

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

1021 SCOMM 28: JOINT GAS PIPELINE COMMITTEE, 1981-82 / 02

THE PROVEN RESERVES OF GAS OR UNREFINED OIL THEN TECHNICALLY, ECONOMICALLY AND LEGALLY DELIVERABLE INDICATE AN ECONOMIC LIFE MATERIALLY SHORTER THAN THE ESTIMATED PHYSICAL LIFE OF THE TRANSPORTATION FACILITY, THE FULL AND TRUE VALUE IS THE ACTUAL COST REDUCED BY AN ANNUAL ALLOWANCE FOR DEPRECIATION ON A STRAIGHT LINE BASIS OVER AN ECONOMIC LIFE BASED ON THE ACTUAL ELAPSED LIFE FROM THE COMMENCEMENT OF FULL OPERATION TO THE DATE OF ASSESSMENT PLUS THE ESTIMATED REMAINING LIFE OF THE PROVEN RESERVES OF GAS AND UNREFINED OIL THEN TECHNICALLY, ECONOMICALLY AND LEGALLY DELIVERABLE INTO THE TRANSPORTATION FACILITY AS OF THE DATE OF THE ASSESSMENT;]

* Sec. 3. AS 43.56.210(6) is amended to read:

(6) "taxable property" means real and tangible personal property within this state used or committed by contract or other agreement for use [WITHIN THIS STATE] primarily in the exploration for, production of, or pipeline transportation of gas or unrefined oil (except for property used solely for the retail distribution or liquefaction of natural gas), or in the operation or maintenance of facilities used in the exploration for, production of, or pipeline transportation of gas or unrefined oil, including machinery, appliances, supplies, equipment, drilling rigs, wells (whether producing or not), gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, processing units, roads, tank farms, tanker terminals, docks and other port facilities, air strips and communication equipment and facilities, maintenance equipment and facilities, and maintenance camps and other related facilities; "taxable property" does not include permanent residences, office buildings requiring substantial local government services, or gas pipeline systems operated as utilities and regulated by the Alaska Public Utilities Commission;

* Sec. 4. AS 29.53.045(b) is amended to read:

1 (b) A municipality may levy and collect a tax on the full and true
2 value of taxable property taxable under AS 43.56 as valued by the
3 Department of Revenue at a rate not to exceed that which produces an
4 amount of revenue from the total municipal property tax equivalent to
5 \$1,500 a year for each person residing within its boundaries. The
6 commissioner of revenue shall adjust the limitation provided for in this
7 section in accordance with changes in the Consumer Price Index for
8 Anchorage, Alaska, published by the Bureau of Labor Statistics, United
9 States Department of Labor. The adjusted limitation becomes effective
10 on the January 1 following its adjustment and applies to taxes levied
11 for that tax year. The Consumer Price Index for October 1976 is con-
12 sidered the initial Consumer Price Index. In making the adjustments
13 under this section, the commissioner shall comply with the following
14 procedure:

15 (1) after November 30 and before December 31 of each year the
16 commissioner shall calculate the change in the October Consumer Price
17 Index for the current year from the October Consumer Price Index for the
18 previous year;

19 (2) the commissioner shall then

20 (A) compute the percentage increase or decrease for that
21 period and

22 (B) adjust the most current limitation set out in this
23 section by the same percentage increase or decrease, rounded to the
24 nearest dollar;

25 (3) and report the adjusted limitation to each municipality
26 by January 15 of the following year.

27 * Sec. 5. AS 29.53.050(b) is amended to read:

28 (b) No municipality, or combination of municipalities occupying
29 the same geographical area, in whole or in part, may levy taxes (1)

1 which will result in tax revenues from all sources exceeding \$1,500
2 [\$1,000] a year, as adjusted in accordance with (c) of this section,
3 for each person residing within their boundaries or (2) upon values
4 which, when combined with the value of property otherwise taxable by the
5 municipality, exceed the product of 225 per cent of the average per
6 capita assessed full and true value of property in the state multiplied
7 by the number of residents of the taxing municipality. If two or more
8 municipalities occupying the same geographical area, in whole or in
9 part, attempt to levy a tax (1) the combined levy of which would result
0 in tax revenues from all sources exceeding \$1,500 [\$1,000] a year, as
1 adjusted in accordance with (c) of this section, for each person re-
2 siding within their boundaries or (2) upon value which, when combined
3 with the value of property otherwise taxable by the municipality, exceed
4 the product of 225 per cent of the average per capita assessed full and
5 true value of property in the state multiplied by the number of resi-
6 dents of the taxing municipality, the commissioner of community and
7 regional affairs shall apportion the lawful levy and equitably divide
8 these revenues on the basis of need, services performed and other
9 considerations in the public interest. For the purpose of this subsec-
0 tion, population shall be determined by the commissioner of community
1 and regional affairs based on the latest statistics of the United States
2 Bureau of the Census or on other reliable population data. For purposes
3 of this subsection the average per capita assessed full and true value
4 of property in the state shall be calculated without regard to the
5 assessed value of taxable property under AS 43.58.

* Sec. 6. AS 29.53.050 is amended by adding a new subsection to read:

(c) The commissioner of revenue shall adjust the \$1,500 per person per year limitation provided for in (b) of this section in accordance with changes in the Consumer Price Index for Anchorage,

1 Alaska, published by the Bureau of Labor Statistics, United States
2 Department of Labor. The adjusted limitation becomes effective on the
3 January 1 following its adjustment and applies to taxes levied for that
4 tax year. The Consumer Price Index for October 1976 is considered the
5 initial Consumer Price Index. In making the adjustments under this
6 section, the commissioner shall comply with the following procedure:

7 (1) after November 30 and before December 31 of each year the
8 commissioner shall calculate the change in the October Consumer Price
9 Index for the current year from the October Consumer Price Index for the
10 previous year;

11 (2) the commissioner shall then

12 (A) compute the percentage increase or decrease for that
13 period and

14 (B) adjust the most current limitation set out in this
15 section by the same percentage increase or decrease, rounded to the
16 nearest dollar;

17 (3) and report the adjusted limitation to each municipality
18 by January 15 of the following year.

19 * Sec. 7. This Act is retroactive to January 1, 1977.

20 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

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

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 328

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 the oil and gas reserves ad valorem
7 tax; and providing for an effective date."

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

9 * Section 1. AS 43.58.010(b) is amended to read:

10 (b) The rate of levy for the tax year beginning January 1, 1977
11 is 12 [20] mills. If, on October 1, 1977, the Trans-Alaska Pipeline
12 is not transporting at least 600,000 barrels of daily average through-
13 put of oil, then there is levied an additional tax of eight mills on
14 the January 1 assessment which shall be due and payable on November
15 30, 1977.

16 * Sec. 2. AS 43.58.010 is amended by adding a new subsection to read:

17 (e) If, on December 15, 1977, the Trans-Alaska Pipeline is not
18 transporting at least 1,200,000 barrels of daily average throughput of
19 oil, a tax is levied for tax year 1978 at a rate determined for that
20 year by the legislature.

21 * Sec. 3. AS 43.58.170 is amended to read:

22 Sec. 43.58.170. TERMINATION OF TAX. Except as provided in AS
23 43.58.010(e), the [THE] tax imposed by this chapter shall terminate on
24 December 31, 1977.

25 * Sec. 4. This Act is retroactive to January 1, 1977.

26 * Sec. 5. This Act takes effect immediately in accordance with AS
27 01.10070(c).
28
29

Original sponsor: Rules Committee by request
of the Governor

Offered: 4/5/77
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 328

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 the oil and gas reserves ad valorem
7 tax; and providing for an effective date."

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

9 * Section 1. AS 43.58.010(b) is amended to read:

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11 12 [20] mills. If, on October 1, 1977, the trans-Alaska pipeline is not
12 transporting at least 600,000 barrels of daily average throughput of
13 oil, then there is levied an additional tax of eight mills on the
14 January 1 assessment which shall be due and payable on November 30,
15 1977.

16 * Sec. 2. This Act is retroactive to January 1, 1977.

17 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

BY PARR, BRADLEY, BROWN, BUCCHOLDT,
COTTEN, COWPER, ELIASON, GARDINER,
GRUENING, MCKINNON, MALONE, MEEKINS,
MILLER, NAKAK, OSE, RUDD, SMITH,
SNIDER AND SWANSON

1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for permits and fees for the con-
7 struction of shore-based support facilities for off-
8 shore oil and gas exploration, development and produc-
9 tion; and providing for an effective date."

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

11 * Section 1. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 45. SHORE FACILITIES FOR OFFSHORE
13 RESOURCE EXTRACTION.

14 Sec. 41.45.010. LEGISLATIVE FINDINGS AND DECLARATION OF PURPOSE.

15 (a) The legislature finds that activities associated with the explora-
16 tion, development and recovery of natural resources from the territorial
17 waters adjacent to the state and waters of the outer continental shelf
18 require the construction of support facilities in onshore areas of the
19 state contiguous to the projects; that the siting, planning, construc-
20 tion and operation of new or expanded onshore facilities and activities
21 associated with the supply of offshore projects involve demands for
22 public facilities and services which, initially, are beyond the capacity
23 of local governments to provide; that early knowledge of the location
24 and magnitude of anticipated shore-based support facilities will better
25 allow municipalities and the state to plan the provision of public
26 facilities and services before and during the period of construction and
27 operation of the support facilities; that the planning and provision of
28 public facilities and services in advance of construction of shore-based
29 support facilities generates a temporary demand for additional revenues

1 to defray costs associated with extraordinary municipal expenditures;
2 and that there is a need to provide a mechanism by which the state and
3 local governments may receive information about projected onshore support
4 activity as a basis for sound public planning decisions and to obtain
5 financial support in order to partially defray the costs of planning and
6 initiating provision of necessary public facilities and services.

7 (b) It is the purpose of this chapter to provide a mechanism by
8 which to ensure that the location, construction and operation of support
9 facilities for projects in all waters adjacent to the state will pro-
10 duce minimal adverse effects upon the people of the state and affected
11 local governments by providing for the exchange of information between
12 parties involved with offshore activity, and that the increase in demand
13 for public services occurring as a result of shore-based facility
14 development will be met by a contribution of revenue from the holders of
15 offshore leases responsible for the increase in demand.

16 Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. (a) No
17 person engaged in exploration, development or production of oil or gas
18 under terms of a lease from the United States, the state, or any party
19 in the offshore waters adjacent to the state may construct, lease or in
20 any other manner provide for shore facilities associated with explora-
21 tion, development or production after the effective date of this Act
22 without first applying for and securing from the department a shore
23 facilities construction permit and paying the fee provided in sec. 30 of
24 this chapter.

25 (b) An applicant for a permit under this section shall file an
26 application with the department in a form which the department, by regu-
27 lation, has prescribed. The application shall contain the following
28 information:

29 (1) a description of the location and of the facility to be

1 built at the location;

2 (2) an estimate of the value of the facility upon its com-
3 pletion;

4 (3) a summary of any studies or reports which have been made
5 examining the economic impact of the construction and operation of the
6 facility on the municipality and the area within 10 miles of the munici-
7 pality, including, but not limited to, the applicant's estimate of the
8 number of persons to be employed in the construction and operation of
9 the facility during each year of the five-year period commencing with
10 the submission of the application;

11 (4) a statement explaining the need for the facility;

12 (5) a description of any reasonable alternate locations for
13 the proposed facility, a statement of the comparative merits and detri-
14 ments of each location identified, and a statement of why the primary
15 proposed location is best suited for the facility;

16 (6) any additional information which the department, by regu-
17 lation, may require in order to fairly evaluate

18 (A) conformance of the proposed facility to applicable
19 state and local laws and regulations;

20 (B) the effects of the economic activity of the pro-
21 posed facility on the municipality or the area within 10 miles of
22 the municipality;

23 (C) the effects of the proposed facility on the public
24 health, welfare, and safety;

25 (D) the capacity of the state and of any municipality
26 to provide necessary public facilities and services;

27 (7) any additional information which the applicant considers
28 relevant; and

29 (8) a resolution of approval of the governing body of a

1 municipality in which the proposed facility is to be located or of any
2 municipality within 10 miles of the proposed facility.

