

LEG. FINANCE - BILLS 1977 = 1978 701

CSHB 303 cont., thru CSHB 321

Original sponsor. kudd

Offered: 5/18/77
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 303 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska Commission on the Status of
7 Women."

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

9 * Section 1. AS 18 is amended by adding a new chapter to read:

10 CHAPTER 110. ALASKA COMMISSION ON THE STATUS OF WOMEN.

11 Sec. 18.110.010. CREATION OF COMMISSION. There is created in the
12 Office of the Governor the Alaska Commission on the Status of Women.

13 Sec. 18.110.020. COMPOSITION. The commission consists of nine
14 members and an ex officio member representing the office of the attorney
15 general who shall serve at the pleasure of the governor.

16 Sec. 18.110.030. APPOINTMENT. (a) The members shall be appointed
17 on a nonpartisan basis by the governor within 60 days of the effective
18 date of this Act. The members shall be residents of the state. In
19 making the appointments, due consideration shall be given to

20 (1) the recommendations made by civic organizations, women's
21 organizations, educational and vocational groups, employer groups, labor
22 unions, church groups, and other groups having an interest in the status
23 of women;

24 (2) statewide geographical representation of the commission;
25 and

26 (3) minority and low-income representation.

27 (b) The commission shall elect one of its members as chairperson
28 and may select other commission officers as it considers necessary.

29 Sec. 18.110.040. MEETINGS. Within 60 days after the appointment

1 of all the members of the commission, the governor shall call the first
2 meeting of the commission. A majority of the members constitutes a
3 quorum for conducting business and exercising the powers of the commis-
4 sion. The commission shall meet at the call of the chairperson, at the
5 request of a majority of the members, or at a regularly scheduled time
6 as determined by a majority of the members.

7 Sec. 18.110.050. TERMS OF OFFICE. The term of office of each
8 member is two years. A vacancy shall be filled for the balance of the
9 unexpired term in the same manner as original appointments.

10 Sec. 18.110.060. COMPENSATION. Members of the commission receive
11 no compensation for their services but are entitled to per diem and
12 travel allowances authorized by law for other boards and commissions.

13 Sec. 18.110.070. PURPOSE. The purpose of the commission is to
14 implement the recommendations contained in the preliminary study on the
15 status of women in Alaska which was mandated by the Ninth Legislature,
16 Second Session, under House Bill No. 795, and improve the status of
17 women in Alaska by conducting further research and by making and im-
18 plementing additional recommendations on the opportunities, needs,
19 problems, and contributions of women in Alaska including, but not
20 limited to

- 21 (1) education,
- 22 (2) homemaking,
- 23 (3) civil and legal rights,
- 24 (4) labor and employment.

25 Sec. 18.110.080. POWERS AND DUTIES. To accomplish its purpose,
26 the commission may

27 (1) hire an executive director and additional administrative
28 staff as may be necessary to the commission's function;

29 (2) act as a clearinghouse and coordinating body for govern-

1 mental and nongovernmental information relating to the status of women;

2 (3) cooperate with public and private agencies in joint
3 efforts to study and resolve problems relating to the status of women in
4 Alaska;

5 (4) accumulate and compile information concerning discrimina-
6 tion against women;

7 (5) disseminate the results of research and compilation of
8 data acquired under (4) of this section by publication and other methods
9 such as public hearings, conferences, and seminars;

10 (6) study and analyze all facts relating to Alaska laws,
11 regulations and guidelines with respect to equal protection for women
12 under the state constitution;

13 (7) recommend legislative and administrative action on equal
14 treatment and opportunities for women;

15 (8) select and retain the services of consultants whose
16 advice is considered necessary to assist the commission in obtaining
17 information;

18 (9) encourage women to utilize their capabilities and to
19 assume leadership roles;

20 (10) establish standing committees among the members to in-
21 vestigate and make recommendations on various areas of concern;

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23 other experts as needed;

24 (12) accept monetary gifts or grants from the federal govern-
25 ment or an agency of it, from any charitable foundation or professional
26 association or from any other reputable source for implementation of any
27 program necessary or desirable for carrying out the general purposes of
28 the commission.

29 Sec. 18.110.090. ANNUAL REPORT. Each year the commission shall

1 file a report with the governor and the legislature of its proceedings
2 for the previous calendar year and shall submit recommendations for
3 legislative and administrative action. Reports and recommendations
4 required under this section shall be prepared no later than the con-
5 vening of the legislature.

6 * Sec. 2. The Alaska Commission on the Status of Women created under AS
7 18.110.010 shall terminate on June 30, 1983.

Original sponsor: Rudd

Offered: 5/18/77
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 303 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska Commission on the Status of
7 Women."

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- 27 (1) hire an executive director and additional administrative
28 staff as may be necessary to the commission's function;
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3 efforts to study and resolve problems relating to the status of women in
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7 18.110.010 shall terminate on June 30, 1979.

Original sponsor: Rudd

Offered: 3/30/77
Referred: Finance

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BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 303

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4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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Introduced: 3/4/77
Referred: Judiciary and
Finance

1 IN THE HOUSE

BY RUDD

2 HOUSE BILL NO. 303

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4 TENTH LEGISLATURE - FIRST SESSION

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13 travel allowances authorized by law for other boards and commissions.

14 Sec. 18.110.070. PURPOSE. The purpose of the commission is to
15 further the improvement of the status of women in Alaska by conducting
16 research on issues relating to the status of women, publishing the re-
17 sults of the research, and using other methods, such as public hearings,
18 conferences, and seminars, to inform the public and to assist women in
19 improving the collective, as well as the individual status of women
20 throughout the state.

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2 tigate and make recommendations on various areas of concern;

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4 other experts as needed;

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6 assume leadership roles.

7 Sec. 18.110.090. ACCESS TO INFORMATION. The commission shall have
8 access to all nonconfidential records, data, information, and statistics
9 of all departments, boards, commissions, agencies, and institutions of
10 the state. This includes but is not limited to access to departmental
11 and agency budgets and affirmative action plans.

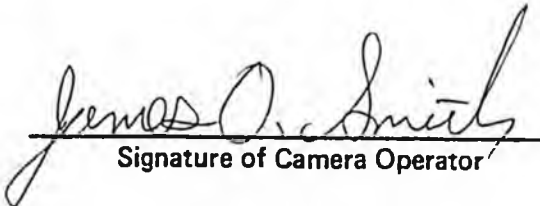
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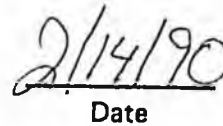


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I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and 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.


Signature of Camera Operator


Date

COMMITTEE REPORT

3-4-77.

HOUSE

3-8-77 Date

Mr. Speaker:

The Committee on FINANCE has had HB 304 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

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

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Chairman

Introduced: 3/4/77
Referred: Finance

1 IN THE HOUSE

BY COWPER AND SWANSON

2 HOUSE BILL NO. 304

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending a special appropriation made to the
7 Department of Education for the reconstruction of the
8 school at Anderson; and providing for an effective
9 date."

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

11 * Section 1. Section 2, ch. 203, SLA 1976 is amended to read:

12 Sec. 2. The sum of \$1,060,000 is appropriated from the general
13 fund to the Department of Education for the reconstruction of the
14 elementary [HIGH] school at Anderson.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).

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Introduced: 3/4/77
Referred: Finance

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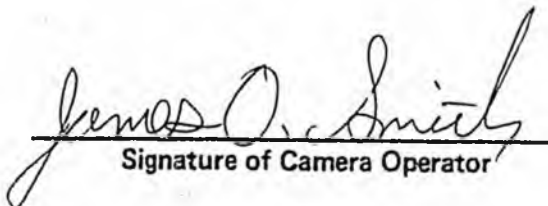
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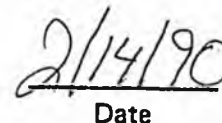


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Signature of Camera Operator


Date

3-8-77

COMMITTEE REPORT

HOUSE

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 318 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

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Vaccin

Introduced: 3/8/77
Referred: Finance

1 IN THE HOUSE

BY BUCHHOLDT AND BRADLEY

2 HOUSE BILL NO. 318

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing a tax rebate under the Alaska Net In-
7 come Tax Act; and providing for an effective date."

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

9 * Section 1. A resident taxpayer who is a natural person is entitled to a
10 rebate of the tax imposed by AS 43.20 in an amount equal to double the amount
11 spent by the taxpayer during the taxable year ending December 31, 1976, for
12 medical care for himself, if he is over 65 years of age and handicapped, or
13 for any of his dependents, if they are over 65 years of age and handicapped.
14 In no event, however, may the amount rebated exceed \$3,000 for any one tax-
15 payer.

16 * Sec. 2. For the purposes of this Act

17 (1) "handicapped" includes blindness and disability;

18 (2) "blindness" means, in terms of ophthalmic measurement, central
19 visual acuity of 20/200 or less in the better eye with correcting glasses;
20 field defect in which the peripheral field has contracted so that the widest
21 diameter of visual field subtends at an angular distance of no greater than
22 20 degrees is considered equally disabling;

23 (3) "disability" means a physical or mental condition severe
24 enough to prevent a person from engaging in a useful occupation within his
25 competence, such as holding a job or homemaking, and of such a nature that it
26 will likely remain static, become worse, or make no substantial improvement
27 in the foreseeable future.

