

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
1459 SCOMM 55: INT. SPEC. COMM. ON STATE TAX POLICY, 1986-1987

1257

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

REPLY TO:

☐ 1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

☐ 1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

☒ P.O. BOX K-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

December 19, 1986

John Hartle
Representative John Sund's Office
P.O. Box V
Juneau, AK 99811

Dear Mr. Hartle:

You have asked that I provide you with the names of some people who might be good consultants to the Committee on Tax Policy. What follows should not be regarded as an exhaustive list. These are just some people that I am familiar with through my work in this area.

1. Prof. Ed Deakin
Accounting Department
University of Texas
Austin, Texas

You have seen Professor Deakin's affidavit that we submitted in support of the separate accounting litigation. Ed is a professor of accounting, and can be of great assistance in analyzing tax returns, annual reports and the like.

2. Taxecon - Thomas Horst et al.

You have said that these folks contacted you directly. We have used Taxecon in both the separate accounting litigation and in the TAPS dispute. As they told you, they have done tax consulting for quite a few states.

3. Walter Hellerstein
Of Counsel
Morrison & Foerster
2000 Pennsylvania Ave., N.W.
Suite 5500
Washington, D.C. 20006

Walter and his father Jerome have both written extensively in the area of state and local taxation. Walter worked with the state on the timber primary processing litigation; his new book "State and Local Taxation of Natural Resources in the Federal System" is an excellent reference in

John Hartle
Representative John Sund's Office

December 19, 1986
Page 2

this area. Walter is a national authority on the constitutional limitations of state taxation.

4. Norman Rusch
917 Lakewood Road
Fairfield Glade, Tennessee 38555

Norm used to be the head of Shell Oil's tax department, and is now consulting. He has been a long-time proponent of separate accounting for oil production income, and was so for Shell whether or not that position cost the company money. He could speak with an industry perspective to such issues as what is "marginal," tax effects on industry incentives and the like.

5. Stuart Smith
Shea & Gould
330 Madison Avenue
New York, N.Y. 10007

Stuart was in the Solicitor General's office for years, and handled all the interstate taxation issues. He is now in private practice. As well as being an expert in interstate taxation, Stuart would bring a federal perspective to the inquiry; that is, he could address issues like how likely is it that Congress will impose a cap on state severance taxes; how likely is it that Congress will require states to abandon worldwide unitary apportionment.

Sincerely,

RONALD W. LORENSEN
ACTING ATTORNEY GENERAL

By: 
Deborah Vogt
Assistant Attorney General

DV:jf

cc: Gregg Erickson
OMB
Royce Weller
Department of Revenue

YTD AUTHORIZATION BALANCE
COLLOCATION CODE EXPENDITURES BY ACCOUNT
31925641-87 JSC ON TAX POLICY
COA:1987

RRN:0016640 RSN:00749 12/10/86
HISTORICAL

ENTITY NUMBER - DESCRIPTION	AUTHORIZED BUDGET	OBLIGATED EXP/ENC	BALANCE
S** 70000 TOTAL EXPENDITURES	140,000	10,326	129,674
S** 71000 PERSONAL SERVICES	140,000	0	140,000
S** 72000 TRAVEL	0	10,236	10,236-
S** 73000 OTHER SRVCS & CHARGE	0	84	84-
S** 74000 SUPPLIES	0	6	6-

FOR NEXT SECTION ENTER==> NUMBER _____ YEAR _____ LEVEL LIMIT ____
PF1=MENU PF6=RPT REQUEST MAINTENANCE

MARGO W. WARING
1215 Fifth Street
Douglas, AK 99824
(907) 364-3155 (Home)

EDUCATIONAL RECORD

1963	Washington Square College, New York University BA Major: English Language and Literature Minor: History, Philosophy
1965	University of Illinois, Urbana, Illinois MA Major: English Literature
1969	University of Wisconsin, Madison, Wisconsin [PhD] ABD Major: English Language and Literature

HONORS

New York University	Phi Beta Kappa, graduation "cum laude", three awards for scholarship and leadership, New York State and New York University scholarships
University of Illinois	University Fellowship
University of Wisconsin	Ford Foundation Fellowship

ADDITIONAL EDUCATION

University of Alaska, Juneau: Statistics; Computer Use. American Management Institute: Supervisory Management. State of Alaska: Public Participation in Planning. New York University: Environmental Decision Analysis. American Society of Planning Officials: Onshore Impacts of Outer Continental Shelf Development. University of Washington: Environmental Mediation.

PUBLICATIONS

Ethics, A Handbook for Public Employees
State of Alaska, December 1986, 12 pp,

Ethics, a Handbook for Members of Boards and Commission
State of Alaska, 1986, 12 pp,

Budget Reserve Fund (co-author)
Office of Management and Budget, January 1986
31 pp.

The Energy Program for Alaska - Origins and Evolution
Office of Management and Budget, March 1985
122 pp.

PUBLICATIONS (cont.)

"Resources in Review," Review of Fiscal Federalism and the Taxation of Natural Resources,
McClure, March 1983.

Inventory: Executive Branch Long-Range Planning Projects
Office of Management and Budget, 1983
112 pp.

Deinstitutionalization
Department of Health and Social Services, 1975
44 pp.

Issues in Alaska's Environment
Alaska Department of Environmental Conservation, 1978, 70 pp.

Wetlands' Policies/Wetlands Conference Proceedings
Alaska Department of Environmental Conservation, 1979

Coal Development/Impact Mitigation
National Academy of Sciences, 1980

The Politics of Jealousy
Governor's Office, 1981

Resource Revenues, Conference Proceedings
Governor's Office, 1981

Report to the Governor, 1980
Governor's Office, 1981

JOB EXPERIENCE

February 1983-1987

Principal Analyst
Governor's Office
Office of Management and Budget

Responsible for providing high-level technical policy analysis, especially for developing policy analyses relating to legislation and to key state financial issues. Special work on energy policies and projects, and Budget Reserve Fund related fiscal issues. Function independently under general supervision.

Reference: Gordon S. Harrison

1981 - 1983

Senior Policy Analyst
Legislative Budget and Audit Committee

	Responsible for development of a program to meet new statutory obligations of the Legislative Budget and Audit Committee in oversight of the state's investment and lending programs; analysis,
1981 - 1983 (cont.)	design and implementation of information collection and performance evaluations, multi-program policy coordination, coordination with relevant executive and legislative programs; dealing with the public; conferences and contract development and compliance. Also responsible for analysis of legislation and for development and analysis of legislation in the natural resources area. Function independently under general direction of the chairman.
1980	Policy and Program Specialist I Office of the Governor Sole professional staff to the Governor's Growth Policy Council. Responsible for policy development and analysis in economic, taxation, local government, and renewable resource development areas: development of position papers, conferences, media presentations, and publications; development and analysis of proposed legislation, interaction with the public and Governor's immediate staff. Function under general directions from the Lt. Governor and the director, Division of Policy Development and Planning.
1980	Policy Planner/Analyst Senator Arliss Sturgulewski Responsible for analysis of policy issues and development of legislation in health care, coastal zone management, revenues and the permanent fund, capital projects, energy issues, local government organization.
1977	Senior Planner Division of Planning, Department of Environmental Conservation Responsible for the development, production of the Alaska Environmental Plan; water resources planning, including development of watershed and wetlands policies, design of and criteria for state water quality certification program; departmental legislation and legislative analysis.

1975

Associate Planner

Office of Planning and Research, Department of Health and Social Services

Responsible for design and management of and review and comment for departmental A-95 Clearinghouse; health care policy; health manpower planning for mid-level practitioners; technical assistance to state and local agencies; extensive work with citizen and advisory groups; special projects; emergency medical services program development; multi-agency review and decision process; departmental policies for OCS, including social impact assessment study and management policies.

1974

Associate Coordinator

Office of Development Disabilities, Department of Health and Social Services

Work with interest groups and state agencies to plan for and coordinate statewide services; developed Alaska Deinstitutionalization Plan; needs assessment; statistical data gathering and analysis; writing State Plan and Manual for Grant Management and evaluation; draft legislation and policy position.

Supervisory

1973

Information Officer/Outreach Consultant

Division of Family and Health Services, Department of Health and Social Services

Data gathering for assessment of statewide information needs; printed materials development and distribution, in addition to radio, TV, media appearances. Internal and external information functions (booklets, reports, workshops, etc.) for newly introduced Supplemental Security Income Program.

Supervisory.

1973

Proofreader for Legislature
Legislative Affairs Agency

Alaska Department of Revenue
Various Tax Types, Statutes, Rates, Incidence, Revenues
1986

<u>Statute</u>	<u>Tax Type</u>	<u>Yr. Estab.</u> <u>(Last Am.)</u>	<u>Effective Tax Rate</u>	<u>Tax Incidence</u>	<u>Revenues (projected)</u>		<u>FY 87</u>	<u>FY 86</u>
					<u>FY 85</u>	<u>FY 86</u>		
AS 10.25.550 - 555	Elec. & Tele. Coop. Tax	Elec. 1960 Tele. 1955 (1980)	1% under 5 yrs. 2% over 5 yrs.	gross receipts	1,600	1,800	1,600	1,600
AS 16.51	Seafood Marketing Assessment	1981	.002%	Purchase Price or Value	1,000	1,000	1,000	1,000
AS 21.09.210	Insurance Premium Tax	1939 (1986)	2.7% for Domestic and Foreign 6. % Hosiptal and Medical Service Corp's	Premium	17,500	18,000	16,000	16,000
AS 43.20	Corporate Income Tax	1949 (1982)	1% to 9.4%	Net Income	204,600	220,000	200,000	190,000
AS 43.31	Alaska Estate Tax	1919 (1980)	limited to Fed. credit for state tax	Estate	500	600	600	600
AS 43.35	Coin Operated Devices and Punchboards	1947						
AS 43.40	Motor Fuel Tax	1945 (1983)	Marine 5¢ per gallon Highway 8¢ per gallon Aircraft 4¢ gas 2.5¢ jet fuel	Excise	4,300 23,700 8,000	4,000 22,500 8,000	4,700 22,500 8,000	4,700 23,000 8,000
AS 43.50	Tobacco Tax	1955 (1985)	8 mills (16¢ per pack)	Excise	2,000	5,700	7,500	7,500

<u>Statute</u>	<u>Tax Type</u>	<u>Yr. Etab.</u> <u>(Last Am.)</u>	<u>Effective Tax Rate</u>	<u>Tax Incidence</u>	<u>Revenues (projected)</u>		<u>FY 65</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>
AS 43.55	Oil & Gas Properties Production Tax	1955 (1981)	12.25% or 15% of gross value (or 60¢ per barrel) at point of production multiplied by E.L.F.	Severance	1,386,700	1,114,300	770,500	533,000		
AS 43.56	Oil & Gas Exploration, Production & Pipeline Transportation Property Tax	1973 (1981)	20 mills	Property	128,400	98,900	89,000	81,000		
AS 43.57	Oil & Gas Regulation and Conservation Tax	1955 (1973)	one eighth of one cent per barrel	Severance	700	700	700	700		
AS 43.60	Excise Tax on Intoxicating Liquors	1933 (1983)	malts 35¢ per gallon wines 85¢ per gallon distilled \$5.60 per gallon	Excise	13,900	13,900	13,900	13,900		
AS 43.65	Mining License Tax	1913 (1980)	3% to 7%	Net Income	300	300	300	400		
AS 43.70	Alaska Business License Tax	1949 (1984)	\$25.00 fee	Annual Fee	36,000*	2,000	2,000	2,000		
AS 43.75	Fisheries Business Tax	1913 (1986)	Canned Salmon, shore/based 45% shore/based 3.0% Floating 5.0%	Purchase Price or Value	5,600 8,500 4,800	5,200 9,000 5,000	5,200 9,000 5,000	5,200 9,000 5,000		
AS 43.76	Salmon Enhancement Tax	1980 (1981)	Cook Inlet 2% Prince William Sound 2% Northern Southeast 3% Southern Southeast 3%	Purchase Price or Value	2,000	4,200	4,200	4,200		

* The large amounts in FY 85 are the result of litigation in favor of the State on gross receipts taxes for years prior to 1979.

THE FOLLOWING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

December 19, 1986

Representative John Sund
Chairman Joint Tax Policy Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Sund:

Per my telephone conversation with Mr. John Hartle, The Policy Economics Group is pleased to provide you with a brief description of the tax analysis and policy services we offer. This letter is organized as follows:

- Overview of The Policy Economics Group
- Policy Economics proprietary tax models and data bases
- Summary of services

1. The Policy Economics Group

The Policy Economics Group is widely recognized as the leading tax analysis, policy, and revenue estimating firm in the U.S. Today. We have gained this position by virtue of our proprietary microsimulation tax models, data bases and the unparalleled qualifications of our professional staff.

In the early 1980's, we developed a large scale comprehensive computer models and data bases to simulate federal and state income tax systems. Our models contain more than 20,000 lines of computer coding, and the data bases were constructed by a unique process that merges information from actual IRS Tax Returns and Data from the current population survey. Other information items were added by the application of statistical and econometric techniques to a number of specialized data sources. Our models are designed to simulate Federal and state tax revenues for every state and to analyze Tax Policy Options for each state, including Alaska.

The professionals of The Policy Economics Group helped design and construct the data bases and models used by the U.S. Treasury and The Joint Committee on Taxation to analyze The Tax Reform Act of 1986. Current clients also include the States of Michigan, Minnesota, Maryland, Virginia, California, New York, New Jersey and The Commonwealth of Puerto Rico. Attachment 1 provides a selected list of our clients.

The Professional staff of the Policy Economics Group comprises of the leading authorities in the fields of tax policy,

**Policy
Economics
Group**

1730 M Street, NW
Suite 910
Washington, DC 20036
(202) 822-0721

State Street Centre
at 80 State Street
Suite 1003
Albany, NY 12207
(518) 462-4521

tax modeling, and revenue estimating. Many members of our staff have held Senior positions in The Treasury department, Joint Tax Committee, and the office of management and budget. Attachment 2 provides brief descriptions of select members of our staff.

2. Policy Economics Proprietary Tax Data Bases and Models

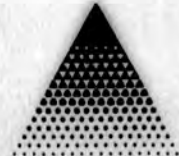
The Policy Economics federal tax models are similar to the models our professionals helped develop for The Department of the Treasury and The U.S. Joint Committee on Taxation. Our current data bases have been enhanced with additional public use computer files and are larger than those used by the Treasury. We have also expanded our tax model to permit the simulation of state tax liabilities by developing a set of individual state tax calculators, and by developing an individual data base for each state. The Policy Economics Personal Income Tax Model is therefore able to examine federal and state tax revenues for every state.

(1) Individual Data Base

The basic structure of the Policy Economics data base is derived from a statistical merger of a sample of Federal income tax returns and the Current Population Survey. The statistical procedures used in creating this data base were the same as those used by Policy Economics to assist in the preparation of the personal income tax data base currently used by the U.S. Department of the Treasury.

The tax return data are from the 1981 Statistics of Income (SOI) file that is generated annually by the Internal Revenue Service and were extrapolated to 1986 levels. This data file contains approximately 140,000 actual tax returns and is the data file that the U.S. Treasury Department has used as the primary data source for Treasury and Joint Tax Committee tax analyses. The returns in the file are a stratified, random sample from all returns filed, and each return has a statistical weight indicating the number of returns it represents in the U.S. population.

Data from the 1983 Current Population Survey that were merged with the tax data are from a sample of approximately 70,000 records. These data include demographic information, nontax filer information, and information on nontaxable income sources not found on the Statistics of Income file. Like the tax data described above, the data in this large sample were statistically weighted to represent the entire U.S. population.



To merge these two large data files, a linear programming model was developed that matched the records on the files on the basis of comparable information found on both files. Such information includes income, marital status, family size, homeownership, and other items. The merging of these two files produces a significantly enhanced file that combines the income and tax information from the Statistics of Income data with the demographic characteristics and information on nontax filers and nontaxable income sources from the Current Population Survey. The combined file includes over 500 items of information for each record. Attachment 3 provides a list of selected taxpayer characteristics.

In addition to the merge of the Statistics of Income and Current Population Survey data, the Policy Economics tax data base has been further expanded by adding information on income sources, expenditures, and asset holdings not available in either of these data bases. The techniques used to further expand the data base were essentially the same as those for merging the two larger data bases. The further expansion of the data base involved a major data collection effort by Policy Economics as well as the extensive statistical process of imputing additional information to the file.

As a result, Policy Economics has imputed to each record on the file such information as the industry in which taxpayers are employed, fringe benefits, employer-paid benefits, detailed consumption expenditures, and school enrollment status. During the imputation process, consistency checks were employed to assure that the totals for each of the imputed items are consistent with aggregate data for the U.S. economy.

The records in the file are classified by the state of residence. This classification serves as the basis for our state models and for the analysis of federal-state tax relationships.

(2) The Individual Tax Model

The model replicates the process undertaken by taxpayers to minimize Federal tax liability or maximize after-tax income. Each simulation produces tax liability under current law and proposed law and displays the resulting changes in tax liabilities over a large range of taxpayer return, income and demographic characteristics. In effect, the model calculates the tax bill for each sample household and aggregates the results.



Because of the availability of this uniquely large data base for tax analysis, the Policy Economics model can analyze a very broad spectrum of tax changes, from the comprehensive proposals such as those made by the U.S. Treasury, the House Ways and Means Committee and the Senate Finance Committee, to specific changes in individual provisions in the federal tax code. Further, the data base can be used to develop tax plans at the federal and state levels that are based on any type of income, property, sales, or other taxable items, as well as items that have been previously untaxed, such as consumption and asset characteristics of state taxpayers. The type of information provided includes a count of the number of returns effected, the distribution of returns and amount of tax change by level of income.

The state tax models are designed to perform the same type of analyses as the federal model. These models can be used to simulate state law changes or to capture the effect of federal changes on state taxes that are "coupled" to federal law. The model separately incorporates and simulates the tax law of each of the 44 states with an income tax and the same model output is available for any particular state on the effects of state tax law changes as described above for federal tax law changes. An overview of the general structure of the model is shown in Attachment 4.

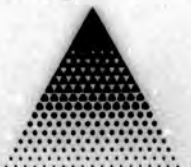
(3) Corporate Data Base

The Policy Economics Group has created a microfile of U.S. corporate income tax returns. This microfile is based upon corporate income tax return information published in the 1982 U.S. Statistics of Income Corporation Source Book by the Internal Revenue Service. This file contains approximately 130,000 records and a statistical weighting procedure has been utilized so that the file is a reliable representation of all corporations in the U.S. This file has been extrapolated to future years using the firm's proprietary software.

The data base was enhanced by making additional imputations to the file. In total, 20 variables were imputed to the file. These variables fall into four classes: employment, minimum tax, cost of property, and book income.

(4) The Corporate Model

The corporate model is logically similar to the individual model. It essentially replicates the calculation used by



corporations to determine income subject to tax. The model calculates the tax revenues for any tax proposal for all U.S. corporations. In effect, the model calculates the tax bill for each corporation and aggregates the results. Each simulation produces tax liability under one law and compares it to tax liability under a proposed tax law alternative. Attachment 5 presents an overview of the corporate tax calculator.

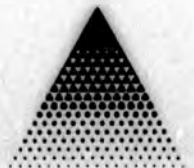
There are three basic inputs to the tax calculator: 1) the parameter file; (2) the data base; and (3) software imputations and behavioral responses. The parameter file, includes statutory tax rates and brackets for the regular and the minimum tax. The tax calculator determines three separate tax liability amounts: regular tax, alternative tax on capital gains, and the minimum tax. The model then decides which tax the company will pay.

The model also determines the allowable tax credits. For the enacted elimination of the investment tax credit, for example, the calculator accesses a file created by the Policy Economics depreciation model to determine the percent change in tentative credit for each of 55 industries. The change, if any, in the tentative credit, in conjunction with the change in tax before credits and the parameter file determines the amount of credits claimed and tax after credits.

Attachment 6 shows the list of variables for the corporate model, and attachment 7 describes the parameter file of the corporate model.

(5) User Benefits

The Policy Economics Group is the only firm in the U.S. to offer microsimulation models and our unique data bases. The capability of our modles cannot be replicated by any revenue forecasting models, econometric uses of aggregate data, or representative taxpayer analysis. All tax model capabilities currently offered by other consultants are either based on the development of sets of equations, "typical" tax profiles, or a small number of data bases to estimate receipts and tax liabilities for limited classes of taxpayers. Non-microsimulation models cannot be used to estimate the impact of sophisticated tax proposals, the effects on certain groups of taxpayers for which aggregate data do not exist, and the distributional effects of tax changes.



