tax equal to 9.4 per cent of the net income computed in accor-  
14 dance with sec. 20 of this chapter.

15 Sec. 43.59.020. COMPUTATION OF TAX BASE. The tax under this  
16 chapter is imposed on that portion of the value of the oil at the point  
17 of first sale or its value at the refinery, whichever is less, which  
18 exceeds the sum of the following allowable costs:

19 (1) exploration costs attributable to oil, including bonus  
20 payments, as computed under sec. 30 of this chapter;

21 (2) those field development costs and variable production  
22 costs that are attributable to oil, as computed under secs. 40 and 50 of  
23 this chapter;

24 (3) cost of transport of the oil from the field in which it  
25 was produced to the refinery or the point of first sale, whichever is  
26 the base for the value determination for the computation of the tax;

27 (4) payments of the oil and gas properties production tax  
28 made according to ch. 55 of this title during the taxable year, after  
29 allowance for the credit accrued for the lease or property under

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1 AS 43.58.180;

2 (5) general administrative costs of an amount equal to 25  
3 cents per barrel.

4 Sec. 43.59.030. EXPLORATION COST DEDUCTIONS. (a) Exploration  
5 cost deductions shall be limited to

6 (1) the cost attributable to oil of geophysical and geologi-  
7 cal investigations incurred for the purpose of finding oil and gas in  
8 Alaska;

9 (2) that part of the payments for the right to extract oil  
10 and gas in Alaska that is attributable to oil;

11 (3) the cost attributable to oil of drilling for oil and gas  
12 in Alaska.

13 (b) The percentage of total costs and payments that is attri-  
14 butable to oil shall be equal to the percentage accounted for by oil in  
15 the total value at the wellhead of oil and gas produced in the state  
16 during the calendar year preceding that in which the cost is incurred or  
17 the payment made, i.e.,

18 
$$C_o = C_{o+g} \cdot WV_o / WV_{o+g}, \text{ where}$$

19  $C_o$  = an oil producer's deductible costs and payments attributable  
20 to oil during a given calendar year;

21  $C_{o+g}$  = the total costs incurred and payments made by the taxpayer  
22 in that year in exploring for oil and gas in Alaska;

23  $WV_o$  = the wellhead value of all oil produced in the state during  
24 the preceding year;

25  $WV_{o+g}$  = the wellhead value of all oil and gas produced in the state  
26 during the preceding year.

27 (c) No costs paid for services or any portion of services used or  
28 provided outside Alaska, salaries or wages not subject to the withhold-  
29 ing of state income tax under AS 43.20.170, or payments for materials or

1 supplies not physically located or consumed in Alaska may be deducted as  
2 an exploration cost.

3 (d) No costs incurred more than three years before the effective  
4 date of this Act may be deducted as an exploration cost.

5 (e) No more than 20 per cent of the exploration costs incurred in  
6 any calendar year may be deductible for that calendar year, or for any  
7 succeeding calendar year.

8 (f) Exploration costs may be carried forward for purposes of com-  
9 puting deductions a maximum of 10 years, and may be allocated among  
10 fields at the election of the producer.

11 Sec. 43.59.040. FIELD DEVELOPMENT COST DEDUCTIONS. (a) For the  
12 purpose of computing development cost deductions, all field development  
13 costs shall be capitalized and depreciated over the life of the field  
14 or the useful life of the facility to which they are attributable,  
15 whichever is less, in accordance with regulations promulgated by the  
16 department. Each year the depreciation chargeable to oil shall be  
17 determined by multiplying the total depreciation chargeable to the  
18 field for that year by the fraction of the value of the field's produc-  
19 tion accounted for by oil during that year.

20 (b) Field development costs shall be limited to the costs of goods  
21 and services used in Alaska and useful in the production of the field  
22 other than variable production costs as defined in sec. 50 of this  
23 chapter; administrative, engineering, or design costs incurred outside  
24 Alaska may not be allowed in calculating the deductions or the deprecia-  
25 tion basis.

26 (c) No development cost incurred before January 1, 1970 shall be  
27 included in calculating allowable deductions, and in the case of facili-  
28 ties in operation before the effective date of this Act, the carrying  
29 forward of depreciation accruing before the effective date of this Act

1 shall not be permitted.

2 (d) Interest not to exceed nine per cent per annum on funds used  
3 during and in the construction of facilities used and useful in the  
4 production of a field may be capitalized.

5 Sec. 43.59.050. VARIABLE PRODUCTION COST DEDUCTIONS. (a) Deduc-  
6 tible production costs are limited to those costs allocable to oil which  
7 would not be incurred if production were to cease, and may be carried  
8 forward only under the conditions specified in sec. 70 of this chapter.

9 (b) Production costs allocable to oil shall be determined each  
10 year by multiplying aggregate production costs in the field for oil and  
11 gas by the fraction of the value of the field's production accounted for  
12 by oil.

13 Sec. 43.59.060. TRANSPORTATION COST DEDUCTIONS. When the commis-  
14 sioner of revenue determines that transportation tariffs or charges may  
15 not accurately represent the true costs and that transportation charges  
16 are being paid to an entity affiliated with an oil producer taxpayer,  
17 he may, after promulgation of regulations governing the determination by  
18 him of the fair transportation costs, and public hearing, make a deter-  
19 mination of the deductible transportation cost for the purposes of com-  
20 puting the taxes due under this chapter. No producer affected by this  
21 determination shall be allowed transportation cost deductions in excess  
22 of the amounts determined by the commissioner to be fair and deductible.

23 Sec. 43.59.070. LOSS CARRY FORWARD. Development and production  
24 cost deductions may be carried forward only to the extent that they  
25 exceed the total value of the oil at the point of value determination  
26 for this tax, less transportation costs from the field; they may be  
27 carried beyond any succeeding year only if no tax was due in that year.

28 Sec. 43.59.080. ROYALTY OIL. The tax imposed by this chapter is  
29 upon the value of the total production of all oil removed or sold from

1 each lease or property, less any part the ownership or right to which  
2 is exempt from taxation. In making settlement with a royalty owner  
3 the producer may deduct the amount of the tax paid on royalty oil, or  
4 may deduct royalty oil equivalent in value to the amount of tax paid,  
5 at the time the tax becomes due.

6 Sec. 43.59.090. PAYMENT OF TAX. (a) The oil production income  
7 tax shall be paid annually. The tax is due on April 15 on oil or gas  
8 removed or sold from each lease or property during the preceding calen-  
9 dar year.

10 (b) Every producer whose income is subject to the tax imposed by  
11 this chapter shall file annually by February 1 of each year, with the  
12 department, a statement showing the value of oil as specified in sec. 20  
13 of this chapter, and shall under the penalty of perjury furnish all the  
14 information the Department of Revenue prescribes on a form supplied by  
15 the department.

16 (c) The tax payable under this chapter shall be allowed as a credit  
17 against the tax due under ch. 20 of this title.