28 * Sec. 3. When a payment is allowed to a taxpayer under this Act, it
29 shall be paid out of the general fund on a warrant issued under a voucher

COMMITTEE COPY

1 approved by the Department of Revenue.

2 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c).

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 318

By BUCHHOLDT AND BRADLEY

"An Act Allowing a tax rebate under the Alaska Net Income Tax Act; and providing for an effective date."

Tax rebate on Income tax

Introduced in the House 3-8, 1977

HISTORY IN THE HOUSE

19 77	Read first time and referred to Committee on Finance										
Mar. 8	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reconsideration										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Introduced: 3/8/77
Referred: Finance

1 IN THE HOUSE

BY BUCHHOLDT AND BRADLEY

2 HOUSE BILL NO. 318

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing a tax rebate under the Alaska Net In-
7 come Tax Act; and providing for an effective date."

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

9 *Section 1. A resident taxpayer who is a natural person is entitled to a
10 rebate of the tax imposed by AS 43.20 in an amount equal to double the amount
11 spent by the taxpayer during the taxable year ending December 31, 1976, for
12 medical care for himself, if he is over 65 years of age and handicapped, or
13 for any of his dependents, if they are over 65 years of age and handicapped.
14 In no event, however, may the amount rebated exceed \$3,000 for any one tax-
15 payer.

16 * Sec. 2. For the purposes of this Act

17 (1) "handicapped" includes blindness and disability;

18 (2) "blindness" means, in terms of ophthalmic measurement, central
19 visual acuity of 20/200 or less in the better eye with correcting glasses;
20 field defect in which the peripheral field has contracted so that the widest
21 diameter of visual field subtends at an angular distance of no greater than
22 20 degrees is considered equally disabling;

23 (3) "disability" means a physical or mental condition severe
24 enough to prevent a person from engaging in a useful occupation within his
25 competence, such as holding a job or homemaking, and of such a nature that it
26 will likely remain static, become worse, or make no substantial improvement
27 in the foreseeable future.

28 * Sec. 3. When a payment is allowed to a taxpayer under this Act, it
29 shall be paid out of the general fund on a warrant issued under a voucher

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 318
 Title An Act allowing a tax rebate under the Alaska Net Income Tax Act
 Requested by House Finance Committee Date 3/14/77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		17.1	17.1	17.1	17.1	17.1
200 TRAVEL						
300 CONTRACTUAL		2.5	2.5	2.5	2.5	2.5
400 COMMODITIES		.3	.3	.3	.3	.3
500 EQUIPMENT		.6				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		20.5	19.9	19.9	19.9	19.9

FUNDING (Thousands of Dollars)

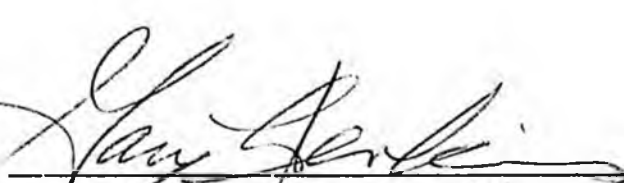
GENERAL FUND		20.5	19.9	19.9	19.9	19.9
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

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

See memo to J. R. Messenger, attached.

IV. DATE 3-14-77 PREPARED BY 
 AGENCY Department of Revenue, Audit Division
 PHONE 465-2320
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

TO: John Messenger
Deputy Commissioner
Department of Revenue

DATE: March 15, 1977

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: House Bill No. 318

This bill is one which is primarily of a social service function in that it would reimburse the taxpayer for costs incurred for medical care for himself or for a qualified dependent, provided specific requirements were met. This is an area which is completely outside of the spectrum of tax administration. Whether the purpose intended is a valid one or not is obviously up to the Legislature; however, it would be my recommendation that this be incorporated as another social service program whereby the qualified applicants could be reimbursed directly, rather than tying it to an income tax rebate, which becomes very complex.

If enacted as proposed, the referenced bill would allow a rebate of income tax to an individual in an amount equal to double the amount spent by a qualified taxpayer during the year ended December 31, 1976, for medical care. There are several very significant problems which come to light with analyzing this bill.

First of all, the law provides for a rebate of the tax imposed by AS 43.20. However, there are many things left unanswered by this phrase.

1. Is this a rebate of the tax up to the amount paid by the taxpayer in 1976?
2. Is this to be a tax rebate up to the maximum allowable amount even though the taxpayer had little or no tax due the State of Alaska?
3. Should this really be treated as a rebate since normally, a rebate is something which could be computed by the Department from information submitted on the originally filed return? It would appear more logical for this to be a credit against the tax since all affected taxpayers would have to file returns, claiming the amount of money provided in the law.

Second, the law provides for the rebate to be effective for the year ended December 31, 1976. I fail to understand why this would be proposed for a year that is already past since there were no natural disasters or other unique circumstances which would, on the surface, appear to justify the prior year application.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Introduced: 3/8/77
Referred: Finance

1 IN THE HOUSE

BY BUCHHOLDT AND BRADLEY

2 HOUSE BILL NO. 318

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing a tax rebate under the Alaska Net In-
7 come Tax Act; and providing for an effective date."

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

9 * Section 1. A resident taxpayer who is a natural person is entitled to a
10 rebate of the tax imposed by AS 43.20 in an amount equal to double the amount
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13 for any of his dependents, if they are over 65 years of age and handicapped.
14 In no event, however, may the amount rebated exceed \$3,000 for any one tax-
15 payer.

16 * Sec. 2. For the purposes of this Act

17 (1) "handicapped" includes blindness and disability;

18 (2) "blindness" means, in terms of ophthalmic measurement, central
19 visual acuity of 20/200 or less in the better eye with correcting glasses;
20 field defect in which the peripheral field has contracted so that the widest
21 diameter of visual field subtends at an angular distance of no greater than
22 20 degrees is considered equally disabling;

23 (3) "disability" means a physical or mental condition severe
24 enough to prevent a person from engaging in a useful occupation within his
25 competence, such as holding a job or homemaking, and of such a nature that it
26 will likely remain static, become worse, or make no substantial improvement
27 in the foreseeable future.

28 * Sec. 3. When a payment is allowed to a taxpayer under this Act, it
29 shall be paid out of the general fund on a warrant issued under a voucher

1 approved by the Department of Revenue.

2 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

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 Title An Act allowing a tax rebate under the Alaska Net Income Tax Act
 Requested by House Finance Committee Date 3/14/77

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FUNDING (Thousands of Dollars)

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FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

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

See memo to J. R. Messenger, attached.

IV. DATE 3-14-77 PREPARED BY *Ray Gerkin*

AGENCY Department of Revenue, Audit Division
 PHONE 465-2320

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

TO: John Messenger
Deputy Commissioner
Department of Revenue

DATE : March 15, 1977

FROM: Gary L. Jenkins
Director
Audit Division

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3. Should this really be treated as a rebate since normally, a rebate is something which could be computed by the Department from information submitted on the originally filed return? It would appear more logical for this to be a credit against the tax since all affected taxpayers would have to file returns, claiming the amount of money provided in the law.

Second, the law provides for the rebate to be effective for the year ended December 31, 1976. I fail to understand why this would be proposed for a year that is already past since there were no natural disasters or other unique circumstances which would, on the surface, appear to justify the prior year application.

Third, the rebate would be only for those taxpayers who are over 65 years of age and handicapped. If an individual were to meet the requirements of the law, most likely they would not have been liable for any Alaska income tax in the first place, because the majority of their income would have been of the nature which is non-taxable.

Fourth, in the Definition section of the Act, the definition for handicapped is, "includes blindness and disability". Since this is not an all inclusive statement, there is the inference that it may well include something besides blindness and disability. Is there any intent for it to be broader than the two specified disabilities?

Fifth, The definition for disability is a rather broad one, which is going to require somebody to make the determination of whether the individual is able to engage in a useful occupation or not. If this law is passed, I feel that there should be some specific provision for who will make the determination of whether an individual meets the requirements to be considered disabled.



Introduced: 3/8/77
Referred: Finance

1 IN THE HOUSE

BY BUCHHOLDT AND BRADLEY

2 HOUSE BILL NO. 318

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing a tax rebate under the Alaska Net In-
7 come Tax Act; and providing for an effective date."

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13 for any of his dependents, if they are over 65 years of age and handicapped.
14 In no event, however, may the amount rebated exceed \$3,000 for any one tax-
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16 * Sec. 2. For the purposes of this Act

17 (1) "handicapped" includes blindness and disability;

18 (2) "blindness" means, in terms of ophthalmic measurement, central
19 visual acuity of 20/200 or less in the better eye with correcting glasses;
20 field defect in which the peripheral field has contracted so that the widest
21 diameter of visual field subtends at an angular distance of no greater than
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24 enough to prevent a person from engaging in a useful occupation within his
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26 will likely remain static, become worse, or make no substantial improvement
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29 shall be paid out of the general fund on a warrant issued under a voucher

1 approved by the Department of Revenue.

