LAWS OF ALASKA

1973

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Chapter No.

4

AN ACT

Relating to the oil and gas properties production tax; and providing for an effective date.

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

* Section 1. AS 43.55.010 is amended to read:

Sec. 43.55.010. GROSS PRODUCTION TAX. (a) There is levied upon the producer of oil or gas a tax based upon a per cent of the gross value at the well of all oil or gas removed or sold from each lease or property in the state, less the value of any part the ownership or right to which is exempt from taxation. The tax is determined according to the following schedules, and any part which is exempt from taxation is deducted from the tax levied on a pro rata basis as to each production level tax bracket:

(1) oil: based upon the average daily production for each well for the calendar month in barrels, the tax is

(A) five per cent on the first 300 barrels;

(B) six per cent on the next 700 barrels;

(C) eight per cent on all production in excess of 1,000 barrels;

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

(b) The tax imposed by this chapter is in place of all taxes now imposed by the state or any of its municipalities, and neither the state nor a municipality may impose a tax upon

(1) [deleted]

(2) producing oil or gas leases;

(3) oil or gas produced or extracted in the state;

(4) [deleted]

(5) the value of intangible drilling and exploration expenses.

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

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

(e) If on a tax payment date the amount of tax due under (a)(1) of this section is less than the tax due under sec. 15 of this chapter, the tax levied in sec. 15 of this chapter is payable in place of the tax levied in this section.

* Sec. 2. AS 43.55.015 is repealed and re-enacted to read:

Sec. 43.55.015. TAX PER BARREL OF OIL. (a) There is levied upon the producer of oil a tax on each barrel of oil removed or sold from each lease or property in the state less any part the ownership or right to which is exempt from taxation. The tax is based upon the average daily production for each well for the calendar month in barrels determined according to the following schedule and any part which is exempt from taxation is deducted from the tax levied on a pro rata basis as to each production level bracket:

(1) $.16875 on each of the first 300 barrels;

(2) $.2025 on each of the next 700 barrels;

(3) $.2700 on each barrel of production in excess of 1,000 barrels.

(b) The cents per barrel tax schedule set out in this section applies to oil of 27 degrees API gravity. For each degree of API gravity less than 27 degrees the cents per barrel tax in each production level bracket shall be reduced by two per cent of the base rate for 27 degree oil and for each degree of API gravity greater than 27 degrees the cents per barrel tax for each production level bracket shall be increased by two per cent of the base rate for 27 degree oil; except that oil above 40 degrees API gravity shall be taxed as 40 degree oil. In applying the gravity adjustment under this subsection, fractional degrees of API gravity shall be disregarded.

(c) The tax rates set out in this section will be increased or decreased by a percentage equal to the percentage of change in the Wholesale Price Index for crude petroleum published by the Bureau of Labor Statistics, of the United States Department of Labor. The year 1967 is the base year of 100 for computing the tax rates. Changes in tax rates will be computed based on changes in the Wholesale Price Index occurring after the effective date of this subsection and will not include changes in the Wholesale Price Index prior to the effective date of this subsection. The department shall post the changes in the tax rates at least semi-annually and shall notify every person producing oil within the state of the changes.

(d) If on a tax payment date the amount of tax due under this section is equal to or less than the tax due under sec. 10(a)(1) of this chapter, the tax levied in sec. 10(a)(1) of this chapter is payable in place of the tax levied in this section.

(e) When the tax levied under this section is payable, an amount not less than $.05 for each barrel of oil produced shall be paid by the state out of its royalties from the oil, whenever payment by the state is required under the revenue-sharing provisions of sec. 9 of the Alaska Native Claims Settlement Act (PL 92-203; 85 Stat. 688; 43 U.S.C. 1601 et seq.), into the Alaska Native Fund until all amounts paid in the fund equal $500,000,000.

* Sec. 3. AS 43.55.140 is amended by adding new paragraphs to read:

(6) "API gravity" means the specific gravity of oil measured in degrees on the American Petroleum Institute scale;

(7) "intangible drilling expenses" as defined in sec. 263(c) of the United States Internal Revenue Code as defined on the effective date of this paragraph;

(8) "lease or property" means a lease or property including mineral interests in oil and gas and working interests, royalty interests and overriding royalty interests in oil and gas leases and unitization or pooling agreements under the provisions of sec. 614(b)(3) of the Internal Revenue Code of 1954 as defined on the effective date of this paragraph;

(9) "ownership or right to which is exempt from taxation" means any ownership interest of the federal government or the state;

(10) "produced" means the removal or sale of oil or gas from a lease or property in the state;

(11) "production" means the volume or quantity of oil or gas removed or sold from a lease or property in the state.

* Sec. 4. This Act takes effect January 1, 1974.

Approved by governor: November 19, 1973
Actual effective date: January 1, 1974