18 Sec. 43.59.100. VALUE MAY BE DETERMINED BY DEPARTMENT. The de-  
19 partment may, under regulations promulgated in advance, determine the  
20 fair market value of the oil at the point of first sale or at the  
21 refinery when

22 (1) the seller and purchaser are affiliated persons;

23 (2) the sale and purchase of the production is not an arm's  
24 length transaction or is not representative of competitive market value;  
25 or

26 (3) there is no competitive market at the refinery for oil of  
27 similar kind and quality.

28 Sec. 43.59.110. ADMINISTRATION OF TAX. AS 43.55.040, 43.55.050,  
29 43.55.070, 43.55.090, and 43.55.110 apply with respect to this chapter.

1           Sec. 43.59.120. NONPAYMENT OF TAX. The provisions for civil  
2 penalty, interest and remedy established in AS 43.58.120, 43.58.130,  
3 and 43.58.150 apply to this chapter.

4           Sec. 43.59.130. REGULATIONS. The department may adopt regulations  
5 in accordance with the Administrative Procedure Act (AS 44.62) as appro-  
6 priate to administer and enforce this chapter.

7           Sec. 43.59.140. DEPOSIT OF REVENUE. (a) The department shall  
8 deposit the money collected under this chapter in the general fund.

9           (b) Sixty per cent of the money deposited in the general fund  
10 under this chapter shall be placed in a special "permanent fund account"  
11 in the general fund.

12           Sec. 43.59.150. PAYMENT TO ALASKA NATIVE FUND. When the tax  
13 levied under this chapter is payable, an amount equivalent to not less  
14 than two per cent of the tax shall be paid by the state from oil and gas  
15 royalties, bonuses and rentals into the Alaska Native fund established  
16 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203; 85  
17 Stat. 688; 43 U.S.C. 1601 et seq.) until all payments made into the fund  
18 equal \$500,000,000.

19           Sec. 43.59.160. DEFINITIONS. In this chapter "department" means  
20 the Department of Revenue, and oil and gas are as defined in AS 43.55.-  
21 140.

22 \* Sec. 2. This Act takes effect January 1, 1977.  
23  
24  
25  
26  
27  
28  
29

COMMITTEE COPY

ALASKA STATE LEGISLATURE

. NINTH Legislature SECOND Session

2nd Sponsor Substitute  
HOUSE BILL..... NO. 803...

By ... Cowper, Bradley, Brown,  
Duncan, Gardiner, Gruening,  
Kelley, McKinnon, Malone,  
Miller, Naughton, Parker,  
Parr and Swanson.

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

Oil production income tax.

Introduced in the House 4/7....., 19..76

HISTORY IN THE HOUSE

19 76

Apr 7

Read first time and referred  
to Committee on  
Resources and Finance

Reported back with  
recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by Speaker  
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred  
to Committee on

Reported back with  
recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by President  
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No. ....

Introduced: 2/17/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
12 year upon an oil producer deriving income from oil production in the  
13 state a tax consisting of a normal tax equal to 10 per cent of the amount  
14 computed under sec. 20 of this chapter and a surtax equal to 40 per cent  
15 of the amount computed under sec. 30 of this chapter.

16 Sec. 43.59.020. COMPUTATION OF NORMAL TAX BASE. Normal tax under  
17 this chapter is imposed on that portion of the value of the oil at the  
18 point of first sale or its value at the refinery, whichever is less,  
19 which exceeds the sum of the following allowable costs by an amount not  
20 greater than 25 per cent:

21 (1) exploration costs, including bonus payments, as computed  
22 under sec. 40 of this chapter;

23 (2) field development costs and production costs as computed  
24 under sec. 50 of this chapter;

25 (3) cost of transport of the oil from the field in which it  
26 was produced to the refinery or the point of first sale, whichever is  
27 less;

28 (3) severance taxes imposed under chs. 55 and 57 of this title;

29 (4) general administrative costs of an amount equal to 25

1 cents per barrel.

2 Sec. 43.59.030. COMPUTATION OF SUPTAX BASE. Surtax under this  
3 chapter is imposed on the amount by which the value of the oil at the  
4 point of first sale, or the refinery to which it is delivered, which-  
5 ever is less, exceeds 125 per cent of the allowable costs set out in  
6 sec. 20(a) - (e) of this chapter.

7 Sec. 43.59.040. EXPLORATION COST DEDUCTIONS. (a) Exploration  
8 costs shall be limited to:

9 (1) costs attributable to oil of geophysical and geological  
10 investigations for the purpose of finding oil and gas, providing the  
11 investigations are carried out on land subject to this tax at the time  
12 of the investigation;

13 (2) costs attributable to oil of acquiring interests in oil  
14 and gas on lands subject to this tax;

15 (3) costs attributable to oil of exploration and exploratory  
16 drilling for oil and gas on lands subject to this tax.

17 (b) No costs paid for services or any portion of services used or  
18 provided outside Alaska, salaries or wages not subject to the withholding  
19 of state income tax under AS 43.20.170, or payments for materials or  
20 supplies not consumed or physically located in Alaska may be deducted as  
21 an exploration cost.

22 (c) No costs incurred before the effective date of this Act may be  
23 deducted as an exploration cost.

24 (d) No more than 20 per cent of the exploration costs incurred in  
25 any year may be deductible in that year, or in any succeeding year.

26 (e) Exploration costs may be carried forward for purposes of com-  
27 puting deductions a maximum of 10 years.

28 (f) The percentage of exploration costs allocable to oil shall be  
29 equal to the percentage of the total wellhead value of oil and gas

1 production accounted for by oil in the year preceeding that in which the  
2 exploration costs are incurred.

3 Sec. 43.59.050. FIELD DEVELOPMENT AND PRODUCTION COST DEDUCTIONS.

4 (a) Field development and production costs are deductible only in  
5 computing the tax due on oil produced from the field in which they were  
6 incurred.

7 (b) Field development and production cost deductions are limited  
8 to the costs of goods and services used and useful in Alaska in the  
9 development or production of the field; no deduction for administrative,  
10 engineering or design costs incurred outside Alaska may be allowed.

11 (c) Production costs are limited to those costs which would not be  
12 incurred if production were to cease, and are deductible only against  
13 income from oil produced in the year in which the costs were incurred.

14 (d) Development costs shall be deducted over the life of the  
15 field or the useful life of the facility to which they are attributable,  
16 whichever is less, in accordance with depreciation schedules approved by  
17 the department.

18 (e) No development costs incurred before January 1, 1970 are  
19 deductible.

20 (f) Interest paid on funds used during and in the construction of  
21 facilities used and useful in the production or development of a field  
22 shall be capitalized and deducted over the life of the field in accord-  
23 ance with depreciation schedules approved by the department.