2 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c).

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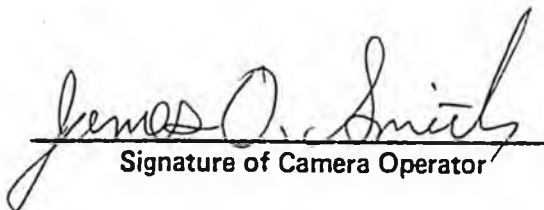
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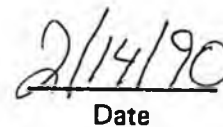


RECORDS CERTIFICATION



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.


Signature of Camera Operator


Date

Introduced: 3/8/77
Referred: State Affairs
and Finance

1 IN THE HOUSE

BY OSTERBACK, GARDINER AND SNIDER

2 HOUSE BILL NO. 320

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Public Works, division of water and harbors,
8 for small boat harbors; and providing for an effective
9 date."

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

11 * Section 1. The sum of \$6,600,000 is appropriated from the general fund
12 to the Department of Public Works, division of water and harbors,

13 (1) to complete inner harbor facilities for small boat har-
14 bors at

15 Sand Point \$ 600,000

16 King Cove. 500,000

17 (2) to enlarge existing small boat harbors at

18 Kodiak \$2,000,000

19 Cordova. 2,000,000

20 Ketchikan. 1,500,000

21 * Sec. 2. The appropriation made by this Act is for capital projects and
22 is subject to the provisions of AS 37.25.020.

23 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

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#

"An Act making a special appropriation to the Department of Public Works, division of water and harbors, for small boat harbors; effective date."

COMMITTEE REPORT

HOUSE

3/25/77

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 320 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

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

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____

_____ Chairman

COMMITTEE REPORT

3-8-77

HOUSE

FINANCE

March 24, 1977 Date

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 320 under consideration. ^{and} 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 ^{individual} recommendations.
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

② A. S. Bradley - NO Rec. _____

① IND. 222 NO PASS _____

② Bonnie No Rec. _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

③ Tom Kelly recommends: Do Not Pass

Dankworth recommends: DO NOT PASS

Chris W. Helmer recommends: Do Not Pass.

A. S. Bradley
Chairman

3602
wclanzie

Introduced: 3/8/77
Referred: State Affairs
and Finance

1 IN THE HOUSE

BY OSTERBACK, GARDINER,
AND SNIDER

2 HOUSE BILL NO. 320

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Public Works, division of water and harbors,
8 for small boat harbors; and providing for an effective
9 date."

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

11 * Section 1. The sum of \$6,600,000 is appropriated from the general fund
12 to the Department of Public Works, division of water and harbors,

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15 Sand Point \$ 600,000

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18 Kodiak \$2,000,000

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20 Ketchikan. 1,500,000

21 * Sec. 2. The appropriation made by this Act is for capital projects and
22 is subject to the provisions of AS 37.25.020.

23 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 320

By OSTERBACK AND GARDINER AND SNIDER

"An Act making a special appropriation to the Department of Public Works, division of water and harbors, for small boat harbors; and providing for an effective date."

Small boat harbors

Introduced in the House 3-8, 1977

HISTORY IN THE HOUSE

19 77

Mar. 8

Read first time and referred to Committee on State Affairs 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

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor .

..... by Governor

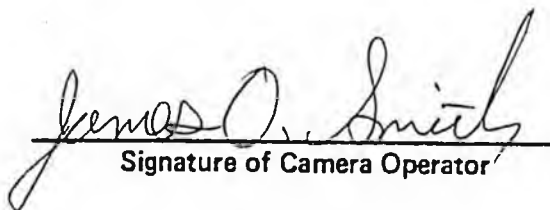
Filed with Lt. Governor

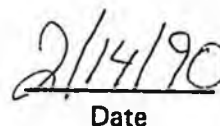
Chapter No.



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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.


Signature of Camera Operator


Date

4/20/77
By
M. L.

MAJOR PROVISIONS OF CSHB 321

The House Finance Committee Substitute for House Bill No. 321 provides for a production tax on oil and gas which has the following characteristics:

FOR OIL,

1. A 12.5% of value tax; or,
2. A \$.9375 cents per barrel tax, whichever is higher;
3. An escalator for the cents per barrel tax based on the GNP deflator;
4. An economic limit factor (ELF) which reduces the effective tax rate as production approaches the economic limit; and
 - (a) which presumes 300 barrels per day as the economic limit subject to the taxpayer demonstrating otherwise; and
 - (b) which contains an exponent that further reduces the effective rate for leases with an economic limit of less than 300 BPD while diminishing the tax break due to the ELF for leases with an economic limit greater than 300 BPD; and
 - (c) which relies on the free market price of imported oil for determining the economic limit;
5. A definition of the point of production.

FOR GAS,

1. A 10% of value tax; or
2. A \$.064 per thousand cubic feet tax, whichever is higher;
3. An escalator for the cents per MCF tax based on the GNP deflator;
4. An economic limit factor which reduces the effective tax rate as production approaches the economic limit; and
 - (a) which requires a hearing to determine the economic limit; and
 - (b) which relies on the highest field price within 100 miles for such determination;
5. A penalty on gas flared in excess of that authorized for safety equal to twice the production tax on gas;
6. A definition of the point of production.

COMMITTEE REPORT

HOUSE

4/5/77

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 321 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

3-9-77

COMMITTEE REPORT

FINANCE

HOUSE

4/1/77 Date

Mr. Speaker:

The Committee on RESOURCES has had HB 321 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
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

Malone Do Pass Alvin Osterback Do Pass

Mark H. Snider DO PASS

W. Smith do pass

Will DO PASS

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

Don Russell recommends: No Recommendation

Al Osterback recommends: " " "

Bob Hill recommends: " " "

Wm. Akers recommends: " " "

Alvin Osterback
Chairman

Introduced: 3/9/77
Referred: Resources and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 THE HOUSE

2 HOUSE BILL NO. 321

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

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

9 * Section 1. AS 43.55 is amended by adding new sections to read:

10 Sec. 43.55.011. OIL PRODUCTION TAX. (a) There is levied upon
11 the producer of oil a tax for all oil produced from each lease or
12 property in the state, less any oil the ownership or right to which is
13 exempt from taxation. The tax is equal to either the percentage-of-
14 value amount calculated under (b) of this section or the cents-per-
15 barrel amount calculated under (c) of this section, whichever is
16 greater, multiplied by the economic limit factor determined for the
17 oil production of the lease or property under sec. 13 of this chapter.
18 If the amounts calculated under (b) and (c) of this section are equal,
19 the amount calculated under (b) of this section shall be treated as if
20 it were the greater for purposes of this section.

21 (b) The percentage-of-value amount equals 10 per cent of the
22 gross value at the point of production of taxable oil produced from
23 the lease or property.

24 (c) The cents-per-barrel amount equals \$.75 per barrel of taxable
25 oil produced from the lease or property, as adjusted by sec. 12 of
26 this chapter.

27 (d) When the cents-per-barrel amount calculated under (c) of
28 this section is greater than the percentage-of-value amount calculated
29 under (b) of this section, an amount not less than \$.05 for each

1 barrel of taxable oil produced shall be paid by the state out of its
2 royalties from the oil whenever payment by the state is required under
3 the revenue sharing provisions of sec. 9 of the Alaska Native Claims
4 Settlement Act (P.L. 92-203, 85 Stat. 688, 43 U.S.C. 1601 et seq.)
5 into the Alaska Native Fund, until all amounts paid in the fund equal
6 \$500,000,000.

7 Sec. 43.55.012. ADJUSTMENTS IN TAX RATES. (a) The amounts set
8 out in sec. 11(c) and sec. 16(c) of this chapter shall be increased or
9 decreased by a percentage equal to the percentage of change in the
10 Gross National Product Deflator published by Bureau of Economic Analysis
11 of the United States Department of Commerce. Changes in tax rates
12 will be computed based on changes in the Gross National Product Deflator
13 from that of the First Quarter 1977 Gross National Product Deflator.
14 The department shall post the changes in the tax rates periodically
15 and shall notify every person producing oil within the state of the
16 changes.

17 (b) The cents-per-barrel amount set out in sec. 11(c) of this
18 chapter as adjusted by (a) of this section applies to oil of 27
19 degrees API gravity. For each degree of API gravity less than 27
20 degrees the cents-per-barrel amount shall be reduced by \$.005 and for
21 each degree of API gravity greater than 27 degrees the cents-per-
22 barrel amount shall be increased by \$.005 except that oil above 40
23 degrees API gravity shall be taxed as 40 degree oil. In applying the
24 gravity adjustment under this subsection, fractional degrees of API
25 gravity shall be disregarded.