Only the Policy Economics tax models are based on samples of actual tax returns and feature the use of tax liability minimization protocols that are built into the model's software to enable the model to simulate individual taxpayer behavioral choices to maximize after-tax income. Further, only the Policy Economics data bases contain over 500 economic and demographic characteristics for each taxpayer return in the data base, so that the models can be used for a wide range of tax analyses and alternative tax plans.

Our models and data bases allow the user to predict with a great degree of accuracy the revenue and distributional consequences of the most sophisticated tax proposals. As the U.S. Treasury found:

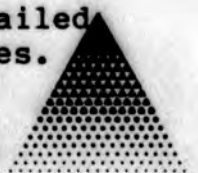
"It (was) apparent that a microanalysis which studies the fundamental interacting parameter and decision rules of the tax law as it is applied to individual taxpayers is needed. . . From a research viewpoint, simulation has been very important because it has increased the range and scope of feasible predictions. It also allows for more extensive testing of hypothesis and theories which can be embodied in the simulation. From a policy, viewpoint, simulation was essential because policymakers in the tax area usually require predictions about the combined effect of many interacting changes." (Roy A. Wisecarver, Office of the Secretary of the Treasury, Office of Tax Analysis, November 1982.)

Attachment 8 presents actual simulations of The Policy Economics individual model, and Attachment 9 presents actual simulations of our corporate model.

3. Overview of Services

The Policy Economics Group offers a range of tax modeling, tax policy, and fiscal analysis services to state government policy makers. We can provide our clients with comprehensive tax design services that entails custom modeling, policy analysis, and tax administration counsel, or we can be retained to "run" our models to review a client's own revenue projections. The services we provide include:

- Operation of our own models and data bases to review client analysis.
- Use of our models and data bases to provide detailed estimates of Federal and State Income Tax Liabilities.

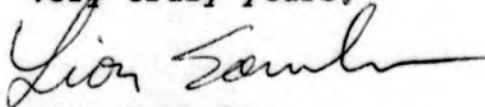


- Development of custom comprehensive tax models and data bases using our proprietary techniques and software to permit more detailed and comprehensive tax analysis and simulation.
- Construction and installation of custom models on the client's hardware to permit the client to conduct their own analyses.
- Aid in designing tax systems including tax administration procedures.
- Assistance for special projects in revenue estimation and forecasting, evaluation of government debt structures, development of fiscal strategies, and other financing and budgeting services.

* * * * *

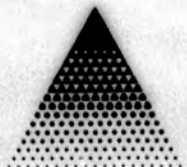
I hope you will find our services to be of potential use to the state of Alaska. If you have any questions or wish to receive additional information, please do not hesitate to call me at (202) 822-0721.

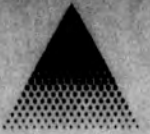
Very truly yours,



Lior Samuelson
Senior Vice President

MW-90





Attachment 1

**Selected Clients Of The
Policy Economics Group**

Government Sector Clients

Advisory Commission on Intergovernmental Relations

State of California:

Franchise Tax Board

Legislative Analyst Office

State of Kentucky

State of Maryland

State of Michigan

State of Minnesota

State of Montana

New York City

State of New Jersey

State of New York:

Department of the Budget

Department of Taxation and Finance

Commonwealth of Puerto Rico

State of Rhode Island

Small Business Administration

State of South Carolina

U.S. Department of the Treasury

State of Virginia

Major Corporations

Chrysler Corporation

Johnson & Johnson Company

NYNEX

Prudential Insurance Company of America

Joseph E. Seagram & Sons

Associations, Law Firms, and Other Clients

American Council for Capital Formation

American Horse Council

American Insurance Association

American Trucking Association, Inc.

Bear, Stearns & Company

Business Roundtable

Coalition Against Regressive Taxation

Covington and Burling

Dewey, Ballantine, Bushby, Palmer and Wood

Distilled Spirits Council of the United States, Inc.

William Hill Organization

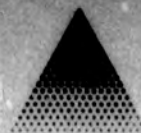
King and Spaulding

Miller and Chevalier

Morgan, Lewis & Bockius

Morrison & Foerster

National Association of Realtors



Attachment 1

**Selected Clients Of The
Policy Economics Group**

(Con't)

National Stone Association
Patton, Boggs & Blow
Peat, Marwick, & Mitchell
Regional Municipal Securities Association
Steptoe & Johnson
The Tobacco Institute



Attachment 2

**Biographical Sketches Of Selected
Policy Economics Professional Staff**

Thomas E. Vasquez, Ph.D. - Dr. Vasquez, President of the Policy Economics Group is the leading authority on the construction of microsimulation tax models and data bases. He led the construction of the U.S. Treasury models and our own proprietary model. Dr. Vasquez has led modeling and simulation projects for several Federal Clients and over 15 states. Before joining The Policy Economics Group he held the position of Deputy Director of the Office of Tax Analysis in the U.S. Treasury. In that position he directed a large staff responsible for evaluating tax policy proposals initiated by the Administration and Congress, preparing the official forecast of federal government receipts, and preparing congressionally mandated tax policy studies.

Darwin Johnson, Ph.D. - Dr. Johnson, a Senior Vice President of The Policy Economics Group, is a leading authority on the impact of economic and tax policies on governmental budgets and fiscal policies. He has led policy assignments for the Federal Government and several States. Prior to joining the Policy Economics Group, Dr. Johnson was Chief of the Fiscal Analysis Branch at the Office of Management and Budget.

Lior Samuelson - Mr. Samuelson is a Senior Vice President of the Policy Economics Group where he specializes in directing tax reform projects. He is currently managing a comprehensive tax reform for the Commonwealth of Puerto Rico, which includes the design of Individual and Business Income Tax Systems, Excise Taxes, and a Tax Administration system. Before joining the Policy Economics Group, Mr. Samuelson was director of Economics at Booz Allen, Hamilton, Inc., where he directed projects for Federal, State, and Commercial Clients.

Harvey Galper, Ph.D., Is a Senior Associate of The Policy Economics Group. Dr. Galper is a well known authority in the area of tax policy and modeling. He also serves as a Senior fellow at the Brookings Institution. He is a former Director of the Office of Tax Analysis in the United States Department of the Treasury and served with the Advisory Commission on Intergovernmental Relations as a Senior Public Finance Resident. Dr. Galper has published extensively on Federal and state tax policy.

Henry Aaron, Ph.D., Is a Senior Associate of the Policy Economics Group. Dr. Aaron is an expert in analyzing economic and fiscal policies and also serves as a fellow at the Brookings Institution. He has served in several capacities in government, including Assistant Secretary of Planning and Evaluation of the Department of Health, Education and Welfare and Chairman of the Advisory Council on Social Security. Dr. Aaron has published extensively on a wide variety of economic and tax issues.

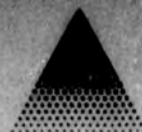


Hugh T. Connelly, Ph.D. Is a Senior Economist with the Policy Economics Group. Dr. Connelly specializes in the modeling and analysis of individual income taxes. He is a former Senior Economist with the Federal Office of Management and Budget, where he was responsible for the preparation of budgetary and economic analyses used to support Federal budget policy. Dr. Connelly has extensive experience in the development of econometric and computer models to measure the effects of economic and policy assumptions on the economy, credit activity and economic forecasts.

Sergio Madrigal, Ph.D. Is a Senior Economist with The Policy Economics Group. Dr. Madrigal is an expert systems analyst and Econometrician. Dr. Madrigal constructed the firm's Federal personal tax model in 1984 and is highly knowledgeable of the Federal tax structure and the Policy Economics tax model and data base used to analyze it. Prior to joining The Policy Economics Group, Dr. Madrigal was a Senior Economist with the U.S. Treasury and Bell Labs.

William T. Sutton, Is a Senior Economist with The Policy Economics Group where he specializes in Tax Reform Design and Policy. Mr. Sutton has worked in the areas of tax policy and tax reform, first as a staff economist at the Joint Committee on Taxation, U.S. Congress and as a Senior Economist with the U.S. Treasury Department. Mr. Sutton has worked extensively on the development of computer simulation models of Federal tax reform policy and on the design of major elements of tax reform proposals.

Helmut Wendall, Ph.D., an Associate Economist with the Policy Economics Group is an expert on Budgeting Issues. Dr. Wendall joined the Policy Economics staff after a long tenure at the Federal Reserve Board, most recently as the Deputy Associate Director in the Division of Research and Statistics and prior to that as the Chief of the Government Finance Section. Dr. Wendall has worked extensively on Federal tax and budgeting issues.



Attachment #3

The Policy Economics Group
Federal and State Tax Data Base
Selected Taxpayer Characteristics

State of Residence

Marital Status, Sex and Age

Family Size and Age of All Family Members

Employment Status

Industry of Taxpayer

Weeks Worked During the Year

Weeks in the Labor Force

Duration of Unemployment

Weekly Earnings

Income Items

Salaries and Wages

Interest

Dividends

State Income Tax Refunds

Alimony Received

Business and Profession Net Profit or Loss

Capital Gain or Loss

Pensions and Annuities

Partnership and Sole Proprietorship Income

Small Business Corporation Income

Unemployment Compensation

Rents and Royalties

Farm Income or Loss

Adjustments to Income

Payments to IRA and Keogh Plans

Alimony Paid

Employee Business Expenses

moving expenses

**Other Adjustments****Transfer Payments**

General Assistance

AFDC

Child Care

Social Security

SSI

Government Pensions

Workers' Compensation

Veterans Benefits

Private Pensions

Railroad Retirement

State Retirement

Employer Contributions

Pension and Profit Sharing Plans

Group Health and Medical Insurance

Unemployment Insurance

Workers' Compensation

Life Insurance Premiums

Other Contributions, including PUTA, SECA and FICA.

Itemized Deductions

Medical and Dental

Taxes Paid

State and Local Income Taxes

Real Estate

General Sales

Motor Vehicle

Personal Property

Other

Interest Paid

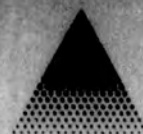
Home Mortgage Interest

Consumer Interest

Other Interest

Charitable Contributions

Miscellaneous (Casualty and Theft, Other)

**Federal Tax Liability**

Tax Liability (Before Credits)

Tax Credits

Investment Tax Credit

Child Care

Energy Credits

Other

Minimum Tax

Tax Preferences (Capital Gains, Depreciation, etc.)

Exclusions

Minimum Tax Liability

State Tax Liability (where applicable)

Tax Liability (Before Credits)

Tax Credits

Investment Tax Credit

Child Care

Energy Credits

Other

Minimum Tax

Tax Preferences (Capital Gains, Depreciation, etc.)

Exclusions

Minimum Tax Liability

Unreported and Underreported Income by Major Income Types**Earnings on Pension Funds, Annuities and Life Insurance Policies****Fringe Benefits**

Employee Discounts, Awards and Bonuses

Employee Savings Plans

Educational Assistance

Company Automobiles

Other

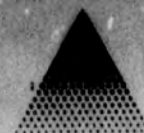
Consumption Items

Automobiles

Major Durables and Appliances

Food

Housing



Shelter

Fuel

Utilities

Household Operations

Other

Transportation

Gasoline and Oil

Maintenance and Repairs

Other

Other Consumption

Health and Medical Care

Miscellaneous

Assets and Wealth

Personal Residences

Corporate Stock

Tax-Exempt Bonds

IRA and Keough Plans

Pensions

Whole Life Insurance

Checkable Deposits and Currency

Time and Savings Deposits

Money Market Fund Shares

Taxable Bonds

Household Durables and Inventories

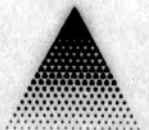
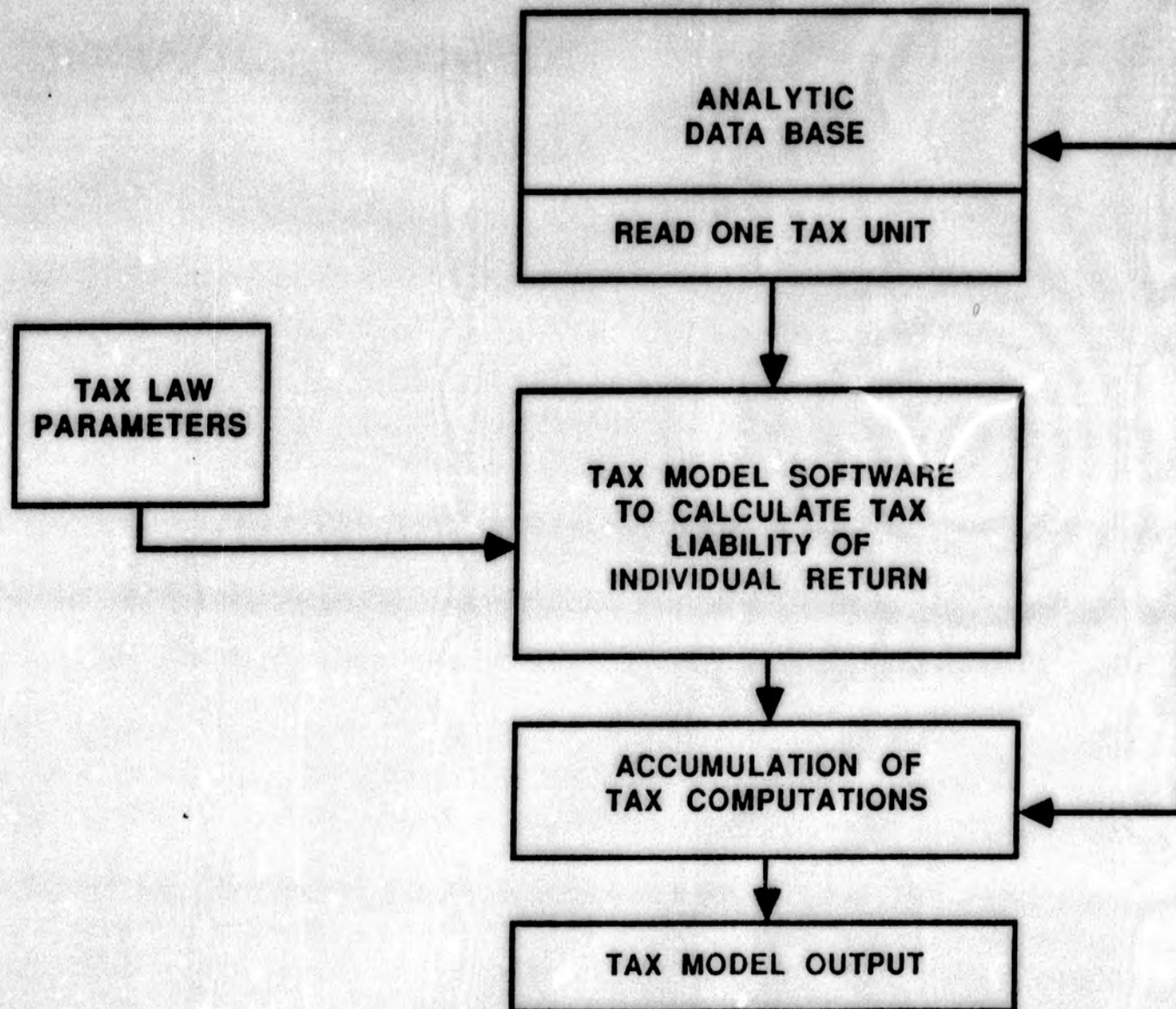
Mortgage Debt

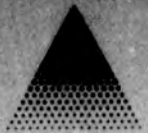
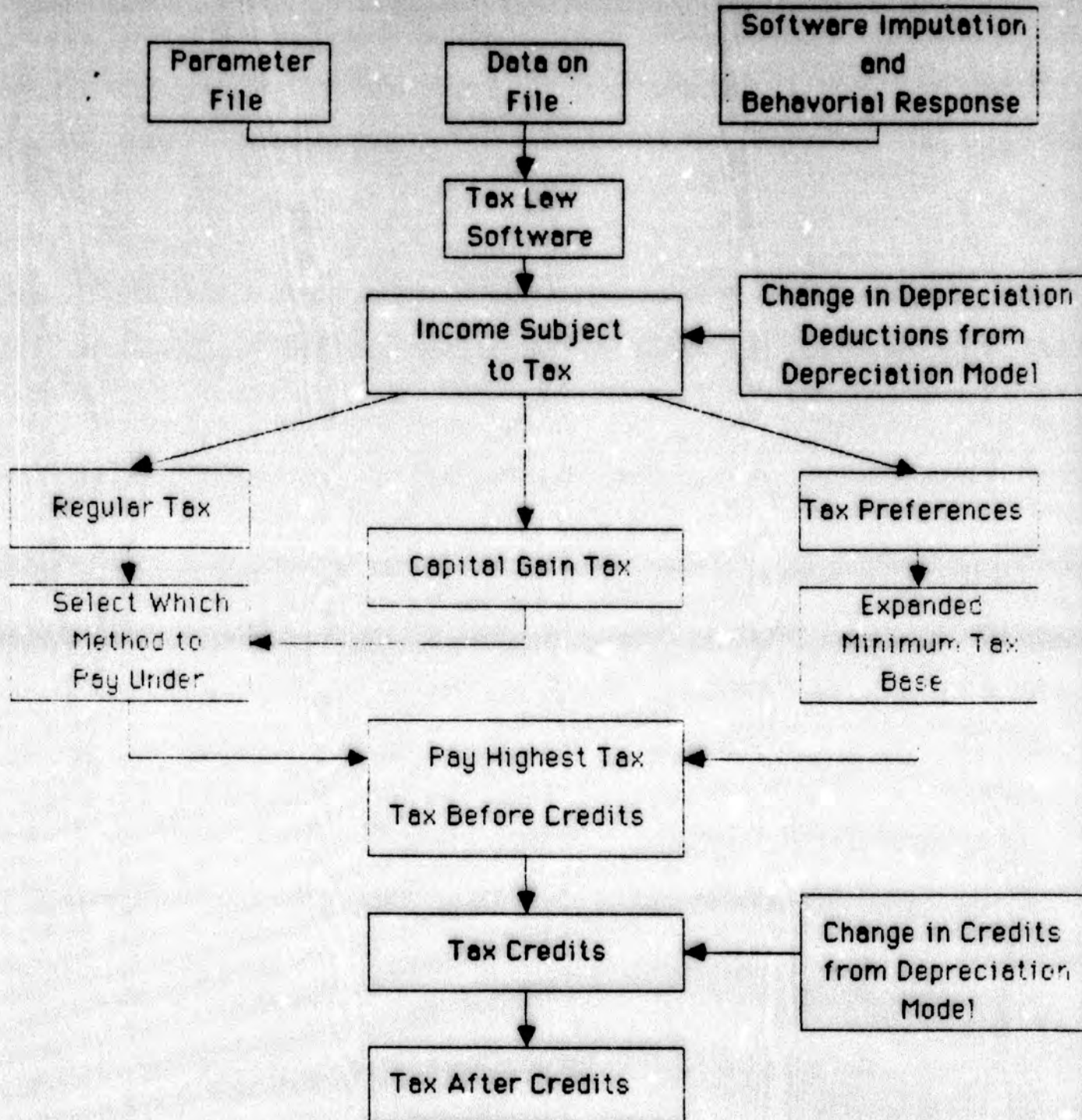
Consumer Loans

Unincorporated Business Loans

Investment Loans

THE TAX MODEL STRUCTURE



**BASIC CORPORATE TAX CALCULATOR LOGIC**



Attachment #6

VARIABLE LIST FOR CORPORATE MODEL

Assets

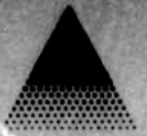
Total Assets
Cash
Notes and Acct Recv
Allow for Bad Debt
Inventories
Invest in Govt Oblig
Other Current Assets
Loans to Stock
Mortgages & Real Estate Loans
Other Investments
Depreciable Assets
Accelerated Depreciation
Depletable Assets
Accelerated Depletion
Land
Intangible Assets
Accelerated Amortization
Other Assets

Liabilities

Total Liabilities
Accts Payable
Mortg Etc. Lt 1 Yr
Other Current Liability
Loans From Stock
Mortg Etc. Gt 1 Yr
Other Liabilities
Capital Stock
Paid in or Capital Surplus
Retained Earn Unapprop (REU)
(REU) & Shldr Undist Income
Cost of Treasury Stock

Receipts

Total Receipts, Computed
Gross Receipts
Interest
Tax Exempt Interest
Gross Rent
Gross Royalties
Net St Cap Gain
Net Lt Cap Gain
Net Ordinary Gain/Loss GT Zero