24 (g) The percentage of development and production cost allocable to  
25 oil shall be equal to the percentage of the total wellhead value of oil  
26 and gas produced from the field accounted for by oil in the year pre-  
27 ceeding that in which the deduction is taken.

28 Sec. 43.59.060. ROYALTY OIL. The tax imposed by this chapter is  
29 upon the total production of all oil removed or sold from each lease or

1 property, less any part the ownership or right to which is exempt from  
2 taxation. In making settlement with a royalty owner the producer may  
3 deduct the amount of the tax paid on royalty oil, or may deduct royalty  
4 oil equivalent in value, at the time the tax becomes due, to the amount  
5 of tax paid.

6 Sec. 43.59.070. PAYMENT OF TAX. (a) The oil production income tax  
7 shall be paid annually. The tax is due on April 15 on oil or gas re-  
8 moved or sold from each lease or property during the 12 months before  
9 the preceding January.

10 (b) Every person engaged in producing oil and gas from properties  
11 subject to this tax shall file annually by February 1 of each year, with  
12 the department, a statement showing the value of oil as specified in  
13 sec. 20 of this chapter and claimed deductions for each well or field  
14 owned, worked or operated by that person during the previous year.

15 (c) The statement shall be on forms prescribed by or acceptable to  
16 the department, under oath, and shall include, in addition to other  
17 information required by regulation

18 (1) the name and address of the operator of the well or field,  
19 together with a list in duplicate of the names and addresses of any  
20 persons owning or claiming a royalty interest in the production of the  
21 well or field or the proceeds from the sale of it, and the amount paid  
22 or delivered in kind as royalty to each of these persons during the  
23 period covered by the statement;

24 (2) the description and location of the well or field;

25 (3) the number of cubic feet of natural gas, barrels of  
26 petroleum, or other crude or mineral oil extracted or produced from the  
27 well or field during the period covered by the statement;

28 (4) the value of production at the point of first sale or  
29 at the refinery, whichever is greater; and

1 (5) the claimed deductions as allowed under sec. 20 of this  
2 chapter and department regulations.

3 Sec. 43.59.080. VALUE MAY BE DETERMINED BY DEPARTMENT. The depart-  
4 ment may determine the value of the oil at the point of first sale or  
5 at the refinery when

6 (1) the seller and purchaser are affiliated persons;

7 (2) the sale and purchase of the production is not an arm's  
8 length transaction or is not representative of competitive market  
9 value; or

10 (3) there is no free market at the refinery for oil of  
11 similar kind and quality.

12 Sec. 43.59.090. ADMINISTRATION OF TAX. The tax imposed under this  
13 chapter shall be administered in the manner provided in AS 43.55.040,  
14 43.55.050, 43.55.070, 43.55.090, and 43.55.110.

15 Sec. 43.59.100. NONPAYMENT OF TAX. The provisions for civil  
16 penalty, interest and remedy established in AS 43.58.120, 43.58.130, and  
17 43.58.150 apply to this chapter.

18 Sec. 43.59.110. REGULATIONS. The department may adopt regulations  
19 in accordance with the Administrative Procedure Act (AS 44.62) as appro-  
20 priate to administer and enforce this chapter.

21 Sec. 43.59.120. DEPOSIT OF REVENUE. (a) The department shall  
22 deposit the money collected under this chapter in the general fund.

23 (b) Sixty per cent of the money deposited in the general fund under  
24 this chapter shall be placed in a special "permanent fund account" in  
25 the general fund.

26 Sec. 43.59.130. PRIVATE LAND INCENTIVE EXEMPTION. Oil produced  
27 from nongovernmentally owned mineral fee interests is exempt from the  
28 payment of taxes under this chapter.

29 Sec. 43.59.140. PAYMENT TO ALASKA NATIVE FUND. When the tax

1 levied under this chapter is payable an amount equivalent to not less  
2 than two per cent of the tax shall be paid by the state from oil and  
3 gas royalties, bonuses and rentals into the Alaska Native Fund estab-  
4 lished by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-  
5 203, 85 Stat. 688, 43 U.S.C. 1601 et seq.) until all payments paid  
6 into the fund equal \$500,000,000.

7 Sec. 43.59.150. DEFINITIONS. In this chapter "department" means  
8 the Department of Revenue.

9 \* Sec. 2. This Act takes effect January 1, 1977.

Introduced: 2/17/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
12 year upon an oil producer deriving income from oil production in the  
13 state a tax consisting of a normal tax equal to 10 per cent of the amount  
14 computed under sec. 20 of this chapter and a surtax equal to 40 per cent  
15 of the amount computed under sec. 30 of this chapter.

16 Sec. 43.59.020. COMPUTATION OF NORMAL TAX BASE. Normal tax under  
17 this chapter is imposed on that portion of the value of the oil at the  
18 point of first sale or its value at the refinery, whichever is less,  
19 which exceeds the sum of the following allowable costs by an amount not  
20 greater than 25 per cent:

21 (1) exploration costs, including bonus payments, as computed  
22 under sec. 40 of this chapter;

23 (2) field development costs and production costs as computed  
24 under sec. 50 of this chapter;

25 (3) cost of transport of the oil from the field in which it  
26 was produced to the refinery or the point of first sale, whichever is  
27 less;

28 (3) severance taxes imposed under chs. 55 and 57 of this title;

29 (4) general administrative costs of an amount equal to 25

1 cents per barrel.

2 Sec. 43.59.030. COMPUTATION OF SURTAX BASE. Surtax under this  
3 chapter is imposed on the amount by which the value of the oil at the  
4 point of first sale, or the refinery to which it is delivered, which-  
5 ever is less, exceeds 125 per cent of the allowable costs set out in  
6 sec. 20(a) - (e) of this chapter.

7 Sec. 43.59.040. EXPLORATION COST DEDUCTIONS. (a) Exploration  
8 costs shall be limited to:

9 (1) costs attributable to oil of geophysical and geological  
10 investigations for the purpose of finding oil and gas, providing the  
11 investigations are carried out on land subject to this tax at the time  
12 of the investigation;

13 (2) costs attributable to oil of acquiring interests in oil  
14 and gas on lands subject to this tax;

15 (3) costs attributable to oil of exploration and exploratory  
16 drilling for oil and gas on lands subject to this tax.

17 (b) No costs paid for services or any portion of services used or  
18 provided outside Alaska, salaries or wages not subject to the withholding  
19 of state income tax under AS 43.20.170, or payments for materials or  
20 supplies not consumed or physically located in Alaska may be deducted as  
21 an exploration cost.

22 (c) No costs incurred before the effective date of this Act may be  
23 deducted as an exploration cost.

24 (d) No more than 20 per cent of the exploration costs incurred in  
25 any year may be deductible in that year, or in any succeeding year.

26 (e) Exploration costs may be carried forward for purposes of com-  
27 puting deductions a maximum of 10 years.