26 Sec. 43.55.013. ECONOMIC LIMIT FACTOR. (a) The economic limit
27 factor for oil production of a lease or property equals one minus the
28 ratio of the monthly production rate at the economic limit to the
29 production during the month for which the tax is to be paid.

1 (b) Before February 15 of each year or within six months after
2 commencement of production for a lease or property, the department
3 shall notify the taxpayer of the monthly production rate at the
4 economic limit for each lease or property within the state for that
5 year. The monthly production rate at the economic limit for a lease
6 or property is presumed to be 100 barrels times the number of well-
7 days for the lease or property during December of the preceding year,
8 unless the taxpayer at a formal hearing under AS 43.05.240 provides
9 clear and convincing evidence of a different monthly production rate
10 at the economic limit for the lease or property. The monthly produc-
11 tion rate at the economic limit for the lease or property based upon
12 the clear and convincing evidence of the taxpayer shall be calculated
13 by dividing the value determined under (d) of this section into the
14 average monthly direct operating cost determined under (c) of this
15 section.

16 (c) The average monthly direct operating cost for oil production
17 operations of the lease or property shall be determined based on a
18 period of not less than four consecutive months. The direct operating
19 costs include drilling supplies, fuel, routine maintenance, and wages
20 and benefits of employees working on the production operations. The
21 direct operating costs do not include capital expenditures, tangible
22 or intangible drilling expenses, costs of well workovers, costs for
23 replacement or repairs (other than routine maintenance), depreciation
24 or amortization, taxes, insurance, overhead, money paid or set aside
25 (or booked as being paid or set aside) to cover the cost of terminating
26 the oil production operations of the lease or property, or any other
27 cost not directly related to the oil production operations of the
28 lease or property.

29 (d) The value at the point of production of oil produced from

1 the lease or property shall be determined on the basis of the acquisi-
2 tion cost C.I.F. at West Coast refineries for imported oil of like
3 quality, minus the reasonable cost of transportation between the point
4 of production of the oil from the lease or property and those West
5 Coast refineries.

6 (e) Before February 15 of each year or within six months after
7 commencement of production for a lease or property the department
8 shall notify the producer of gas of the monthly production rate at the
9 economic limit for each lease or property within the state for that
10 year. The monthly production rate at the economic limit for a lease
11 or property shall be determined at a formal hearing under AS 43.05.240
12 and must be established by clear and convincing evidence presented by
13 the taxpayer at that hearing. The monthly production rate at the
14 economic limit for the lease or property based upon the clear and
15 convincing evidence of the taxpayer shall be calculated by dividing
16 the value determined under (g) of this section into the average monthly
17 direct operating cost determined under (f) of this section.

18 (f) The average monthly direct operating cost for gas production
19 operations of the lease or property shall be determined based on a
20 period of not less than four consecutive months. The direct operating
21 costs include drilling supplies, fuel, routine maintenance, and wages
22 and benefits of employees working on the production operations. The
23 direct operating costs do not include capital expenditures, tangible
24 or intangible drilling expenses, costs of well workovers, costs for
25 replacement or repairs (other than routine maintenance), depreciation
26 or amortization, taxes, insurance, overhead, monies paid or set aside
27 (or booked as being paid or set aside) to cover the cost of terminating
28 the gas production operations of the lease or property, or any other
29 cost not directly related to the gas production operations of the

1 lease or property.

2 (g) The value at the point of production of gas produced from
3 the lease or property shall be determined on the basis of the highest
4 price paid for gas of like quality and pressure in the same field or
5 some other field within 100 miles in the state.

6 (h) The department may aggregate two or more leases or properties
7 (or portions of them), for purposes of determining economic limit
8 factors under this section and applying them to sec. 11 of this chapter,
9 when economically interdependent oil or gas production operations are
10 not confined to a single lease or property. The department may also
11 segregate a lease or property into two or more parts, for purposes of
12 determining economic limit factors under this section and applying
13 them under sec. 11 of this chapter, when two or more economically
14 independent oil or gas production operations are being conducted on
15 it.

16 (i) A determination of the monthly production rate at the economic
17 limit for a lease or property is retroactive to January 1 of the
18 current year. For production of a lease or property commencing after
19 January 1, the determination of the monthly production rate at the
20 economic limit for that lease or property made within six months after
21 the commencement of production is retroactive to the commencement of
22 production.

23 Sec. 43.55.016. GAS PRODUCTION TAX. (a) There is levied upon
24 the producer of gas a tax for all gas produced from each lease or
25 property in the state, less any gas the ownership or right to which is
26 exempt from taxation. The tax is equal to either the percentage-of-
27 value amount calculated under (b) of this section or the cents-per-Mcf
28 amount calculated under (c) of this section, whichever is greater,
29 multiplied by the economic limit factor determined for gas production

1 of the lease or property under sec. 13 of this chapter. If the amounts
2 calculated under (b) and (c) of this section are equal, the amount
3 calculated under (b) of this section shall be treated as if it were
4 the greater for purposes of this section.

5 (b) The percentage-of-value amount equals 10 per cent of the
6 gross value at the point of production of the taxable gas produced
7 from the lease or property.

8 (c) The cents-per-Mcf amount equals \$.064 per thousand cubic
9 feet of taxable gas produced from the lease or property as adjusted by
10 sec. 12 of this chapter.

11 Sec. 43.55.017. RELATION TO OTHER TAXES. (a) Except as provided
12 in this chapter and in ch. 58 of this title, the taxes imposed by this
13 chapter are in place of all taxes now imposed by the state or any of
14 its municipalities, and neither the state nor a municipality may
15 impose a tax upon

16 (1) producing oil or gas leases;
17 (2) oil or gas produced or extracted in the state;
18 (3) the value of intangible drilling and exploration
19 expenses.

20 (b) The taxes imposed by this chapter are in place of all taxes
21 imposed by a municipality upon oil or gas in place or nonproducing oil
22 or gas leases or properties.

23 (c) The taxes imposed by this chapter are not in place of the
24 tax imposed by ch. 57 of this title or income taxes, franchise taxes
25 or taxes upon the retail sale of oil or gas products.

26 * Sec. 2. AS 43.55.020(a) is amended to read:

27 (a) The gross production tax on oil or gas shall be paid monthly.
28 The tax is due on the 20th [LAST] day of each calendar month on oil or
29 gas produced [REMOVED OR SOLD] from each lease or property during the

1 preceding month. If the tax is not paid before the end of the month in
2 which it becomes due, the tax becomes delinquent.

3 * Sec. 3. AS 43.55.020(e) is amended to read:

4 (e) Gas produced and used, except gas used in the operation of a
5 lease or property in drilling for or producing oil or gas, or for
6 repressuring, is considered, for the purpose of this chapter and in
7 the amount used, as gas produced [REMOVED OR SOLD] from a lease or
8 property. Gas flared under a permit granted by the Department of
9 Natural Resources under AS 31.05.170(11)(H) is considered as gas
10 produced, except that it is subject to a tax equal to twice the tax
11 computed under sec. 16 of this chapter as adjusted by sec. 12 of this
12 chapter per thousand cubic feet of gas for the month in which the gas
13 was flared.

14 * Sec. 4. AS 43.55.030(a)(1) is amended to read:

15 (1) a description of the lease or property from which the
16 oil or gas was produced [REMOVED OR SOLD], by name, legal description,
17 lease number or by accounting code numbers assigned to the department;

18 * Sec. 5. AS 43.55.030(a)(3) is amended to read:

19 (3) the gross amount of oil or gas produced [REMOVED OR
20 SOLD] from the lease or property, and the percentage of the gross
21 amount owned by each producer for whom the tax is paid;

22 * Sec. 6. AS 43.55.030(a)(4) is amended to read:

23 (4) the total value of the oil or gas produced [REMOVED OR
24 SOLD] from the lease or property owned by each producer for whom the
25 tax is paid; and

26 * Sec. 7. AS 43.55.140 is amended by adding new paragraphs to read:

27 (12) "gross value at the point of production" means:

28 (A) for oil, the value of the oil at the point where it
29 is metered or measured (by automatic custody transfer meter, tank

1 preceding month. If the tax is not paid before the end of the month in
2 which it becomes due, the tax becomes delinquent.

3 * Sec. 3. AS 43.55.020(e) is amended to read:

4 (e) Gas produced and used, except gas used in the operation of a
5 lease or property in drilling for or producing oil or gas, or for
6 repressuring, is considered, for the purpose of this chapter and in
7 the amount used, as gas produced [REMOVED OR SOLD] from a lease or
8 property. Gas flared under a permit granted by the Department of
9 Natural Resources under AS 31.05.170(11)(H) is considered as gas
10 produced, except that it is subject to a tax equal to twice the tax
11 computed under sec. 16 of this chapter as adjusted by sec. 12 of this
12 chapter per thousand cubic feet of gas for the month in which the gas
13 was flared.