**VARIABLE LIST FOR CORPORATE MODEL (Cont.)**

Divd Recvd - Domestic
Divd Recvd - Foreign
Other Receipts

Deductions

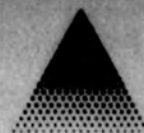
Total Deductions Computed
Cost of Goods Sold
Compens of Officers
Repairs
Bad Debts
Rents Paid
Taxes Paid
Interest Paid
Contributions
Amortization
Net Depreciation
Depletion
Advertising
Pensions/Profit Sharing
Employee Benefits
Net Ordinary Gain/Loss
Other Deductions

Credits

Foreign Tax Credit
US Poss Tax Credit
Investment Tax Credit
Win Credit
Jobs Credit
Nonconv Fuels Credit Sch J
Alcohol Fuel Credit
Research Credit
Allowable Credit

Calculations of Deductions, Income and Tax

Tot Receipts Less Tot Deducts
Constr Tx Inc For Rel Foreign
Divd Paid (Distr Other Than Stock)
Stock Distributions
Inv Credit Cost of Property
Total Qualified Investment
Total Statutory Spec1 Deducts
NOL Deduction
Divd Recvd Deduction
Public Util Div PD Deduct
Income Subj to Tax, Total

**VARIABLE LIST FOR CORPORATE MODEL (Cont.)**

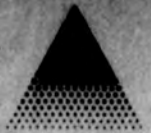
Net LT Cap Gain at Alt Rates
Income Tax After CR & Min Tax
Income Tax Before CR & Min Tax
Tax From Recomp PR YR Inv CR
Minimum Tax
Net Income Not 1120S or Disc
Net Income
Net Income GT Zero
Net Income LT Zero
Net Income For 1120S
Net Income For DISC

Codes

Weight
Industry Code
Asset Class

Imputations

Minimum Tax - Low Inc Rental Housing
Minimum Tax - Other Real Property
Minimum Tax - Personal Prop Subd To Lease
Minimum Tax - Pollution Control Fac
Minimum Tax - Resv Losses/Bad Debt Financ'l Instit
Minimum Tax - Depletion
Minimum Tax - Capital Gains
Minimum Tax - Intangible Drilling Cost
Cost of Property - 3 YR
Cost of Property - 5 YR
Cost of Property - 10 YR
Cost of Property - 15 YR
Cost of Property - Low Inc. Housing
Cost of Property - Other Struct - Accel
Cost of Property - Other Struct - SL
Cost of Property - Expensing
Book Income - (Difference)
Book Income - (Level)
Employment - (Link Study)
Employment - (Imputation)



PARAMETER FILE - CORPORATE MODEL

Plan XPlan Y

Number of Records

Tax Rate Schedule (Regular Tax)

Minimum Tax

- Alternative type
- Rate
- Add-on type
- Exclusion
- Base

Tax Credit Rates

- Investment Tax Credit
- Job Credit
- Energy Credit
- Rehabilitation Credit
- Foreign Tax Credit
- Research and Development Credit
- Small Business Credit

Investment Tax Credit Limitations

Small Business Credit Limitations

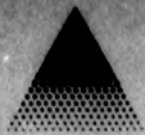
Classifier (Index 1; 2; 3)

Output (Index 1; 2; 3)

Business Transfer Tax

- Rate
- Base
- Exclusions

Alternative Capital Gain Rate



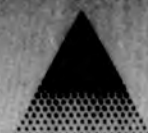
Attachment #8

**SAMPLE SIMULATIONS-INDIVIDUAL
MODEL**

Table 4

Policy Economics Group Corporate Income Tax Models
MARYLAND CORPORATE TAX LIABILITY
1987

Policy Economics Group



GRAND SUMMARY DATA

ALL FIRMS

PLAN X : PRIOR LAW

PLAN Y : TAX REFORM ACT

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINNL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44061.4	44742.5	681.1	1.55	44061.4	44742.5	681.1	1.55
1(100	8136	5121.7	6029.8	908.2	17.73	5121.7	6029.8	908.2	17.73
100(500	5833	13421.3	13220.6	-200.6	-1.49	13421.3	13220.6	-200.6	-1.49
500(5000	6763	62355.4	65040.7	2685.4	4.31	62355.4	65040.7	2685.4	4.31
5000(25000	468	33503.2	36258.9	2755.7	8.23	33503.2	36258.9	2755.7	8.23
25000(100000	84	14892.8	17987.4	3094.6	20.78	14892.8	17987.4	3094.6	20.78
100000(*****	261	77032.1	87676.1	10644.0	13.82	77032.1	87676.1	10644.0	13.82
TOTALS	43134	250387.7	270956.0	20568.3	8.21	250387.7	270956.0	20568.3	8.21
EMPLOYMENT CLASS									
0(20	36272	59202.6	62510.3	3307.7	5.59	59202.6	62510.3	3307.7	5.59
20(100	4496	57995.5	59961.4	1965.9	3.39	57995.5	59961.4	1965.9	3.39
100(500	2001	37345.7	39427.4	2081.8	5.57	37345.7	39427.4	2081.8	5.57
500(*****	366	95843.9	109056.8	13212.9	13.79	95843.9	109056.8	13212.9	13.79
TOTALS	43134	250387.7	270956.0	20568.3	8.21	250387.7	270956.0	20568.3	8.21
INDUSTRY									
Agriculture	462	2165.0	2974.7	809.7	37.40	2165.0	2974.7	809.7	37.40
Mining	234	538.4	634.9	96.6	17.94	538.4	634.9	96.6	17.94
Construction	2592	15675.4	19064.1	3388.7	21.62	15675.4	19064.1	3388.7	21.62
Manufacturing	5865	79972.9	86606.2	6633.3	8.29	79972.9	86606.2	6633.3	8.29
Food & Kindred Products	200	6790.3	7203.8	413.5	6.09	6790.3	7203.8	413.5	6.09
Textile/Other Tex. Prods.	48	2616.5	2858.2	241.7	9.24	2616.5	2858.2	241.7	9.24
Printing & Publishing	1020	4794.6	4894.6	100.0	2.09	4794.6	4894.6	100.0	2.09
Fabricated Metal Products	513	5362.6	5905.0	542.4	10.11	5362.6	5905.0	542.4	10.11
Machinery,Exc. Electrical	580	1736.8	1918.6	181.8	10.47	1736.8	1918.6	181.8	10.47
Electrical/Electronic Eqpt	390	28757.6	30699.7	1942.1	6.75	28757.6	30699.7	1942.1	6.75
Other Manufacturing	3113	29914.6	33126.3	3211.8	10.74	29914.6	33126.3	3211.8	10.74
Transportation/Public Utils	736	7560.8	7938.8	378.0	5.00	7560.8	7938.8	378.0	5.00
Wholesale Trade	3350	34184.8	36393.6	2208.8	6.46	34184.8	36393.6	2208.8	6.46
Retail Trade	9863	46316.8	48824.7	2507.8	5.41	46316.8	48824.7	2507.8	5.41
Finance & Insurance	1011	3421.5	3344.9	-76.6	-2.24	3421.5	3344.9	-76.6	-2.24
Real Estate	3984	15875.8	18806.5	2930.7	18.46	15875.8	18806.5	2930.7	18.46
Services	14664	42538.3	44153.4	1615.0	3.80	42538.3	44153.4	1615.0	3.80
Other Industries	373	2138.0	2214.3	76.3	3.57	2138.0	2214.3	76.3	3.57
TOTALS	43134	250387.7	270956.0	20568.3	8.21	250387.7	270956.0	20568.3	8.21

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

Policy Economics Group



GRAND SUMMARY DATA

PLAN X : PRIOR LAW

PLAN Y : BUSINESS MEALS

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44061.4	44471.0	409.7	.93	44061.4	44471.0	409.7	.93
1(100	8136	5121.7	5197.3	75.7	1.48	5121.7	5197.3	75.7	1.48
100(500	5833	13421.3	13564.7	143.5	1.07	13421.3	13564.7	143.5	1.07
500(5000	6763	62355.4	63037.3	681.9	1.09	62355.4	63037.3	681.9	1.09
5000(25000	468	33503.2	33783.0	279.8	.84	33503.2	33783.0	279.8	.84
25000(100000	84	14832.8	15024.6	131.9	.89	14832.8	15024.6	131.9	.89
100000(*****	261	77032.1	77911.5	879.5	1.14	77032.1	77911.5	879.5	1.14
TOTALS	43134	250387.7	252989.6	2601.9	1.04	250387.7	252989.6	2601.9	1.04

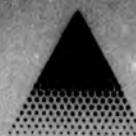
EMPLOYMENT CLASS

0(20	36272	59202.6	59634.8	432.2	.73	59202.6	59634.8	432.2	.73
20(100	4496	57995.5	58617.5	622.0	1.07	57995.5	58617.5	622.0	1.07
100(500	2001	37345.7	37723.6	377.9	1.01	37345.7	37723.6	377.9	1.01
500(*****	366	95843.9	97013.8	1169.9	1.22	95843.9	97013.8	1169.9	1.22
TOTALS	43134	250387.7	252989.6	2601.9	1.04	250387.7	252989.6	2601.9	1.04

INDUSTRY

Agriculture	462	2165.0	2175.0	10.0	.46	2165.0	2175.0	10.0	.46
Mining	234	538.4	542.3	4.0	.74	538.4	542.3	4.0	.74
Construction	2592	15675.4	15789.1	113.7	.73	15675.4	15789.1	113.7	.73
Manufacturing	5865	79972.9	80975.9	1003.0	1.25	79972.9	80975.9	1003.0	1.25
Food & Kindred Products	200	6790.3	6849.2	58.9	.87	6790.3	6849.2	58.9	.87
Apparel/Other Text. Prods.	48	2616.5	2649.0	32.5	1.24	2616.5	2649.0	32.5	1.24
Printing & Publishing	1030	4794.6	4814.1	19.5	.41	4794.6	4814.1	19.5	.41
Fabricated Metal Products	513	5362.6	5440.3	77.6	1.45	5362.6	5440.3	77.6	1.45
Machinery, Exc. Electrical	580	1736.8	1779.1	42.3	2.44	1736.8	1779.1	42.3	2.44
Electrical/Electronic Eqpt	390	28757.6	29159.2	401.5	1.40	28757.6	29159.2	401.5	1.40
Other Manufacturing	3113	29914.6	30285.1	370.6	1.24	29914.6	30285.1	370.6	1.24
Transportation/Public Utils	736	7560.8	7635.1	74.3	.98	7560.8	7635.1	74.3	.98
Wholesale Trade	3350	34184.8	34729.2	544.5	1.59	34184.8	34729.2	544.5	1.59
Retail Trade	9863	46316.8	46537.2	220.4	.48	46316.8	46537.2	220.4	.48
Finance & Insurance	1011	3421.5	3463.9	42.4	1.24	3421.5	3463.9	42.4	1.24
Real Estate	3984	15875.8	15918.7	42.9	.27	15875.8	15918.7	42.9	.27
Services	14664	42538.3	43082.8	544.5	1.28	42538.3	43082.8	544.5	1.28
Other Industries	373	2138.0	2140.3	2.2	.10	2138.0	2140.3	2.2	.10
TOTALS	43134	250387.7	252989.6	2601.9	1.04	250387.7	252989.6	2601.9	1.04

Policy Economics Group Corporate Income Tax Model Policy Economics Group
 MARYLAND CORPORATE TAX LIABILITY
 1987



GRAND SUMMARY DATA

PLAN X : BUSINESS MEALS
 PLAN Y : DEPRECIATION

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44471.0	43297.8	-1173.2	-2.64	44471.0	43297.8	-1173.2	-2.64
1(100	8136	5197.3	4793.5	-403.9	-7.77	5197.3	4793.5	-403.9	-7.77
100(500	5833	13564.7	12506.7	-1058.1	-7.80	13564.7	12506.7	-1058.1	-7.80
500(5000	6763	63037.3	59521.9	-3515.4	-5.58	63037.3	59521.9	-3515.4	-5.58
5000(25000	468	33783.0	32601.7	-1181.3	-3.50	33783.0	32601.7	-1181.3	-3.50
25000(100000	84	15024.6	14586.1	-438.5	-2.92	15024.6	14586.1	-438.5	-2.92
100000(*****	261	77911.6	74582.1	-3329.5	-4.27	77911.6	74582.1	-3329.5	-4.27
TOTALS	43134	252989.6	241889.8	-11099.8	-4.39	252989.6	241889.8	-11099.8	-4.39
EMPLOYMENT CLASS									
0(20	36272	59634.8	56622.3	-3012.5	-5.05	59634.8	56622.3	-3012.5	-5.05
20(100	4496	58617.5	55823.4	-2794.1	-4.77	58617.5	55823.4	-2794.1	-4.77
100(500	2001	37723.6	36391.6	-1332.0	-3.53	37723.6	36391.6	-1332.0	-3.53
500(*****	366	97013.8	93052.5	-3961.3	-4.08	97013.8	93052.5	-3961.3	-4.08
TOTALS	43134	252989.6	241889.8	-11099.8	-4.39	252989.6	241889.8	-11099.8	-4.39
INDUSTRY									
Agriculture	462	2175.0	1865.1	-309.9	-14.25	2175.0	1865.1	-309.9	-14.25
Mining	234	542.3	536.2	-6.1	-1.12	542.3	536.2	-6.1	-1.12
Construction	2592	15789.1	14597.2	-1191.9	-7.55	15789.1	14597.2	-1191.9	-7.55
Manufacturing	5865	80975.9	78482.7	-2493.2	-3.08	80975.9	78482.7	-2493.2	-3.08
Food & Kindred Products	200	6849.2	6658.6	-190.5	-2.78	6849.2	6658.6	-190.5	-2.78
Apparel/Other Tex. Prods.	48	2649.0	2602.3	-46.7	-1.76	2649.0	2602.3	-46.7	-1.76
Printing & Publishing	1020	4814.1	4785.4	-28.6	-.59	4814.1	4785.4	-28.6	-.59
Fabricated Metal Products	513	5440.3	5326.1	-114.2	-2.10	5440.3	5326.1	-114.2	-2.10
Machinery,Exc. Electrical	580	1779.1	1699.4	-79.8	-4.48	1779.1	1699.4	-79.8	-4.48
Electrical/Electronic Eqpt	390	29159.2	27940.1	-1219.1	-4.18	29159.2	27940.1	-1219.1	-4.18
Other Manufacturing	3113	30285.1	29470.8	-814.3	-2.69	30285.1	29470.8	-814.3	-2.69
Transportation/Public Utils	736	7635.1	7508.6	-126.5	-1.66	7635.1	7508.6	-126.5	-1.66
Wholesale Trade	3350	34729.2	33027.4	-1701.8	-4.90	34729.2	33027.4	-1701.8	-4.90
Retail Trade	9863	46537.2	43938.5	-2598.8	-5.58	46537.2	43938.5	-2598.8	-5.58
Finance & Insurance	1011	3463.9	3280.2	-183.7	-5.30	3463.9	3280.2	-183.7	-5.30
Real Estate	3984	15918.7	15491.2	-427.4	-2.69	15918.7	15491.2	-427.4	-2.69
Services	14664	43082.8	41045.1	-2037.8	-4.73	43082.8	41045.1	-2037.8	-4.73
Other Industries	373	2140.3	2117.6	-22.6	-1.06	2140.3	2117.6	-22.6	-1.06
TOTALS	43134	252989.6	241889.8	-11099.8	-4.39	252989.6	241889.8	-11099.8	-4.39

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

GRAND SUMMARY DATA

ALL FIRMS

PLAN X : DEPRECIATION

PLAN Y : IDC

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43297.8	43454.3	156.5	.36	43297.8	43454.3	156.5	.36
1(100	8136	4793.5	4947.8	154.3	3.22	4793.5	4947.8	154.3	3.22
100(500	5833	12506.7	12506.8	.1	.00	12506.7	12506.8	.1	.00
500(5000	6763	59521.9	59551.7	29.8	.05	59521.9	59551.7	29.8	.05
5000(25000	468	32601.7	32608.2	6.5	.02	32601.7	32608.2	6.5	.02
25000(100000	84	14586.1	14592.3	6.2	.04	14586.1	14592.3	6.2	.04
100000(*****	261	74582.1	74584.1	2.0	.00	74582.1	74584.1	2.0	.00
TOTALS	43134	241889.8	242245.2	355.4	.15	241889.8	242245.2	355.4	.15

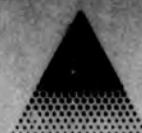
EMPLOYMENT CLASS

0(20	36272	56622.3	56912.5	290.2	.51	56622.3	56912.5	290.2	.51
20(100	4496	55823.4	55840.3	16.9	.03	55823.4	55840.3	16.9	.03
100(500	2001	36391.6	36396.7	5.1	.01	36391.6	36396.7	5.1	.01
500(*****	366	93052.5	93095.7	43.2	.05	93052.5	93095.7	43.2	.05
TOTALS	43134	241889.8	242245.2	355.4	.15	241889.8	242245.2	355.4	.15

INDUSTRY

Agriculture	462	1865.1	1865.9	.8	.04	1865.1	1865.9	.8	.04
Mining	234	536.2	598.8	62.6	11.67	536.2	598.8	62.6	11.67
Construction	2592	14597.2	14604.8	7.5	.05	14597.2	14604.8	7.5	.05
Manufacturing	5865	78482.7	78621.7	139.0	.18	78482.7	78621.7	139.0	.18
Food & Kindred Products	200	6658.6	6703.6	44.9	.67	6658.6	6703.6	44.9	.67
Apparel/Other Tex. Prods.	48	2602.3	2602.3	0.0	0.00	2602.3	2602.3	0.0	0.00
Printing & Publishing	1020	4785.4	4785.4	0.0	0.00	4785.4	4785.4	0.0	0.00
Fabricated Metal Products	513	5326.1	5326.8	.7	.01	5326.1	5326.8	.7	.01
Machinery,Exc. Electrical	580	1699.4	1699.9	.6	.03	1699.4	1699.9	.6	.03
Electrical/Electronic Eqpt	390	27940.1	27940.1	0.0	0.00	27940.1	27940.1	0.0	0.00
Other Manufacturing	3113	29470.8	29563.6	92.8	.31	29470.8	29563.6	92.8	.31
Transportation/Public Utils	736	7508.6	7508.6	0.0	0.00	7508.6	7508.6	0.0	0.00
Wholesale Trade	3350	33027.4	33028.7	1.3	.00	33027.4	33028.7	1.3	.00
Retail Trade	9863	43938.5	43939.9	1.4	.00	43938.5	43939.9	1.4	.00
Finance & Insurance	1011	3280.2	3287.0	6.8	.21	3280.2	3287.0	6.8	.21
Real Estate	3984	15491.2	15498.9	7.7	.05	15491.2	15498.9	7.7	.05
Services	14664	41045.1	41162.1	117.1	.29	41045.1	41162.1	117.1	.29
Other Industries	373	2117.6	2128.7	11.1	.52	2117.6	2128.7	11.1	.52
TOTALS	43134	241889.8	242245.2	355.4	.15	241889.8	242245.2	355.4	.15

Policy Economics Group Corporate Income Tax Model
MARYLAND CORPORATE TAX LIABILITY
 1987



GRAND SUMMARY DATA

PLAN X : IDC
 PLAN Y : PASSIVE LOSSES

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43454.3	43322.1	-132.3	-.30	43454.3	43322.1	-132.3	-.30
1(100	8136	4947.8	4865.3	-82.5	-1.67	4947.8	4865.3	-82.5	-1.67
100(500	5833	12506.8	12467.4	-39.5	-.32	12506.8	12467.4	-39.5	-.32
500(5000	6763	59551.7	59199.0	-352.7	-.59	59551.7	59199.0	-352.7	-.59
5000(25000	468	32608.2	32345.6	-262.6	-.81	32608.2	32345.6	-262.6	-.81
25000(100000	84	14592.3	14484.2	-108.1	-.74	14592.3	14484.2	-108.1	-.74
100000(*****	261	74584.1	73868.1	-715.9	-.96	74584.1	73868.1	-715.9	-.96
TOTALS	43134	242245.2	240551.7	-1693.5	-.70	242245.2	240551.7	-1693.5	-.70

EMPLOYMENT CLASS

0(20	36272	56912.5	56392.3	-520.2	-.91	56912.5	56392.3	-520.2	-.91
20(100	4496	55840.3	55598.6	-241.6	-.43	55840.3	55598.6	-241.6	-.43
100(500	2001	36396.7	36243.9	-152.7	-.42	36396.7	36243.9	-152.7	-.42
500(*****	366	93095.7	92316.8	-778.9	-.84	93095.7	92316.8	-778.9	-.84
TOTALS	43134	242245.2	240551.7	-1693.5	-.70	242245.2	240551.7	-1693.5	-.70