28 (f) The percentage of exploration costs allocable to oil shall be  
29 equal to the percentage of the total wellhead value of oil and gas

1 production accounted for by oil in the year preceeding that in which the  
2 exploration costs are incurred.

3 Sec. 43.59.050. FIELD DEVELOPMENT AND PRODUCTION COST DEDUCTIONS.

4 (a) Field development and production costs are deductible only in  
5 computing the tax due on oil produced from the field in which they were  
6 incurred.

7 (b) Field development and production cost deductions are limited  
8 to the costs of goods and services used and useful in Alaska in the  
9 development or production of the field; no deduction for administrative,  
10 engineering or design costs incurred outside Alaska may be allowed.

11 (c) Production costs are limited to those costs which would not be  
12 incurred if production were to cease, and are deductible only against  
13 income from oil produced in the year in which the costs were incurred.

14 (d) Development costs shall be deducted over the life of the  
15 field or the useful life of the facility to which they are attributable,  
16 whichever is less, in accordance with depreciation schedules approved by  
17 the department.

18 (e) No development costs incurred before January 1, 1970 are  
19 deductible.

20 (f) Interest paid on funds used during and in the construction of  
21 facilities used and useful in the production or development of a field  
22 shall be capitalized and deducted over the life of the field in accord-  
23 ance with depreciation schedules approved by the department.

24 (g) The percentage of development and production cost allocable to  
25 oil shall be equal to the percentage of the total wellhead value of oil  
26 and gas produced from the field accounted for by oil in the year pre-  
27 ceeding that in which the deduction is taken.

28 Sec. 43.59.060. ROYALTY OIL. The tax imposed by this chapter is  
29 upon the total production of all oil removed or sold from each lease or

1 property, less any part the ownership or right to which is exempt from  
2 taxation. In making settlement with a royalty owner the producer may  
3 deduct the amount of the tax paid on royalty oil, or may deduct royalty  
4 oil equivalent in value, at the time the tax becomes due, to the amount  
5 of tax paid.

6 Sec. 43.59.070. PAYMENT OF TAX. (a) The oil production income tax  
7 shall be paid annually. The tax is due on April 15 on oil or gas re-  
8 moved or sold from each lease or property during the 12 months before  
9 the preceding January.

10 (b) Every person engaged in producing oil and gas from properties  
11 subject to this tax shall file annually by February 1 of each year, with  
12 the department, a statement showing the value of oil as specified in  
13 sec. 20 of this chapter and claimed deductions for each well or field  
14 owned, worked or operated by that person during the previous year.

15 (c) The statement shall be on forms prescribed by or acceptable to  
16 the department, under oath, and shall include, in addition to other  
17 information required by regulation

18 (1) the name and address of the operator of the well or field,  
19 together with a list in duplicate of the names and addresses of any  
20 persons owning or claiming a royalty interest in the production of the  
21 well or field or the proceeds from the sale of it, and the amount paid  
22 or delivered in kind as royalty to each of these persons during the  
23 period covered by the statement;

24 (2) the description and location of the well or field;

25 (3) the number of cubic feet of natural gas, barrels of  
26 petroleum, or other crude or mineral oil extracted or produced from the  
27 well or field during the period covered by the statement;

28 (4) the value of production at the point of first sale or  
29 at the refinery, whichever is greater; and

1 (5) the claimed deductions as allowed under sec. 20 of this  
2 chapter and department regulations.

3 Sec. 43.59.080. VALUE MAY BE DETERMINED BY DEPARTMENT. The depart-  
4 ment may determine the value of the oil at the point of first sale or  
5 at the refinery when

6 (1) the seller and purchaser are affiliated persons;

7 (2) the sale and purchase of the production is not an arm's  
8 length transaction or is not representative of competitive market  
9 value; or

10 (3) there is no free market at the refinery for oil of  
11 similar kind and quality.

12 Sec. 43.59.090. ADMINISTRATION OF TAX. The tax imposed under this  
13 chapter shall be administered in the manner provided in AS 43.55.040,  
14 43.55.050, 43.55.070, 43.55.090, and 43.55.110.

15 Sec. 43.59.100. NONPAYMENT OF TAX. The provisions for civil  
16 penalty, interest and remedy established in AS 43.58.120, 43.58.130, and  
17 43.58.150 apply to this chapter.

18 Sec. 43.59.110. REGULATIONS. The department may adopt regulations  
19 in accordance with the Administrative Procedure Act (AS 44.62) as appro-  
20 priate to administer and enforce this chapter.

21 Sec. 43.59.120. DEPOSIT OF REVENUE. (a) The department shall  
22 deposit the money collected under this chapter in the general fund.

23 (b) Sixty per cent of the money deposited in the general fund under  
24 this chapter shall be placed in a special "permanent fund account" in  
25 the general fund.

26 Sec. 43.59.130. PRIVATE LAND INCENTIVE EXEMPTION. Oil produced  
27 from nongovernmentally owned mineral fee interests is exempt from the  
28 payment of taxes under this chapter.

29 Sec. 43.59.140. PAYMENT TO ALASKA NATIVE FUND. When the tax

1 levied under this chapter is payable an amount equivalent to not less  
2 than two per cent of the tax shall be paid by the state from oil and  
3 gas royalties, bonuses and rentals into the Alaska Native Fund estab-  
4 lished by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-  
5 203, 85 Stat. 688, 43 U.S.C. 1601 et seq.) until all payments paid  
6 into the fund equal \$500,000,000.

7 Sec. 43.59.150. DEFINITIONS. In this chapter "department" means  
8 the Department of Revenue.

9 \* Sec. 2. This Act takes effect January 1, 1977.

Introduced: 3/17/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
12 year upon an oil producer deriving income from oil production in the  
13 state a tax consisting of a normal tax equal to 10 per cent of the  
14 amount computed under sec. 20 of this chapter and a surtax equal to 40  
15 per cent of the amount computed under sec. 30 of this chapter.

16 Sec. 43.59.020. COMPUTATION OF NORMAL TAX BASE. Normal tax under  
17 this chapter is imposed on that portion of the value of the oil at the  
18 point of first sale or its value at the refinery, whichever is less,  
19 which exceeds the sum of the following allowable costs, but is less than  
20 125 per cent of the sum:

21 (1) exploration costs attributable to oil, including bonus  
22 payments, as computed under sec. 40 of this chapter;

23 (2) those field development costs and variable production  
24 costs that are attributable to oil, as computed under secs. 50 and 60 of  
25 this chapter;

26 (3) cost of transport of the oil from the field in which it  
27 was produced to the refinery or the point of first sale, whichever is  
28 the base for the value determination for the computation of the tax;

29 (4) severance taxes imposed under chs. 55 and 57 of this

1 title;

2 (5) general administrative costs of an amount equal to 25  
3 cents per barrel.