14 * Sec. 4. AS 43.55.030(a)(1) is amended to read:

15 (1) a description of the lease or property from which the
16 oil or gas was produced [REMOVED OR SOLD], by name, legal description,
17 lease number or by accounting code numbers assigned to the department;

18 * Sec. 5. AS 43.55.030(a)(3) is amended to read:

19 (3) the gross amount of oil or gas produced [REMOVED OR
20 SOLD] from the lease or property, and the percentage of the gross
21 amount owned by each producer for whom the tax is paid;

22 * Sec. 6. AS 43.55.030(a)(4) is amended to read:

23 (4) the total value of the oil or gas produced [REMOVED OR
24 SOLD] from the lease or property owned by each producer for whom the
25 tax is paid; and

26 * Sec. 7. AS 43.55.140 is amended by adding new paragraphs to read:

27 (12) "gross value at the point of production" means:

28 (A) for oil, the value of the oil at the point where it
29 is metered or measured (by automatic custody transfer meter, tank

1 gauge, or other method approved by the commissioner) in a condition
2 of pipeline quality on the premises of the lease or property from
3 which it is recovered; however, if the oil is not of pipeline
4 quality when it is removed from the premises of the lease or
5 property from which it is recovered, or if the oil recovered from
6 a lease or property is not metered or measured (by automatic
7 custody transfer meter, tank gauge, or other method approved by
8 the commissioner) on the premises of the lease or property from
9 which it is recovered, then the gross value at the point of
10 production is the value of that oil at the off-premises location
11 where the oil is first metered or measured (by automatic custody
12 transfer meter, tank gauge, or other method approved by the
13 commissioner) in a condition of pipeline quality;

14 (B) for gas recovered from or in association with oil,
15 the value of the gas at the point where it is accurately metered
16 or measured after separation from the oil; for gas run through a
17 gas processing plant, the gross value at the point of production
18 is the full consideration received by the producer for the gas if
19 sold in an arm's length transaction or, in the absence of an
20 arm's length transaction, is the sum of the value of the liquids
21 extracted from the gas at the plant and the value of the residue
22 gas, less a reasonable allowance for processing the gas at the
23 plant and for transporting the gas to the plant from the premises
24 upon which the oil production operation is conducted; and

25 (C) for gas not recovered from or in association with
26 oil, the value of the gas at the point where it is accurately
27 metered or measured or the value of the gas at the point of sale,
28 if any, on the premises of the lease or property from which the
29 gas is recovered, whichever is the higher value; for gas run

1 through a gas processing plant, the gross value at the point of
2 production is the full consideration received by the producer for
3 the gas if sold in an arm's length transaction or, in the absence
4 of an arm's length transaction, is the sum of the value of the
5 liquids extracted from the gas at the plant and the value of the
6 residue gas, less a reasonable allowance for processing the gas
7 at the plant and for transporting the gas to the plant from the
8 point where it was accurately metered or measured;

9 (13) "oil production operation" means the operation by
10 which oil is recovered from a lease or property and rendered into oil
11 of pipeline quality, and includes any gathering done before the oil is
12 finally rendered into oil or pipeline quality;

13 (14) "pipeline quality" means good and merchantable con-
14 dition;

15 (15) "well days" means the number of days in which a well
16 is operating during a month.

17 * Sec. 8. AS 43.55.010, 43.55.015 and 43.55.140(10), and (11,) are
18 repealed.

19 * Sec. 9. This Act takes effect July 1, 1977 and applies to production
20 during the month of July 1977 and succeeding months.
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HB 321

March 8, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to the oil and gas properties production tax.

As a result of a recent study of Alaska's oil and gas tax structure, the Department of Revenue has recommended several changes in the state's production or "severance" tax. This bill incorporates those specific recommendations.

Currently the state's oil production tax is calculated according to "stair stepped" rates depending upon the level of production for the lease or property. As currently structured the tax may have an adverse impact upon a particular property as it reaches its economic limit. The "stair step" approach may not alleviate this adverse effect since the economic limit may vary substantially from one part of the state to another. This is because it may be more costly to produce and transport the oil in the more remote areas of the state. Accordingly, the bill contains an economic limit mechanism which automatically scales the tax rate down as the production nears its economic limit. This will insure that the tax will not unduly inhibit oil production as it reaches its economic limit.

One of the immediate dangers which face the state's revenue picture is the potential for artificially depressed pricing of the state's North Slope oil. This could result from federal pricing decisions or excessive

tariff costs from the wellhead to the refinery. To insulate the state's petroleum revenues from these forces, the bill provides for a mechanism which would raise the cents-per-barrel floor to correspond to a mid-range market value for North Slope oil and tie that floor to an index which will let the floor keep pace with inflation.

One of the Department of Revenue's recommendations -- the oil and gas surtax -- which was designed to offset revenue losses due to depressed pricing of North Slope oil and which was to be imposed only on holders of state-owned leaseholds was deleted on the advice of this department because of the substantial legal problems involved.

The bill places the tax on gas at a parity with the tax on oil. Currently gas is taxed at only 4 percent while oil is taxed from 5 to 8 percent. The bill would tax both oil and gas at 10 percent. In addition, the bill sets a cents-per-Mcf floor for the gas tax similar to the cents-per-barrel floor for oil. This new floor for gas corresponds to the highest market price in the state, and it too is tied to an index to keep pace with inflation.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 321
 Title Oil and Gas Properties Production Tax
 Requested by _____ Date March 7, 1977

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected Petroleum Revenue Division
 Budget Request Unit(s) Affected _____

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None					

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						
	None					

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE March 7, 1977 PREPARED BY John R. Messenger, Deputy Commissioner
 AGENCY Department of Revenue
 PHONE 465-2300
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 321

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to the oil and gas properties production tax; and providing for an effective date."

Oil & gas properties prod. tax

Introduced in the House 3-9, 1977

HISTORY IN THE HOUSE

19 77	Read first time and referred to Committee on Resources and Finance												
Mar. 9	Reported back with recommendation that												
	Read second time and												
	Read third time and												
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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												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
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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
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

*delivered for
typing 6 May 77
J. Rhoads*

Latham

Original sponsor: Rules Committee by request
of the Governor

1 IN THE HOUSE ^{Senate} ^{House} ^{SS} ^{Bill No.} BY THE FINANCE COMMITTEE
2 ~~SS FOR HOUSE BILL NO. 321~~ HCS 238

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

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

9 * Section 1. AS 43.55 is amended by adding new sections to read:

10 sec. 43.55.011. OIL PRODUCTION TAX. (a) There is levied upon the
11 producer of oil a tax for all oil produced from each lease or property
12 in the state, less any oil the ownership or right to which is exempt
13 from taxation. The tax is equal to either the percentage-of-value
14 amount calculated under (b) of this section or the cents-per-barrel
15 amount calculated under (c) of this section, whichever is greater,
16 multiplied by the economic limit factor determined for the oil produc-
17 tion of the lease or property under sec. 13 of this chapter. If the
18 amounts calculated under (b) and (c) of this section are equal, the
19 amount calculated under (b) of this section shall be treated as if it
20 were the greater for purposes of this section.

21 (b) The percentage-of-value amount equals 12.5 per cent of the
22 gross value at the point of production of taxable oil produced from the
23 lease or property.

24 (c) The cents-per-barrel amount equals \$.9375 per barrel of tax-
25 able oil produced from the lease or property, as adjusted by sec. 12 of
26 this chapter.

27 (d) When the cents-per-barrel amount calculated under (c) of this
28 section is greater than the percentage-of-value amount calculated under
29 (b) of this section, and payment by the state to the Alaska Native fund

1 out of the state's royalties on that oil is required under the revenue
2 sharing provisions of sec. 9 of the Alaska Native Claims Settlement Act
3 (P.L. 92-203, 85 Stat. 688, 43 U.S.C. 1601 et seq.), that payment shall
4 be not less than \$.05 for each taxable barrel of oil produced until all
5 amounts paid in the fund equal \$500,000,000.

6 Sec. 43.55.012. ADJUSTMENTS IN TAX RATES. (a) The amounts set
7 out in sec. 11(c) and sec. 16(c) of this chapter shall be increased or
8 decreased by a percentage equal to the percentage of change in the Gross
9 National Product Deflator published by Bureau of Economic Analysis of
10 the United States Department of Commerce. Changes in tax rates will be
11 computed based on changes in the Gross National Product Deflator from
12 that of the First Quarter 1977 Gross National Product Deflator. The
13 department shall post the changes in the tax rates periodically and
14 shall notify every person producing oil within the state of the changes.

15 (b) The cents-per-barrel amount set out in sec. 11(c) of this
16 chapter as adjusted by (a) of this section applies to oil of 27 degrees
17 API gravity. For each degree of API gravity less than 27 degrees the
18 cents-per-barrel amount shall be reduced by \$.005 and for each degree of
19 API gravity greater than 27 degrees the cents-per-barrel amount shall be
20 increased by \$.005 except that oil above 40 degrees API gravity shall be
21 taxed as 40 degree oil. In applying the gravity adjustment under this
22 subsection, fractional degrees of API gravity shall be disregarded.