INDUSTRY

Agriculture	462	1865.9	1772.0	-93.9	-5.03	1865.9	1772.0	-93.9	-5.03
Mining	234	598.8	593.9	-4.9	-.83	598.8	593.9	-4.9	-.83
Construction	2592	14604.8	14538.9	-65.9	-.45	14604.8	14538.9	-65.9	-.45
Manufacturing	5865	78621.7	78152.9	-468.8	-.60	78621.7	78152.9	-468.8	-.60
Food & Kindred Products	200	6703.6	6686.2	-17.4	-.26	6703.6	6686.2	-17.4	-.26
Apparel/Other Tex. Prods.	48	2602.3	2595.6	-6.7	-.26	2602.3	2595.6	-6.7	-.26
Printing & Publishing	1020	4785.4	4780.1	-5.4	-.11	4785.4	4780.1	-5.4	-.11
Fabricated Metal Products	513	5326.8	5312.1	-14.7	-.28	5326.8	5312.1	-14.7	-.28
Machinery,Exc. Electrical	580	1699.9	1684.7	-15.2	-.89	1699.9	1684.7	-15.2	-.89
Electrical/Electronic Eqpt	390	27940.1	27851.5	-88.6	-.32	27940.1	27851.5	-88.6	-.32
Other Manufacturing	3113	29563.6	29242.6	-321.0	-1.09	29563.6	29242.6	-321.0	-1.09
Transportation/Public Utils	736	7508.6	7471.8	-36.8	-.49	7508.6	7471.8	-36.8	-.49
Wholesale Trade	3350	33028.7	32820.9	-207.8	-.63	33028.7	32820.9	-207.8	-.63
Retail Trade	9863	43939.9	43638.4	-301.5	-.69	43939.9	43638.4	-301.5	-.69
Finance & Insurance	1011	3287.0	3285.8	-1.2	-.04	3287.0	3285.8	-1.2	-.04
Real Estate	3984	15498.9	15199.6	-299.3	-1.93	15498.9	15199.6	-299.3	-1.93
Services	14664	41162.1	40954.4	-207.7	-.50	41162.1	40954.4	-207.7	-.50
Other Industries	373	2128.7	2123.1	-5.6	-.26	2128.7	2123.1	-5.6	-.26
TOTALS	43134	242245.2	240551.7	-1693.5	-.70	242245.2	240551.7	-1693.5	-.70

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

GRAND SUMMARY DATA

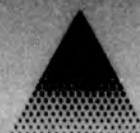
PLAN X : PASSIVE LOSSES
 PLAN Y : DIV RECEIVED DED

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43322.1	43380.0	57.9	.13	43322.1	43380.0	57.9	.13
1(100	8136	4865.3	4866.6	1.3	.03	4865.3	4866.6	1.3	.03
100(500	5833	12467.4	12474.7	7.3	.06	12467.4	12474.7	7.3	.06
500(5000	6763	59199.0	59277.1	78.1	.13	59199.0	59277.1	78.1	.13
5000(25000	468	32345.6	32400.9	55.4	.17	32345.6	32400.9	55.4	.17
25000(100000	84	14484.2	14501.1	16.9	.12	14484.2	14501.1	16.9	.12
100000(*****	261	73868.1	74001.8	133.7	.18	73868.1	74001.8	133.7	.18
TOTALS	43134	240551.7	240902.2	350.6	.15	240551.7	240902.2	350.6	.15
EMPLOYMENT CLASS									
0(20	36272	56392.3	56460.2	67.9	.12	56392.3	56460.2	67.9	.12
20(100	4496	55598.6	55656.2	57.6	.10	55598.6	55656.2	57.6	.10
100(500	2001	36243.9	36323.1	79.1	.22	36243.9	36323.1	79.1	.22
500(*****	366	92316.8	92462.8	146.0	.16	92316.8	92462.8	146.0	.16
TOTALS	43134	240551.7	240902.2	350.6	.15	240551.7	240902.2	350.6	.15
INDUSTRY									
Agriculture	462	1772.0	1773.1	1.1	.06	1772.0	1773.1	1.1	.06
Mining	234	593.9	594.3	.5	.08	593.9	594.3	.5	.08
Construction	2592	14538.9	14549.9	11.0	.08	14538.9	14549.9	11.0	.08
Manufacturing	5865	78152.9	78315.9	163.0	.21	78152.9	78315.9	163.0	.21
Food & Kindred Products	200	6686.2	6759.5	73.3	1.10	6686.2	6759.5	73.3	1.10
Apparel/Other Tex. Prods.	48	2595.6	2596.3	.7	.03	2595.6	2596.3	.7	.03
Printing & Publishing	1020	4780.1	4781.5	1.4	.03	4780.1	4781.5	1.4	.03
Fabricated Metal Products	513	5312.1	5323.5	11.4	.21	5312.1	5323.5	11.4	.21
Machinery, Exc. Electrical	580	1684.7	1685.7	.9	.06	1684.7	1685.7	.9	.06
Electrical/Electronic Eqpt	390	27851.5	27872.4	20.9	.08	27851.5	27872.4	20.9	.08
Other Manufacturing	3113	29242.6	29297.0	54.4	.19	29242.6	29297.0	54.4	.19
Transportation/Public Utils	736	7471.8	7477.6	5.8	.08	7471.8	7477.6	5.8	.08
Wholesale Trade	3350	32820.9	32840.1	19.2	.06	32820.9	32840.1	19.2	.06
Retail Trade	9863	43638.4	43661.7	23.3	.05	43638.4	43661.7	23.3	.05
Finance & Insurance	1011	3285.8	3297.1	11.3	.34	3285.8	3297.1	11.3	.34
Real Estate	3984	15199.6	15234.7	35.1	.23	15199.6	15234.7	35.1	.23
Services	14664	40954.4	40994.5	40.1	.10	40954.4	40994.5	40.1	.10
Industries	373	2123.1	2163.3	40.2	1.89	2123.1	2163.3	40.2	1.89
TOTALS	43134	240551.7	240902.2	350.6	.15	240551.7	240902.2	350.6	.15

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

Policy Economics Group



GRAND SUMMARY DATA

ALL FIRMS

PLAN X : DIV RECEIVED DED

PLAN Y : CASH ACCOUNTING

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43380.0	43566.5	186.5	.43	43380.0	43566.5	186.5	.43
1(100	8136	4866.6	4922.6	55.9	1.15	4866.6	4922.6	55.9	1.15
100(500	5833	12474.7	12601.6	126.9	1.02	12474.7	12601.6	126.9	1.02
500(5000	6763	59277.1	59804.3	527.3	.89	59277.1	59804.3	527.3	.89
5000(25000	468	32400.9	32458.1	57.2	.18	32400.9	32458.1	57.2	.18
25000(100000	84	14501.1	14520.7	19.6	.14	14501.1	14520.7	19.6	.14
100000(*****	261	74001.8	74667.7	665.9	.90	74001.8	74667.7	665.9	.90
TOTALS	43134	240902.2	242541.5	1639.3	.68	240902.2	242541.5	1639.3	.68

EMPLOYMENT CLASS

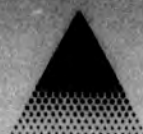
0(20	36272	56460.2	56912.1	452.0	.80	56460.2	56912.1	452.0	.80
20(100	4496	55656.2	56045.4	389.2	.70	55656.2	56045.4	389.2	.70
100(500	2001	36323.1	36433.4	110.3	.30	36323.1	36433.4	110.3	.30
500(*****	366	92462.8	93150.6	687.8	.74	92462.8	93150.6	687.8	.74
TOTALS	43134	240902.2	242541.5	1639.3	.68	240902.2	242541.5	1639.3	.68

INDUSTRY

Agriculture	462	1773.1	2536.6	763.4	43.06	1773.1	2536.6	763.4	43.06
Mining	234	594.3	594.3	0.0	0.00	594.3	594.3	0.0	0.00
Construction	2592	14549.9	14549.9	0.0	0.00	14549.9	14549.9	0.0	0.00
Manufacturing	5865	78315.9	78315.9	0.0	0.00	78315.9	78315.9	0.0	0.00
Food & Kindred Products	200	6759.5	6759.5	0.0	0.00	6759.5	6759.5	0.0	0.00
Apparel/Other Tex. Prods.	48	2596.3	2596.3	0.0	0.00	2596.3	2596.3	0.0	0.00
Printing & Publishing	1020	4781.5	4781.5	0.0	0.00	4781.5	4781.5	0.0	0.00
Fabricated Metal Products	513	5323.5	5323.5	0.0	0.00	5323.5	5323.5	0.0	0.00
Machinery,Exc. Electrical	580	1685.7	1685.7	0.0	0.00	1685.7	1685.7	0.0	0.00
Electrical/Electronic Eqpt	390	27872.4	27872.4	0.0	0.00	27872.4	27872.4	0.0	0.00
Other Manufacturing	3113	29297.0	29297.0	0.0	0.00	29297.0	29297.0	0.0	0.00
Transportation/Public Utils	736	7477.6	7477.6	0.0	0.00	7477.6	7477.6	0.0	0.00
Wholesale Trade	3350	32840.1	32840.1	0.0	0.00	32840.1	32840.1	0.0	0.00
Retail Trade	9863	43661.7	43661.7	0.0	0.00	43661.7	43661.7	0.0	0.00
Finance & Insurance	1011	3297.1	3297.1	0.0	0.00	3297.1	3297.1	0.0	0.00
Real Estate	3984	15234.7	15234.7	0.0	0.00	15234.7	15234.7	0.0	0.00
Services	14664	40994.5	41870.3	875.8	2.14	40994.5	41870.3	875.8	2.14
Other Industries	373	2163.3	2163.3	0.0	0.00	2163.3	2163.3	0.0	0.00
TOTALS	43134	240902.2	242541.5	1639.3	.68	240902.2	242541.5	1639.3	.68

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

Policy Economics Group



GRAND SUMMARY DATA

ALL FIRMS

PLAN X : CASH ACCOUNTING
 PLAN Y : SIMPLIFIED LIFO

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43566.5	43566.5	0.0	0.00	43566.5	43566.5	0.0	0.00
1(100	8136	4922.6	4902.4	-20.2	-.41	4922.6	4902.4	-20.2	-.41
100(500	5833	12601.6	12493.7	-107.8	-.86	12601.6	12493.7	-107.8	-.86
500(5000	6763	59804.3	59298.5	-505.8	-.85	59804.3	59298.5	-505.8	-.85
5000(25000	468	32458.1	32445.2	-12.9	-.04	32458.1	32445.2	-12.9	-.04
25000(100000	84	14520.7	14517.7	-3.0	-.02	14520.7	14517.7	-3.0	-.02
100000(*****	261	74667.7	74667.7	-.0	-.00	74667.7	74667.7	-.0	-.00
TOTALS	43134	242541.5	241891.8	-649.8	-.27	242541.5	241891.8	-649.8	-.27

EMPLOYMENT CLASS

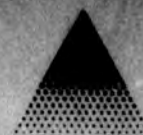
0(20	36272	56912.1	56632.9	-279.2	-.49	56912.1	56632.9	-279.2	-.49
20(100	4496	56045.4	55675.1	-370.3	-.66	56045.4	55675.1	-370.3	-.66
100(500	2001	36433.4	36433.2	-.2	-.00	36433.4	36433.2	-.2	-.00
500(*****	366	93150.6	93150.6	-.0	-.00	93150.6	93150.6	-.0	-.00
TOTALS	43134	242541.5	241891.8	-649.8	-.27	242541.5	241891.8	-649.8	-.27

INDUSTRY

Agriculture	462	2536.6	2529.1	-7.4	-.29	2536.6	2529.1	-7.4	-.29
Mining	234	594.3	593.3	-1.1	-.18	594.3	593.3	-1.1	-.18
Construction	2592	14549.9	14463.8	-86.1	-.59	14549.9	14463.8	-86.1	-.59
Manufacturing	5865	78315.9	78233.9	-82.0	-.10	78315.9	78233.9	-82.0	-.10
Food & Kindred Products	200	6759.5	6758.8	-.6	-.01	6759.5	6758.8	-.6	-.01
Apparel/Other Tex. Prods.	48	2596.3	2595.3	-1.0	-.04	2596.3	2595.3	-1.0	-.04
Printing & Publishing	1020	4781.5	4780.3	-1.2	-.03	4781.5	4780.3	-1.2	-.03
Fabricated Metal Products	513	5323.5	5310.0	-13.5	-.25	5323.5	5310.0	-13.5	-.25
Machinery, Exc. Electrical	580	1685.7	1676.7	-9.0	-.53	1685.7	1676.7	-9.0	-.53
Electrical/Electronic Eqpt	390	27872.4	27856.0	-16.4	-.06	27872.4	27856.0	-16.4	-.06
Other Manufacturing	3113	29297.0	29256.8	-40.3	-.14	29297.0	29256.8	-40.3	-.14
Transportation/Public Utils	736	7477.6	7475.5	-2.0	-.03	7477.6	7475.5	-2.0	-.03
Wholesale Trade	3350	32840.1	32725.1	-115.0	-.35	32840.1	32725.1	-115.0	-.35
Retail Trade	9863	43661.7	43406.9	-254.8	-.58	43661.7	43406.9	-254.8	-.58
Finance & Insurance	1011	3297.1	3294.5	-2.6	-.08	3297.1	3294.5	-2.6	-.08
Real Estate	3984	15234.7	15221.8	-12.9	-.08	15234.7	15221.8	-12.9	-.08
Services	14664	41870.3	41785.9	-84.4	-.20	41870.3	41785.9	-84.4	-.20
Other Industries	373	2163.3	2161.9	-1.4	-.06	2163.3	2161.9	-1.4	-.06
TOTALS	43134	242541.5	241891.8	-649.8	-.27	242541.5	241891.8	-649.8	-.27

Policy Economics Group Corporate Income Tax Model
MARYLAND CORPORATE TAX LIABILITY
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Policy Economics Group



GRAND SUMMARY DATA

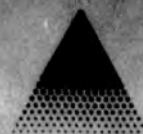
ALL FIRMS

PLAN X : SIMPLIFIED LIFO
PLAN Y : INSTALLMENT SALES

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43566.5	43593.9	27.5	.06	43566.5	43593.9	27.5	.06
1(100	8136	4902.4	4952.1	49.8	1.02	4902.4	4952.1	49.8	1.02
100(500	5833	12493.7	12582.3	88.6	.71	12493.7	12582.3	88.6	.71
500(5000	6763	59298.5	60101.9	803.3	1.35	59298.5	60101.9	803.3	1.35
5000(25000	468	32445.2	33231.1	785.9	2.42	32445.2	33231.1	785.9	2.42
25000(100000	84	14517.7	15143.4	625.7	4.31	14517.7	15143.4	625.7	4.31
100000(*****	261	74667.7	75140.8	473.0	.63	74667.7	75140.8	473.0	.63
TOTALS	43134	241891.8	244745.6	2853.8	1.18	241891.8	244745.6	2853.8	1.18
EMPLOYMENT CLASS									
0(20	36272	56632.9	58494.9	1862.0	3.29	56632.9	58494.9	1862.0	3.29
20(100	4496	55675.1	56197.1	522.0	.94	55675.1	56197.1	522.0	.94
100(500	2001	36433.2	36455.8	22.6	.06	36433.2	36455.8	22.6	.06
500(*****	366	93150.6	93597.9	447.2	.48	93150.6	93597.9	447.2	.48
TOTALS	43134	241891.8	244745.6	2853.8	1.18	241891.8	244745.6	2853.8	1.18
INDUSTRY									
Agriculture	462	2529.1	2529.1	0.0	0.00	2529.1	2529.1	0.0	0.00
Mining	234	593.3	593.3	0.0	0.00	593.3	593.3	0.0	0.00
Construction	2592	14463.8	14463.8	0.0	0.00	14463.8	14463.8	0.0	0.00
Manufacturing	5865	78233.9	78233.9	0.0	0.00	78233.9	78233.9	0.0	0.00
Food & Kindred Products	200	6758.8	6758.8	0.0	0.00	6758.8	6758.8	0.0	0.00
Apparel/Other Tex. Prods.	48	2595.3	2595.3	0.0	0.00	2595.3	2595.3	0.0	0.00
Printing & Publishing	1020	4780.3	4780.3	0.0	0.00	4780.3	4780.3	0.0	0.00
Fabricated Metal Products	513	5310.0	5310.0	0.0	0.00	5310.0	5310.0	0.0	0.00
Machinery,Exc. Electrical	580	1676.7	1676.7	0.0	0.00	1676.7	1676.7	0.0	0.00
Electrical/Electronic Eqpt	390	27856.0	27856.0	0.0	0.00	27856.0	27856.0	0.0	0.00
Other Manufacturing	3113	29256.8	29256.8	0.0	0.00	29256.8	29256.8	0.0	0.00
Transportation/Public Utils	736	7475.5	7475.5	0.0	0.00	7475.5	7475.5	0.0	0.00
Wholesale Trade	3350	32725.1	32725.1	0.0	0.00	32725.1	32725.1	0.0	0.00
Retail Trade	9863	43406.9	43854.1	447.2	1.03	43406.9	43854.1	447.2	1.03
Finance & Insurance	1011	3294.5	3294.5	0.0	0.00	3294.5	3294.5	0.0	0.00
Real Estate	3984	15221.8	17628.4	2406.6	15.81	15221.8	17628.4	2406.6	15.81
Services	14664	41785.9	41785.9	0.0	0.00	41785.9	41785.9	0.0	0.00
Other Industries	373	2161.9	2161.9	0.0	0.00	2161.9	2161.9	0.0	0.00
TOTALS	43134	241891.8	244745.6	2853.8	1.18	241891.8	244745.6	2853.8	1.18

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
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Policy Economics Group



GRAND SUMMARY DATA

ALL FIRMS

PLAN X : INSTALLMENT SALES
 PLAN Y : SELF CONST ASSETS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	43593.9	44384.7	790.8	1.81	43593.9	44384.7	790.8	1.81
1(100	8136	4952.1	5939.7	987.6	19.94	4952.1	5939.7	987.6	19.94
100(500	5833	12582.3	13031.3	449.0	3.57	12582.3	13031.3	449.0	3.57
500(5000	6763	60101.9	63581.5	3479.6	5.79	60101.9	63581.5	3479.6	5.79
5000(25000	468	33231.1	35384.0	2152.8	6.48	33231.1	35384.0	2152.8	6.48
25000(100000	84	15143.4	16196.2	1052.8	6.95	15143.4	16196.2	1052.8	6.95
100000(*****	261	75140.8	81302.3	6161.6	8.20	75140.8	81302.3	6161.6	8.20
TOTALS	43134	244745.6	259819.8	15074.2	6.16	244745.6	259819.8	15074.2	6.16

EMPLOYMENT CLASS

0(20	36272	58494.9	61996.3	3501.5	5.99	58494.9	61996.3	3501.5	5.99
20(100	4496	56197.1	58684.3	2487.3	4.43	56197.1	58684.3	2487.3	4.43
100(500	2001	36455.8	38392.9	1937.1	5.31	36455.8	38392.9	1937.1	5.31
500(*****	366	93597.9	100746.2	7148.4	7.64	93597.9	100746.2	7148.4	7.64
TOTALS	43134	244745.6	259819.8	15074.2	6.16	244745.6	259819.8	15074.2	6.16

INDUSTRY

Agriculture	462	2529.1	2924.6	395.4	15.63	2529.1	2924.6	395.4	15.63
Mining	234	593.3	625.6	32.3	5.45	593.3	625.6	32.3	5.45
Construction	2592	14463.8	15153.4	689.6	4.77	14463.8	15153.4	689.6	4.77
Manufacturing	5865	78233.9	83195.4	4961.5	6.34	78233.9	83195.4	4961.5	6.34
Food & Kindred Products	200	6758.8	7031.5	272.7	4.03	6758.8	7031.5	272.7	4.03
Apparel/Other Tex. Prods.	48	2595.3	2755.5	160.3	6.18	2595.3	2755.5	160.3	6.18
Printing & Publishing	1020	4780.3	4825.2	44.9	.94	4780.3	4825.2	44.9	.94
Fabricated Metal Products	513	5310.0	5592.4	282.4	5.32	5310.0	5592.4	282.4	5.32
Machinery,Exc. Electrical	580	1676.7	1829.6	153.0	9.12	1676.7	1829.6	153.0	9.12
Electrical/Electronic Eqpt	390	27856.0	29288.0	1432.0	5.14	27856.0	29288.0	1432.0	5.14
Other Manufacturing	3113	29256.8	31873.1	2616.3	8.94	29256.8	31873.1	2616.3	8.94
Transportation/Public Utils	736	7475.5	7708.1	232.5	3.11	7475.5	7708.1	232.5	3.11
Wholesale Trade	3350	32725.1	35299.5	2574.5	7.87	32725.1	35299.5	2574.5	7.87
Retail Trade	9863	43854.1	47477.9	3623.8	8.26	43854.1	47477.9	3623.8	8.26
Finance & Insurance	1011	3294.5	3318.7	24.2	.74	3294.5	3318.7	24.2	.74
Real Estate	3984	17628.4	18782.3	1153.9	6.55	17628.4	18782.3	1153.9	6.55
Services	14664	41785.9	43126.3	1340.4	3.21	41785.9	43126.3	1340.4	3.21
Other Industries	373	2161.9	2208.0	46.1	2.13	2161.9	2208.0	46.1	2.13
TOTALS	43134	244745.6	259819.8	15074.2	6.16	244745.6	259819.8	15074.2	6.16