4 Sec. 43.59.030. COMPUTATION OF SURTAX BASE. Surtax under this  
5 chapter is imposed on the amount by which the value of the oil at the  
6 point of first sale, or the refinery to which it is delivered, whichever  
7 is less, exceeds 125 per cent of the allowable costs set out in sec.  
8 20(1) - (5) of this chapter.

9 Sec. 43.59.040. EXPLORATION COST DEDUCTIONS. (a) Exploration  
10 cost deductions shall be limited to

11 (1) the cost attributable to oil of geophysical and geologi-  
12 cal investigations incurred for the purpose of finding oil and gas, if  
13 the investigations are carried out on government land in the state;

14 (2) that part of the payments for the right to extract oil  
15 and gas from government land in Alaska that is attributable to oil;

16 (3) the cost attributable to oil of drilling for oil and gas  
17 on government land in Alaska.

18 (b) The percentage of total costs and payments that is attri-  
19 butable to oil shall be equal to the percentage accounted for by oil in  
20 the total value at the wellhead of oil and gas produced in the state  
21 during the calendar year preceding that in which the cost is incurred or  
22 the payment made, i.e.,

23 
$$C_o = C_{o+g} \cdot WV_o / WV_{o+g}, \text{ where}$$

24  $C_o$  = an oil producer's deductible costs and payments attributable  
25 to oil during a given calendar year;

26  $C_{o+g}$  = the total costs incurred and payments made by the taxpayer  
27 in that year in exploring for oil and gas on government land;

28  $WV_o$  = the wellhead value of all oil produced in the state during  
29 the preceding year;

1           WV<sub>o+g</sub> = the wellhead value of all oil and gas produced in the state  
2                           during the preceding year.

3           (c) No costs paid for services or any portion of services used or  
4           provided outside Alaska, salaries or wages not subject to the withhold-  
5           ing of state income tax under AS 43.20.170, or payments for materials or  
6           supplies not physically located or consumed in Alaska may be deducted as  
7           an exploration cost.

8           (d) No costs incurred more than three years before the effective  
9           date of this Act may be deducted as an exploration cost.

10          (e) No more than 20 per cent of the exploration costs incurred in  
11          any calendar year may be deductible for that calendar year, or for any  
12          succeeding calendar year.

13          (f) Exploration costs may be carried forward for purposes of com-  
14          puting deductions a maximum of 10 years, and may be allocated among  
15          fields at the election of the producer.

16          Sec. 43.59.050. FIELD DEVELOPMENT COST DEDUCTIONS. (a) For the  
17          purpose of computing development cost deductions, all field development  
18          costs shall be capitalized and depreciated over the life of the field  
19          or the useful life of the facility to which they are attributable,  
20          whichever is less, in accordance with regulations promulgated by the  
21          department. Each year the depreciation chargeable to oil shall be  
22          determined by multiplying the total depreciation chargeable to the  
23          field for that year by the fraction of the value of the field's produc-  
24          tion accounted for by oil during that year.

25          (b) Field development costs shall be limited to the costs of goods  
26          and services used in Alaska and useful in the production of the field  
27          other than variable production costs as defined in sec. 60 of this  
28          chapter; administrative, engineering, or design costs incurred outside  
29          Alaska may not be allowed in calculating the deductions or the deprecia-

1 tion basis.

2 (c) No development cost incurred before January 1, 1970 shall be  
3 included in calculating allowable deductions, and in the case of facili-  
4 ties in operation before the effective date of this Act, the carrying  
5 forward of depreciation accruing before the effective date of this Act  
6 shall not be permitted.

7 (d) Interest not to exceed nine per cent per annum on funds used  
8 during and in the construction of facilities used and useful in the  
9 production of a field may be capitalized.

10 Sec. 43.59.060. VARIABLE PRODUCTION COST DEDUCTIONS. (a) Deduc-  
11 tible production costs are limited to those costs allocable to oil which  
12 would not be incurred if production were to cease, and may be carried  
13 forward only under the conditions specified in sec. 80 of this chapter.

14 (b) Production costs allocable to oil shall be determined each  
15 year by multiplying aggregate production costs in the field for oil and  
16 gas by the fraction of the value of the field's production accounted for  
17 by oil.

18 Sec. 43.59.070. TRANSPORTATION COST DEDUCTIONS. When the commis-  
19 sioner of revenue determines that transportation tariffs or charges may  
20 not accurately represent the true costs and that transportation charges  
21 are being paid to an entity affiliated with an oil producer taxpayer,  
22 he may, after promulgation of regulations governing the determination by  
23 him of the fair transportation costs, and public hearing, make a deter-  
24 mination of the deductible transportation cost for the purposes of com-  
25 puting the taxes due under this chapter. No producer affected by this  
26 determination shall be allowed transportation cost deductions in excess  
27 of the amounts determined by the commissioner to be fair and deductible.

28 Sec. 43.59.080. LOSS CARRY FORWARD. Development and production  
29 cost deductions may be carried forward only to the extent that they

1 exceed the total value of the oil at the point of value determination  
2 for this tax, less transportation costs from the field; they may be  
3 carried beyond any succeeding year only if no tax was due in that year.

4 Sec. 43.59.090. ROYALTY OIL. The tax imposed by this chapter is  
5 upon the value of the total production of all oil removed or sold from  
6 each lease or property, less any part the ownership or right to which  
7 is exempt from taxation. In making settlement with a royalty owner  
8 the producer may deduct the amount of the tax paid on royalty oil, or  
9 may deduct royalty oil equivalent in value to the amount of tax paid,  
10 at the time the tax becomes due.

11 Sec. 43.59.100. PAYMENT OF TAX. (a) The oil production income  
12 tax shall be paid annually. The tax is due on April 15 on oil or gas  
13 removed or sold from each lease or property during the preceding calen-  
14 dar year.

15 (b) Every producer whose income is subject to the tax imposed by  
16 this chapter shall file annually by February 1 of each year, with the  
17 department, a statement showing the value of oil as specified in sec. 20  
18 of this chapter, and shall under the penalty of perjury furnish all the  
19 information the Department of Revenue prescribes on a form supplied by  
20 the department.

21 Sec. 43.59.110. VALUE MAY BE DETERMINED BY DEPARTMENT. The de-  
22 partment may, under regulations promulgated in advance, determine the  
23 fair market value of the oil at the point of first sale or at the  
24 refinery when

- 25 (1) the seller and purchaser are affiliated persons;  
26 (2) the sale and purchase of the production is not an arm's  
27 length transaction or is not representative of competitive market value;  
28 or  
29 (3) there is no competitive market at the refinery for oil of

1 similar kind and quality.

2 Sec. 43.59.120. ADMINISTRATION OF TAX. AS 43.55.040, 43.55.050,  
3 43.55.070, 43.55.090, and 43.55.110 apply with respect to this chapter.

4 Sec. 43.59.130. NONPAYMENT OF TAX. The provisions for civil  
5 penalty, interest and remedy established in AS 43.58.120, 43.58.130,  
6 and 43.58.150 apply to this chapter.