3 (c) An application filed with the department shall be available
4 for public inspection.

5 (d) An application shall be accompanied by proof of service of a
6 copy of the application on the mayor of each municipality in which the
7 facility is to be located, and any municipality within 10 miles of the
8 proposed facility, both as primarily proposed and alternatively located.

9 Sec. 41.45.030. PERMIT FEE. (a) At the time of filing an appli-
10 cation for a permit under sec. 20 of this chapter, the applicant shall
11 pay a permit fee to the Department of Revenue.

12 (b) The fee payable under (a) of this section is based upon the
13 one of the following two schedules which produces the greater revenue:

14 (1) valuation of the proposed facility upon completion, with
15 payment of two per cent of the estimated value up to \$5,000,000; plus
16 one per cent of the estimated value over \$5,000,000 and up to
17 \$20,000,000; plus one-half of one per cent of the estimated value over
18 \$20,000,000;

19 (2) the estimate of the maximum anticipated population in-
20 crease within a municipality or within 10 miles of a municipality attri-
21 butable to employment in construction or operation of the facility over
22 the five-year period following submission of the application, multiplied
23 by the per capita cost of state and local government in the year in
24 which application is made for the permit.

25 (c) The applicant shall provide the department with the data which
26 was used to calculate the permit fee.

27 Sec. 41.45.040. APPEAL OF FEE. (a) A municipality which is en-
28 titled to receive a portion of a shore facilities construction permit
29 fee paid by an applicant under this chapter may appeal the determination

1 of the amount of the fee. The governing body of the municipality shall,
2 within 30 days of receipt of written notice that an application has been
3 submitted and a fee paid, file an appeal with the department setting out
4 the reasons why it believes the fee paid has not been correctly computed.

5 (b) If a municipality appeals the determination of the fee paid
6 under (a) of this section, the commissioner of the department shall,
7 within 45 days after giving written notice to all parties, conduct a
8 hearing on the matter. If, after the hearing, the commissioner deter-
9 mines that the fee payable by the applicant has been incorrectly com-
10 puted, he shall provide the applicant a written statement describing the
11 error in computation and indicating the amount of the fee due. The
12 applicant shall pay the additional amount of the fee within 30 days of
13 receipt of the decision of the commissioner.

14 (c) The department may not withhold a permit during the period of
15 any appeal initiated under (b) of this section.

16 Sec. 41.45.050. AMENDMENT OF PERMIT. (a) A permit issued by the
17 department under sec. 30 of this chapter may be amended. An application
18 for an amended permit shall be submitted in the manner provided for new
19 applications in sec. 20 of this chapter. If an amendment to an approved
20 permit would result in a substantial change of an original permit, the
21 amendment shall be treated as a new application and a supplemental permit
22 fee shall be paid.

23 (b) If it appears to the commissioner or to officials of a muni-
24 cipality entitled to receive a portion of a shore facilities construction
25 permit fee under this chapter that there will occur substantial change
26 in the use of the facility from the activity described in the original
27 application or an amended application for a permit, the commissioner may
28 call for a public hearing on the question. The commissioner shall,
29 within 45 days after giving written notice to all parties, conduct a

1 hearing on the matter. If, after the hearing, the commissioner deter-
2 mines that there has been substantial change in the use of the facility
3 from the activity described in the original or amended application for
4 a permit, he shall require the applicant to submit an application for an
5 amended permit.

6 (c) An amended permit submitted by an applicant under an order of
7 the commissioner entered under (b) of this section shall be accompanied
8 by payment of the increment in the fee due, together with a penalty
9 payment of 10 per cent of the total amount of permit fees due for the
10 facility.

11 (d) For purposes of this section, a change in the use of a facil-
12 ity for which a permit has been issued is "substantial" if

13 (1) the applicant or the commissioner determines that the
14 value of any changes or improvements in the facility would increase the
15 estimated value of the facility determined under sec. 30(a)(1) of this
16 chapter by more than 10 per cent; or

17 (2) the applicant or the commissioner determines that the
18 actual population increase will exceed the estimate determined under
19 sec. 30(a)(2) of this chapter by more than 10 per cent.

20 Sec. 41.45.060. ISSUANCE OF PERMIT. The department shall issue
21 a permit within 30 days of receipt of a complete application. The
22 department may refuse to issue a permit under this chapter only if it
23 finds that

24 (1) a fee due and payable by the applicant on an original
25 application or an amended application has not been promptly paid; or

26 (2) the application does not contain, or is not supported by
27 written concurrence of the governing body of a municipality required by
28 sec. 20(b)(8) of this chapter.

29 Sec. 41.45.070. REVOCATION OR SUSPENSION OF PERMIT. The depart-

1 ment may revoke or suspend a permit issued under the provisions of this
2 chapter if, after notice and hearing to all parties, the commissioner
3 determines that

4 (1) the facility does not conform, in location, construction
5 or operation, to applicable municipal ordinance or regulation; or

6 (2) an additional fee is due and payable under sec. 40(b) of
7 this chapter or an additional fee and penalty are due and payable under
8 sec. 50(b) of this chapter, and the holder of the permit has failed to
9 pay the additional fee, together with penalty due if any, within the
10 time prescribed by law.

11 Sec. 41.45.080. DISPOSITION OF FEES AND PENALTIES. (a) The com-
12 missioner of the Department of Revenue shall deposit in the general fund
13 the money collected under this chapter.

14 (b) There is established in the general fund the shore facilities
15 assistance account. Ninety-five per cent of the fees and penalties
16 received under this chapter, or as much of the amount as the legislature
17 may annually appropriate, shall be placed in the account for the uses
18 and purposes described in (c) and (d) of this section.

19 (c) The Department of Community and Regional Affairs shall admin-
20 ister the account established in (b) of this section. The department
21 shall pay not less than 50 per cent of the amount of the fees and
22 penalties paid by an applicant for a permit under this chapter for a
23 facility located within a municipality or within 10 miles of a municipi-
24 pality from the account to a municipality or combination of municipali-
25 ties. If two or more municipalities are entitled to receive an amount
26 under this subsection, the municipalities may, among themselves, propose
27 to the department the proportional amount to be paid to each, and the
28 department shall make payment based upon the proposed allocation. The
29 department shall transfer amounts withheld from a municipality for

1 transfer to state agencies providing public facilities or services
2 within the municipality. In allocation between one or more munici-
3 palities and the state agencies under this subsection shall be based
4 upon the relative responsibility of the municipality and the state for
5 the provision of public facilities and services affected by onshore
6 support services and activities and the fiscal needs of each.

7 (d) Fees and penalties paid by an applicant for a permit under
8 this chapter for a facility located in a community or within 10 miles of
9 a community of the unorganized borough are available for the benefit of
10 the community. The department may

11 (1) transfer amounts to another state agency for use by the
12 agency to benefit the community; or

13 (2) retain an amount for its use for the benefit of the
14 community.

15 (e) Payments due a municipality under this section shall be trans-
16 mitted by the department

17 (1) within 30 days of receipt of payment of the fee by the
18 Department of Revenue, if payment is due to only one municipality;

19 (2) within 30 days of receipt of the allocation agreed to by
20 the municipalities, if payment is due to more than one municipality.

21 Sec. 41.45.090. MONITORING OF FACILITIES. The department shall
22 review and monitor the operation of all facilities for which a permit
23 has been issued under this chapter for compliance with the provisions of
24 this chapter and the provisions of the permit application.

25 Sec. 41.45.100. ADMINISTRATION. (a) Annually, the department
26 shall compute and report, for use by applicants and permittees under
27 this chapter

28 (1) standard multiplier factors relating the number of per-
29 sons engaged in direct employment in a shore facility to the number of

1 persons indirectly employed and the number of dependents of all persons
2 employed; and

3 (2) the per capita cost of state and local government ser-
4 vice.

5 (b) The department shall, by regulation, require holders of per-
6 mits issued under this chapter to furnish:

7 (1) information indicating the number of persons employed in
8 a facility for which a permit is issued under this chapter;

9 (2) the estimate of the value of facilities for which a per-
10 mit is issued under this chapter.

11 Sec. 41.45.110. LONG-RANGE DEVELOPMENT PLAN. (a) Any person con-
12 templating the construction of a facility subject to issuance of a
13 permit under this chapter in the state in the ensuing three years shall
14 furnish annually to the department for its review a long-range plan for
15 the construction and operation of facilities. The plan shall be sub-
16 mitted not later than September 1 of each year, and shall include the
17 following information:

18 (1) the general location, size and type of all facilities to
19 be owned and operated or leased whose construction is projected to
20 commence during the ensuing three-year period;

21 (2) projections of the demand for public facilities and ser-
22 vices required by the facility and explanation of the basis for those
23 projections, and a description of the manner and extent to which the
24 proposed facilities will meet project demand.

25 (b) A plan furnished under this section shall be made available to
26 the governing body of any municipality or community affected by the
27 activity described or summarized in the plan.

28 Sec. 41.45.120. FAILURE TO SUBMIT LONG-RANGE PLAN. If an appli-
29 cant for a permit under secs. 10 - 100 of this chapter has failed to

1 provide the department with annual copies of a long-range plan as re-
2 quired by sec. 110 of this chapter, the permit fee due and payable by
3 the applicant for permit shall be twice the amount authorized in sec.
4 30(b) of this chapter.

5 Sec. 41.45.130. JUDICIAL REVIEW. An applicant for a permit or a
6 municipality or community aggrieved by a decision of the commissioner
7 under this chapter may appeal the decision in the superior court.

8 Sec. 41.45.140. PENALTIES FOR VIOLATION OF PROVISIONS OF THIS
9 CHAPTER. (a) A person who wilfully violates a provision of secs. 10 -
10 100 of this chapter or any regulation adopted by the department under
11 this chapter is guilty of a misdemeanor and, upon conviction, is pun-
12 ishable by a fine of not more than \$10,000 for each violation. Each day
13 of a continuing violation constitutes a separate offense.

14 (b) At the request of the commissioner, the attorney general shall
15 enforce this chapter and institute legal actions to accomplish its en-
16 forcement.