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
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GRAND SUMMARY DATA

ALL FIRMS

PLAN X : SELF CONST ASSETS
 PLAN Y : LONG TERM CONTRACT

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44384.7	44384.7	0.0	0.00	44384.7	44384.7	0.0	0.00
1(100	8136	5939.7	5939.7	0.0	0.00	5939.7	5939.7	0.0	0.00
100(500	5833	13031.3	13031.3	0.0	0.00	13031.3	13031.3	0.0	0.00
500(5000	6763	63581.5	63581.5	0.0	0.00	63581.5	63581.5	0.0	0.00
5000(25000	468	35384.0	35384.0	0.0	0.00	35384.0	35384.0	0.0	0.00
25000(100000	84	16196.2	17580.8	1384.6	8.55	16196.2	17580.8	1384.6	8.55
100000(*****	261	81302.3	83511.1	2208.8	2.72	81302.3	83511.1	2208.8	2.72
TOTALS	43134	259819.8	263413.2	3593.4	1.38	259819.8	263413.2	3593.4	1.38

EMPLOYMENT CLASS

0(20	36272	61996.3	61996.3	0.0	0.00	61996.3	61996.3	0.0	0.00
20(100	4496	58684.3	58684.3	0.0	0.00	58684.3	58684.3	0.0	0.00
100(500	2001	38392.9	38392.9	0.0	0.00	38392.9	38392.9	0.0	0.00
500(*****	366	100746.2	104339.6	3593.4	3.57	100746.2	104339.6	3593.4	3.57
TOTALS	43134	259819.8	263413.2	3593.4	1.38	259819.8	263413.2	3593.4	1.38

INDUSTRY

Agriculture	462	2924.6	2924.6	0.0	0.00	2924.6	2924.6	0.0	0.00
Mining	234	625.6	625.6	0.0	0.00	625.6	625.6	0.0	0.00
Construction	2592	15153.4	18746.8	3593.4	23.71	15153.4	18746.8	3593.4	23.71
Manufacturing	5865	83195.4	83195.4	0.0	0.00	83195.4	83195.4	0.0	0.00
Food & Kindred Products	200	7031.5	7031.5	0.0	0.00	7031.5	7031.5	0.0	0.00
Apparel/Other Tex. Prods.	48	2755.5	2755.5	0.0	0.00	2755.5	2755.5	0.0	0.00
Printing & Publishing	1020	4825.2	4825.2	0.0	0.00	4825.2	4825.2	0.0	0.00
Fabricated Metal Products	513	5592.4	5592.4	0.0	0.00	5592.4	5592.4	0.0	0.00
Machinery,Exc. Electrical	580	1829.6	1829.6	0.0	0.00	1829.6	1829.6	0.0	0.00
Electrical/Electronic Eqpt	390	29288.0	29288.0	0.0	0.00	29288.0	29288.0	0.0	0.00
Other Manufacturing	3113	31873.1	31873.1	0.0	0.00	31873.1	31873.1	0.0	0.00
Transportation/Public Utils	736	7708.1	7708.1	0.0	0.00	7708.1	7708.1	0.0	0.00
Wholesale Trade	3350	35299.5	35299.5	0.0	0.00	35299.5	35299.5	0.0	0.00
Retail Trade	9863	47477.9	47477.9	0.0	0.00	47477.9	47477.9	0.0	0.00
Finance & Insurance	1011	3318.7	3318.7	0.0	0.00	3318.7	3318.7	0.0	0.00
Real Estate	3984	18782.3	18782.3	0.0	0.00	18782.3	18782.3	0.0	0.00
Services	14664	43126.3	43126.3	0.0	0.00	43126.3	43126.3	0.0	0.00
Other Industries	373	2208.0	2208.0	0.0	0.00	2208.0	2208.0	0.0	0.00
TOTALS	43134	259819.8	263413.2	3593.4	1.38	259819.8	263413.2	3593.4	1.38



Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
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GRAND SUMMARY DATA

PLAN X : LONG TERM CONTRACT
 PLAN Y : BAD DEBTS

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44384.7	44384.7	0.0	0.00	44384.7	44384.7	0.0	0.00
1(100	8136	5939.7	5954.8	15.0	.25	5939.7	5954.8	15.0	.25
100(500	5833	13031.3	13087.5	56.2	.43	13031.3	13087.5	56.2	.43
500(5000	6763	63581.5	64328.9	747.5	1.18	63581.5	64328.9	747.5	1.18
5000(25000	468	35384.0	35911.9	527.9	1.49	35384.0	35911.9	527.9	1.49
25000(100000	84	17580.8	17815.2	234.4	1.33	17580.8	17815.2	234.4	1.33
100000(*****	261	83511.1	85257.8	1746.7	2.09	83511.1	85257.8	1746.7	2.09
TOTALS	43134	263413.2	266740.9	3327.7	1.26	263413.2	266740.9	3327.7	1.26

EMPLOYMENT CLASS

0(20	36272	61396.3	62129.1	132.8	.21	61396.3	62129.1	132.8	.21
20(100	4496	58684.3	59241.0	556.7	.95	58684.3	59241.0	556.7	.95
100(500	2001	38392.9	38982.5	589.6	1.54	38392.9	38982.5	589.6	1.54
500(*****	366	104339.6	106388.3	2048.6	1.96	104339.6	106388.3	2048.6	1.96
TOTALS	43134	263413.2	266740.9	3327.7	1.26	263413.2	266740.9	3327.7	1.26

INDUSTRY

Agriculture	462	2924.6	2947.9	23.4	.80	2924.6	2947.9	23.4	.80
Mining	234	625.6	629.6	4.0	.64	625.6	629.6	4.0	.64
Construction	2592	18746.8	18892.5	145.7	.78	18746.8	18892.5	145.7	.78
Manufacturing	5865	83195.4	84802.8	1607.4	1.93	83195.4	84802.8	1607.4	1.93
Food & Kindred Products	200	7031.5	7065.9	34.3	.49	7031.5	7065.9	34.3	.49
Apparel/Other Tex. Prods.	48	2755.5	2807.2	51.6	1.87	2755.5	2807.2	51.6	1.87
Printing & Publishing	1020	4825.2	4869.6	44.4	.92	4825.2	4869.6	44.4	.92
Fabricated Metal Products	513	5592.4	5747.5	155.1	2.77	5592.4	5747.5	155.1	2.77
Machinery, Exc. Electrical	580	1829.6	1864.8	35.1	1.92	1829.6	1864.8	35.1	1.92
Electrical/Electronic Eqpt	390	29288.0	29952.0	664.0	2.27	29288.0	29952.0	664.0	2.27
Other Manufacturing	3113	31873.1	32495.9	622.8	1.95	31873.1	32495.9	622.8	1.95
Transportation/Public Utils	736	7708.1	7773.1	65.0	.84	7708.1	7773.1	65.0	.84
Wholesale Trade	3350	35299.5	36003.6	704.1	1.99	35299.5	36003.6	704.1	1.99
Retail Trade	9863	47477.9	47865.6	387.8	.82	47477.9	47865.6	387.8	.82
Finance & Insurance	1011	3318.7	3318.7	0.0	0.00	3318.7	3318.7	0.0	0.00
Real Estate	3984	18782.3	18782.3	0.0	0.00	18782.3	18782.3	0.0	0.00
Services	14664	43126.3	43516.5	390.1	.90	43126.3	43516.5	390.1	.90
Other Industries	373	2208.0	2208.3	.3	.01	2208.0	2208.3	.3	.01
TOTALS	43134	263413.2	266740.9	3327.7	1.26	263413.2	266740.9	3327.7	1.26

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

Policy Economics Group



GRAND SUMMARY DATA

PLAN X : ESOP
 PLAN Y : FOREIGN PROVISION

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44682.4	44742.5	60.1	.13	44682.4	44742.5	60.1	.13
1(100	8136	6024.3	6029.8	5.5	.09	6024.3	6029.8	5.5	.09
100(500	5833	13209.5	13220.6	11.2	.08	13209.5	13220.6	11.2	.08
500(5000	6763	64976.9	65040.7	63.9	.10	64976.9	65040.7	63.9	.10
5000(25000	468	36220.1	36258.9	38.8	.11	36220.1	36258.9	38.8	.11
25000(100000	84	17965.8	17987.4	21.5	.12	17965.8	17987.4	21.5	.12
100000(*****	261	86993.3	87676.1	682.8	.78	86993.3	87676.1	682.8	.78
TOTALS	43134	270072.2	270956.0	883.8	.33	270072.2	270956.0	883.8	.33

EMPLOYMENT CLASS

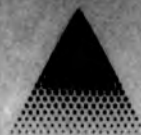
0(20	36272	62475.9	62510.3	34.5	.06	62475.9	62510.3	34.5	.06
20(100	4496	59891.4	59961.4	70.0	.12	59891.4	59961.4	70.0	.12
100(500	2001	39377.9	39427.4	49.6	.13	39377.9	39427.4	49.6	.13
500(*****	366	108327.1	109056.8	729.7	.67	108327.1	109056.8	729.7	.67
TOTALS	43134	270072.2	270956.0	883.8	.33	270072.2	270956.0	883.8	.33

INDUSTRY

Agriculture	462	2971.4	2974.7	3.3	.11	2971.4	2974.7	3.3	.11
Mining	234	634.4	634.9	.5	.08	634.4	634.9	.5	.08
Construction	2592	19035.2	19064.1	28.9	.15	19035.2	19064.1	28.9	.15
Manufacturing	5865	86031.2	86606.2	575.0	.67	86031.2	86606.2	575.0	.67
Food & Kindred Products	200	7182.8	7203.8	20.9	.29	7182.8	7203.8	20.9	.29
Apparel/Other Tex. Prods.	48	2840.5	2858.2	17.7	.62	2840.5	2858.2	17.7	.62
Printing & Publishing	1020	4892.1	4894.6	2.4	.05	4892.1	4894.6	2.4	.05
Fabricated Metal Products	513	5851.0	5905.0	54.0	.92	5851.0	5905.0	54.0	.92
Machinery,Exc. Electrical	580	1902.2	1918.6	16.4	.86	1902.2	1918.6	16.4	.86
Electrical/Electronic Eqpt	390	30477.8	30699.7	221.9	.73	30477.8	30699.7	221.9	.73
Other Manufacturing	3113	32884.6	33126.3	241.7	.73	32884.6	33126.3	241.7	.73
Transportation/Public Utils	736	7927.9	7938.8	11.0	.14	7927.9	7938.8	11.0	.14
Wholesale Trade	3350	36287.0	36393.6	106.6	.29	36287.0	36393.6	106.6	.29
Retail Trade	9863	48728.1	48824.7	96.6	.20	48728.1	48824.7	96.6	.20
Finance & Insurance	1011	3343.7	3344.9	1.2	.03	3343.7	3344.9	1.2	.03
Real Estate	3984	18804.3	18806.5	2.2	.01	18804.3	18806.5	2.2	.01
Services	14664	44096.9	44153.4	56.5	.13	44096.9	44153.4	56.5	.13
Other Industries	373	2212.3	2214.3	2.0	.09	2212.3	2214.3	2.0	.09
TOTALS	43134	270072.2	270956.0	883.8	.33	270072.2	270956.0	883.8	.33

Policy Economics Group Corporate Income Tax Model
 MARYLAND CORPORATE TAX LIABILITY
 1987

Policy Economics Group



GRAND SUMMARY DATA

PLAN X : BAD DEBTS
 PLAN Y : ESOP

ALL FIRMS

ASSET CLASS (\$ 000)	NUMBER OF FIRMS	REGULAR AND ALTERNATIVE TAX				FINAL TAX LIABILITY			
		Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change	Plan X (\$ 000)	Plan Y (\$ 000)	Change (\$ 000)	Percent Change
0(1	21590	44384.7	44682.4	297.7	.67	44384.7	44682.4	297.7	.67
1(100	8136	5954.8	6024.3	69.5	1.17	5954.8	6024.3	69.5	1.17
100(500	5833	13087.5	13209.5	121.9	.93	13087.5	13209.5	121.9	.93
500(5000	6763	64328.9	64976.9	647.9	1.01	64328.9	64976.9	647.9	1.01
5000(25000	468	35911.9	36220.1	308.2	.86	35911.9	36220.1	308.2	.86
25000(100000	84	17815.2	17965.8	150.7	.85	17815.2	17965.8	150.7	.85
100000(*****	261	85257.8	86993.3	1735.4	2.04	85257.8	86993.3	1735.4	2.04
TOTALS	43134	266740.9	270072.2	3331.3	1.25	266740.9	270072.2	3331.3	1.25
EMPLOYMENT CLASS									
0(20	36272	62129.1	62475.9	346.7	.56	62129.1	62475.9	346.7	.56
20(100	4436	59241.0	59891.4	650.4	1.10	59241.0	59891.4	650.4	1.10
100(500	2001	38982.5	39377.9	395.4	1.01	38982.5	39377.9	395.4	1.01
500(*****	366	106388.3	108327.1	1938.9	1.82	106388.3	108327.1	1938.9	1.82
TOTALS	43134	266740.9	270072.2	3331.3	1.25	266740.9	270072.2	3331.3	1.25
INDUSTRY									
Agriculture	462	2947.9	2971.4	23.4	.80	2947.9	2971.4	23.4	.80
Mining	234	629.6	634.4	4.8	.76	629.6	634.4	4.8	.76
Construction	2592	18892.5	19035.2	142.7	.76	18892.5	19035.2	142.7	.76
Manufacturing	5865	84802.8	86031.2	1228.4	1.45	84802.8	86031.2	1228.4	1.45
Food & Kindred Products	200	7065.9	7182.8	117.0	1.66	7065.9	7182.8	117.0	1.66
Apparel/Other Tex. Prods.	48	2807.2	2840.5	33.4	1.19	2807.2	2840.5	33.4	1.19
Printing & Publishing	1020	4869.6	4892.1	22.5	.46	4869.6	4892.1	22.5	.46
Fabricated Metal Products	513	5747.5	5851.0	103.5	1.80	5747.5	5851.0	103.5	1.80
Machinery,Exc. Electrical	580	1864.8	1902.2	37.5	2.01	1864.8	1902.2	37.5	2.01
Electrical/Electronic Eqpt	390	29952.0	30477.8	525.8	1.76	29952.0	30477.8	525.8	1.76
Other Manufacturing	3113	32495.9	32884.6	388.8	1.20	32495.9	32884.6	388.8	1.20
Transportation/Public Utils	736	7773.1	7927.9	154.8	1.99	7773.1	7927.9	154.8	1.99
Wholesale Trade	3350	36003.6	36287.0	283.4	.79	36003.6	36287.0	283.4	.79
Retail Trade	9863	47865.6	48728.1	862.4	1.80	47865.6	48728.1	862.4	1.80
Finance & Insurance	1011	3318.7	3343.7	25.0	.75	3318.7	3343.7	25.0	.75
Real Estate	3984	18782.3	18804.3	22.0	.12	18782.3	18804.3	22.0	.12
Services	14664	43516.5	44096.9	580.4	1.33	43516.5	44096.9	580.4	1.33
Other Industries	373	2208.3	2212.3	4.0	.18	2208.3	2212.3	4.0	.18
TOTALS	43134	266740.9	270072.2	3331.3	1.25	266740.9	270072.2	3331.3	1.25



Attachment #9

**SAMPLE SIMULATIONS-CORPORATE
MODEL**



STATE TAX LIABILITY FOR: KENTUCKY

Plan X: CURRENT LAW

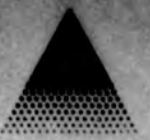
Income Classifier: FEDERAL PLAN X AGI

Plan Y: CURRENT KENTUCKY LAW, FEDERAL TAX
DEDUCTION UNDER NEW FEDERAL LAWData for: FEDERAL FILERS ONLY
1987 Levels of Income

INCOME CLASS (DOLLARS)	NUMBER OF RETURNS		TAXABLE RETURNS		ADJUSTED GROSS INCOME			TAXABLE INCOME		
	SAMPLE (UNITS)	AGGREGATE (000'S)	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)
***** (5000	684	230.7	112.4	112.4	154.5	138.7	-15.8	384.6	381.0	-3.6
5000 (10000	540	245.9	236.6	236.6	1710.4	1720.9	10.5	1436.8	1447.3	10.5
10000 (15000	386	216.8	213.7	214.0	2469.3	2515.4	46.2	2148.9	2194.9	46.0
15000 (20000	337	161.7	161.5	161.5	2543.7	2572.1	28.4	2040.4	2068.7	28.3
20000 (30000	472	235.3	236.3	236.3	5280.1	5330.4	50.3	4341.3	4391.6	50.3
30000 (50000	568	261.6	261.6	261.5	8527.6	8654.2	126.6	7081.7	7228.5	146.8
50000 (100000	358	69.2	69.2	69.1	3546.8	3604.3	57.6	3001.5	3060.3	58.7
100000 (200000	248	9.1	9.0	9.0	924.5	942.6	18.2	758.7	778.7	19.9
200000 (*****	260	1.7	1.6	1.6	395.2	431.5	36.3	308.1	342.9	34.7
TOTALS	3853	1433.0	1301.9	1302.0	25532.1	25910.3	378.2	21502.2	21893.8	391.7

INCOME CLASS (DOLLARS)	ITEMIZED RETURNS		DEDUCTIONS		EXEMPTIONS		STATE TAX CREDITS		FED TAX DEDUCTION	
	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)
***** (5000	2.1	2.0	138.8	139.3	7.6	7.6	.0	.0	5.5	21.2
5000 (10000	23.8	23.8	274.4	274.4	10.2	10.2	.0	.0	43.1	32.5
10000 (15000	30.5	30.5	325.1	325.1	11.4	11.4	.0	.0	169.0	122.8
15000 (20000	69.1	69.1	504.3	504.3	9.3	9.3	.0	.0	210.5	162.1
20000 (30000	151.8	151.8	939.4	939.4	14.2	14.2	.0	.0	562.3	512.0
30000 (50000	225.1	225.1	1426.9	1426.3	17.0	17.0	.0	.0	1131.9	985.4
50000 (100000	61.8	61.8	545.2	544.0	5.0	5.0	.0	.0	645.3	587.7
100000 (200000	8.8	8.8	165.7	164.0	.7	.7	.0	.0	293.4	275.2
200000 (*****	1.5	1.5	87.1	88.7	.1	.1	.0	.0	213.8	177.5
TOTALS	574.5	574.4	4406.9	4404.5	75.5	75.5	.0	.0	3274.7	2895.5

INCOME CLASS (DOLLARS)	TAX (POSITIVE PORTION)			OUTLAYS (NEGATIVE PORTION)			TAX (NET OF OUTLAYS)		
	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)
***** (5000	3.8	3.7	-.1	-3.3	-3.3	.0	.5	.4	-.1
5000 (10000	32.7	33.2	.6	-.3	-.3	.0	32.3	32.9	.6
10000 (15000	70.4	72.8	2.4	-.1	-.1	.0	70.3	72.7	2.4
15000 (20000	77.2	78.9	1.7	-.0	-.0	.0	77.2	78.9	1.7
20000 (30000	191.1	194.2	3.1	-.0	-.0	.0	191.1	194.2	3.1
30000 (50000	338.9	347.4	8.6	-.0	-.0	-.0	338.9	347.4	8.6
50000 (100000	154.3	157.7	3.5	-.0	-.0	-.0	154.2	157.7	3.5
100000 (200000	42.0	43.2	1.2	-.0	-.0	-.0	42.0	43.2	1.2
200000 (*****	17.9	20.0	2.1	-.0	-.0	.0	17.9	20.0	2.1
TOTALS	928.3	951.2	22.9	-3.8	-3.8	-.0	924.4	947.4	22.9