7 Sec. 43.59.140. REGULATIONS. The department may adopt regulations  
8 in accordance with the Administrative Procedure Act (AS 44.62) as appro-  
9 priate to administer and enforce this chapter.

10 Sec. 43.59.150. DEPOSIT OF REVENUE. (a) The department shall  
11 deposit the money collected under this chapter in the general fund.

12 (b) Sixty per cent of the money deposited in the general fund  
13 under this chapter shall be placed in a special "permanent fund account"  
14 in the general fund.

15 Sec. 43.59.160. PRIVATE LAND INCENTIVE EXEMPTION. The provisions  
16 of this chapter are not applicable to oil produced from nongovernmen-  
17 tally owned mineral fee interests.

18 Sec. 43.59.170. PAYMENT TO ALASKA NATIVE FUND. When the tax  
19 levied under this chapter is payable, an amount equivalent to not less  
20 than two per cent of the tax shall be paid by the state from oil and gas  
21 royalties, bonuses and rentals into the Alaska Native fund established  
22 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203; 85  
23 Stat. 688; 43 U.S.C. 1601 et seq.) until all payments made into the fund  
24 equal \$500,000,000.

25 Sec. 43.59.180. DEFINITIONS. In this chapter "department" means  
26 the Department of Revenue, and oil and gas are as defined in AS 43.55.-  
27 140.

28 \* Sec. 2. This Act takes effect January 1, 1977.  
29

Introduced: 3/17/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
PARR AND SWANSON

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 # Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

11 Sec. 43.59.010. TAX IMPOSED. There is imposed for each taxable  
12 year upon an oil producer deriving income from oil production in the  
13 state a tax consisting of a normal tax equal to 10 per cent of the  
14 amount computed under sec. 20 of this chapter and a surtax equal to 40  
15 per cent of the amount computed under sec. 30 of this chapter.

16 Sec. 43.59.020. COMPUTATION OF NORMAL TAX BASE. Normal tax under  
17 this chapter is imposed on that portion of the value of the oil at the  
18 point of first sale or its value at the refinery, whichever is less,  
19 which exceeds the sum of the following allowable costs, but is less than  
20 125 per cent of the sum:

- 21 (1) exploration costs attributable to oil, including bonus  
22 payments, as computed under sec. 40 of this chapter;
- 23 (2) those field development costs and variable production  
24 costs that are attributable to oil, as computed under secs. 50 and 60 of  
25 this chapter;
- 26 (3) cost of transport of the oil from the field in which it  
27 was produced to the refinery or the point of first sale, whichever is  
28 the base for the value determination for the computation of the tax;
- 29 (4) severance taxes imposed under chs. 55 and 57 of this

1 title;

2 (5) general administrative costs of an amount equal to 25  
3 cents per barrel.

4 Sec. 43.59.030. COMPUTATION OF SURTAX BASE. Surtax under this  
5 chapter is imposed on the amount by which the value of the oil at the  
6 point of first sale, or the refinery to which it is delivered, whichever  
7 is less, exceeds 125 per cent of the allowable costs set out in sec.  
8 20(?) - (5) of this chapter.

9 Sec. 43.59.040. EXPLORATION COST DEDUCTIONS. (a) Exploration  
10 cost deductions shall be limited to

11 (1) the cost attributable to oil of geophysical and geologi-  
12 cal investigations incurred for the purpose of finding oil and gas, if  
13 the investigations are carried out on government land in the state;

14 (2) that part of the payments for the right to extract oil  
15 and gas from government land in Alaska that is attributable to oil;

16 (3) the cost attributable to oil of drilling for oil and gas  
17 on government land in Alaska.

18 (b) The percentage of total costs and payments that is attri-  
19 butable to oil shall be equal to the percentage accounted for by oil in  
20 the total value at the wellhead of oil and gas produced in the state  
21 during the calendar year preceding that in which the cost is incurred or  
22 the payment made, i.e.,

23 
$$C_o = C_{o+g} \cdot WV_o / WV_{o+g}, \text{ where}$$

24  $C_o$  = an oil producer's deductible costs and payments attributable  
25 to oil during a given calendar year;

26  $C_{o+g}$  = the total costs incurred and payments made by the taxpayer  
27 in that year in exploring for oil and gas on government land;

28  $WV_o$  = the wellhead value of all oil produced in the state during  
29 the preceding year;

1           WV<sub>o+g</sub> = the wellhead value of all oil and gas produced in the state  
2   during the preceding year.

3           (c) No costs paid for services or any portion of services used or  
4           provided outside Alaska, salaries or wages not subject to the withhold-  
5           ing of state income tax under AS 43.20.170, or payments for materials or  
6           supplies not physically located or consumed in Alaska may be deducted as  
7           an exploration cost.

8           (d) No costs incurred more than three years before the effective  
9           date of this Act may be deducted as an exploration cost.

10          (e) No more than 20 per cent of the exploration costs incurred in  
11          any calendar year may be deductible for that calendar year, or for any  
12          succeeding calendar year.

13          (f) Exploration costs may be carried forward for purposes of com-  
14          puting deductions a maximum of 10 years, and may be allocated among  
15          fields at the election of the producer.

16          Sec. 43.59.050. FIELD DEVELOPMENT COST DEDUCTIONS. (a) For the  
17          purpose of computing development cost deductions, all field development  
18          costs shall be capitalized and depreciated over the life of the field  
19          or the useful life of the facility to which they are attributable,  
20          whichever is less, in accordance with regulations promulgated by the  
21          department\*. Each year the depreciation chargeable to oil shall be  
22          determined by multiplying the total depreciation chargeable to the  
23          field for that year by the fraction of the value of the field's produc-  
24          tion accounted for by oil during that year.

25          (b) Field development costs shall be limited to the costs of goods  
26          and services used in Alaska and useful in the production of the field  
27          other than variable production costs as defined in sec. 60 of this  
28          chapter; administrative, engineering, or design costs incurred outside  
29          Alaska may not be allowed in calculating the deductions or the deprecia-

1           tion basis.

2           (c) No development cost incurred before January 1, 1970 shall be  
3 included in calculating allowable deductions, and in the case of facili-  
4 ties in operation before the effective date of this Act, the carrying  
5 forward of depreciation accruing before the effective date of this Act  
6 shall not be permitted.

7           (d) Interest not to exceed nine per cent per annum on funds used  
8 during and in the construction of facilities used and useful in the  
9 production of a field may be capitalized.

10           Sec. 43.59.060. VARIABLE PRODUCTION COST DEDUCTIONS. (a) Deduc-  
11 tible production costs are limited to those costs allocable to oil which  
12 would not be incurred if production were to cease, and may be carried  
13 forward only under the conditions specified in sec. 80 of this chapter.

14           (b) Production costs allocable to oil shall be determined each  
15 year by multiplying aggregate production costs in the field for oil and  
16 gas by the fraction of the value of the field's production accounted for  
17 by oil.