17 Sec. 41.45.150. DEFINITIONS. In this chapter, unless the context
18 otherwise requires,

19 (1) "commissioner" means the commissioner of the Department
20 of Community and Regional Affairs;

21 (2) "community" means a village located in the unorganized
22 borough in which is located a school operated by an educational service
23 area or the Bureau of Indian Affairs and any other village containing 25
24 or more permanent residents;

25 (3) "department" means the Department of Community and
26 Regional Affairs;

27 (4) "municipality" means a home rule or general law borough
28 or city of any class, a unified municipality established in accordance
29 with the provisions of AS 29.68.240 - 29.68.440, or a municipality

1 established by consolidation or merger;

2 (5) "shore facility" means a facility which is an integral
3 part of, or directly associated with, the exploration for, or extrac-
4 tion, production or transportation of, oil or gas from the waters
5 adjacent to the state, and which is owned by, or committed by contract
6 or other agreement to, persons exploring for or producing or trans-
7 porting oil or gas from adjacent coastal waters; the term includes, but
8 is not limited to,

9 (A) a wharf, dock or other port structure or facility
10 used for the final transshipment of cargo destined for mobile or
11 fixed offshore oil or gas drilling vessels or structures;

12 (B) warehouses, storage yards, tank farms, tanker ter-
13 minals and pipelines associated with the facilities described in
14 (A) of this paragraph for the storage of cargo destined for off-
15 shore drilling operations or for the storage of petroleum products
16 from offshore drilling operations;

17 (C) offices, maintenance facilities, maintenance and
18 construction camps and related facilities primarily required for
19 administration or servicing of offshore drilling operations which
20 are located in physical proximity to the facilities described in
21 (A) and (B) of this paragraph.

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

Introduced: 3/14/78
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 884

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making technical amendments relating to oil
7 and gas taxes; and providing for an effective date."

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

9 * Section 1. AS 43.55.020(a) is amended to read:

10 (a) The gross production tax on oil or gas shall be paid monthly.
11 The tax is due on the 20th day of each calendar month on oil or gas
12 produced from each lease or property during the preceding month. [IF
13 THE TAX IS NOT PAID BEFORE THE END OF THE MONTH IN WHICH IT BECOMES
14 DUE, THE TAX BECOMES DELINQUENT.]

15 * Sec. 2. AS 43.55.150 is amended to read:

16 Sec. 43.55.150. DETERMINATION OF [GROSS] VALUE. (a) For the
17 purposes of this chapter, [THE GROSS] value shall be calculated using
18 the reasonable costs of transportation of the oil or gas. The reason-
19 able costs of transportation shall be the actual costs, except if any
20 one of the following conditions exist:

21 (1) when the parties to the transportation of oil or gas
22 are affiliated;

23 (2) when the contract for the transportation of oil or gas
24 is not an arm's length transaction or is not representative of the
25 market value of that transportation; or

26 (3) when the method of transportation or the choice of a
27 particular person, entity, or facility, or vessel used for transporta-
28 tion is not reasonable in view of existing alternatives [ALTERNATIVE
29 METHODS OF TRANSPORTATION].

1 (b) If the department finds that the conditions in (a)(1), (2),
2 or [AND] (3) of this section are present, the department shall deter-
3 mine the reasonable costs of transportation, using the fair market
4 value of like transportation, the fair market value of equally efficient
5 and available alternative modes of transportation, or other reasonable
6 methods. Transportation costs fixed by tariff rates properly on file
7 with the Alaska Pipeline Commission or other regulatory agency shall
8 be considered prima facie reasonable.

9 * Sec. 3. AS 43.55.030(d) and 43.55.060 are repealed.

10 * Sec. 4. This Act is retroactive to January 1, 1977.

11 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
12 10.070(c).

Original sponsor: Rules Committee by
request of the Governor

Offered: 3/24/78
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 884

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making technical amendments relating to oil and
7 gas taxes; and providing for an effective date."

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

9 * Section 1. AS 43.55.020(a) is amended to read:

10 (a) The gross production tax on oil or gas shall be paid monthly.
11 The tax is due on the last [20TH] day of each calendar month on oil or
12 gas produced from each lease or property during the preceding month.
13 [IF THE TAX IS NOT PAID BEFORE THE END OF THE MONTH IN WHICH IT BECOMES
14 DUE, THE TAX BECOMES DELINQUENT.]

15 * Sec. 2. AS 43.55.150 is amended to read:

16 Sec. 43.55.150. DETERMINATION OF [GROSS] VALUE. (a) For the
17 purposes of this chapter, [THE GROSS] value shall be calculated using
18 the reasonable costs of transportation of the oil or gas. The reason-
19 able costs of transportation shall be the actual costs, except when one
20 of the following conditions exists:

21 (1) [WHEN] the parties to the transportation of oil or gas
22 are affiliated;

23 (2) [WHEN] the contract for the transportation of oil or gas
24 is not an arm's length transaction or is not representative of the market
25 value of that transportation; or

26 (3) [WHEN] the method of transportation of oil or gas or the
27 choice of a particular person, entity, or facility, or vessel used for
28 transportation is not reasonable in view of existing alternatives
29 [ALTERNATIVE METHODS OF TRANSPORTATION].

1 (b) If the department finds that the conditions in (a)(1), (2),
2 or [AND] (3) of this section are present, the department shall determine
3 the reasonable costs of transportation, using the fair market value of
4 like transportation, the fair market value of equally efficient and
5 available alternative modes of transportation, or other reasonable
6 methods. Transportation costs fixed by tariff rates properly on file
7 with the Alaska Pipeline Commission or other regulatory agency shall be
8 considered prima facie reasonable.

9 * Sec. 3. AS 43.55.030(d) and 43.55.060 are repealed.

10 * Sec. 4. This Act is retroactive to January 1, 1977.

11 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-

12 070(c).
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BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Subcommittee
on Oil and Gas Leasing and
Taxing Policies)

1 IN THE SENATE

2 SENATE BILL NO. 103

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act concerning 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 43.55.010(a) is amended to read:

10 (a) There is levied upon the producer of oil or gas a tax based
11 upon a per cent of the gross value at the point of production [AT THE
12 WELL] of all oil or gas produced [REMOVED OR SOLD] from each lease or
13 property in the state, less the value of any part the ownership or right
14 to which is exempt from taxation. The tax is determined according to
15 the following schedules, and any part which is exempt from taxation is
16 deducted from the tax levied on a pro rata basis as to each production
17 level tax bracket:

18 (1) oil: based upon the total production from each lease or
19 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
20 in barrels, the tax is

21 (A) zero [FIVE] per cent on the first 100 [300] barrels
22 of average daily per well production;

23 (B) four [SIX] per cent on the next 200 [700] barrels of
24 average daily per well production;

25 (C) six [EIGHT] per cent on the next 700 [ALL PRODUCTION
26 IN EXCESS OF 1,000] barrels of average daily per well production;

27 (D) nine per cent on the next 500 barrels of average
28 daily per well production;

29 (E) eleven per cent on the next 2,000 barrels of average

1 daily per well production;

2 (F) fourteen per cent on all production in excess of
3 3,500 barrels of average daily per well production;

4 (2) gas: the tax is four per cent of the gross value at the
5 point of production of the gas and liquid products produced each month.

6 * Sec. 2. AS 43.55.015(a) is amended to read:

7 (a) There is levied upon the producer of oil a tax on each barrel
8 of oil produced [REMOVED OR SOLD] from each lease or property in the
9 state less any part the ownership or right to which is exempt from
10 taxation. The tax is based upon the total production from each lease or
11 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
12 in barrels determined according to the following schedule and any part
13 which is exempt from taxation is deducted from the tax levied on a pro
14 rata basis as to each production level bracket:

15 (1) \$.0000 [\$.16875] on each of the first 100 [300] barrels
16 of average daily per well production;

17 (2) \$.1350 [\$.2025] on each of the next 200 [700] barrels of
18 average daily per well production;

19 (3) \$.2025 [\$.2700] on each of the next 700 [BARREL OF PRO-
20 DUCTION IN EXCESS OF 1,000] barrels of average daily per well production;

21 (4) \$.3038 on each of the next 500 barrels of average
22 daily per well production;

23 (5) \$.3713 on each of the next 2,000 barrels of average daily
24 per well production;

25 (6) \$.4725 on each barrel of production in excess of 3,500
26 barrels of average daily per well production.

27 * Sec. 3. AS 43.55.015(c) is amended to read:

28 (c) The tax rates set out in this section will be increased or
29 decreased by a percentage equal to the percentage of change in the

1 Wholesale Price Index for crude petroleum published by the Bureau of
2 Labor Statistics, of the United States Department of Labor. The year
3 1967 is the base year of 100 for computing the tax rates. Changes in
4 tax rates will be computed based on changes from the December, 1973
5 Wholesale Price Index published in January, 1974 [IN THE WHOLESALE PRICE
6 INDEX OCCURRING AFTER JANUARY 1, 1974 AND WILL NOT INCLUDE CHANGES IN
7 THE WHOLESALE PRICE INDEX PRIOR TO JANUARY 1, 1974]. The department
8 shall post the changes in the tax rates at least semi-annually and shall
9 notify every person producing oil within the state of the changes.

10 * Sec. 4. AS 43.55.020(a) is amended to read:

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

16 * Sec. 5. AS 43.55.020(e) is repealed and re-enacted to read:

17 (e) Gas produced, except gas used in the operation of a lease or
18 property in drilling for or producing oil or gas, or for repressuring,
19 is considered, for the purpose of this chapter, as gas produced from a
20 lease or property. Gas flared under a permit granted by the Department
21 of Natural Resources under AS 31.05.170(11)(H) shall be considered as
22 gas produced, except that it shall pay a severance tax equal to five
23 times the severance tax in effect for that period in which the gas was
24 flared.

25 * Sec. 6. AS 43.55.030(a)(1) is amended to read:

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

29 * Sec. 7. AS 43.55.030(a)(3) is amended to read:

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

4 * Sec. 8. AS 43.55.030(a)(4) is amended to read:

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

8 * Sec. 9. AS 43.55.140 is amended by adding new paragraphs to read:

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

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

25 (B) for gas recovered from or in association with oil,
26 the value of the gas at the point where it is accurately metered or
27 measured after separation from the oil; for gas run through a
28 gas processing plant, the gross value at the point of production is
29 the full consideration received by the producer for the gas if sold

1 in an arm's length transaction or, in the absence of an arm's
2 length transaction, is the sum of the value of the liquids ex-
3 tracted from the gas at the plant and the value of the residue gas,
4 less a reasonable allowance for processing the gas at the plant and
5 for transporting the gas to the plant from the premises upon which
6 the oil production operation is conducted; and

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

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

24 (14) "pipeline quality" means good and marketable condition;

25 (15) "average daily per well production" means the amount
26 calculated by dividing the total number of barrels of oil produced from
27 each lease or property during the calendar month by the total number of
28 wells produced on the lease or property any time during the calendar
29 month and dividing that amount by the total number of days in the

calendar month.

* Sec. 10. AS 43.55.140(10) and (11) are repealed.

* Sec. 11. This Act takes effect July 1, 1977.

Original sponsor: Rules Committee by request
of the Legislative Council
(for the Subcommittee on Oil
and Gas Leasing and Taxing
Policies)

Offered: 4/20/77
Referred: Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 103

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act concerning the oil and gas properties produc-
7 tion 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 \$.65 per barrel of taxable
25 oil produced from the lease or property, as adjusted by sec. 12 of this
26 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, an amount not less than \$.05 for each barrel of

1 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. The cents-per-barrel
8 amount set out in sec. 11(c) of this chapter applies to oil of 27
9 degrees API gravity. For each degree of API gravity less than 27
10 degrees the cents-per-barrel amount shall be reduced by \$.005 and for
11 each degree of API gravity greater than 27 degrees the cents-per-barrel
12 amount shall be increased by \$.005 except that oil above 40 degrees API
13 gravity shall be taxed as 40 degree oil. In applying the gravity ad-
14 justment under this subsection, fractional degrees of API gravity shall
15 be disregarded.