23 Sec. 43.55.013. ECONOMIC LIMIT FACTOR. (a) The economic limit
24 factor for oil production of a lease or property equals

$$(1 - [PEL/TP]) \exp ([300 \times WD]/PEL)$$

25 where: PEL = the production rate at the economic limit;

26 TP = total production during the month for which the tax
27 is to be paid;

28 WD = the total number of well days in the month for which
29

1 the tax is to be paid; and

2 where "exp" indicates that the expression following it is an exponent.

3 (b) The economic limit factor for gas production of a lease or
4 property equals one minus the ratio of the monthly production rate at
5 the economic limit to the production during the month for which the tax
6 is to be paid.

7 (c) The monthly production rate at the economic limit for a lease
8 or property is presumed to be 300 barrels times the number of well days
9 for the lease or property during the month for which the tax is to be
10 paid. The taxpayer may rebut this presumption at a formal hearing under
11 AS 43.05.²⁴⁰~~420~~ by providing clear and convincing evidence of a different
12 monthly production rate at the economic limit for the lease or property.
13 The hearing shall be held before February 15 of the year or within six
14 months after commencement of oil production for a lease or property.
15 The monthly production rate at the economic limit for the lease or pro-
16 perty based upon the clear and convincing evidence of the taxpayer shall
17 be calculated by dividing the value determined under (c) of this section
18 into the average monthly direct operating cost determined under (d) of
19 this section and shall be used for purposes of this section for all oil
20 production during that calendar year from the lease or property.

21 (d) The average monthly direct operating cost for oil production
22 operations of the lease or property shall be determined based on a
23 period of not less than four consecutive months. The direct operating
24 costs include only royalty, production supplies, purchased fuel, routine
25 maintenance, and wages and benefits of employees working on the produc-
26 tion operations. Additional direct operating costs not listed in this
27 section may be included only after their inclusion in a regulation
28 adopted by the department. The direct operating costs do not include
29 capital expenditures, tangible or intangible drilling expenses, costs of

1 well workovers, costs for replacement or repairs (other than routine
2 maintenance), depreciation or amortization, taxes, insurance, overhead,
3 money paid or set aside (or booked as being paid or set aside) to cover
4 the cost of terminating the oil production operations of the lease or
5 property, or any other cost not directly related to the oil production
6 operations of the lease or property.

7 (e) ^{For the purpose of calculating the economic limit,}
8 The value at the point of production of oil produced from the
9 lease or property shall be determined on the basis of the acquisition
10 cost C.I.F. at West Coast refineries for imported oil of like quality,
11 minus the reasonable cost of transportation between the point of pro-
12 duction of the oil from the lease or property and those West Coast
13 refineries.

14 (f) Before February 15 of each year or within six months after
15 commencement of production for a lease or property the department shall
16 notify the producer of gas of the monthly production rate at the eco-
17 nomic limit for each lease or property within the state for that year.
18 The monthly production rate at the economic limit for a lease or pro-
19 perty shall be determined at a formal hearing under AS 43.05.240 and
20 must be established by clear and convincing evidence presented by the
21 taxpayer at that hearing. The monthly production rate at the economic
22 limit for the lease or property based upon the clear and convincing
23 evidence of the taxpayer shall be calculated by dividing the value
24 determined under (h) of this section into the average monthly direct
25 operating cost determined under (g) of this section.

26 (g) The average monthly direct operating cost for gas production
27 operations of the lease or property shall be determined based on a
28 period of not less than four consecutive months. The direct operating
29 costs include ^{only} royalty, production supplies, purchased fuel, routine
30 maintenance, and wages and benefits of employees working on the

Additional direct operating costs not listed in this section may be included only after their inclusion in a regulation adopted by the department.

production operations. [^] The direct operating costs do not include capital expenditures, tangible or intangible drilling expenses, costs of well workovers, costs for replacement or repairs (other than routine maintenance), depreciation or amortization, taxes, insurance, overhead, monies paid or set aside (or booked as being paid or set aside) to cover the cost of terminating the gas production operations of the lease or property, or any other cost not directly related to the gas production operations of the lease or property.

For the purpose of calculating the economic limit,
(h) [^] The value at the point of production of gas produced from the lease or property shall be determined on the basis of the highest price paid for gas of like quality and pressure in the same field or some other field within 100 miles in the state.

(i) The department may aggregate two or more leases or properties (or portions of them), for purposes of determining economic limit factors under this section and applying them to sec. 11 of this chapter, ^{in sec. 16} when economically interdependent oil or gas production operations are not confined to a single lease or property. The department may also segregate a lease or property into two or more parts, for purposes of determining economic limit factors under this section and applying them ^{in sec. 16} under sec. 11 of this chapter, when two or more economically independent oil or gas production operations are being conducted on it.

(j) A determination of the monthly production rate at the economic limit for a lease or property is retroactive to January 1 of the current year. For production of a lease or property commencing after January 1, the determination of the monthly production rate at the economic limit for that lease or property made within six months after the commencement of production is retroactive to the commencement of production.

Sec. 43.55.016. GAS PRODUCTION TAX. (a) There is levied upon the producer of gas a tax for all gas produced from each lease or property

1 in the state, less any gas the ownership or right to which is exempt
2 from taxation. The tax is equal to either the percentage-of-value
3 amount calculated under (b) of this section or the cents-per-Mcf amount
4 calculated under (c) of this section, whichever is greater, multiplied
5 by the economic limit factor determined for gas production of the lease
6 or property under sec. 13 of this chapter. If the amounts calculated
7 under (b) and (c) of this section are equal, the amount calculated under
8 (b) of this section shall be treated as if it were the greater for
9 purposes of this section.

10 (b) The percentage-of-value amount equals 10 per cent of the gross
11 value at the point of production of the taxable gas produced from the
12 lease or property.

13 (c) The cents-per-Mcf amount equals \$.064 per thousand cubic feet
14 of taxable gas produced from the lease or property as adjusted by sec.
15 12 of this chapter.

16 Sec. 43.55.017. RELATION TO OTHER TAXES. (a) Except as provided
17 in this chapter and in ch. 58 of this title, the taxes imposed by this
18 chapter are in place of all taxes now imposed by the state or any of its
19 municipalities, and neither the state nor a municipality may impose a
20 tax upon

- 21 (1) producing oil or gas leases;
22 (2) oil or gas produced or extracted in the state;
23 (3) the value of intangible drilling and exploration expenses.
24

25 (b) The taxes imposed by this chapter are in place of all taxes
26 imposed by a municipality upon oil or gas in place or nonproducing oil
27 or gas leases or properties.

28 (c) The taxes imposed by this chapter are not in place of the tax
29 imposed by ch. 57 of this title or income taxes, franchise taxes or

1 taxes upon the retail sale of oil or gas products.

2 * Sec. 2. AS 43.55.020(a) is amended to read:

3 (a) The gross production tax on oil or gas shall be paid monthly.
4 The tax is due on the 20th [LAST] day of each calendar month on oil or
5 gas produced [REMOVED OR SOLD] from each lease or property during the
6 preceding month. If the tax is not paid before the end of the month in
7 which it becomes due, the tax becomes delinquent.

8 * Sec. 3. AS 43.55.020(c) is amended to read:

9 (c) Gas produced in excess of that needed for safety purposes
10 [AND USED], except gas used in the operation of a lease or property in
11 drilling for or producing oil or gas, or for repressuring, is considered,
12 for the purpose of this chapter and in the amount used, as gas produced
13 [REMOVED OR SOLD] from a lease or property. Gas flared beyond the
14 amount authorized for safety by the Department of Natural Resources
15 under AS 31.05.170(11)(H) is considered as gas produced, except that it
16 is subject to a penalty equal to ~~double~~ the tax computed under sec. 16 of
17 this chapter as adjusted by sec. 12 of this chapter per thousand cubic
18 feet of gas for the month in which the gas was flared.

19 * Sec. 4. AS 43.55.030(a)(1) is amended to read:

20 (1) a description of the lease or property from which the oil
21 or gas was produced [REMOVED OR SOLD], by name, legal description, lease
22 number or by accounting code numbers assigned by the department;

23 * Sec. 5. AS 43.55.030(a)(3) is amended to read:

24 (3) the gross amount of oil or gas produced [REMOVED OR SOLD]
25 from the lease or property, and the percentage of the gross amount owned
26 by each producer for whom the tax is paid;

27 * Sec. 6. AS 43.55.030(a)(4) is amended to read:

28 (4) the total value of the oil or gas produced [REMOVED OR
29 SOLD] from the lease or property owned by each producer for whom the tax
30

1 is paid; and

2 * Sec. 7. AS 43.55.140 is amended by adding new paragraphs to read:

3 (12) "gross value at the point of production" means

4 (A) for oil, the value of the oil at the point where it
5 is metered or measured (by automatic custody transfer meter, tank
6 gauge, or other method approved by the commissioner) in a condition
7 of pipeline quality on the premises of the lease or property from
8 which it is recovered; however, if the oil is not of pipeline
9 quality when it is removed from the premises of the lease or pro-
10 perty from which it is recovered, or if the oil recovered from a
11 lease or property is not metered or measured (by automatic custody
12 transfer meter, tank gauge, or other method approved by the com-
13 missioner) on the premises of the lease or property from which it
14 is recovered, then the gross value at the point of production is
15 the value of that oil at the off-premises location where the oil is
16 first metered or measured (by automatic custody transfer meter,
17 tank gauge, or other method approved by the commissioner) in a
18 condition of pipeline quality;