DISTRIBUTION OF STATE TAX CHANGE AND NUMBER OF RETURNS AFFECTED FOR KENTUCKY

Plan X: CURRENT LAW

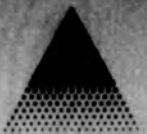
Income Classifier: FEDERAL PLAN X A61

Plan Y: CURRENT LAW

Data for: ALL RETURNS

1987 Levels of Income

INCOME CLASS (DOLLARS)	PRESENTLY TAXABLE RETURNS MADE NONTAXABLE		PRESENTLY NONTAXABLE RETURNS MADE TAXABLE		RETURNS WITH A CHANGE IN TAX LIABILITY				RETURNS WHICH CHANGED THEIR TYPE OF DEDUCTION	
					TAX DECREASES		TAX INCREASES			
	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX DECREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX INCREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX DECREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX INCREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX CHANGE (\$ MIL)
***** (5000	0.	.200	0.	.200	324.	-.836	37.	.222	68.	.000
5000 (10000	0.	.200	2.	.222	9375.	-.258	2513.	.255	0.	.222
10000 (15000	0.	.200	266.	.103	6732.	-.020	19546.	.322	0.	.222
15000 (20000	0.	.200	0.	.200	13595.	-.253	52343.	.430	0.	.222
20000 (30000	0.	.200	0.	.222	43652.	-.563	102182.	1.614	0.	.222
30000 (50000	48.	-.211	2.	.200	25732.	-.525	199295.	7.255	2.	.222
50000 (100000	21.	-.223	0.	.222	18327.	-.447	49152.	3.325	2.	.222
100000 (200000	25.	-.216	0.	.222	1317.	-.373	7522.	1.554	2.	.222
200000 (*****	2.	-.221	12.	.247	202.	-.147	1222.	1.446	0.	.222
ITEMIZE, Total.	96.	-.257	279.	.150	119467.	-2.299	442218.	15.991	88.	.222
***** (5000	536.	-.221	0.	.222	55222.	-.164	52942.	.121	5.	.222
5000 (10000	0.	.200	0.	.222	68421.	-.623	138422.	1.153	0.	.222
10000 (15000	0.	.200	0.	.200	25463.	-.281	155527.	2.346	0.	.222
15000 (20000	0.	.200	0.	.200	12757.	-.086	81903.	1.312	0.	.222
20000 (30000	0.	.200	0.	.222	2690.	-.254	61241.	2.179	0.	.222
30000 (50000	0.	.200	0.	.200	1183.	-.209	35293.	2.203	0.	.222
50000 (100000	0.	.200	0.	.200	1452.	-.270	5920.	.669	0.	.222
100000 (200000	0.	.200	0.	.200	247.	-.217	62.	.024	0.	.222
200000 (*****	0.	.200	0.	.200	0.	.000	196.	.783	0.	.222
NON-ITEMIZE, Total.	536.	-.221	0.	.222	165221.	-1.314	553810.	10.559	5.	.222
***** (5000	536.	-.221	0.	.200	55325.	-.222	52879.	.121	93.	.222
5000 (10000	0.	.222	2.	.222	77782.	-.669	147335.	1.238	0.	.222
10000 (15000	0.	.222	266.	.103	32189.	-.320	179476.	2.728	0.	.222
15000 (20000	0.	.222	0.	.200	24347.	-.139	134257.	1.792	0.	.222
20000 (30000	0.	.200	0.	.200	52339.	-.736	183421.	3.793	0.	.222
30000 (50000	48.	-.211	0.	.200	25954.	-.514	234569.	9.297	0.	.222
50000 (100000	21.	-.223	0.	.200	14079.	-.517	55272.	3.994	0.	.222
100000 (200000	25.	-.216	0.	.200	1464.	-.390	7582.	1.573	0.	.222
200000 (*****	2.	-.221	12.	.247	202.	-.147	1416.	2.229	0.	.222
ALL RETURNS, Total	632.	-.258	279.	.150	284688.	-3.613	994028.	26.550	93.	.222



DISTRIBUTION OF STATE TAX CHANGE AND NUMBER OF RETURNS AFFECTED FOR KENTUCKY

Plan X: CONFERENCE BILL
PROVISIONS 01 - 7

Income Classifier: FEDERAL PLAN X AGI

Plan Y: CONFERENCE PROVISION 08
LIMIT NON-BUS INTEREST DEDUCTIONS

Data for: ALL RETURNS
1987 Levels of Income

INCOME CLASS (DOLLARS)	PRESENTLY TAXABLE RETURNS MADE NONTAXABLE		PRESENTLY NONTAXABLE RETURNS MADE TAXABLE		RETURNS WITH A CHANGE IN TAX LIABILITY				RETURNS WHICH CHANGED THEIR TYPE OF DEDUCTION	
					TAX DECREASES		TAX INCREASES			
	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX DECREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX INCREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX DECREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX INCREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX CHANGE (\$ MIL)
***** (5000	0.	.000	7.	.016	0.	.000	205.	.036	0.	.000
5000 (10000	0.	.000	0.	.000	0.	.000	2116.	.026	0.	.000
10000 (15000	0.	.000	0.	.000	0.	.000	11543.	.194	0.	.000
15000 (20000	0.	.000	34.	.003	0.	.000	54975.	.653	0.	.000
20000 (30000	0.	.000	0.	.000	0.	.000	116397.	1.972	0.	.000
30000 (50000	0.	.000	0.	.000	0.	.000	193337.	4.066	0.	.000
50000 (100000	0.	.000	0.	.000	0.	.000	54112.	1.701	0.	.000
100000 (200000	0.	.000	3.	.001	0.	.000	6633.	.501	0.	.000
200000 (*****	0.	.000	1.	.001	0.	.000	1033.	.177	0.	.000
ITEMIZE, Total	0.	.000	44.	.020	0.	.000	440350.	9.326	0.	.000
**** (5000	2.	.000	2.	.000	2.	.000	0.	.000	0.	.000
5000 (10000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
10000 (15000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
15000 (20000	2.	.000	0.	.000	0.	.000	0.	.000	0.	.000
20000 (30000	2.	.000	0.	.000	0.	.000	0.	.000	0.	.000
30000 (50000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
50000 (100000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
100000 (200000	0.	.000	0.	.000	36.	-.000	0.	.000	0.	.000
200000 (*****	0.	.000	0.	.000	2.	.000	0.	.000	0.	.000
NO ITEMIZE, Total	0.	.000	0.	.000	38.	-.000	0.	.000	0.	.000
***** (5000	0.	.000	7.	.016	0.	.000	205.	.036	0.	.000
5000 (10000	0.	.000	0.	.000	0.	.000	2116.	.026	0.	.000
10000 (15000	0.	.000	0.	.000	0.	.000	11543.	.194	0.	.000
15000 (20000	0.	.000	34.	.003	0.	.000	54975.	.653	0.	.000
20000 (30000	0.	.000	0.	.000	0.	.000	116397.	1.972	0.	.000
30000 (50000	0.	.000	0.	.000	0.	.000	193337.	4.066	0.	.000
50000 (100000	0.	.000	0.	.000	0.	.000	54112.	1.701	0.	.000
100000 (200000	0.	.000	3.	.001	38.	-.000	6633.	.501	0.	.000
200000 (*****	0.	.000	1.	.001	0.	.000	1033.	.177	0.	.000
ALL RETURNS, Total	0.	.000	44.	.020	36.	-.000	440350.	9.326	0.	.000



STATE TAX LIABILITY FOR: KENTUCKY

Plan X: CONFERENCE BILL
PROVISIONS 01 - 7

Income Classifier: FEDERAL PLAN X AGI

Plan Y: CONFERENCE PROVISION 00
LIMIT NON-BUS INTEREST DEDUCTIONS

Data for: FEDERAL FILERS ONLY
1967 Levels of Income

INCOME CLASS (DOLLARS)	NUMBER OF RETURNS		TAXABLE RETURNS		ADJUSTED GROSS INCOME			TAXABLE INCOME		
	SAMPLE (UNITS)	AGGREGATE (000'S)	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)
***** (5000	664	232.7	118.9	118.9	295.5	295.1	-.4	435.0	435.6	.6
5000 (10000	540	245.9	237.2	237.2	1782.6	1782.4	-.2	1520.4	1521.5	1.1
10000 (15000	386	215.8	214.1	214.1	2573.9	2573.7	-.2	2245.1	2249.2	4.1
15000 (20000	337	161.7	161.5	161.5	2616.3	2615.3	-1.0	2105.5	2117.4	11.9
20000 (30000	472	236.3	236.3	236.3	5521.9	5520.1	-1.7	4458.5	4456.8	-1.7
30000 (50000	568	261.6	261.6	261.6	8840.1	8833.6	-6.5	7395.6	7467.0	71.4
50000 (100000	358	69.2	69.2	69.2	3729.0	3726.8	-2.2	3170.3	3202.7	32.5
100000 (200000	248	9.1	9.1	9.1	926.6	925.7	-.9	822.8	821.6	-1.2
200000 (*****	262	1.7	1.6	1.6	448.7	448.3	-.4	359.1	362.1	3.0
TOTALS	3853	1433.8	1329.3	1329.4	26752.4	26739.4	-13.1	22463.4	22551.9	178.5

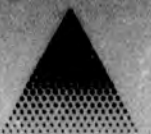
INCOME CLASS (DOLLARS)	ITEMIZED RETURNS		DEDUCTIONS		EXEMPTIONS		STATE TAX CREDITS		FED TAX DEDUCTION	
	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)
***** (5000	3.1	3.1	158.7	157.8	7.6	7.6	.0	.0	44.8	44.8
5000 (10000	25.2	25.2	283.0	281.9	12.2	12.2	.0	.0	32.5	32.5
10000 (15000	32.5	32.5	332.5	328.2	11.4	11.4	.0	.0	122.0	122.0
15000 (20000	71.5	71.5	512.5	499.7	9.3	9.3	.0	.0	182.1	182.1
20000 (30000	155.3	155.3	1044.4	1034.4	14.2	14.2	.0	.0	511.5	511.5
30000 (50000	226.1	226.1	1454.0	1367.3	17.0	17.0	.0	.0	993.3	983.3
50000 (100000	62.4	62.4	538.7	506.1	5.0	5.0	.0	.0	586.4	586.4
100000 (200000	8.8	8.8	163.8	154.1	.7	.7	.0	.0	275.0	275.0
200000 (*****	1.5	1.5	66.6	66.2	.1	.1	.0	.0	177.4	177.4
TOTALS	586.4	586.4	4577.2	4385.8	75.5	75.5	.0	.0	2915.9	2915.9

INCOME CLASS (DOLLARS)	TAX (POSITIVE PORTION)			OUTLAYS (NEGATIVE PORTION)			TAX (NET OF OUTLAYS)		
	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)
***** (5000	5.2	5.3	.0	-3.0	-3.0	.0	2.2	2.3	.0
5000 (10000	35.6	35.6	.0	-.3	-.3	.0	35.3	35.3	.0
10000 (15000	75.5	75.7	.2	-.1	-.1	.0	75.4	75.6	.2
15000 (20000	80.8	81.4	.7	-.0	-.0	.0	82.8	81.4	-1.4
20000 (30000	196.5	202.5	2.0	-.0	-.0	.0	198.5	202.5	2.0
30000 (50000	356.0	362.1	4.1	-.0	-.0	.0	356.0	362.1	4.1
50000 (100000	164.1	165.8	1.7	-.0	-.0	.0	164.1	165.8	1.7
100000 (200000	45.8	46.3	.5	-.0	-.0	.0	45.8	46.3	.5
200000 (*****	20.9	21.1	.2	-.0	-.0	.0	20.9	21.1	.2
TOTALS	982.4	991.7	9.3	-3.4	-3.4	.0	979.0	988.3	9.3

Policy Economics Group Personal Income Tax Model

STATE TAX LIABILITY FOR: KENTUCKY

Policy Economics Group



Plan X: CONFERENCE BILL
PROVISIONS #1 - 9

Income Classifier: FEDERAL PLAN X AGI

Plan Y: CONFERENCE PROVISION #10
REPEAL SALES TAX DEDUCTION

Data for: FEDERAL FILERS ONLY
1987 Levels of Income

INCOME CLASS (DOLLARS)	NUMBER OF RETURNS		TAXABLE RETURNS		ADJUSTED GROSS INCOME			TAXABLE INCOME		
	SAMPLE (UNITS)	AGGREGATE (000'S)	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)
***** (5000	684	230.7	118.9	118.9	255.1	255.1	.0	435.7	435.1	.5
5000 (10000	540	245.9	237.2	237.2	1780.4	1782.4	.0	1503.6	1506.0	2.4
10000 (15000	386	216.8	214.1	214.1	2573.7	2573.7	.0	2254.7	2262.9	8.2
15000 (20000	337	161.7	161.5	161.5	2615.3	2615.3	.0	2131.7	2149.6	18.0
20000 (30000	472	236.3	236.3	236.3	5502.1	5502.1	.0	4532.4	4531.7	.5
30000 (50000	568	261.6	261.6	261.6	8833.8	8833.8	.0	7497.1	7501.4	4.3
50000 (100000	358	63.2	63.2	63.2	3706.8	3706.8	.0	3205.1	3241.5	36.4
100000 (200000	248	9.1	9.1	9.1	985.7	985.7	.0	822.6	835.7	7.1
200000 (*****	252	1.7	1.6	1.6	445.3	445.3	.0	362.2	363.8	1.6
TOTALS	3853	1433.2	1329.4	1329.4	25735.4	25735.4	.0	22754.1	22802.9	28.9

INCOME CLASS (DOLLARS)	ITEMIZED RETURNS		DEDUCTIONS		EXEMPTIONS		STATE TAX CREDITS		FED TAX DEDUCTION	
	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)
***** (5000	3.1	3.1	157.8	157.3	7.6	7.6	.0	.0	44.8	44.8
5000 (10000	25.2	25.2	279.7	277.3	12.2	12.2	.0	.0	32.5	32.5
10000 (15000	32.5	31.7	322.8	316.6	11.4	11.4	.0	.0	122.8	122.8
15000 (20000	71.5	71.5	485.4	487.5	9.3	9.3	.0	.0	182.1	182.1
20000 (30000	155.2	155.2	972.8	919.5	14.2	14.2	.0	.0	511.5	511.5
30000 (50000	225.1	224.7	1337.2	1232.9	17.0	17.0	.0	.0	983.3	983.3
50000 (100000	63.4	61.6	502.7	465.3	5.0	5.0	.0	.0	586.4	586.4
100000 (200000	8.6	8.6	153.1	146.0	.7	.7	.0	.0	275.0	275.0
200000 (*****	1.5	1.4	86.2	84.4	.1	.1	.0	.0	177.4	177.4
TOTALS	586.2	583.1	4293.6	4266.7	75.5	75.5	.0	.0	2915.9	2915.9

INCOME CLASS (DOLLARS)	TAX (POSITIVE PORTION)			OUTLAYS (NEGATIVE PORTION)			TAX (NET OF OUTLAYS)		
	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	CHANGE (\$ MIL)
***** (5000	5.3	5.3	.0	-3.0	-3.0	.0	2.3	2.3	.0
5000 (10000	35.6	35.7	.1	-.3	-.3	.0	35.4	35.4	.1
10000 (15000	76.0	76.2	.3	-.1	-.1	.0	75.8	76.1	.3
15000 (20000	82.1	83.0	.9	-.0	-.0	.0	82.1	83.0	.9
20000 (30000	202.3	205.1	2.8	-.0	-.0	.0	202.3	205.1	2.8
30000 (50000	361.7	367.2	5.5	-.0	-.0	.0	361.7	367.2	5.5
50000 (100000	166.1	168.0	2.0	-.0	-.0	.0	166.1	168.0	2.0
100000 (200000	46.4	46.8	.4	-.0	-.0	.0	46.4	46.8	.4
200000 (*****	21.1	21.2	.1	-.0	-.0	.0	21.1	21.2	.1
TOTALS	996.5	1000.5	12.1	-3.4	-3.4	.0	993.0	1005.1	12.1

Policy Economics Group Personal Income Tax Model

Policy Economics Group

DISTRIBUTION OF STATE TAX CHANGE AND NUMBER OF RETURNS AFFECTED FOR KENTUCKY

Plan X: CONFERENCE BILL

PROVISIONS #1 - 9

Plan Y: CONFERENCE PROVISION #10

REPEAL SALES TAX DEDUCTION

Income Classifier: FEDERAL PLAN X AGI

Data for: ALL RETURNS

1987 Levels of Income

INCOME CLASS (DOLLARS)	PRESENTLY TAXABLE RETURNS MADE NONTAXABLE		PRESENTLY NONTAXABLE RETURNS MADE TAXABLE		RETURNS WITH A CHANGE IN TAX LIABILITY				RETURNS WHICH CHANGED THEIR TYPE OF DEDUCTION	
					TAX DECREASES		TAX INCREASES			
	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX DECREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX INCREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX DECREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX INCREASE (\$ MIL)	NUMBER OF RETURNS (UNITS)	AMOUNT OF TAX CHANGE (\$ MIL)
***** (5000	0.	.000	0.	.000	0.	.000	1305.	.024	0.	.000
5000 (10000	0.	.000	0.	.000	0.	.000	20255.	.037	0.	.000
10000 (15000	0.	.000	0.	.000	0.	.000	29448.	.072	759.	.024
15000 (20000	0.	.000	0.	.000	0.	.000	71202.	.899	0.	.000
20000 (30000	0.	.000	0.	.000	0.	.000	155200.	2.803	0.	.000
30000 (50000	0.	.000	0.	.000	0.	.000	226058.	5.456	1375.	.019
50000 (100000	0.	.000	0.	.000	0.	.000	62386.	1.957	832.	.018
100000 (200000	0.	.000	0.	.000	0.	.000	8730.	.402	119.	.000
200000 (*****	0.	.000	0.	.000	0.	.000	1416.	.106	16.	.000
ITEMIZE, Total	0.	.000	0.	.000	0.	.000	576000.	12.057	3122.	.040
***** (5000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
5000 (10000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
10000 (15000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
15000 (20000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
20000 (30000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
30000 (50000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
50000 (100000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
100000 (200000	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
200000 (*****	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
NON-ITEMIZE, Total	0.	.000	0.	.000	0.	.000	0.	.000	0.	.000
***** (5000	0.	.000	0.	.000	0.	.000	1305.	.024	0.	.000
5000 (10000	0.	.000	0.	.000	0.	.000	20255.	.037	0.	.000
10000 (15000	0.	.000	0.	.000	0.	.000	29448.	.072	759.	.024
15000 (20000	0.	.000	0.	.000	0.	.000	71202.	.899	0.	.000
20000 (30000	0.	.000	0.	.000	0.	.000	155200.	2.803	0.	.000
30000 (50000	0.	.000	0.	.000	0.	.000	226058.	5.456	1375.	.019
50000 (100000	0.	.000	0.	.000	0.	.000	62386.	1.957	832.	.018
100000 (200000	0.	.000	0.	.000	0.	.000	8730.	.402	119.	.000
200000 (*****	0.	.000	0.	.000	0.	.000	1416.	.106	16.	.000
ALL RETURNS, Total	0.	.000	0.	.000	0.	.000	576000.	12.057	3122.	.040

THE PRECEDING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

ELF Legislation

& miscellaneous
memo's

Logsdon #1

DRAFT SEVERANCE TAX AMENDMENT

Option 1. Establish an \$0.80 floor in the severance tax to which the existing ELF does not apply. [N.B.: This draft does not include similar changes for gas production.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

NO. 105 Logsdan #

DRAFT SEVERANCE TAX AMENDMENT

Option 2. Establish an \$0.80 floor in the severance tax to which the existing ELF does not apply and change the ELF formula so that the PEL is set without discretion at 300 barrels, eliminating the exponent. [N.B.: This draft does not make similar changes for gas production.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.013(b)(1) is amended to read:

Section 43.55.013(b)(1). The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$(1 - [PEL/TP]) \text{ [EXP - } \{ \frac{460 \times WD}{PEL} \}]$$

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

TP = the 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].

* Sec. 3. AS 43.55.013(d) is amended to read:

Section AS 43.55.013(d) The monthly production rate at the economic limit for a lease or property is [PRESUMED TO BE] 300 barrels times the number of well days for the lease or property during the month for which the tax is to be paid. [THE TAXPAYER MAY REBUT THIS PRESUMPTION AT A FORMAL HEARING UNDER AS 43.05.240 BY PROVIDING CLEAR AND CONVINCING EVIDENCE OF A DIFFERENT MONTHLY PRODUCTION RATE AT THE ECONOMIC LIMIT FOR THE LEASE OR PROPERTY. THE HEARING SHALL BE HELD BEFORE FEBRUARY 15 OF THE YEAR OR WITHIN SIX MONTHS AFTER COMMENCEMENT OF OIL PRODUCTION FOR A LEASE OR PROPERTY. THE MONTHLY PRODUCTION RATE AT THE ECONOMIC LIMIT FOR THE LEASE OR PROPERTY BASED UPON THE CLEAR AND CONVINCING EVIDENCE OF THE TAXPAYER SHALL BE CALCULATED BY DIVIDING THE VALUE DETERMINED UNDER (f) OF THIS SECTION INTO THE AVERAGE MONTHLY DIRECT OPERATING COST DETERMINED UNDER (e) OF THIS SECTION AND SHALL BE USED FOR PURPOSES OF THIS SECTION FOR ALL OIL PRODUCTION DURING THAT CALENDAR YEAR FROM THE LEASE OR PROPERTY].