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

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

19 Where: PEL = the production rate at the economic limit;

20 TP = total production during the month for which the tax
21 is to be paid;

22 WD = the total number of well days in the month for which
23 the tax is to be paid; and

24 Where "exp" indicates that the expression following it is an exponent.

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

29 (c) The monthly production rate at the economic limit for a lease

1 or property is presumed to be 100 barrels times the number of well days
2 for the lease or property during the month for which the tax is to be
3 paid, unless the taxpayer at a formal hearing under AS 43.05.240 pro-
4 vides clear and convincing evidence of a different monthly production
5 rate at the economic limit for the lease or property. The monthly
6 production rate at the economic limit for the lease or property based
7 upon the clear and convincing evidence of the taxpayer shall be calcu-
8 lated by dividing the value determined under (e) of this section into
9 the average monthly direct operating cost determined under (d) of this
10 section.

11 (d) The average monthly direct operating cost for oil production
12 operations of the lease or property shall be determined based on the
13 number of months operated during the preceding 12-month period. The
14 direct operating costs include drilling supplies, fuel, routine mainte-
15 nance, and wages and benefits of employees working on the production
16 operations. The direct operating costs do not include capital expendi-
17 tures, tangible or intangible drilling expenses, costs of well work-
18 overs, costs for replacement or repairs (other than routine maintenance),
19 depreciation or amortization, taxes, insurance, overhead, money paid or
20 set aside (or booked as being paid or set aside) to cover the cost of
21 terminating the oil production operations of the lease or property, or
22 any other cost not directly related to the oil production operations of
23 the lease or property.

24 (e) For the purposes of this chapter, the gross value of oil shall
25 be calculated as provided in sec. 150 of this chapter, and the gross
26 value of gas shall be calculated as provided in (h) of this section.

27 (f) Before February 15 of each year or within six months after
28 commencement of production for a lease or property, the department shall
29 notify the producer of gas of the monthly production rate at the economic

1 limit for each lease or property in the state for that year. The
2 monthly production rate at the economic limit for a lease or property
3 shall be determined at a formal hearing under AS 43.05.240 and must be
4 established by clear and convincing evidence presented by the taxpayer
5 at that hearing. The monthly production rate at the economic limit for
6 the lease or property based upon the clear and convincing evidence of
7 the taxpayer shall be calculated by dividing the value determined under
8 (h) of this section into the average monthly direct operating cost
9 determined under (g) of this section.

10 (g) The average monthly direct operating cost for gas production
11 operations of the lease or property shall be determined based on the
12 number of months operated during the preceding 12-month period. The
13 direct operating costs include drilling supplies, fuel, routine maintenance,
14 and wages and benefits of employees working on the production
15 operations. The direct operating costs do not include capital expenditures,
16 tangible or intangible drilling expenses, costs of well workovers,
17 costs for replacement or repairs (other than routine maintenance),
18 depreciation or amortization, taxes, insurance, overhead, money paid or
19 set aside (or booked as being paid or set aside) to cover the cost of
20 terminating the gas production operations of the lease or property, or
21 any other cost not directly related to the gas production operations of
22 the lease or property.

23 (h) The value at the point of production of gas produced from the
24 lease or property shall be determined on the basis of the highest price
25 paid for gas of like quality and pressure in the same field.

26 (i) The department may aggregate two or more leases or properties
27 (or portions of them), for purposes of determining economic limit
28 factors under this section and applying them to sec. 11 of this chapter,
29 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 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 in the state, less any gas the ownership or right to which is exempt from taxation. The tax is equal to either the percentage-of-value amount calculated under (b) of this section or the cents-per-Mcf amount calculated under (c) of this section, whichever is greater, multiplied by the economic limit factor determined for gas production of the lease or property under sec. 13 of this chapter. If the amounts calculated under (b) and (c) of this section are equal, the amount calculated under (b) of this section shall be treated as if it were the greater for purposes of this section.

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

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

Sec. 43.55.017. RELATION TO OTHER TAXES. (a) Except as provided

1 in this chapter and in ch. 58 of this title, the taxes imposed by this
2 chapter are in place of all taxes now imposed by the state or any of its
3 municipalities, and neither the state nor a municipality may impose a
4 tax upon

- 5 (1) producing oil or gas leases;
6 (2) oil or gas produced or extracted in the state;
7 (3) the value of intangible drilling and exploration ex-
8 penses.

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

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

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

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

21 * Sec. 3. AS 43.55.030(a)(1) is amended to read:

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

25 * Sec. 4. AS 43.55.030(a)(3) is amended to read:

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

29 * Sec. 5. AS 43.55.030(a)(4) is amended to read:

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

4 * Sec. 6. AS 43.55.140 is amended by adding a new paragraph to read:

5 (12) "well days" means the number of days in which a well is
6 operating during a month.

7 * Sec. 7. AS 43.55.010, 43.55.015 and 43.55.140(10) and (11) are re-
8 pealed.

9 * Sec. 8. This Act takes effect July 1, 1977 and applies to production
10 during the month of July, 1977, and succeeding months.

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Original sponsor: Rules Committee by request
of the Legislative Council
(for the Subcommittee on Oil
and Gas Leasing and Taxing
Policies)

Offered: 4/22/77
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 103 (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 concerning the oil and gas properties produc-
7 tion 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 \$.65 per barrel of taxable
25 oil produced from the lease or property, as adjusted by sec. 12 of this
26 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, an amount not less than \$.05 for each barrel of

1 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. The cents-per-barrel
8 amount set out in sec. 11(c) of this chapter applies to oil of 27
9 degrees API gravity. For each degree of API gravity less than 27
10 degrees the cents-per-barrel amount shall be reduced by \$.005 and for
11 each degree of API gravity greater than 27 degrees the cents-per-barrel
12 amount shall be increased by \$.005 except that oil above 40 degrees API
13 gravity shall be taxed as 40 degree oil. In applying the gravity ad-
14 justment under this subsection, fractional degrees of API gravity shall
15 be disregarded.

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

$$18 \quad (1 - [PEL/TP]) \exp ([300 \times WD]/PEL)$$

19 Where: PEL = the production rate at the economic limit;

20 TP = total production during the month for which the tax
21 is to be paid;

22 WD = the total number of well days in the month for which
23 the tax is to be paid; and

24 Where "exp" indicates that the expression following it is an exponent.

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

29 (c) The monthly production rate at the economic limit for a lease

1 or property is presumed to be 100 barrels times the number of well days
2 for the lease or property during the month for which the tax is to be
3 paid. The taxpayer may rebut this presumption at a formal hearing
4 under AS 43.05.420 by providing clear and convincing evidence of a
5 different monthly production rate at the economic limit for the lease
6 or property. The hearing shall be held before February 15 of the year
7 or within six months after commencement of oil production for a lease
8 or property. The monthly production rate at the economic limit for
9 the lease or property based upon the clear and convincing evidence
10 of the taxpayer shall be calculated by dividing the value determined
11 under (e) of this section into the average monthly direct operating
12 cost determined under (d) of this section and shall be used for purposes
13 of this section for all oil production during that calendar year from
14 the lease or property.

15 (d) The average monthly direct operating cost for oil production
16 operations of the lease or property shall be determined based on the
17 number of months operated during the preceding 12-month period. The
18 direct operating costs include production supplies, purchased fuel,
19 routine maintenance, and wages and benefits of employees working on the
20 production operations. The direct operating costs do not include
21 capital expenditures, tangible or intangible drilling expenses, costs of
22 well workovers, costs for replacement or repairs (other than routine
23 maintenance), depreciation or amortization, taxes, insurance, overhead,
24 money paid or set aside (or booked as being paid or set aside) to cover
25 the cost of terminating the oil production operations of the lease or
26 property, or any other cost not directly related to the oil production
27 operations of the lease or property.

28 (e) For the purposes of this chapter, the gross value of oil shall
29 be calculated as provided in sec. 150 of this chapter, and the gross

1 value of gas shall be calculated as provided in (h) of this section.

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

14 (g) The average monthly direct operating cost for gas production
15 operations of the lease or property shall be determined based on the
16 number of months operated during the preceding 12-month period. The
17 direct operating costs include drilling supplies, fuel, routine maintenance,
18 and wages and benefits of employees working on the production
19 operations. The direct operating costs do not include capital expenditures,
20 tangible or intangible drilling expenses, costs of well work-
21 overs, costs for replacement or repairs (other than routine maintenance),
22 depreciation or amortization, taxes, insurance, overhead, money paid or
23 set aside (or booked as being paid or set aside) to cover the cost of
24 terminating the gas production operations of the lease or property, or
25 any other cost not directly related to the gas production operations of
26 the lease or property.

27 (h) The value at the point of production of gas produced from the
28 lease or property shall be determined on the basis of the highest price
29 paid for gas of like quality and pressure in the same field.

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

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

16 Sec. 43.55.016. GAS PRODUCTION TAX. (a) There is levied upon the
17 producer of gas a tax for all gas produced from each lease or property
18 in the state, less any gas the ownership or right to which is exempt
19 from taxation. The tax is equal to either the percentage-of-value
20 amount calculated under (b) of this section or the cents-per-Mcf amount
21 calculated under (c) of this section, whichever is greater, multiplied
22 by the economic limit factor determined for gas production of the lease
23 or property under sec. 13 of this chapter. If the amounts calculated
24 under (b) and (c) of this section are equal, the amount calculated under
25 (b) of this section shall be treated as if it were the greater for
26 purposes of this section.

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

1 (c) The cents-per-Mcf amount equals \$.064 per thousand cubic feet
2 of taxable gas produced from the lease or property as adjusted by sec.
3 12 of this chapter.

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

9 (1) producing oil or gas leases;
10 (2) oil or gas produced or extracted in the state;
11 (3) the value of intangible drilling and exploration ex-
12 penses.

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

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

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

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

25 * Sec. 3. AS 43.55.030(a)(1) is amended to read:

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

29 * Sec. 4. AS 43.55.030(a)(3) is amended to read:

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

4 * Sec. 5. AS 43.55.030(a)(4) is amended to read:

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

8 * Sec. 6. AS 43.55.140 is amended by adding a new paragraph to read:

9 (12) "well days" means the number of days in which a well is
10 operating during a month.

11 * Sec. 7. AS 43.55.010, 43.55.015 and 43.55.140(10) and (11) are re-
12 pealed.

13 * Sec. 8. This Act takes effect July 1, 1977 and applies to production
14 during the month of July, 1977, and succeeding months.

Original sponsor: Rules Committee by request
of the Legislative Council
(for the Subcommittee on Oil
and Gas Leasing and Taxing
Policies)

Offered: 4/22/77
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 103 (Finance) am(failed S)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE -- FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act concerning the oil and gas properties produc-
7 tion 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 10.5 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 \$.55 per barrel of
25 taxable oil produced from the lease or property for all oil defined
26 as "lower tier oil" under the provisions of the Energy Policy and
27 Conservation Act of 1975 (P.L. 94-163), as amended, and \$.75 per barrel
28 of all other taxable oil produced from the lease or property, both as
29 adjusted by Sec. 12 of this chapter.

(d) When the cents-per-barrel amount calculated under (c) of this section is greater than the percentage-of-value amount calculated under (b) of this section, an amount not less than \$.05 for each barrel of taxable oil produced shall be paid by the state out of its royalties from the oil whenever payment by the state is required under the revenue-sharing provisions of sec. 9 of the Alaska Native Claims Settlement Act (P.L. 92-203, 85 Stat. 688, 43 U.S.C. 1601 et seq.) into the Alaska Native Fund, until all amounts paid in the fund equal \$500,000,000.