18           Sec. 43.59.070. TRANSPORTATION COST DEDUCTIONS. When the commis-  
19 sioner of revenue determines that transportation tariffs or charges may  
20 not accurately represent the true costs and that transportation charges  
21 are being paid to an entity affiliated with an oil producer taxpayer,  
22 he may, after promulgation of regulations governing the determination by  
23 him of the fair transportation costs, and public hearing, make a deter-  
24 mination of the deductible transportation cost for the purposes of com-  
25 puting the taxes due under this chapter. No producer affected by this  
26 determination shall be allowed transportation cost deductions in excess  
27 of the amounts determined by the commissioner to be fair and deductible.

28           Sec. 43.59.080. LOSS CARRY FORWARD. Development and production  
29 cost deductions may be carried forward only to the extent that they

1 exceed the total value of the oil at the point of value determination  
2 for this tax, less transportation costs from the field; they may be  
3 carried beyond any succeeding year only if no tax was due in that year.

4 Sec. 43.59.090. ROYALTY OIL. The tax imposed by this chapter is  
5 upon the value of the total production of all oil removed or sold from  
6 each lease or property, less any part the ownership or right to which  
7 is exempt from taxation. In making settlement with a royalty owner  
8 the producer may deduct the amount of the tax paid on royalty oil, or  
9 may deduct royalty oil equivalent in value to the amount of tax paid,  
10 at the time the tax becomes due.

11 Sec. 43.59.100. PAYMENT OF TAX. (a) The oil production income  
12 tax shall be paid annually. The tax is due on April 15 on oil or gas  
13 removed or sold from each lease or property during the preceding calen-  
14 dar year.

15 (b) Every producer whose income is subject to the tax imposed by  
16 this chapter shall file annually by February 1 of each year, with the  
17 department, a statement showing the value of oil as specified in sec. 20  
18 of this chapter, and shall under the penalty of perjury furnish all the  
19 information the Department of Revenue prescribes on a form supplied by  
20 the department.

21 Sec. 43.59.110. VALUE MAY BE DETERMINED BY DEPARTMENT. The de-  
22 partment may, under regulations promulgated in advance, determine the  
23 fair market value of the oil at the point of first sale or at the  
24 refinery when

- 25 (1) the seller and purchaser are affiliated persons;  
26 (2) the sale and purchase of the production is not an arm's  
27 length transaction or is not representative of competitive market value;  
28 or  
29 (3) there is no competitive market at the refinery for oil of

1 similar kind and quality.

2 Sec. 43.59.120. ADMINISTRATION OF TAX. AS 43.55.040, 43.55.050,  
3 43.55.070, 43.55.090, and 43.55.110 apply with respect to this chapter.

4 Sec. 43.59.130. NONPAYMENT OF TAX. The provisions for civil  
5 penalty, interest and remedy established in AS 43.58.120, 43.58.130,  
6 and 43.58.150 apply to this chapter.

7 Sec. 43.59.140. REGULATIONS. The department may adopt regulations  
8 in accordance with the Administrative Procedure Act (AS 44.62) as appro-  
9 priate to administer and enforce this chapter.

10 Sec. 43.59.150. DEPOSIT OF REVENUE. (a) The department shall  
11 deposit the money collected under this chapter in the general fund.

12 (b) Sixty per cent of the money deposited in the general fund  
13 under this chapter shall be placed in a special "permanent fund account"  
14 in the general fund.

15 Sec. 43.59.160. PRIVATE LAND INCENTIVE EXEMPTION. The provisions  
16 of this chapter are not applicable to oil produced from nongovernmen-  
17 tally owned mineral fee interests.

18 Sec. 43.59.170. PAYMENT TO ALASKA NATIVE FUND. When the tax  
19 levied under this chapter is payable, an amount equivalent to not less  
20 than two per cent of the tax shall be paid by the state from oil and gas  
21 royalties, bonuses and rentals into the Alaska Native fund established  
22 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203; 85  
23 Stat. 688; 43 U.S.C. 1601 et seq.) until all payments made into the fund  
24 equal \$500,000,000.

25 Sec. 43.59.180. DEFINITIONS. In this chapter "department" means  
26 the Department of Revenue, and oil and gas are as defined in AS 43.55.-  
27 140.

28 \* Sec. 2. This Act takes effect January 1, 1977.  
29

Introduced: 3/17/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
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7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

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13 state a tax consisting of a normal tax equal to 10 per cent of the  
14 amount computed under sec. 20 of this chapter and a surtax equal to 40  
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18 point of first sale or its value at the refinery, whichever is less,  
19 which exceeds the sum of the following allowable costs, but is less than  
20 125 per cent of the sum:

21 (1) exploration costs attributable to oil, including bonus  
22 payments, as computed under sec. 40 of this chapter;

23 (2) those field development costs and variable production  
24 costs that are attributable to oil, as computed under secs. 50 and 60 of  
25 this chapter;

26 (3) cost of transport of the oil from the field in which it  
27 was produced to the refinery or the point of first sale, whichever is  
28 the base for the value determination for the computation of the tax;

29 (4) severance taxes imposed under chs. 55 and 57 of this

1 title;

2 (5) general administrative costs of an amount equal to 25  
3 cents per barrel.

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5 chapter is imposed on the amount by which the value of the oil at the  
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7 is less, exceeds 125 per cent of the allowable costs set out in sec.  
8 20(1) - (5) of this chapter.

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13 the investigations are carried out on government land in the state;

14 (2) that part of the payments for the right to extract oil  
15 and gas from government land in Alaska that is attributable to oil;

16 (3) the cost attributable to oil of drilling for oil and gas  
17 on government land in Alaska.

18 (b) The percentage of total costs and payments that is attri-  
19 butable to oil shall be equal to the percentage accounted for by oil in  
20 the total value at the wellhead of oil and gas produced in the state  
21 during the calendar year preceding that in which the cost is incurred or  
22 the payment made, i.e.,

23 
$$C_o = C_{o+g} \cdot WV_o / WV_{o+g}, \text{ where}$$

24  $C_o$  = an oil producer's deductible costs and payments attributable  
25 to oil during a given calendar year;

26  $C_{o+g}$  = the total costs incurred and payments made by the taxpayer  
27 in that year in exploring for oil and gas on government land;

28  $WV_o$  = the wellhead value of all oil produced in the state during  
29 the preceding year;

1           WV<sub>o+g</sub> = the wellhead value of all oil and gas produced in the state  
2                           during the preceding year.

3           (c) No costs paid for services or any portion of services used or  
4           provided outside Alaska, salaries or wages not subject to the withhold-  
5           ing of state income tax under AS 43.20.170, or payments for materials or  
6           supplies not physically located or consumed in Alaska may be deducted as  
7           an exploration cost.