* Sec. 4. AS 43.55.013(e) and AS 43.55.013(f) are repealed.

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

PEL 300 bbl rebuttal

L> Trigger w/ .4 ELF For Floor
on large field only

IF the econ limit factor calculated
for the lease or property under this
Presumption is less than 0.4,
then (then no rebuttal)

Use w/ ITF

rejected by
Cmfr

DRAFT SEVERANCE TAX AMENDMENT

Option 3. Establish a \$1.50 floor in the severance tax to which the existing ELF does not apply and add an inflation index to the floor. [N.B.: This draft does not make similar changes to the gas production tax.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.011(c) is amended to read:

(c) The cents-per-barrel amount equals [\$0.60 PER BARREL OF TAXABLE OLD CRUDE OIL PRODUCED FROM THE LEASE OR PROPERTY, AND] \$1.50 [\$0.80] per barrel for all [OTHER] taxable oil produced from the lease or property, [BOTH] as adjusted by AS 43.55.012.

* Sec. 3. AS 43.55.012 is amended by adding a new section to read:

Section 43.55.012(a) The cents-per-barrel amount set out in AS 43.55.011(c) shall be increased or decreased by a percentage equal to the percentage of change in the Gross National Product Deflator published by the Bureau of Economic Analysis of the United States Department of Commerce. Changes in tax rates will be computed based on changes in

the Gross National Product Deflator from that of the First Quarter 1987 Gross National Product Deflator. The department shall post the changes in the tax rates periodically and shall notify every person producing oil within the state of the changes.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

Revised

DRAFT SEVERANCE TAX AMENDMENT

Option 4. Eliminate the ELF on all fields. [N.B.: This draft removes the ELF for gas as well as oil].

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.016 (a) is amended to read:

Section 43.55.016(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 cent-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 AS 43.55.013]. 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.

* Sec. 3. AS 43.55.013 is repealed.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

Cogden #2

DRAFT SEVERANCE TAX AMENDMENT

Option 5. Establish an alternative ELF which measures total field productivity rather than individual well productivity. [N.B.: this draft does not make similar changes for gas production.]

* Section 1. AS 43.55.013(b)(1) is amended to read:

Sec. 43.55.013(b)(1) The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$\frac{(1 - [PEL/TP]) \exp (45,500,000 \times WD) / (PEL \times TP / \text{Days})}{(1 - [PEL/TP]) \exp (460 \times WD / PEL)}$$

- New
- Delete

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

TP = the 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]

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

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

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

Eliminated

DRAFT SEVERANCE TAX AMENDMENT

Option 6. Establish an alternative ELF (field-based applicability) and establish a severance tax floor to which the alternative ELF does not apply. [N.B.: This draft does not include similar changes for gas production.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.013(b)(1) is amended to read:

Sec. 43.55.013(b)(1) The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$\frac{(1 - [\text{PEL}/\text{TP} \exp (45,500,000 \times \text{WD})]/(\text{PEL} \times \text{TP}/\text{Days}))}{[(1 - \text{PEL}/\text{TP}) \exp (460 \times \text{WD}/\text{PEL})]}$$

$$[(1 - \text{PEL}/\text{TP}) \exp (460 \times \text{WD}/\text{PEL})]$$

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

TP = the 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]

Days = the number of days in the month for which the tax is to be paid, and

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

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

NO Cogden Analysis

DRAFT SEVERANCE TAX AMENDMENT

Option 7. Postpone the scheduled application of the existing ELF to Prudhoe Bay only.

* Section 1. AS 43.55.013(b)(2) is amended to read:

Section 43.55.013(b)(2) If, for any month during the first 15 [10] years following the commencement of commercial oil production of a lease or property, the economic limit factor for oil production of that lease or property computed under (1) of this subsection is 0.7 or less, then that factor shall be applied.

* Sec. 2. AS 43.55.013(b)(3) is amended to read:

Section 43.55.013(b)(3) If, for any month during the first 15 [10] years following the commencement of commercial oil production of a lease or property, the economic limit factor for oil production of that lease or property computed under (1) of this subsection is greater than 0.7, then the economic limit factor is one.

* Sec. 3. AS 43.55.013(b)(4) is amended to read:

AS 43.55.013(b)(4) The economic limit factor for oil production of a lease or property after the first 15 [10] years following the commencement of commercial oil production shall be computed and applied under (1) of this subsection.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

MEMORANDUM

Division of Strategic Planning
Office of Management and Budget
465-3568 MS 0164

TO: File DATE: Nov. 10, 1986
FROM: R.A. Fineberg, Policy Analyst, OMB
SUBJECT: Measuring ELF Gains

I. Summary

The ELF (Economic Limit Factor; AS 43.55.013) is a formula that lowers the severance tax rate as productivity of wells in a field declines. Data presented in DOR's "Analysis of ELF Alternatives" (Oct. 14, 1986) indicates that any of the proposed ELF changes will increase average expected taxes. OMB estimates of gains due to modification of the ELF are presented for the September 30% and Mean case forecast levels.¹

II. Background

The Alternative ELF (OMB proposal) has the following effects:

== The ELF, currently scheduled to become effective at Prudhoe Bay in June 1987, stays in place at Prudhoe Bay;

== The ELF is modified so that the effective tax rate on large, productive fields (Prudhoe and Kuparuk) is increased, while the effective tax rate on small, marginal fields is reduced.

According to the DOR report:

"[M]odifying the ELF to reflect total field productivity (the OMB alternative ELF) is the most efficient alternative in terms of dollars gained for every barrel foregone . . . because . . . the negative effect on average expected production is mitigated."

Because the ELF still operates to increase marginal production, the OMB ELF does not have a serious effect on North Slope productivity. According to the DOR report, the OMB proposal gains approximate \$70 in severance revenue for every barrel foregone due to reduced production. (By comparison, a barrel presently nets the State less than \$2 per barrel.)

¹ These numbers are lower than those used by DOR; at this time we do not know the reason(s) for the difference.

The report uses the DOR forecasting model to examine effects of four possible changes to the ELF over a broad range of price and transportation cost assumptions.

Enacted in 1977, the ELF was modified in 1981 to set Prudhoe Bay at 1.0 (no severance reduction) for 10 years; at the arbitrary expiration, the ELF was to be re-assessed. The ELF therefore goes into effect at Prudhoe June 17, 1987; the effect can be seen immediately in State revenue forecast. The alternative ELF would make the ELF less effective on high-production wells at Prudhoe Bay at the same time that it becomes more effective (beneficial to the producer) for higher-cost wells in smaller fields.

According to DOR, after the ELF becomes applicable at Prudhoe Bay there is a 50% chance the State will lose \$140 million in FY 88, compared to what severance would have been if the ELF did not kick in. What about the 30% case? \$10 oil? \$20 oil? The DOR data do not give a clue. The DOR numbers show greater effects from the alternative ELF than OMB's; we have been unable to learn the reasons for the difference.

III. Effects of Alternative ELF at Sept. 30% and Mean Case Forecast Levels

The OMB field model, derived from DOR data, indicates the severance gains to the State due to the Alternative ELF are:

	- - - - (\$ Millions; nominal) - - - -			
	<u>\$10 oil</u>	<u>30% case</u>	<u>Mean case</u>	<u>\$20 oil</u>
FY 88	\$54.7	\$66.8	\$85.3	\$125.7
FY 89	52.4	74.0	99.7	138.1
FY 90	51.4	n.a.	111.8	150.7
FY 91	47.0	n.a.	106.2	140.3
FY 92	41.1	n.a.	100.8	131.6
FY 93	44.5	n.a.	104.4	134.4
FY 94	41.3	n.a.	94.3	118.2
FY 95	38.2	n.a.	85.9	104.5

The DOR paper describing ELF proposals is attached; the interim Tax Policy Committee has this and other materials on the ELF on file; additionally, Dr. Tom Chester at OMB is familiar with ELF mechanics.

IV. Politics/Alternatives:

1. Repealing ELF gives greatest fiscal benefit to the State but may send a harsh message to the industry.

2. De-coupling (removing the ELF from the floor) affects marginal fields and doesn't generate enough revenue to be worthwhile.

3. The alternative ELF is more complicated than alternatives 1. and 2. encourages marginal fields and eliminates the inappropriate break to Prudhoe Bay (never less than 55% of the all-field gain from ELF modification).

Table G

Revenue Impact of OMB-Altered Exponent
(Millions \$)

Year	Prudhoe	Kuparuk	Milne	Endicott	Lisburne	West Sak	Pt. Thomson	Seal Island	Total North Slope
1986	0	0	0	0	0	0	0	0	0
1987	5.94	29.29	-.35	0	-3.35	0	0	0	31.53
1988	93.33	37.48	-.25	-1.4	-5.81	0	0	0	123.35 91
1989	102.28 ⁹⁶	47.59 ²⁴	.83 - 4	5.62 - 1	-4.51 - 4	0	0	0	151.81 110
1990	111.56 ¹⁰⁷	54.78 ²⁸	1.01 - 5	6.36 - 1.6	-5.1 - 5	1.61	.06	0	170.28
1991	112.91	39.58	.25	6.73	-1.3	2.46	-1.66	0	158.97
1992	114.39	21.09	.29	7.51	-1.42	7.12	-1.97	0	147.01
1993	112.22	26.61	.24	8.6	7.63	8.44	-2.36	0	161.38
1994	112.29	22.06	-.46	2.38	4.61	9.54	-2.7	0	147.72
1995	109.54	18.28	-.46	3.46	3.68	13.57	-3.47	0	144.60
1996	102.5	4.94	-.88	-.21	3.81	14.69	-4.46	0	120.39
1997	104.25	.79	-.81	-1.89	3.99	17.3	-3.15	.51	120.99
1998	104.09	-3.39	-.44	-1.95	-3.87	19.8	-5.42	3.22	112.04
1999	103.71	-6.23	.01	-.85	-10.17	15.09	-5.89	3.8	99.47
2000	101.55	-8.5	.5	.23	-13.2	8.19	-5.93	4.22	87.06
2001	95.09	-8.06	.65	1.03	-12.31	4.97	-6.23	4.48	79.62
2002	87.3	-5.01	.79	1.31	-8.92	3.04	-6.18	4.61	76.94
2003	75.5	-2.77	.62	1.31	-5.31	1.13	-5.04	5.4	70.84
2004	69.23	-1.79	.2	.94	-2.43	.95	-4.01	6.97	70.06
2005	58.11	-1.37	-.01	.52	-1.18	3.32	-2.75	7.23	63.87
Total Revenue									
Nominal	1775.79	286.37	1.73	39.7	-55.16	131.22	-61.16	40.44	2137.93
10% disc	701.22	174.46	.62	20.28	-18.23	44.12	-17.15	8.18	913.48
8% disc	825.43	189.53	.71	22.95	-21.76	54.08	-21.69	11.08	1060.33

A

I I C I I B I I E I I F I I G I I H I I I I I J I I K I I L I I M I I N I I O I I P I

11/ 5/96

Alaska North Slope Oil Revenue

Fiscal Years

1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000

PRICE/OUTPUT ASSUMPTIONS

World Oil Price (Sept. 86)	15.75	15.97	16.95	17.05	18.07	19.42	20.23	21.34	22.42	23.83	24.85	25	25.5	26.49
Avg. Rate of Inflation (Sept. 86)	2.9	2.83	4.23	4.23	4.23	4.23	4.23	4.09	4.09	4.09	4.09	4.09	4.09	4.09
Compound Inflation Factor	1.029	1.029121	1.102079	1.149831	1.190156	1.240838	1.291664	1.343513	1.428079	1.500100	1.571861	1.643004	1.742300	1.837300
World/Avg. Oil & NGLs (June 86)	8.735	8.811	2.47	2.500	2.71	2.804	2.804	2.820	2.117	1.636	.611	-1.001	-4.339	-6.662
Trans-Alaska Pipeline Tariff (Sept. 86)	4.764	4.834	4.332	4.332	3.924	3.78	3.833	3.837	3.874	3.884	4.082	4.220	4.211	4.794
Successful Offshore BBL Price (1989)	8.231	8.485	10.148	11.554	11.554	15.884	14.231	15.408	16.829	18.37	20.234	21.473	24.020	27.350
Success Ratio (Sept. 86)	.9013333	.9013333	.9013333	.9013333	.9013333	.9013333	.9013333	.9013333	.970	.96	.930	.91	.884	.880
ANM Methanol Price \$/Bbl (0/86)	6.114600	6.464373	9.968571	11.33633	11.77011	12.61229	13.94538	15.19095	16.48876	17.6382	18.96137	20.45043	21.94795	23.47316

Prudhoe Bay Prod. (MMbbl/yr)	535	467	435	412	373	334	355	389	260	296	264	219	180	164
Prudhoe Bay Price (\$/bbl)	6.114600	6.464373	9.968571	11.33633	11.77011	12.61229	13.94538	15.19095	16.48876	17.6382	18.96137	20.45043	21.94795	23.47316
Wells (Sept. 86)	519	519	490	493	480	464	445	418	391	371	352	331	311	292
TOTAL DAILY OUTPUT	1465733	1334247	1191781	1120767	1021018	915060.3	972662.7	846575.3	734246.6	610998.9	598090.4	600000	515048.3	448315.1
TOTAL MONTHLY OUTPUT	44053323	40053333	36210000	34333333	31003333	27833333	29503333	25750000	22333333	24644667	21166667	18230000	15666667	13666667
TOTAL DAILY OUTPUT PER WELL	2824.108	2578.083	2753.124	2289.588	2694.894	1972.138	2185.424	2023.300	1877.068	2185.873	1976.961	1812.689	1656.109	1536.750
PER	4671000	4671000	4482000	4437000	4392000	4176000	4005000	3762000	3519000	3339000	3160000	2970000	2790000	2620000
WELL DAYS	15370	15370	14940	14640	13920	13350	12540	11730	11130	10560	10060	9530	9330	8760
ALTERNATE ELF	.9041203	.9031886	.9797212	.9727996	.9676691	.9727101	.9660751	.9577187	.9473642	.9378148	.9485344	.9317408	.9180260	
PRODUCED ELF	.8418140	.8267417	.9143409	.8862613	.7808244	.7746494	.7974112	.7820640	.7657533	.7497434	.7749714	.7577408	.7360732	.7171075
NOMINAL TAX RATE	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15
EFFECTIVE TAX RATE CURRENT ELF	.15	.1240113	.1221511	.1209392	.1103397	.1164674	.1196117	.1173096	.1140630	.1196190	.1165457	.1130611	.1104110	.1075661
EFF. TAX CUR. ELF NO 10 YEAR LIMIT	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15
EFFECTIVE TAX RATE ALTERNATIVE ELF	.15	.1474783	.1469882	.1464363	.1459199	.1451804	.1459065	.1449113	.1436370	.1481046	.1436721	.1419002	.1397623	.1373739
ROYALTY PERCENTAGE	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125
SEVERANCE TAX CURRENT ELF	429	446	463	494	455	436	519	482	443	546	492	445	399	362
SEVERANCE TAX PER BARREL CUR. LAW	1	1	1	1	1	1	2	2	2	2	2	2	2	3
SEVERANCE TAX NO ELF	429	540	569	613	576	562	651	616	579	683	633	580	542	505
CUR. SEV. TAX NO ELF ON CENTS/BBL	429	446	463	494	455	436	519	482	443	546	492	445	399	362
CUR. SEV. TAX NO 10 YEAR LIMIT	429	540	569	613	576	562	651	616	579	683	633	580	542	505
SEVERANCE TAX PER BARREL CUR. LAW	.9172032	1.047197	1.216451	1.371248	1.392059	1.492214	1.670420	1.702630	1.690803	2.100435	2.212197	2.324419	2.423295	2.526917
SEVERANCE TAX ALTERNATIVE ELF	429.3657	530.6790	557.0422	599.3709	560.5471	543.4997	632.9408	595.3830	554.4587	662.7670	606.6964	556.3830	504.6832	462.7301
SEV TAX ALT ELF NO ELF ON CENTS/BBL	429.3657	530.6790	557.0422	599.3709	560.5471	543.4997	632.9408	595.3830	554.4587	662.7670	606.6964	556.3830	504.6832	462.7301
CONSERVATION TAX	.5651563	.5326663	.4757013	.436425	.4076089	.3683125	.3082813	.3379608	.293125	.32375	.2776125	.2395313	.205625	.179375
Gathering & Cleaning Charge	.72611	.7471672	.7663120	.8000116	.8366060	.8699932	.9067939	.9451513	.9913692	1.039047	1.090696	1.144631	1.199974	1.265252
Royalties if Taken In-Value	368.3612	468.5674	499.7293	542.6820	509.8642	490.5900	579.4736	530.4370	510.1577	614.0201	560.8200	520.5127	487.5775	455.2622
In-Kind Contracts Longterm														
NAFDC (10.6667% exhibit B 2003)	67.26754	67.46680	93.20129	101.3008	93.17403	93.07045	109.1686	102.7484	96.72294	114.6108	106.0322	90.65800	91.01463	84.90243
Tesoro (24.533% in-v. 30 '95)	105.2422	130.5925	136.8475	147.8444	138.0641	134.3830	153.3081	146.0376	137.7328					
Tesoro (13.867% in-value + 0.35)	59.95065	74.23802	77.72849	83.47223	78.36245	76.20270	88.08927	83.26609	78.08418					
Chevron (9.6% in-value + 0.30)	41.10236	51.10212	53.54974	57.53980	54.02582	52.55405	60.77041	57.45897	53.89610					
QVRA (2.6667% in-value + 0.30)	11.43967	14.19521	14.07511	15.98350	15.00736	14.59833	16.88080	15.96102	14.97135					
In-Kind Contracts Shortterm														
One-year (26.67% bpica+.84)														
Six Months														
Total In-Kind Royalties	285.0824	357.5940	376.2021	405.3400	380.6346	370.7207	429.2092	406.2721	381.4074	114.6108	106.0322	90.65800	91.01463	84.90243
In-Value Royalties	110.5105	143.4937	153.2472	166.4221	156.3580	152.9008	177.7049	168.8003	158.9013	499.4093	461.9966	429.0540	394.5629	370.2798
TOTAL ROYALTIES	395.5929	501.2876	529.5293	571.7629	536.9926	523.6296	606.9141	575.0724	540.3088	614.0201	568.0200	520.5127	487.5775	455.2622
(Estimated In-Kind Premium 10%)	35.23173	32.72022	29.80902	29.00094	27.12036	25.03875	27.44044	24.63543	22.13113	0	0	0	-3.70-14	-3.70-14