Sec. 43.55.012. ADJUSTMENTS IN TAX RATES. The cents-per-barrel amount set out in sec. 11(c) of this chapter applies to oil of 27 degrees API gravity. For each degree of API gravity less than 27 degrees the cents-per-barrel amount shall be reduced by \$.005 and for each degree of API gravity greater than 27 degrees the cents-per-barrel amount shall be increased by \$.005 except that oil above 40 degrees API gravity shall be taxed as 40 degree oil. In applying the gravity adjustment under this subsection, fractional degrees of API gravity shall be disregarded.

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

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

Where: PEL = the production rate at the economic limit;

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

WD = the total number of well days in the month for which the tax is to be paid; and

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

(b) The economic limit factor for gas production of a lease or property equals one minus the ratio of the monthly production rate at

1 the economic limit to the production during the month for which the tax
2 is to be paid.

3 (c) The monthly production rate at the economic limit for a lease
4 or property is presumed to be 100 barrels times the number of well days
5 for the lease or property during the month for which the tax is to be
6 paid. The taxpayer may rebut this presumption at a formal hearing
7 under AS 43.05.420 by providing clear and convincing evidence of a
8 different monthly production rate at the economic limit for the lease
9 or property. The hearing shall be held before February 15 of the year
10 or within six months after commencement of oil production for a lease
11 or property. The monthly production rate at the economic limit for
12 the lease or property based upon the clear and convincing evidence
13 of the taxpayer shall be calculated by dividing the value determined
14 under (e) of this section into the average monthly direct operating
15 cost determined under (d) of this section and shall be used for purposes
16 of this section for all oil production during that calendar year from
17 the lease or property.

18 (d) The average monthly direct operating cost for oil production
19 operations of the lease or property shall be determined based on the
20 number of months operated during the preceding 12-month period. The
21 direct operating costs include production supplies, purchased fuel,
22 routine maintenance, and wages and benefits of employees working on the
23 production operations. The direct operating costs do not include
24 capital expenditures, tangible or intangible drilling expenses, costs of
25 well workovers, costs for replacement or repairs (other than routine
26 maintenance), depreciation or amortization, taxes, insurance, overhead,
27 money paid or set aside (or booked as being paid or set aside) to cover
28 the cost of terminating the oil production operations of the lease or
29 property, or any other cost not directly related to the oil production

1 operations of the lease or property.

2 (e) For the purposes of this chapter, the gross value of oil shall
3 be calculated as provided in sec. 150 of this chapter, and the gross
4 value of gas shall be calculated as provided in (h) of this section.

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

17 (g) The average monthly direct operating cost for gas production
18 operations of the lease or property shall be determined based on the
19 number of months operated during the preceding 12-month period. The
20 direct operating costs include drilling supplies, fuel, routine maintenance,
21 and wages and benefits of employees working on the production
22 operations. The direct operating costs do not include capital expenditures,
23 tangible or intangible drilling expenses, costs of well workovers,
24 costs for replacement or repairs (other than routine maintenance),
25 depreciation or amortization, taxes, insurance, overhead, money paid or
26 set aside (or booked as being paid or set aside) to cover the cost of
27 terminating the gas production operations of the lease or property, or
28 any other cost not directly related to the gas production operations of
29 the lease or property.

1 (h) The value at the point of production of gas produced from the
2 lease or property shall be determined on the basis of the highest price
3 paid for gas of like quality and pressure in the same field.

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

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

19 Sec. 43.55.016. GAS PRODUCTION TAX. (a) There is levied upon the
20 producer of gas a tax for all gas produced from each lease or property
21 in the state, less any gas the ownership or right to which is exempt
22 from taxation. The tax is equal to either the percentage-of-value
23 amount calculated under (b) of this section or the cents-per-Mcf amount
24 calculated under (c) of this section, whichever is greater, multiplied
25 by the economic limit factor determined for gas production of the lease
26 or property under sec. 13 of this chapter. If the amounts calculated
27 under (b) and (c) of this section are equal, the amount calculated under
28 (b) of this section shall be treated as if it were the greater for
29 purposes of this section.

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

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

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

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

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

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

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

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

* Sec. 3. AS 43.55.030(a)(1) is amended to read:

(1) a description of the lease or property from which the oil

1 or gas was produced [REMOVED OR SOLD], by name, legal description, lease
2 number or by accounting code numbers assigned to the department;

3 * Sec. 4. AS 43.55.030(a)(3) is amended to read:

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

7 * Sec. 5. AS 43.55.030(a)(4) is amended to read:

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

11 * Sec. 6. AS 43.55.140 is amended by adding a new paragraph to read:

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

14 * Sec. 7. AS 43.55.010, 43.55.015 and 43.55.140(10) and (11) are re-
15 pealed.

16 * Sec. 8. This Act takes effect July 1, 1977 and applies to production
17 during the month of July, 1977, and succeeding months.

1 IN THE SENATE

BY HUBER, CROFT AND WILLIS

2 SENATE BILL NO. 202

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 assessment and taxation of oil and
7 gas properties net proceeds tax; and providing for an
8 effective date."

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

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

11 CHAPTER 22. OIL AND GAS PROPERTIES NET PROCEEDS TAX.

12 Sec. 43.22.010. PURPOSE. The purposes of the oil and gas proper-
13 ties net proceeds tax are to provide efficient administration and
14 collection of an ad valorem tax based on the income to the property of
15 oil and gas, and to provide a rate of taxation on the income to the
16 property of oil and gas equal to the corporate state income tax rates
17 provided in AS 43.20.011.

18 Sec. 43.22.020. STATEMENT OF YIELD. (a) Every person engaged in
19 producing oil and gas and every recipient of royalty payments in con-
20 nection with oil and gas production shall file annually, on or before
21 February 1, with the department a statement showing the gross value of
22 production and claimed net proceeds from each well or field owned or op-
23 erated by the person during the previous calendar year.

24 (b) The statement shall be on forms prescribed by or acceptable to
25 the department, and shall be under oath, and shall include, in addition
26 to other information required,

27 (1) the name and address of the operator of the well or
28 field, together with a list in duplicate of the names and addresses of
29 any persons owning or claiming a royalty interest in the production of

1 the well or the proceeds derived from the sale of it, and the amount
2 paid or delivered in kind as royalty to each of these persons during the
3 period covered by the statement;

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

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

8 (4) the gross value in dollars of the production at the
9 wellhead or other point chosen by the department; and

10 (5) the claimed deductions from the gross value in the detail
11 set out in sec. 30 of this chapter.

12 (c) Each recipient of royalty payments as described in (b)(1) of
13 this section shall annually file with the department a list showing each
14 of the lessees responsible for taxes due in connection with the wells or
15 fields included in the statement filed under (a) and (b) of this section.

16 Sec. 43.22.030. NET PROCEEDS: HOW COMPUTED. (a) The department
17 shall, from the statement and from all obtainable data, evidence and
18 reports, compute the gross value of production and net proceeds.

19 (b) The net proceeds shall be ascertained and determined by sub-
20 tracting from the gross value the following deductions for costs in-
21 curred during the year, and none other:

22 (1) royalties paid or due the United States or the state;

23 (2) royalties paid or due, other than to the United States or
24 the state, by a lessee or sublessee of a well or field, or by both,
25 shall constitute a deductible item; but the royalties so deducted by the
26 lessee or sublessee constitutes part of the gross yield of the well or
27 field for the purpose of determining the net proceeds upon which a tax
28 shall be levied against the person to which the royalty has been paid;

29 (3) the costs of transporting the product beyond the area of

1 the well or field to the point of gross valuation, if the gross valua-
2 tion point chosen by the department is beyond the area of the well or
3 field;

4 (4) operating costs incurred in the state as determined under
5 regulations of the department; operating costs shall include

6 (A) well machinery, equipment, apparatus and facilities;

7 (B) transportation facilities and equipment;

8 (C) money expended for necessary labor and supplies
9 needed and used in the well or field operations and developments;

10 (D) money expended for fire insurance and workmen's
11 compensation insurance, and for payments by operators to welfare
12 and retirement funds when provided for in wage contracts between
13 operators and employees;

14 (E) office clerical or engineering work in the state
15 necessary or proper in connection with these operations;

16 (5) the deductions mentioned in this subsection shall not
17 include the salary of a person not subject to the withholding of state
18 income tax under AS 43.20.170 or not actually engaged in

19 (A) the operation of a well or field or of transporta-
20 tion facilities or equipment or supervision of the management of
21 them; or

22 (B) office clerical or engineering work in the state
23 necessary or proper in connection with these operations;

24 (6) in lieu of the deduction of expenses incurred outside the
25 state, an indirect expense allowance equal to five per cent of expenses
26 reported under sec. 30(4) of this chapter shall be allowed;

27 (7) all taxes paid or due to the state under chs. 55, 56, and
28 57 of this title;

29 (8) recovery of capital and exploration investments.

1 Sec. 43.22.040. RECOVERY OF CAPITAL AND EXPLORATION EXPENSES. (a)
2 The department shall issue regulations required to determine deductions
3 for the depreciation and recovery of investments related to an operating
4 well or field.

5 (b) Geological and geophysical costs, bonus payments, dry hole
6 costs, and unrecovered costs after lease abandonments which are incurred
7 in areas of the state in which the producer does not hold a currently
8 valid lease, contractual agreement, or other economic interest may be
9 charged against the net proceeds of currently operating wells or fields
10 in which the taxpayer has an interest. However,

11 (1) costs under this subsection may be carried forward for no
12 more than 10 years from the year in which the cost is declared;

13 (2) a cost reported under this subsection may not be charged
14 at a rate of more than 20 per cent of the cost in any one year; and

15 (3) costs may not be reported as expenses under this section
16 if they have previously been charged against state income taxes either
17 directly as reported to the department or indirectly through an appor-
18 tionment formula.

19 Sec. 43.22.050. AD VALOREM TAX LEVIED. (a) There is levied and
20 shall be collected by the department an ad valorem tax based on the
21 assessed value of production which is severed and sold from each well or
22 field. The tax is levied at the rate provided in AS 43.20.011(e) on the
23 net proceeds from the production which is severed and sold from each
24 well or field.

25 (b) A taxpayer liable to taxation under this chapter is exempt
26 from further taxation under ch. 20 of this title only to the extent of
27 income earned from the production of oil in the state.

28 Sec. 43.22.060. VALUE MAY BE DETERMINED BY DEPARTMENT. The de-
29 partment may determine the value of production severed from a well or

1 field when (1) the operator and purchaser are affiliated persons; (2)
2 the sale and purchase of the production is not an arm's length trans-
3 action; or (3) the production is severed and removed from a production
4 unit, and a value as defined in this chapter is not established for this
5 production. The value determined by the department shall be commensurate
6 with the actual price received for production of like quality,
7 character, and use which is severed in the same well or field or area
8 and shall not be computed at a lesser amount than the actual value
9 received for the state's royalty oil or gas received for production of
10 like quality, character and use which are severed in the same well or
11 field or area.