19 (B) for gas recovered from or in association with oil,
20 the value of the gas at the point where it is accurately metered or
21 measured after separation from the oil; for gas run through a gas
22 processing plant, the gross value at the point of production is the
23 full consideration received by the producer for the gas if sold in
24 an arm's length transaction or, in the absence of an arm's length
25 transaction, is the sum of the value of the liquids extracted from
26 the gas at the plant and the value of the residue gas, less a
27 reasonable allowance for processing the gas at the plant and for
28 transporting the gas to the plant from the premises upon which the
29 oil production operation is conducted; and

1 (C) for gas not recovered from or in association with
2 oil, the value of the gas at the point where it is accurately
3 metered or measured or the value of the gas at the point of sale,
4 if any, on the premises of the lease or property from which the gas
5 is recovered, whichever is the higher value; for gas run through a
6 gas processing plant, the gross value at the point of production is
7 the full consideration received by the producer for the gas if sold
8 in an arm's length transaction or, in the absence of an arm's
9 length transaction, is the sum of the value of the liquids ex-
10 tracted from the gas at the plant and the value of the residue gas,
11 less a reasonable allowance for processing the gas at the plant and
12 for transporting the gas to the plant from the point where it was
13 accurately metered or measured;

14 (13) "oil production operation" means the operation by which
15 oil is recovered from a lease or property and rendered into oil of
16 pipeline quality, and includes any gathering done before the oil is
17 finally rendered into oil of pipeline quality;

18 (14) "pipeline quality" means good and merchantable condi-
19 tion;

20 (15) "well days" means the number of days in which a well is
21 operating during a month.

22 * Sec. 8. AS 43.55.010, 43.55.015 and 43.55.140(10) and (11) are re-
23 pealed.

24 * Sec. 9. This Act takes effect July 1, 1977 and applies to production
25 during the month of July 1977 and succeeding months.

Original sponsor: Rules Committee by request
of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 321

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

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

9 * Section 1. AS 43.55 is amended by adding new sections to read:

10 Sec. 43.55.011. OIL PRODUCTION TAX. (a) There is levied upon the
11 producer of oil a tax for all oil produced from each lease or property
12 in the state, less any oil the ownership or right to which is exempt
13 from taxation. The tax is equal to either the percentage-of-value
14 amount calculated under (b) of this section or the cents-per-barrel
15 amount calculated under (c) of this section, whichever is greater,
16 multiplied by the economic limit factor determined for the oil produc-
17 tion of the lease or property under sec. 13 of this chapter. If the
18 amounts calculated under (b) and (c) of this section are equal, the
19 amount calculated under (b) of this section shall be treated as if it
20 were the greater for purposes of this section.

21 (b) The percentage-of-value amount equals 12.5 per cent of the
22 gross value at the point of production of taxable oil produced from the
23 lease or property.

24 (c) The cents-per-barrel amount equals \$.9375 per barrel of tax-
25 able oil produced from the lease or property, as adjusted by sec. 12 of
26 this chapter.

27 (d) When the cents-per-barrel amount calculated under (c) of this
28 section is greater than the percentage-of-value amount calculated under
29 (b) of this section, and payment by the state to the Alaska Native fund

1 out of the state's royalties on that oil is required under the revenue
2 sharing provisions of sec. 9 of the Alaska Native Claims Settlement Act
3 (P.L. 92-203, 85 Stat. 688, 43 U.S.C. 1601 et seq.), that payment shall
4 be not less than \$.05 for each taxable barrel of oil produced until all
5 amounts paid in the fund equal \$500,000,000.

6 Sec. 43.55.012. ADJUSTMENTS IN TAX RATES. (a) The amounts set
7 out in sec. 11(c) and sec. 16(c) of this chapter shall be increased or
8 decreased by a percentage equal to the percentage of change in the Gross
9 National Product Deflator published by Bureau of Economic Analysis of
10 the United States Department of Commerce. Changes in tax rates will be
11 computed based on changes in the Gross National Product Deflator from
12 that of the First Quarter 1977 Gross National Product Deflator. The
13 department shall post the changes in the tax rates periodically and
14 shall notify every person producing oil within the state of the changes.

15 (b) The cents-per-barrel amount set out in sec. 11(c) of this
16 chapter as adjusted by (a) of this section applies to oil of 27 degrees
17 API gravity. For each degree of API gravity less than 27 degrees the
18 cents-per-barrel amount shall be reduced by \$.005 and for each degree of
19 API gravity greater than 27 degrees the cents-per-barrel amount shall be
20 increased by \$.005 except that oil above 40 degrees API gravity shall be
21 taxed as 40 degree oil. In applying the gravity adjustment under this
22 subsection, fractional degrees of API gravity shall be disregarded.

23 Sec. 43.55.013. ECONOMIC LIMIT FACTOR. (a) The economic limit
24 factor for oil production of a lease or property equals

$$25 \quad (1 - [\text{PEL}/\text{TP}]) \exp ([300 \times \text{WD}]/\text{PEL})$$

26 where: PEL = the production rate at the economic limit;

27 TP = total production during the month for which the tax
28 is to be paid;

29 WD = the total number of well days in the month for which

1 the tax is to be paid; and
2 where "exp" indicates that the expression following it is an exponent.

3 (b) The economic limit factor for gas production of a lease or
4 property equals one minus the ratio of the monthly production rate at
5 the economic limit to the production during the month for which the tax
6 is to be paid.

7 (c) The monthly production rate at the economic limit for a lease
8 or property is presumed to be 300 barrels times the number of well days
9 for the lease or property during the month for which the tax is to be
10 paid. The taxpayer may rebut this presumption at a formal hearing under
11 AS 43.05.420 by providing clear and convincing evidence of a different
12 monthly production rate at the economic limit for the lease or property.
13 The hearing shall be held before February 15 of the year or within six
14 months after commencement of oil production for a lease or property.
15 The monthly production rate at the economic limit for the lease or pro-
16 perty based upon the clear and convincing evidence of the taxpayer shall
17 be calculated by dividing the value determined under (e) of this section
18 into the average monthly direct operating cost determined under (d) of
19 this section and shall be used for purposes of this section for all oil
20 production during that calendar year from the lease or property.

21 (d) The average monthly direct operating cost for oil production
22 operations of the lease or property shall be determined based on a
23 period of not less than four consecutive months. The direct operating
24 costs include only royalty, production supplies, purchased fuel, routine
25 maintenance, and wages and benefits of employees working on the produc-
26 tion operations. Additional direct operating costs not listed in this
27 section may be included only after their inclusion in a regulation
28 adopted by the department. The direct operating costs do not include
29 capital expenditures, tangible or intangible drilling expenses, costs of

1 well workovers, costs for replacement or repairs (other than routine
2 maintenance), depreciation or amortization, taxes, insurance, overhead,
3 money paid or set aside (or booked as being paid or set aside) to cover
4 the cost of terminating the oil production operations of the lease or
5 property, or any other cost not directly related to the oil production
6 operations of the lease or property.

7 (e) The value at the point of production of oil produced from the
8 lease or property shall be determined on the basis of the acquisition
9 cost C.I.F. at West Coast refineries for imported oil of like quality,
10 minus the reasonable cost of transportation between the point of pro-
11 duction of the oil from the lease or property and those West Coast
12 refineries.

13 (f) Before February 15 of each year or within six months after
14 commencement of production for a lease or property the department shall
15 notify the producer of gas of the monthly production rate at the eco-
16 nomic limit for each lease or property within the state for that year.
17 The monthly production rate at the economic limit for a lease or pro-
18 perty shall be determined at a formal hearing under AS 43.05.240 and
19 must be established by clear and convincing evidence presented by the
20 taxpayer at that hearing. The monthly production rate at the economic
21 limit for the lease or property based upon the clear and convincing
22 evidence of the taxpayer shall be calculated by dividing the value
23 determined under (h) of this section into the average monthly direct
24 operating cost determined under (g) of this section.

25 (g) The average monthly direct operating cost for gas production
26 operations of the lease or property shall be determined based on a
27 period of not less than four consecutive months. The direct operating
28 costs include royalty, production supplies, purchased fuel, routine
29 maintenance, and wages and benefits of employees working on the

1 production operations. The direct operating costs do not include
2 capital expenditures, tangible or intangible drilling expenses, costs of
3 well workovers, costs for replacement or repairs (other than routine
4 maintenance), depreciation or amortization, taxes, insurance, overhead,
5 monies paid or set aside (or booked as being paid or set aside) to cover
6 the cost of terminating the gas production operations of the lease or
7 property, or any other cost not directly related to the gas production
8 operations of the lease or property.

9 (h) The value at the point of production of gas produced from the
10 lease or property shall be determined on the basis of the highest price
11 paid for gas of like quality and pressure in the same field or some
12 other field within 100 miles in the state.