Supaiuk River Prod. (MMbbl/yr)	91	82	84	84	76	67	60	52	40	41	35	29	24	21
Supaiuk River Price (\$/bbl)	5.294600	7.624373	9.138571	10.51033	10.95011	11.99229	13.14533	14.37595	15.63076	16.8152	18.16137	19.63043	21.12795	22.65316
Wells (Sept. 86)	254	259	270	270	275	275	253	253	219	220	196	177	150	142
TOTAL DAILY OUTPUT	249315.1	224657.5	230137.0	230137.0	200212.0	183561.6	164303.6	142465.8	131886.0	112330.0	98090.41	79452.05	65753.42	57534.25
TOTAL MONTHLY OUTPUT	7503333	6833333	7000000	7000000	6333333	5583333	5000000	4333333	4000000	3416667	2916667	2416667	2000000	1750000
TOTAL DAILY OUTPUT PER WELL	901.5554	867.4036	827.0309	827.0309	727.1606	647.4969	649.5734	563.1057	600.4079	510.5853	489.2360	440.8817	416.1609	405.1700
PER	2206000	2331000	2502000	2502000	2475000	2475000	2277000	2277000	1971000	1908000	1764000	1593000	1422000	1270000
WELL DAYS	7620	7770	8340	8340	8230	8230	7590	7590	6370	6600	5800	5310	4740	4260
ALTERNATE ELF	.7662029	.7692353	.7807990	.7807990	.6430262	.5541673	.5046350	.3790367	.3846708	.2400713	.1667803	.0815702	.0304230	.0147940
PRODUCED ELF	.5716097	.5216301	.5015515	.5015515	.4613367	.4006470	.3860403	.3113849	.3459095	.2571696	.2336669	.1841150	.1413275	.1264336
NOMINAL TAX RATE	.1363	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15
EFFECTIVE TAX RATE CURRENT ELF	.0779104	.0782645	.0752327	.0752327	.0696205	.0600762	.0500272	.0467076	.0518064	.0308754	.0349600	.0276173	.0211991	.0109650
EFFECTIVE TAX RATE ALTERNATIVE ELF	.1044444	.1063853	.1051200	.1051200	.0968739	.0831251	.0756593	.0569705	.0540666	.0360107	.0380170	.0122355	.0046336	.0022191
ROYALTY PERCENTAGE	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125	.125
SEVERANCE TAX CURRENT ELF	36.41154	42.00256	50.53269	50.16219	50.39059	42.23221	36.04661	30.55170	34.08060	23.27045	19.44449	13.75677	9.405774	7.084234
SEVERANCE TAX PER BARREL CUR. LAW	.4372078	.5965654	.6073195	.7913222	.7577532	.7203774	.527807	.0714660	.0114395	.0406336	.0349221	.0421306	.4470940	.6296102
SEVERANCE TAX NO ELF	63.7	82.05732	106.7527	115.9645	109.2724	105.4572	103.5197	90.11584	90.52420	90.48600	83.42078	74.71032	66.55305	62.43778
CUR. SEV. TAX NO ELF ON CENTS/BBL	63.7	57.4	58.8	58.8	53.2	46.7	42	36.4	34.08060	20.7	24.5	20.3	16.8	14.7
SEVERANCE TAX ALTERNATIVE ELF	40.81222	50.19795	70.60750	81.26792	70.32344	58.44092	52.23965	37.26995	37.91909	21.72320	13.91420	6.094706	2.024797	.9237037
SEV TAX ALT ELF NO ELF ON CENTS/BBL	63.7	50.19795	70.60750	81.26792	70.32344	58.44092	52.23965	37.26995	37.91909	20.7	24.5	20.3	16.8	14.7
CONSERVATION TAX	.0995313	.0896075	.091875	.091875	.083125	.0732813	.065625	.056075	.0525	.0440430	.0382813	.0317108	.02625	.0229600
Gathering & Cleaning Charge	.4005	.4010006	.4015019	.4020038	.4025063	.4030094	.4035132	.4040175	.4045224	.4050282	.4055345	.4060414	.4065490	.4070572
ROYALTIES	55.67139	74.03957	91.73522	106.2214	100.2023	97.06021	93.56381	90.1754	91.01754	91.01754	91.01754	91.01754	91.01754	91.01754
TOTAL OIL PROD REVENUES	92.08293	116.0431	142.2719	164.3036	150.5928	139.2924	135.6102	121.3692	125.4059	107.3726	97.12626	83.44510	71.56990	66.29026

Fiscal Years

	1987.00	1988.00	1989.00	1990.00	1991.00	1992.00	1993.00	1994.00	1995.00	1996.00	1997.00	1998.00	1999.00	2000.00
SEVERANCE TAX (current/yr)	640.42	590.36	575.89	569.37	542.72	500.00	521.00	459.32	410.04	425.66	376.04	322.27	274.79	231.07
SEVERANCE TAX PRICE (\$/bbl)	6.00	5.31	5.70	11.11	11.50	12.52	13.09	14.91	16.15	17.36	18.08	20.13	21.42	23.15
SEVERANCE TAX RATE	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15
SEVERANCE TAX RATE	.14	.12	.11	.10	.10	.10	.10	.10	.09	.09	.09	.09	.09	.09
SEVERANCE TAX RATE	.13	.13	.13	.13	.13	.13	.13	.13	.13	.13	.13	.13	.13	.13
SEVERANCE TAX NO SELF	472.00	430.70	412.14	403.07	382.94	351.00	372.00	317.07	280.00	288.00	251.23	209.33	170.00	142.21
SEVERANCE TAX - ALTERNATE SELF	472.00	430.70	412.14	403.07	382.94	351.00	372.00	317.07	280.00	288.00	251.23	209.33	170.00	142.21
SEV TAX CUR LAW NO SELF ON CENTS/REL	472.00	430.70	412.14	403.07	382.94	351.00	372.00	317.07	280.00	288.00	251.23	209.33	170.00	142.21
SEV TAX CUR LAW NO 10 YEAR LIM. P.S.	472.00	430.70	412.14	403.07	382.94	351.00	372.00	317.07	280.00	288.00	251.23	209.33	170.00	142.21
SEVERANCE TAX	.70	.65	.63	.62	.59	.55	.57	.50	.45	.46	.41	.35	.30	.26
SEVERANCE TAX	464.19	429.34	406.10	397.43	377.29	345.45	364.23	309.41	275.55	283.54	240.82	199.98	160.70	130.94
TOTAL OIL PROD REVENUES	937.77	1116.90	1230.87	1271.42	1325.02	1311.77	1519.16	1630.70	1373.41	1526.93	1429.02	1287.06	1153.90	1044.03
TOTAL OIL PROD REV. ALT. SELF	943.70	1202.24	1330.50	1403.10	1432.06	1412.61	1623.82	1825.00	1459.30	1613.63	1507.79	1365.40	1232.47	1122.40
REVENUE CHANGE FROM NO SELF	30.06	139.77	102.30	224.06	246.22	271.40	303.13	316.04	322.00	334.63	346.18	347.07	342.96	329.37
Frudhoe Bay	.00	53.82	105.06	110.79	121.63	125.56	131.02	134.31	135.61	138.70	141.13	142.41	142.93	142.93
Superak	27.29	39.25	50.22	59.00	60.04	63.22	63.47	67.56	64.44	67.22	63.90	60.96	57.15	54.54
Milne Point	2.25	3.09	4.06	5.49	6.97	7.57	7.17	6.00	6.19	5.07	5.46	5.29	4.63	3.94
Endicott	.00	3.90	10.38	17.72	10.47	20.20	27.20	26.20	25.01	24.33	22.94	21.49	19.40	16.43
Lisburne	.52	.00	6.40	10.70	10.70	22.40	31.31	34.04	36.00	39.52	42.54	40.96	38.45	35.71
West Sak	.01	.01	.00	12.49	16.03	24.06	32.07	36.70	40.20	43.97	50.03	54.47	58.90	50.37
Unspecified	.00	.00	.00	1.39	7.52	8.31	9.21	10.16	13.64	14.74	16.41	15.50	15.00	14.20
Seal Island	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	3.66	5.01	6.42	7.02
REVENUE CHANGE FROM ALT. SELF	6.01	85.26	99.71	111.75	100.54	100.04	104.36	94.29	85.09	86.70	81.90	70.42	70.49	70.45
Frudhoe Bay	.00	53.82	105.06	110.79	121.63	125.56	131.02	134.31	135.61	138.70	141.13	142.41	142.93	142.93
Superak	12.40	15.39	20.07	23.11	19.93	16.21	12.19	6.72	3.04	-1.55	-5.53	-7.66	-7.50	-6.97
Milne Point	-2.57	-4.25	-5.14	-5.65	-7.10	-7.79	-8.12	-8.19	-7.05	-5.10	-3.10	-3.10	-1.91	-1.16
Endicott	.00	-3.21	-3.67	-4.09	-4.26	-4.40	-6.30	-8.99	-10.14	-9.33	-6.73	-3.80	-1.42	.00
Lisburne	-3.02	-7.12	-5.79	-6.64	-5.37	-7.16	-3.92	-4.74	-5.30	-5.99	-6.63	-12.26	-14.09	-12.05
West Sak	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Unspecified	.00	.00	.00	.00	-2.04	-3.13	-3.56	-3.99	-5.30	-5.01	-8.46	-5.74	-3.05	-2.77
Seal Island	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
SEV CHANGE FOR CUR SELF NO SELF ON CENTS/	30.06	10.00	10.29	17.66	24.23	26.23	19.00	23.41	16.18	21.67	23.90	27.69	30.69	27.44
Frudhoe Bay	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Superak	27.29	14.00	0.27	.64	2.01	4.67	1.93	5.03	.00	5.43	5.06	6.94	7.39	6.01
Milne Point	2.25	.97	.04	.19	.00	.00	.00	.00	.00	.00	.00	.00	.00	.76
Endicott	.00	3.10	7.02	5.01	5.16	3.60	.00	.00	.33	1.95	3.17	3.93	3.92	.00
Lisburne	.52	.00	1.36	1.33	1.79	.00	.00	.00	.00	.00	.00	.00	.00	.00
West Sak	.01	.01	.00	0.53	10.40	14.25	14.39	14.62	14.64	14.79	15.52	15.56	15.50	12.43
Unspecified	.00	.00	.00	.00	973.90	4,015.35	3,717.72	3,380.47	2,980.20	1,527.20	1,106.20	.005.01	324.33	1,722.94
Seal Island	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
SEV CHANGE FOR ALT SELF NO SELF ON CENTS/R	30.06	102.03	124.13	149.17	165.77	130.69	134.54	129.19	119.94	120.78	127.12	124.13	120.14	123.43
Frudhoe Bay	.00	54.44	54.03	105.06	105.06	107.40	114.07	113.40	111.14	116.42	114.44	110.90	105.97	100.40
Superak	27.29	15.39	20.07	23.11	19.93	16.21	12.19	6.72	3.04	5.43	5.06	6.94	7.39	6.01
Milne Point	2.25	.97	.04	.19	-1.36	-2.27	-3.00	-3.44	-4.02	-3.33	-2.20	-1.95	-0.04	.76
Endicott	.00	3.10	7.02	5.01	5.16	3.60	-2.44	-3.33	-1.01	-3.35	1.95	3.17	3.93	3.92
Lisburne	.52	-1.09	1.36	1.33	1.79	-4.21	-3.92	-4.74	-5.30	-5.99	-6.63	-11.54	-6.45	-2.33
West Sak	.01	.01	.00	0.53	10.40	14.25	14.39	14.62	14.64	14.79	15.52	15.56	15.50	12.43
Unspecified	.00	.00	.00	.00	4.01	3.71	3.34	2.94	1.54	1.10	-1.01	.37	1.73	1.43
Seal Island	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
SEV CHANGE CUR SELF NO 10 YEAR LIMIT	.00	93.32	105.56	110.79	121.63	125.56	131.02	134.31	135.61	138.70	141.13	142.41	142.93	142.93
Frudhoe Bay	.00	93.32	105.56	110.79	121.63	125.56	131.02	134.31	135.61	138.70	141.13	142.41	142.93	142.93
Superak	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Milne Point	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Endicott	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Lisburne	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
West Sak	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Unspecified	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Seal Island	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00

Mean case

19.40 16.45

PRESENT VALUE OF CHANGES IN NET REVENUE
RESULTING FROM CHANGES IN THE SEVERANCE TAX
1988 THROUGH 2000
IN MILLIONS OF DOLLARS

NO SELF	1067.30
ALTERNATE SELF	670.01
ALTERNATE SELF - NO SELF ON CENTS/REL	911.99
CURRENT SELF - NO SELF ON CENTS/REL	134.73
CURRENT SELF - NO 10 YEAR LIMIT	879.26

MEMORANDUM

Division of Strategic Planning
Office of Management and Budget
MS 0164

TO: Mary Halloran
Office of the Speaker

DATE: 17 Sept. 1986

FROM: Gregg Erickson
Senior Economist

SUBJECT: Joint Special Committee On Tax Policy

You asked for my thoughts on further matters that the Committee may wish to cover in regard to the severance tax, and especially the ELF. It seems to me that the members keep returning to questions about the profitability of oil activities. By and large, they haven't received authoritative answers.

For example, at the last meeting Rep. Terry Martin asked if the ELF might not be a disincentive to expanding production. "After all," he noted, "the more oil you produce per well, the higher your tax rate." My answer was that the ELF could indeed be such a disincentive, but only if the tax increases faster than profitability when output per well is increased. Has this condition ever happened in any of the fields in Alaska? Could it conceivably happen in the future under our current severance tax and with lower oil prices? The answers require credible data on field profitability, both historically and currently.

At another point in the meeting George Nelsor suggested that higher taxes on the Prudhoe Bay field could reduce the capital available for future development in Alaska. "We need the profits from Prudhoe to keep investing elsewhere," he said, or something very close to that. His statement raises an important question that really hasn't been addressed yet: How does the cash flow generated by the oil industry in Alaska compare with the flow of investment for exploration and the development? Are the amounts nearly in balance, or -- as some suggest -- is Prudhoe Bay and the pipeline generating far more profits and cash than is being reinvested here?

Conoco, in their Sept 4 letter to the Senator Ferguson, indicated that any changes in the ELF could force them "to shut-in during times of unprofitability." Is this such a time? If so, for what fields? And under what conditions of price? According to Conoco, "A production tax [of 80 cents per barrel] could contribute to the shut-in of the Milne Point Unit." Of course it could, the question is, *Would it?* Conoco isn't telling publicly, and as far as I am aware, the committee hasn't attempted to find out for itself.

My guess is that before making major changes in oil taxes the new administration and many legislators will want authoritative answers to these and similar questions. The best way to get those answers is with established experts from outside the state.

I have enclosed a somewhat out-of-date draft RFP for a study on relative "shares," along with an associated draft "Compass"

article. The RFP would need to be modified for your purposes, but that shouldn't be too difficult. In addition to the historical data, it should ~~up~~ focus on current profitability in light of falling oil prices and the TAPS settlement; it should look at cash flow as well as profitability; it should give you some data pertaining to individual fields, not just data on Alaska oil profits in the aggregate; and the study should analyse the effects of suggested ELF changes on profitability. Still, the principle is the same: Contract with a petroleum oriented accounting professor from a prestigious oil state university to give you the unbiased, unvarnished answers on whatever profitability and cash flow questions your members think are relevant.

Your accounting expert can tell you the profitability and cash flow effects of any tax proposal, but won't venture into how those profit changes will effect future exploration and investment. For that you will need an economist. Here again, for maximum credibility it is desirable to have someone with a solid reputation earned outside the state, with no local axes to grind one way or the other. Some months ago Louann Cutler and I discussed how such a study might proceed, and who might be able to help. She even had some contacts with possible consultants.

Let us know if we may be of further assistance.

Enclosures

cc: Gordon Harrison
Louann Cutler
Mike Scott

Imp Don

DRAFT SEVERANCE TAX AMENDMENT

Option 1. Establish an \$0.80 floor in the severance tax to which the existing ELF does not apply. [N.B.: This draft does not include similar changes for gas production.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

option of floor on large field

cost not analyzed

DRAFT SEVERANCE TAX AMENDMENT

Option 2. Establish an \$0.80 floor in the severance tax to which the existing ELF does not apply and change the ELF formula so that the PEL is set without discretion at 300 barrels, eliminating the exponent. [N.B.: This draft does not make similar changes for gas production.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.013(b)(1) is amended to read:

Section 43.55.013(b)(1). The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$(1 - [PEL/TP])^{[EXP ([460 \times WD]/PEL)]}$$

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

TP = the 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].

- * Sec. 3. AS 43.55.013(d) is amended to read:

Section AS 43.55.013(d) The monthly production rate at the economic limit for a lease or property is [PRESUMED TO BE] 300 barrels times the number of well days for the lease or property during the month for which the tax is to be paid. [THE TAXPAYER MAY REBUT THIS PRESUMPTION AT A FORMAL HEARING UNDER AS 43.05.240 BY PROVIDING CLEAR AND CONVINCING EVIDENCE OF A DIFFERENT MONTHLY PRODUCTION RATE AT THE ECONOMIC LIMIT FOR THE LEASE OR PROPERTY. THE HEARING SHALL BE HELD BEFORE FEBRUARY 15 OF THE YEAR OR WITHIN SIX MONTHS AFTER COMMENCEMENT OF OIL PRODUCTION FOR A LEASE OR PROPERTY. THE MONTHLY PRODUCTION RATE AT THE ECONOMIC LIMIT FOR THE LEASE OR PROPERTY BASED UPON THE CLEAR AND CONVINCING EVIDENCE OF THE TAXPAYER SHALL BE CALCULATED BY DIVIDING THE VALUE DETERMINED UNDER (f) OF THIS SECTION INTO THE AVERAGE MONTHLY DIRECT OPERATING COST DETERMINED UNDER (e) OF THIS SECTION AND SHALL BE USED FOR PURPOSES OF THIS SECTION FOR ALL OIL PRODUCTION DURING THAT CALENDAR YEAR FROM THE LEASE OR PROPERTY].

- * Sec. 4. AS 43.55.013(e) and AS 43.55.013(f) are repealed.

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

DRAFT SEVERANCE TAX AMENDMENT

Option 3. Establish a \$1.50 floor in the severance tax to which the existing ELF does not apply and add an inflation index to the floor. [N.B.: This draft does not make similar changes to the gas production tax.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.011(c) is amended to read:

(c) The cents-per-barrel amount equals [\$0.60 PER BARREL OF TAXABLE OLD CRUDE OIL PRODUCED FROM THE LEASE OR PROPERTY, AND] \$1.50 [\$0.80] per barrel for all [OTHER] taxable oil produced from the lease or property, [BOTH] as adjusted by AS 43.55.012.

* Sec. 3. AS 43.55.012 is amended by adding a new section to read:

Section 43.55.012(a) The cents-per-barrel amount set out in AS 43.55.011(c) shall be increased or decreased by a percentage equal to the percentage of change in the Gross National Product Deflator published by the Bureau of Economic Analysis of the United States Department of Commerce. Changes in tax rates will be computed based on changes in

the Gross National Product Deflator from that of the First Quarter 1987 Gross National Product Deflator. The department shall post the changes in the tax rates periodically and shall notify every person producing oil within the state of the changes.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

DRAFT SEVERANCE TAX AMENDMENT

Option 4. Eliminate the ELF on all fields. [N.B.: This draft removes the ELF for gas as well as oil].

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.016 (a) is amended to read:

Section 43.55.016(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 cent-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 AS 43.55.013]. 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.

* Sec. 3. AS 43.55.013 is repealed.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

*What does it mean?
unit -
field* *field productivity
in addition to*
DRAFT SEVERANCE TAX AMENDMENT

Option 5. Establish an alternative ELF which measures total field productivity rather than individual well productivity. [N.B.: this draft does not make similar changes for gas production.]

* Section 1. AS 43.55.013(b)(1) is amended to read:

Sec. 43.55.013(b)(1) The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$\frac{(1 - [PEL/TP] \exp (45,500,000 \times WD) / (PEL \times TP / \text{Days}))}{[(1 - PEL/TP) \exp (460 \times WD/PEL)]}$$

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

TP = the 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]

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

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

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

DRAFT SEVERANCE TAX AMENDMENT

Option 7. Postpone the scheduled application of the existing ELF to Prudhoe Bay only.

* Section 1. AS 43.55.013(b)(2) is amended to read:

Section 43.55.013(b)(2) If, for any month during the first 15 [10] years following the commencement of commercial oil production of a lease or property, the economic limit factor for oil production of that lease or property computed under (1) of this subsection is 0.7 or less, then that factor shall be applied.

* Sec. 2. AS 43.55.013(b)(3) is amended to read:

Section 43.55.013(b)(3) If, for any month during the first 15 [10] years following the commencement of commercial oil production of a lease or property, the economic limit factor for oil production of that lease or property computed under (1) of this subsection is greater than 0.7, then the economic limit factor is one.

* Sec. 3. AS 43.55.013(b)(4) is amended to read:

AS 43.55.013(b)(4) The economic limit factor for oil production of a lease or property after the first 15 [10] years following the commencement of commercial oil production shall be computed and applied under (1) of this subsection.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

Schis → 50,000 in 1988
alone

DRAFT SEVERANCE TAX AMENDMENT

Option 6. Establish an alternative ELF (field-based applicability) and establish a severance tax floor to which the alternative ELF does not apply. [N.B.: This draft does not include similar changes for gas production.]

* Section 1. AS 43.55.011(a) is amended to read:

Section 43.55.011(a). There is levied upon the producer of oil a tax for all oil produced from each lease or property in the state, less any oil 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, multiplied by the economic limit factor determined for the oil production of the lease or property under AS 43.55.013 or the cents-per-barrel amount calculated under (c) of this section, whichever is greater[, MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013]. 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.

* Sec. 2. AS 43.55.013(b)(1) is amended to read:

Sec. 43.55.013(b)(1) The economic limit factor for oil production of a lease or property shall be computed according to the following formula:

$$\frac{(1 - [\text{PEL}/\text{TP} \exp (45,500,000 \times \text{WD}) / (\text{PEL} \times \text{TP}/\text{Days})])}{[(1 - \text{PEL}/\text{TP}) \exp (460 \times \text{WD}/\text{PEL})]}$$

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

TP = the 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]

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

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

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).