12 Sec. 43.22.070. CERTIFICATES OF AMOUNT OF NET PROCEEDS. (a) When
13 the department determines the net proceeds of a well or field, it shall
14 prepare its certificate of the net proceeds and taxes due on them in
15 duplicate and shall keep one copy in the department and send the second
16 copy by certified mail

17 (1) a person who is the owner of the property, or who controls that property as agent, or on account of any other person;

18 (2) a guardian or other person who has charge of taxable
19 property belonging to a minor or other person;

20 (3) the trustee of a trust estate holding taxable property in
21 trust for the benefit of another person;

22 (4) the executor or administrator of a deceased person's
23 estate which includes taxable property;

24 (5) the receiver of a corporation who has its assets in his
25 hands.

26 (b) Upon the filing of the copy of the certificate and mailing of
27 the second copy, the assessment shall be considered to be made in the
28 amount fixed by the certificate and taxes on that amount shall be im-
29

1 immediately due and payable.

2 Sec. 43.22.080. APPEALS. (a) A person aggrieved by the action of
3 the department in making an assessment may appeal that action and obtain
4 a hearing upon its validity before the department by filing written ob-
5 jections to the assessment not later than 20 days after the effective
6 date of the assessment notice.

7 (b) The procedures for conduct of the hearing and preliminary ac-
8 tivities to it shall be in accordance with AS 44.62.350, 44.62.430,
9 44.62.450 - 640, 44.62.480, 44.62.500 - 550, 44.62.590, and 44.62.610 -
10 640. The term "respondent" used in those sections of AS 44.62 (Adminis-
11 trative Procedure Act) shall be considered, for the purposes of this
12 section, to include the person aggrieved by action of the department.
13 The department shall provide by regulation for notices of hearing under
14 this section to interested persons. At the hearing the appellant bears
15 the burden of proof. In the absence of this proof the assessment is to
16 be upheld by the department. If the department, after hearing, deter-
17 mines that a correction of the assessment is warranted, the department
18 shall correct the assessment.

19 (c) Within 30 days after the decision by the department following
20 the hearing, a person aggrieved by that decision may appeal to the
21 superior court. The superior court shall grant priority on its dockets
22 for the appeals over all civil cases then pending.

23 Sec. 43.22.090. RETURNS AND PAYMENT OF TAX. (a) A return of the
24 taxes due and payable, fixed by the certificate of the net proceeds shall
25 be submitted on or before the 60th day after the filing of the certifi-
26 cate on the form prescribed by the department. The return shall be sub-
27 mitted by those persons listed in sec. 70 of this chapter.

28 (b) The person required to submit the return specified under (a)
29 of this section is primarily liable for payment of the tax levied by

1 this chapter. The persons or estates specified in sec. 70(a)(2) - (5)
2 of this chapter in whose behalf the tax levied by this chapter is to be
3 paid are secondarily liable for payment of the tax. With the written
4 approval of the department, an operator or nonoperator of the lease or
5 property may submit returns or make payment of the tax levied under this
6 chapter on behalf of himself and other persons the department may ap-
7 prove.

8 (c) The tax levied under this chapter is payable to the department
9 on or before the 60th day after the filing of the certificate or in
10 estimated installments at the times and under the conditions the depart-
11 ment may by regulation require. This tax is payable on the due date set
12 out in this subsection even though the assessment is under appeal or the
13 validity, enforceability or application of this chapter or provision of
14 this chapter is challenged before the department or in the courts.

15 (d) A person making payment of the tax levied under this chapter
16 on behalf of one or more other persons owning or otherwise holding an
17 interest in a taxable property may withhold a proportionate share of the
18 payment from the proceeds or other benefits from the taxable property
19 owed to any person on whose behalf the payment is made. Unless other-
20 wise specifically provided by written contract or agreement, the person
21 so withholding a proportionate share of the tax levied under this
22 chapter incurs no liability to those from whom it is withheld by virtue
23 of having made the withholding.

24 (e) By written notice the department may require a person filing a
25 return to submit additional information to the department no later than
26 30 days after the notice.

27 Sec. 43.22.100. CIVIL PENALTY. Five per cent shall be added to
28 the tax for each 30-day period or fraction of that period during which
29 the taxpayer fails to file a return or pay the full amount of the tax,

1 or a portion or a deficiency of the tax due and payable as finally
2 determined by the department and required by this chapter, unless it is
3 shown that the failure is due to reasonable cause and not to wilful
4 neglect. The penalty may not exceed 25 per cent in the aggregate. The
5 penalty shall be collected at the same time, in the same manner and as a
6 part of the original tax, but if the original tax is paid before the
7 neglect is discovered, the penalty shall be collected in the same manner
8 as the original tax. The department shall describe by regulations
9 circumstances which constitute reasonable cause for purposes of this
10 section.

11 Sec. 43.22.110. INTEREST. When the tax levied in this chapter
12 becomes delinquent, it bears interest at the rate of eight per cent a
13 year.

14 Sec. 43.22.120. LIEN. The tax, penalty and interest payable under
15 this chapter are first and paramount liens on the property subject to
16 tax under this chapter.

17 Sec. 43.22.130. REMEDY. The remedy of distraint of property set
18 out in AS 43.20.270 applies to the tax, penalty and interest levied by
19 this chapter.

20 Sec. 43.22.140. BURDEN OF PROOF. In a suit arising concerning the
21 assessment and taxation of the proceeds of wells or fields, the burden
22 of proof shall be upon the person owning or operating the well or field
23 and every recipient of royalty payments in connection with them.

24 Sec. 43.22.150. REGULATIONS. The department may adopt regulations
25 in accordance with the Administrative Procedure Act (AS 44.62) as
26 appropriate to administer and enforce this chapter.

27 Sec. 43.22.160. PAYMENT TO ALASKA NATIVE FUND. When the tax
28 levied under this chapter is payable, an amount equivalent to not less
29 than two per cent of the tax shall be paid by the state from oil and gas

1 royalties, bonuses, and rentals into the Alaska Native Fund established
2 by sec. 6 of the Alaska Native Claims Settlement Act (P.L. 92-203, 85
3 Stat. 688, 43, U.S.C. 1601, et. seq.) until all payments paid into the
4 fund equal \$500,000,000.

5 Sec. 43.22.170. DEFINITIONS. In this chapter

6 (1) "department" means the Department of Revenue;

7 (2) "gas" means all hydrocarbon substances not defined as oil
8 in this chapter;

9 (3) "gross value" means the price as determined by the depart-
10 ment at the wellhead or other point chosen by the department;

11 (4) "oil" means crude petroleum and other hydrocarbons re-
12 gardless of gravity which, when recovered, are recovered at the well-
13 head in liquid form, and the liquid hydrocarbons known as distillate or
14 condensate that are recovered by separation from gas other than at a
15 processing plant;

16 (5) "well or field" means any well, field, lease, pool, or
17 property.

18 * Sec. 2. This Act takes effect January 1, 1978.
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Introduced: 3/11/77
Referred: Resources and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 236

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing an oil and gas corporate franchise
7 tax; and providing for an effective date."

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

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

10 CHAPTER 21. OIL AND GAS CORPORATE

11 FRANCHISE TAX.

12 Sec. 43.21.010. LEGISLATIVE FINDINGS AND PURPOSE. (a) The
13 legislature finds that Alaska has large deposits of non-renewable
14 resources of oil and gas which belong to the citizens of the state.
15 Therefore, it is incumbent upon the state to provide an equitable
16 taxing system to be applied to corporations engaged in the extraction,
17 transportation, and refining of this wealth from the state. In addi-
18 tion, it is important that the tax system be designed to return to the
19 state tax revenues measured by the income generated by these resources
20 and activities. Accordingly, the taxing formula must fairly reflect
21 the business activities in the state by those corporations extracting,
22 transporting, and refining these non-renewable resources.

23 (b) The legislature finds that, as a general rule, the three-
24 factor formula set out in AS 43.19.010, Article IV, fairly measures
25 the income producing activity of corporations doing business both
26 within and without the state. With regard, however, to the extraction,
27 transportation, and refining of oil and gas, the legislature finds
28 that the uniform formula does not fully reflect corporate income-
29 producing activity in the state. The legislature finds that the

1 income from the extraction, transportation, and refining of oil and
2 gas should be allocated and apportioned by a separate state formula
3 just as financial institutions and public utilities are under the
4 provisions of AS 43.19.010, Article IV.

5 (c) Although the legislature is mindful of the importance and
6 the advantages of uniformity which the formula in AS 43.19.010,
7 Article IV, represents, the legislature also recognizes its responsi-
8 bility to provide an apportionment formula which fairly represents a
9 taxpayer's business activity in the state. Accordingly, the legislature
10 has struck a balance between the uniform formula in AS 43.19.010,
11 Article IV, and a direct measure of oil and gas extracted in the
12 state by the substitution of a factor based upon units of extraction,
13 which will more fairly indicate the taxpayer's income attributable to
14 its business activity in the state.

15 (d) The legislature is concerned about the possibility of a
16 corporation's income not being attributable to any specific state, as
17 when property, payroll, and extraction are present in a location where
18 the corporation is not subject to state taxation. In such cases, some
19 portion of the income of the corporation would escape taxation by all
20 states even though a state may have been impacted by that corporation's
21 business activity and has given services and protection for which it
22 is entitled to ask for compensation. The legislature finds that the
23 apportionment formula in AS 43.19.010, Article IV, is deficient in
24 this respect for corporations engaged in the extraction, transportation,
25 and refining of oil and gas. Specifically, the legislature finds that
26 income generated from activities taking place on the Outer Continental
27 Shelf should not escape state taxation entirely but should be taxed by
28 the state which has made contributions of services and protection to
29 those corporations as a result of those activities taking place off

1 its shores. The legislature finds that the state is currently adversely
2 impacted by activities occurring on the Outer Continental Shelf off of
3 the state's shores. The state has given and will continue to give
4 those corporations engaged in those activities hospital services,
5 educational services, police protection, regulatory protection, and
6 access to its courts, as well as many other services and protections.
7 Accordingly, the legislature finds that it is entitled to ask for
8 compensation for these services and protections. The return which the
9 state asks is the inclusion of property, payroll, and extraction units
10 not occurring within any state but which are directly serviced from a
11 base of operations in the state.

12 Sec. 43.21.020. PRIVILEGE TAX IMPOSED. A tax is hereby imposed
13 for each tax year on the privilege of engaging in business, exercising
14 a corporate franchise, doing business in corporate form, employing
15 capital, labor, or property, or maintaining an office, place of business
16 or base of operations in Alaska of every corporation which has ordinary
17 gross receipts during the tax year in excess of \$250,000,000 (or which
18 is a member of a unitary business with combined ordinary gross receipts
19 in excess of \$250,000,000), more than 50 per cent of which is derived
20 from production, transportation, refining, manufacturing, processing,
21 distribution, or retail sale of oil or gas or products derived from
22 oil or gas. The tax imposed by this chapter is measured by the net
23 income of the corporation and is determined at the rate imposed under
24 AS 43.20.011(e). The tax imposed under this chapter is in place of
25 the tax imposed under AS 43.20.

26 Sec. 43.21.030. "NET INCOME" DEFINED. (a) Net income for the
27 purposes of this chapter is the higher of taxable income (as the term
28 is used in AS 43.20.011(e)) or the net income determined and certified
29 by an independent certified public accountant for the purposes of a

1 report to shareholders covering its earnings and profits for the
2 taxable year without regard to any taxes on, or measured by, net
3 income.