13 (i) The department may aggregate two or more leases or properties
14 (or portions of them), for purposes of determining economic limit
15 factors under this section and applying them to sec. 11 of this chapter,
16 when economically interdependent oil or gas production operations are
17 not confined to a single lease or property. The department may also
18 segregate a lease or property into two or more parts, for purposes of
19 determining economic limit factors under this section and applying them
20 under sec. 11 of this chapter, when two or more economically independent
21 oil or gas production operations are being conducted on it.

22 (j) A determination of the monthly production rate at the economic
23 limit for a lease or property is retroactive to January 1 of the current
24 year. For production of a lease or property commencing after January 1,
25 the determination of the monthly production rate at the economic limit
26 for that lease or property made within six months after the commencement
27 of production is retroactive to the commencement of production.

28 Sec. 43.55.016. GAS PRODUCTION TAX. (a) There is levied upon the
29 producer of gas a tax for all gas produced from each lease or property

1 in the state, less any gas the ownership or right to which is exempt
2 from taxation. The tax is equal to either the percentage-of-value
3 amount calculated under (b) of this section or the cents-per-Mcf amount
4 calculated under (c) of this section, whichever is greater, multiplied
5 by the economic limit factor determined for gas production of the lease
6 or property under sec. 13 of this chapter. If the amounts calculated
7 under (b) and (c) of this section are equal, the amount calculated under
8 (b) of this section shall be treated as if it were the greater for
9 purposes of this section.

10 (b) The percentage-of-value amount equals 10 per cent of the gross
11 value at the point of production of the taxable gas produced from the
12 lease or property.

13 (c) The cents-per-Mcf amount equals \$.064 per thousand cubic feet
14 of taxable gas produced from the lease or property as adjusted by sec.
15 12 of this chapter.

16 Sec. 43.55.017. RELATION TO OTHER TAXES. (a) Except as provided
17 in this chapter and in ch. 58 of this title, the taxes imposed by this
18 chapter are in place of all taxes now imposed by the state or any of its
19 municipalities, and neither the state nor a municipality may impose a
20 tax upon

- 21 (1) producing oil or gas leases;
22 (2) oil or gas produced or extracted in the state;
23 (3) the value of intangible drilling and exploration expen-
24 ses.

25 (b) The taxes imposed by this chapter are in place of all taxes
26 imposed by a municipality upon oil or gas in place or nonproducing oil
27 or gas leases or properties.

28 (c) The taxes imposed by this chapter are not in place of the tax
29 imposed by ch. 57 of this title or income taxes, franchise taxes or

1 taxes upon the retail sale of oil or gas products.

2 * Sec. 2. AS 43.55.020(a) is amended to read:

3 (a) The gross production tax on oil or gas shall be paid monthly.
4 The tax is due on the 20th [LAST] day of each calendar month on oil or
5 gas produced [REMOVED OR SOLD] from each lease or property during the
6 preceding month. If the tax is not paid before the end of the month in
7 which it becomes due, the tax becomes delinquent.

8 * Sec. 3. AS 43.55.020(e) is amended to read:

9 (e) Gas produced in excess of that needed for safety purposes
10 [AND USED], except gas used in the operation of a lease or property in
11 drilling for or producing oil or gas, or for repressuring, is considered,
12 for the purpose of this chapter and in the amount used, as gas produced
13 [REMOVED OR SOLD] from a lease or property. Gas flared beyond the
14 amount authorized for safety by the Department of Natural Resources
15 under AS 31.05.170(11)(H) is considered as gas produced, except that it
16 is subject to a penalty equal to twice the tax computed under sec. 16 of
17 this chapter as adjusted by sec. 12 of this chapter per thousand cubic
18 feet of gas for the month in which the gas was flared.

19 * Sec. 4. AS 43.55.030(a)(1) is amended to read:

20 (1) a description of the lease or property from which the oil
21 or gas was produced [REMOVED OR SOLD], by name, legal description, lease
22 number or by accounting code numbers assigned by the department;

23 * Sec. 5. AS 43.55.030(a)(3) is amended to read:

24 (3) the gross amount of oil or gas produced [REMOVED OR SOLD]
25 from the lease or property, and the percentage of the gross amount owned
26 by each producer for whom the tax is paid;

27 * Sec. 6. AS 43.55.030(a)(4) is amended to read:

28 (4) the total value of the oil or gas produced [REMOVED OR
29 SOLD] from the lease or property owned by each producer for whom the tax

1 is paid; and

2 * Sec. 7. AS 43.55.140 is amended by adding new paragraphs to read:

3 (12) "gross value at the point of production" means

4 (A) for oil, the value of the oil at the point where it
5 is metered or measured (by automatic custody transfer meter, tank
6 gauge, or other method approved by the commissioner) in a condition
7 of pipeline quality on the premises of the lease or property from
8 which it is recovered; however, if the oil is not of pipeline
9 quality when it is removed from the premises of the lease or pro-
10 perty from which it is recovered, or if the oil recovered from a
11 lease or property is not metered or measured (by automatic custody
12 transfer meter, tank gauge, or other method approved by the com-
13 missioner) on the premises of the lease or property from which it
14 is recovered, then the gross value at the point of production is
15 the value of that oil at the off-premises location where the oil is
16 first metered or measured (by automatic custody transfer meter,
17 tank gauge, or other method approved by the commissioner) in a
18 condition of pipeline quality;

19 (B) for gas recovered from or in association with oil,
20 the value of the gas at the point where it is accurately metered or
21 measured after separation from the oil; for gas run through a gas
22 processing plant, the gross value at the point of production is the
23 full consideration received by the producer for the gas if sold in
24 an arm's length transaction or, in the absence of an arm's length
25 transaction, is the sum of the value of the liquids extracted from
26 the ga. at the plant and the value of the residue gas, less a
27 reasonable allowance for processing the gas at the plant and for
28 transporting the gas to the plant from the premises upon which the
29 oil production operation is conducted; and

1 (C) for gas not recovered from or in association with
2 oil, the value of the gas at the point where it is accurately
3 metered or measured or the value of the gas at the point of sale,
4 if any, on the premises of the lease or property from which the gas
5 is recovered, whichever is the higher value; for gas run through a
6 gas processing plant, the gross value at the point of production is
7 the full consideration received by the producer for the gas if sold
8 in an arm's length transaction or, in the absence of an arm's
9 length transaction, is the sum of the value of the liquids ex-
10 tracted from the gas at the plant and the value of the residue gas,
11 less a reasonable allowance for processing the gas at the plant and
12 for transporting the gas to the plant from the point where it was
13 accurately metered or measured;

14 (13) "oil production operation" means the operation by which
15 oil is recovered from a lease or property and rendered into oil of
16 pipeline quality, and includes any gathering done before the oil is
17 finally rendered into oil or pipeline quality;

18 (14) "pipeline quality" means good and merchantable condi-
19 tion;

20 (15) "well days" means the number of days in which a well is
21 operating during a month.

22 * Sec. 8. AS 43.55.010, 43.55.015 and 43.55.140(10) and (11) are re-
23 pealed.

24 * Sec. 9. This Act takes effect July 1, 1977 and applies to production
25 during the month of July 1977 and succeeding months.

26

27

28

29



THIS BILL [] RESOLUTION

has been prepared by the staff of the Legislative Affairs Agency in response to the request and at the direction of the sponsoring member or committee. The staff has attempted to place the document in proper legal and clerical form, subject to any special limitations or instructions of the requestor.

Any staff questions or comments as to legality, constitutionality, and form have been included in the memorandum addressed to the requestor and kept in the work file. If we may be of further assistance in this matter, please contact the Director of Legal Services or the Director of Research Services, as appropriate.

Delivered to requestor 4-29-77

Original sponsor: Rules Committee by request
of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 321

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

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

9 * Section 1. AS 43.55 is amended by adding new sections to read:

10 Sec. 43.55.011. OIL PRODUCTION TAX. (a) There is levied upon the
11 producer of oil a tax for all oil produced from each lease or property
12 in the state, less any oil the ownership or right to which is exempt
13 from taxation. The tax is equal to either the percentage-of-value
14 amount calculated under (b) of this section or the cents-per-barrel
15 amount calculated under (c) of this section, whichever is greater,
16 multiplied by the economic limit factor determined for the oil produc-
17 tion of the lease or property under sec. 13 of this chapter. If the
18 amounts calculated under (b) and (c) of this section are equal, the
19 amount calculated under (b) of this section shall be treated as if it
20 were the greater for purposes of this section.

21 (b) The percentage-of-value amount equals 12.5 per cent of the
22 gross value at the point of production of taxable oil produced from the
23 lease or property.

24 (c) The cents-per-barrel amount equals \$.9375 per barrel of tax-
25 able oil produced from the lease or property, as adjusted by sec. 12 of
26 this chapter.

27 (d) When the cents-per-barrel amount calculated under (c) of this
28 section is greater than the percentage-of-value amount calculated under
29 (b) of this section, and payment by the state to the Alaska Native fund