8           (d) No costs incurred more than three years before the effective  
9           date of this Act may be deducted as an exploration cost.

10          (e) No more than 20 per cent of the exploration costs incurred in  
11          any calendar year may be deductible for that calendar year, or for any  
12          succeeding calendar year.

13          (f) Exploration costs may be carried forward for purposes of com-  
14          puting deductions a maximum of 10 years, and may be allocated among  
15          fields at the election of the producer.

16          Sec. 43.59.050. FIELD DEVELOPMENT COST DEDUCTIONS. (a) For the  
17          purpose of computing development cost deductions, all field development  
18          costs shall be capitalized and depreciated over the life of the field  
19          or the useful life of the facility to which they are attributable,  
20          whichever is less, in accordance with regulations promulgated by the  
21          department. Each year the depreciation chargeable to oil shall be  
22          determined by multiplying the total depreciation chargeable to the  
23          field for that year by the fraction of the value of the field's produc-  
24          tion accounted for by oil during that year.

25          (b) Field development costs shall be limited to the costs of goods  
26          and services used in Alaska and useful in the production of the field  
27          other than variable production costs as defined in sec. 60 of this  
28          chapter; administrative, engineering, or design costs incurred outside  
29          Alaska may not be allowed in calculating the deductions or the deprecia-

1 tion basis.

2 (c) No development cost incurred before January 1, 1970 shall be  
3 included in calculating allowable deductions, and in the case of facili-  
4 ties in operation before the effective date of this Act, the carrying  
5 forward of depreciation accruing before the effective date of this Act  
6 shall not be permitted.

7 (d) Interest not to exceed nine per cent per annum on funds used  
8 during and in the construction of facilities used and useful in the  
9 production of a field may be capitalized.

10 Sec. 43.59.060. VARIABLE PRODUCTION COST DEDUCTIONS. (a) Deduc-  
11 tible production costs are limited to those costs allocable to oil which  
12 would not be incurred if production were to cease, and may be carried  
13 forward only under the conditions specified in sec. 80 of this chapter.

14 (b) Production costs allocable to oil shall be determined each  
15 year by multiplying aggregate production costs in the field for oil and  
16 gas by the fraction of the value of the field's production accounted for  
17 by oil.

18 Sec. 43.59.070. TRANSPORTATION COST DEDUCTIONS. When the commis-  
19 sioner of revenue determines that transportation tariffs or charges may  
20 not accurately represent the true costs and that transportation charges  
21 are being paid to an entity affiliated with an oil producer taxpayer,  
22 he may, after promulgation of regulations governing the determination by  
23 him of the fair transportation costs, and public hearing, make a deter-  
24 mination of the deductible transportation cost for the purposes of com-  
25 puting the taxes due under this chapter. No producer affected by this  
26 determination shall be allowed transportation cost deductions in excess  
27 of the amounts determined by the commissioner to be fair and deductible.

28 Sec. 43.59.080. LOSS CARRY FORWARD. Development and production  
29 cost deductions may be carried forward only to the extent that they

1 exceed the total value of the oil at the point of value determination  
2 for this tax, less transportation costs from the field, they may be  
3 carried beyond any succeeding year only if no tax was due in that year.

4 Sec. 43.59.090. ROYALTY OIL. The tax imposed by this chapter is  
5 upon the value of the total production of all oil removed or sold from  
6 each lease or property, less any part the ownership or right to which  
7 is exempt from taxation. In making settlement with a royalty owner  
8 the producer may deduct the amount of the tax paid on royalty oil, or  
9 may deduct royalty oil equivalent in value to the amount of tax paid,  
10 at the time the tax becomes due.

11 Sec. 43.59.100. PAYMENT OF TAX. (a) The oil production income  
12 tax shall be paid annually. The tax is due on April 15 on oil or gas  
13 removed or sold from each lease or property during the preceding calen-  
14 dar year.

15 (b) Every producer whose income is subject to the tax imposed by  
16 this chapter shall file annually by February 1 of each year, with the  
17 department, a statement showing the value of oil as specified in sec. 20  
18 of this chapter, and shall under the penalty of perjury furnish all the  
19 information the Department of Revenue prescribes on a form supplied by  
20 the department.

21 Sec. 43.59.110. VALUE MAY BE DETERMINED BY DEPARTMENT. The de-  
22 partment may, under regulations promulgated in advance, determine the  
23 fair market value of the oil at the point of first sale or at the  
24 refinery when

- 25 (1) the seller and purchaser are affiliated persons;  
26 (2) the sale and purchase of the production is not an arm's  
27 length transaction or is not representative of competitive market value;  
28 or  
29 (3) there is no competitive market at the refinery for oil of

1 similar kind and quality.

2 Sec. 43.59.120. ADMINISTRATION OF TAX. AS 43.55.040, 43.55.050,  
3 43.55.070, 43.55.090, and 43.55.110 apply with respect to this chapter.

4 Sec. 43.59.130. NONPAYMENT OF TAX. The provisions for civil  
5 penalty, interest and remedy established in AS 43.58.120, 43.58.130,  
6 and 43.58.150 apply to this chapter.

7 Sec. 43.59.140. REGULATIONS. The department may adopt regulations  
8 in accordance with the Administrative Procedure Act (AS 4.62) as appro-  
9 priate to administer and enforce this chapter.

10 Sec. 43.59.150. DEPOSIT OF REVENUE. (a) The department shall  
11 deposit the money collected under this chapter in the general fund.

12 (b) Sixty per cent of the money deposited in the general fund  
13 under this chapter shall be placed in a special "permanent fund account"  
14 in the general fund.

15 Sec. 43.59.160. PRIVATE LAND INCENTIVE EXEMPTION. The provisions  
16 of this chapter are not applicable to oil produced from nongovernmen-  
17 tally owned mineral fee interests.

18 Sec. 43.59.170. PAYMENT TO ALASKA NATIVE FUND. When the tax  
19 levied under this chapter is payable, an amount equivalent to not less  
20 than two per cent of the tax shall be paid by the state from oil and gas  
21 royalties, bonuses and rentals into the Alaska Native fund established  
22 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203; 85  
23 Stat. 688; 43 U.S.C. 1601 et seq.) until all payments made into the fund  
24 equal \$500,000,000.

25 Sec. 43.59.180. DEFINITIONS. In this chapter "department" means  
26 the Department of Revenue, and oil and gas are as defined in AS 43.55.-  
27 140.

28 \* Sec. 2. This Act takes effect January 1, 1977.  
29

Introduced: 3/17/76  
Referred: Resources and Finance

BY COWPER, BRADLEY, BROWN, DUNCAN,  
GARDINER, GRUENING, KELLEY, MCKINNON,  
MALONE, MILLER, NAUGHTON, PARKER,  
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1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 803

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for an oil production income tax; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43 is amended by adding a new chapter to read:

10 CHAPTER 59. OIL PRODUCTION INCOME TAX.

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