4 (b) The department shall provide by regulation for the determina-
5 tion of net income in circumstances where the income statement deter-
6 mined and certified to shareholders does not truly reflect the corpora-
7 tion's net income. Those circumstances include but are not limited to
8 situations in which a qualified or disclaimed opinion is given by an
9 independent accountant on the corporation's net income, the net income
10 report does not meet standards promulgated by the Securities and
11 Exchange Commission, a change in accounting method, or the income
12 statement is not prepared in accordance with generally accepted account-
13 ing principles.

14 Sec. 43.21.040. "ORDINARY GROSS RECEIPTS" DEFINED. The term
15 "ordinary gross receipts" means total gross receipts, except that
16 there shall be excluded:

17 (1) all gains and losses from the sale or other disposition
18 of capital assets, and

19 (2) all gains and losses from the sale or other disposition
20 of property of a character described in sec. 1231(b) of the Internal
21 Revenue Code (determined without regard to holding period).

22 Sec. 43.21.050. APPORTIONMENT OF NET INCOME. (a) A corporation
23 subject to this tax which is taxable both inside and outside the state
24 shall apportion its entire unitary business net income to Alaska by a
25 fraction the numerator of which is the property factor plus the payroll
26 factor plus the extraction factor and the denominator of which is
27 three. Under regulations adopted by the department, the property
28 factor and the payroll factor shall be determined in accordance with
29 Article IV of AS 43.19.010 and with AS 43.20.071, except as otherwise

1 provided in this section.

2 (b) Compensation earned by employees who are not employed in any
3 state in which the corporation is taxable shall be included in the
4 numerator of the payroll factor if the employees are directly supplied
5 from a base of operations maintained in the state.

6 (c) The value of oil or gas production facilities or other
7 properties which are not located in any state in which the corporation
8 is taxable shall be included in the numerator of the property factor
9 if the property is serviced or supplied from a base of operations
10 maintained in the state or if that property relies on onshore facilities
11 for storage of the oil and gas produced.

12 (d) The extraction factor is a fraction the numerator of which
13 is the net amount of oil and gas energy units produced in Alaska
14 expressed in terms of their equivalents in British Thermal Units and
15 the denominator of which is the total net amount of oil and gas energy
16 units produced everywhere. Oil and gas energy units which are not
17 extracted in a state in which the corporation is taxable shall be
18 included in the numerator of the extraction factor if the extraction
19 is performed by facilities which are serviced or supplied from a base
20 of operations in the state or if those facilities rely on onshore
21 facilities for storage of the oil and gas produced.

22 (e) If the denominator of any factor of the apportionment formula
23 set out in this section is zero or is so insignificant that its inclu-
24 sion will result in a distortion of income, the department may exclude
25 that factor or include one or more additional factors which will
26 fairly represent the taxpayer's business activity in the state.

27 Sec. 43.21.060. RETURNS AND PAYMENT OF TAXES. (a) A corporation
28 subject to tax under this chapter shall make and file a return with
29 the department at the same time as it files a return under the provisions

1 of the Internal Revenue Code. The return must set out

2 (1) the amount of tax due under this chapter, and

3 (2) other information which the department requires for the
4 purpose of carrying out the provisions of this chapter.

5 (b) The return must either be on oath or contain a written
6 declaration that it is made under penalty of perjury, and the department
7 shall prescribe forms accordingly.

8 (c) The total amount of tax imposed by this chapter is due and
9 payable to the department at the same time and in the same manner as
10 the tax payable to the United States Internal Revenue Service.

11 (d) A taxpayer shall furnish to the department a true and correct
12 copy of the tax return which he has filed with the United States
13 Internal Revenue Service.

14 (e) The department may credit or refund overpayments of taxes,
15 taxes erroneously or illegally assessed or collected, penalties col-
16 lected without authority, and taxes that are found unjustly assessed
17 or excessive in amount, or otherwise wrongfully collected. The depart-
18 ment shall set limitations, specify the manner in which claims or
19 credits or refunds are made and give notice of allowance or disallow-
20 ance. When a refund is allowed to a taxpayer, it shall be paid out of
21 the general fund on a warrant issued under a voucher approved by the
22 department.

23 (f) Every taxpayer shall notify the department in writing of any
24 alteration in, or modification of, his federal income tax return and
25 of a recomputation of tax or determination of deficiency (whether with
26 or without assessment). A full statement of the facts must accompany
27 this notice. The notice must be filed within 60 days after the final
28 determination of the modification, recomputation, or deficiency, and
29 the taxpayer shall pay the additional tax or penalty under this chapter.

1 For purposes of this section, a determination is final at the time
2 that an amended return is filed or a notice of deficiency or an assess-
3 ment is mailed to the taxpayer by the Internal Revenue Service, except
4 that in no event is there a final determination for purposes of this
5 section until the taxpayer has exhausted his rights of appeal under
6 federal law.

7 (g) Every taxpayer shall notify the department in writing of any
8 recomputation or restatement of a prior year's net income. A full
9 statement of the facts must accompany this notice. The notice must be
10 filed within 60 days after the recomputation or restatement of a prior
11 year's net income.

12 (h) In the case of additional tax due by reason of a modification,
13 recomputation, or determination of deficiency in a taxpayer's federal
14 income tax return, or by reason of a recomputation or restatement of a
15 prior year's net income, the period of limitation on assessment
16 commences from the date that the notice required in (f) or (g) of this
17 section is filed, and, if no notice is filed, the tax may be assessed
18 at any time.

19 Sec. 43.21.070. REVIEW AND ASSESSMENT. (a) As soon as practic-
20 able after a return is filed, the department shall examine it and
21 determine the correct amount of the tax. If an error is disclosed by
22 the examination, the department shall notify the taxpayer of the
23 deficiency.

24 (b) If a taxpayer fails to file a return in the time required by
25 law, or makes an erroneous or fraudulent return, the department shall
26 proceed to assess the tax and make a return from information which it
27 obtains. A return made and subscribed by the department is prima
28 facie sufficient for all legal purposes.

29 Sec. 43.21.080. REGULATIONS. The department may adopt regulations

1 in accordance with the Administrative Procedure Act (AS 44.62) as
2 appropriate to administer and enforce this chapter.

3 Sec. 43.21.090. PENALTIES. (a) A person who wilfully attempts
4 to evade the tax imposed by this title is, in addition to other penalties
5 provided by this title, guilty of a felony and, upon conviction, shall
6 be fined not more than \$5,000, or imprisoned for not more than five
7 years, or both.

8 (b) A person required under this title to collect, account for,
9 and pay over the tax imposed by this title who wilfully fails to
10 collect or truthfully account for and pay over the tax is, in addition
11 to other penalties provided by this title, guilty of a felony and,
12 upon conviction, shall be fined not more than \$5,000, or imprisoned
13 for not more than five years, or both.

14 (c) A person required under this title to pay a tax, make a
15 return, keep records, or supply information, who wilfully fails to pay
16 the tax or estimated tax, make the return, keep the records, or supply
17 the information, is, in addition to other penalties provided by this
18 title, guilty of a misdemeanor and, upon conviction, shall be fined
19 not more than \$5,000, or imprisoned for not more than one year, or
20 both.

21 (d) A person who wilfully makes and subscribes a return, state-
22 ment, or other document required under this title which contains or is
23 verified by a written declaration that it is made under the penalties
24 of perjury which he does not believe to be true and correct as to
25 every material matter is, in addition to other penalties provided by
26 this title, guilty of a felony and, upon conviction, shall be fined
27 not more than \$5,000, or imprisoned for not more than three years, or
28 both.

29 (e) A person who wilfully and knowingly aids or assists in, or

1 procures, or counsels the preparation or presentation in connection
2 with any matter arising under this title of a return, affidavit,
3 claim, or other document, which is fraudulent or is false as to any
4 material matter is guilty of a felony whether or not the falsity or
5 fraud is with the knowledge or consent of the person required to
6 present the return, affidavit, claim, or document, and, upon conviction,
7 shall be fined not more than \$5,000, or imprisoned for not more than
8 three years, or both.

9 (f) A person who wilfully delivers or discloses to the commis-
10 sioner or the department under this chapter any list, return, account,
11 statement, or other document, known by him to be fraudulent or to be
12 false as to any material matter shall be fined not more than \$1,000,
13 or imprisoned for not more than one year, or both.

14 (g) In this section, "person" includes, but is not limited to,
15 an officer or employee of a corporation who as officer or employee is
16 under a duty to perform the act in respect to which the violation
17 occurs.

18 Sec. 43.21.900. DEFINITIONS. In this chapter, unless the
19 context requires otherwise

20 (1) "base of operations" means the closest point on land to
21 the offshore oil and gas production operations from which goods,
22 services, and supplies flow to those offshore oil and gas production
23 operations;

24 (2) "department" means the Department of Revenue;

25 (3) "net amount of oil and gas energy units produced" means
26 gross production less any portion of the production which represents a
27 royalty interest, overriding royalty interest, production payment, or
28 any other interest in a lease concession, joint venture, or other
29 agreement for oil or gas production belonging to a third party;

1 (4) "unitary business" means a corporation or group of cor-
2 porations having at least 50 per cent common ownership, direct or
3 indirect, or a group of corporations in which there is common control
4 either direct or indirect as evidenced by any arrangement, contract,
5 or agreement.

6 * Sec. 2. AS 43.55.010(d) is amended to read:

7 (d) The tax imposed by this chapter is not in place of the tax
8 imposed by ch. 57 or ch. 21 of this title or income taxes or taxes
9 upon the retail sale of oil or gas products.

10 * Sec. 3. If any of the provisions of this Act relating to the incor-
11 poration into the apportionment formula of payroll, property, or extraction
12 arising out of activities conducted on the Outer Continental Shelf, or if
13 any other provisions of this Act are held to be invalid or unenforceable,
14 it is the intent of the legislature that the invalidity or unenforceability
15 does not affect the remainder of this Act.

16 * Sec. 4. This act takes effect January 1, 1978.
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Introduced: 3/11/77
Referred: Resources and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 237

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 exploration,
7 production, and pipeline and marine transportation
8 property tax; and providing for an effective date."

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

10 * Section 1. AS 43.56.010(d) is amended to read:

11 CHAPTER 56. OIL AND GAS EXPLORATION, PRODUCTION,
12 AND PIPELINE AND MARINE TRANSPORTATION PROPERTY TAXES.

13 (d) A tax paid to a municipality under AS 29.53.045 on or before
14 June 30 of the tax year shall be credited against the tax levied under
15 (a) of this section for that tax year. If, however, a tax is not paid
16 to a municipality until after June 30 of the taxable year, the depart-
17 ment upon application shall refund to the taxpayer the amount of tax
18 paid to the municipality under AS 29.53.045. The credit or refund of
19 taxes paid to a municipality may not exceed the total amount of tax
20 levied by the department upon the taxpayer for the tax year, under (a)
21 of this section. Current property taxes which are collected by one or
22 more municipalities under AS 29.53.055 or any other authority which
23 exceed the limitations set out in AS 29.53.045 or AS 29.53.050 are not
24 allowed as a credit against, or refund of, the tax levied under this
25 section. The credit or refund is only allowed for taxes paid for the
26 current tax year.

27 * Sec. 2. AS 43.56.060(a) is amended to read:

28 Sec. 43.56.060. ASSESSMENT. (a) The department shall assess
29 property for the tax levied under sec. 10(b) of this chapter and AS

1 29.53.045 on property used or committed by contract or other agreement
2 for use for the pipeline transportation of gas or unrefined oil, [OR]
3 for the production of gas or unrefined oil, for refining of gas or
4 unrefined oil, or for the processing, liquefaction, or manufacture of
5 natural gas or oil products at its full and true value as of January
6 1 of the assessment year. The department shall assess property for
7 the tax levied under sec. 10(b) of this chapter and AS 29.53.045 on
8 property used or committed by contract or other agreement for use in
9 the marine transportation of gas or unrefined oil during any portion
10 of the previous calendar year at its full and true value as of January
11 1 of the previous calendar year as apportioned under sec. 65 of this
12 chapter.

13 * Sec. 3. AS 43.56.060(e)(2) is amended to read:

14 (2) determined on each January 1 thereafter with due regard
15 to the economic value of the property based on the estimated life of
16 the proven reserves of gas or unrefined oil then technically, econom-
17 ically and legally deliverable into the transportation facility;
18 [HOWEVER, IF THE PROVEN RESERVES OF GAS OR UNREFINED OIL THEN TECHNI-
19 CALLY, ECONOMICALLY AND LEGALLY DELIVERABLE INDICATE AN ECONOMIC LIFE
20 MATERIALLY SHORTER THAN THE ESTIMATED PHYSICAL LIFE OF THE TRANSPORTA-
21 TION FACILITY, THE FULL AND TRUE VALUE IS THE ACTUAL COST REDUCED BY
22 AN ANNUAL ALLOWANCE FOR DEPRECIATION ON A STRAIGHT LINE BASIS OVER AN
23 ECONOMIC LIFE BASED ON THE ACTUAL ELAPSED LIFE FROM THE COMMENCEMENT
24 OF FULL OPERATION TO THE DATE OF ASSESSMENT PLUS THE ESTIMATED REMAIN-
25 ING LIFE OF THE PROVEN RESERVES OF GAS AND UNREFINED OIL THEN TECHNI-
26 CALLY, ECONOMICALLY AND LEGALLY DELIVERABLE INTO THE TRANSPORTATION
27 FACILITY AS OF THE DATE OF THE ASSESSMENT;]

28 * Sec. 4. AS 43.56.060 is amended by adding new subsections to read:

29 (h) The full and true value of taxable property used or committed

1 by contract or other agreement for the refining of gas or unrefined
2 oil or in the processing, liquefaction or manufacture of gas or oil
3 products is determined on the basis of replacement cost less deprecia-
4 tion based on the useful life of the property.

5 (i) The full and true value of taxable property used or
6 committed by contract or other agreement for the marine transportation
7 of gas or unrefined oil is determined on the basis of replacement cost
8 less depreciation based on the useful life of the property as apportioned
9 under sec. 65 of this chapter.

10 * Sec. 5. AS 43.56 is amended by adding a new section to read:

11 Sec. AS 43.56.065. METHOD OF APPORTIONMENT. (a) The full and
12 true value of the taxable marine transportation property shall be
13 apportioned to this state by multiplying that value by the days-spent-
14 in-port apportionment fraction. The numerator of the fraction is the
15 number of days spent in ports within the state loading or unloading
16 gas or unrefined oil, and the denominator of the fraction is the
17 number of days spent in ports both within the state and outside the
18 state loading or unloading gas or unrefined oil.

19 (b) For purposes of this section,

20 (1) "days spent in port" does not include periods when
21 ships are tied up because of strikes or withheld from service for
22 repairs, or because of seasonal reduction of service; days spent
23 in a port shall be computed by dividing the total number of hours in
24 that port by 24 and rounding to the nearest day;

25 (2) "port" includes a tanker terminal, dock, moorage,
26 another vessel or any other facility, fixed or floating, from which
27 gas or unrefined oil is loaded or unloaded.

28 * Sec. 6. AS 43.56.070 is amended by adding a new subsection to read:

29 (c) For purposes of this section, a return reporting marine

1 transportation values and days-spent-in-port information for the
2 previous calendar year shall be submitted to the department on a date
3 specified by regulation.

4 * Sec. 7. AS 43.56.210(6) is amended to read:

5 (6) "taxable property" means real and tangible personal
6 property within this state used or committed by contract or other
7 agreement for use [WITHIN THIS STATE] primarily in the exploration
8 for, production of, [OR] pipeline transportation of, refining of,
9 gas or unrefined oil, or in the processing, liquefaction or manufacture
10 of natural gas or oil products, including [(EXCEPT FOR] property used
11 [SOLELY] for the liquefaction [RETAIL DISTRIBUTION OR LIQUEFACTION] of
12 natural gas [)], or in the operation or maintenance of facilities used
13 in the exploration for, production of, [OR] pipeline transportation
14 of, refining of, gas or unrefined oil, or in the processing, liquefac-
15 tion or manufacture of natural gas or oil products, including machinery,
16 appliances, supplies, equipment, drilling rigs, wells (whether producing
17 or not), gathering lines and transmission lines, pumping stations,
18 compressor stations, power plants, topping plants, processing units,
19 refineries and refining equipment, gas processing plants and equip-
20 ment, liquefied natural gas facilities, roads, tank farms, tanker ter-
21 minals, docks and other port facilities, air strips and communication
22 equipment and facilities, maintenance equipment and facilities, and
23 maintenance camps and other related facilities; "taxable property"
24 also means property used or committed by contract or other agreement
25 for use primarily in the marine transportation of gas or unrefined oil
26 including tankers, all classes of crude carriers, ships, barges or
27 other marine vessels used in connection with the transportation of gas
28 or unrefined oil; "taxable property" does not include permanent resi-
29 dences, office buildings requiring substantial local government services,

1 property used for retail distribution of gas, oil or oil products, or
2 gas pipeline systems operated as utilities and regulated by the Alaska
3 Public Utilities Commission;

4 * Sec. 8. AS 29.53.045(b) is amended to read:

5 (b) A municipality may levy and collect a tax on the full and
6 true value of taxable property taxable under AS 43.56 as valued by the
7 Department of Revenue at a rate not to exceed that which produces an
8 amount of revenue from the total municipal property tax equivalent to
9 \$1,500 a year for each person residing within its boundaries. The
10 commissioner of revenue shall adjust the limitation provided for in
11 this section in accordance with changes in the Consumer Price Index
12 for Anchorage, Alaska, published by the Bureau of Labor Statistics,
13 United States Department of Labor. The adjusted limitation becomes
14 effective on the January 1 following its adjustment and applies to
15 taxes levied for that tax year. The Consumer Price Index for October
16 1976 is considered the initial Consumer Price Index. In making the
17 adjustments under this section, the commissioner shall comply with the
18 following procedure:

19 (1) after November 30 and before December 31 of each year
20 the commissioner shall calculate the change in the October Consumer
21 Price Index for the current year from the October Consumer Price Index
22 for the previous year;

23 (2) the commissioner shall then

24 (A) compute the percentage increase or decrease for
25 that period and

26 (B) adjust the most current limitation set out in this
27 section by the same percentage increase or decrease, rounded to
28 the nearest dollar;

29 (3) and report the adjusted limitation to each municipality

1 by January 15 of the following year.

2 * Sec. 9. AS 29.53.050(b) is amended to read:

3 (b) No municipality, or combination of municipalities occupying
4 the same geographical area, in whole or in part, may levy taxes (1)
5 which will result in tax revenues from all sources exceeding \$1,500
6 [\$1,000] a year, as adjusted in accordance with (c) of this section,
7 for each person residing within their boundaries or (2) upon values
8 which, when combined with the value of property otherwise taxable by
9 the municipality, exceed the product of 225 per cent of the average
10 per capita assessed full and true value of property in the state
11 multiplied by the number of residents of the taxing municipality. If
12 two or more municipalities occupying the same geographical area, in
13 whole or in part, attempt to levy a tax (1) the combined levy of which
14 would result in tax revenues from all sources exceeding \$1,500
15 [\$1,000] a year, as adjusted in accordance with (c) of this section,
16 for each person residing within their boundaries or (2) upon value
17 which, when combined with the value of property otherwise taxable by
18 the municipality, exceed the product of 225 per cent of the average
19 per capita assessed full and true value of property in the state
20 multiplied by the number of residents of the taxing municipality, the
21 commissioner of community and regional affairs shall apportion the
22 lawful levy and equitably divide these revenues on the basis of need,
23 services performed and other considerations in the public interest.
24 For the purpose of this subsection, population shall be determined by
25 the commissioner of community and regional affairs based on the latest
26 statistics of the United States Bureau of the Census or on other
27 reliable population data. For purposes of this subsection the average
28 per capita assessed full and true value of property in the state shall
29 be calculated without regard to the assessed value of taxable property

1 under AS 43.58.

2 * Sec. 10. AS 29.53.050 is amended by adding a new subsection to read:

3 (c) The commissioner of revenue shall adjust the \$1,500 per
4 person per year limitation provided for in (b) of this section in
5 accordance with changes in the Consumer Price Index for Anchorage,
6 Alaska, published by the Bureau of Labor Statistics, United States
7 Department of Labor. The adjusted limitation becomes effective on the
8 January 1 following its adjustment and applies to taxes levied for
9 that tax year. The Consumer Price Index for October 1976 is considered
10 the initial Consumer Price Index. In making the adjustments under
11 this section, the commissioner shall comply with the following procedure:

12 (1) after November 30 and before December 31 of each year
13 the commissioner shall calculate the change in the October Consumer
14 Price Index for the current year from the October Consumer Price Index
15 for the previous year;

16 (2) the commissioner shall then

17 (A) compute the percentage increase or decrease for
18 that period and

19 (B) adjust the most current limitation set out in this
20 section by the same percentage increase or decrease, rounded to
21 the nearest dollar;

22 (3) and report the adjusted limitation to each municipality
23 by January 15 of the following year.

24 * Sec. 11. If a provision of this Act relating to taxation of marine
25 transportation property or any other provision of this Act is held invalid
26 or unenforceable, it is the intent of the legislature that the invalidity
27 or unenforceability of that provision does not affect the validity or en-
28 forceability of any other provision of this Act.

29 * Sec. 12. This Act is retroactive to January 1, 1977, except that

1 marine transportation property shall be assessed in accordance with AS
2 43.56.060(a) for the first time in 1978 under the assessment and collection
3 procedures set out in AS 43.56 based upon its apportioned value during
4 1977.

5 * Sec. 13. This Act takes effect immediately in accordance with AS
6 01.10.070(c).

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Introduced: 3/11/77
Referred: Resources and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 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
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 expenses.

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

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

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

26 (a) The gross production tax on oil or gas shall be paid monthly.
27 The tax is due on the 20th [LAST] day of each calendar month on oil or
28 gas produced [REMOVED OR SOLD] from each lease or property during the
29 preceding month. If the tax is not paid before the end of the month

1 in which it becomes due, the tax becomes delinquent.

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

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

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

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

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

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

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

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

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

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

27 (A) for oil, the value of the oil at the point where it
28 is metered or measured (by automatic custody transfer meter, tank
29 gauge, or other method approved by the commissioner) in a condition

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

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

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

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

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

12 (14) "pipeline quality" means good and merchantable condition

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

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

17 * Sec. 9. This Act takes effect July 1, 1977 and applies to production
18 during the month of July 1977 and succeeding months.
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Original sponsor: Rules Committee by
request of the Governor

Offered: 5/2/77
Referred: Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 238

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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7 tion tax; and providing for an effective date."

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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 \$.65 per barrel of taxable
25 oil produced from the lease or property, as adjusted by sec. 12 of this
26 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, an amount not less than \$.05 for each barrel of