

# ALASKA STATE HOUSE OF REPRESENTATIVES

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## **HOUSE STATE AFFAIRS COMMITTEE** **Representative Paul Seaton, Chairman**

### **Sponsor Statement** **HB 3005**

HB 3005 creates a mechanism for the State to capture a portion of industry windfall profits that occur due to extremely high oil prices. It is similar to the progressivity feature discussed and adopted in numerous drafts of the prior PPT legislation.

HB 3005 proposes a progressive production tax at a rate of .35% per dollar on the gross value of oil at the point of production beginning when the price of the West Texas Intermediate (WTI) crude index reaches \$50 a barrel. This progressive production tax caps when WTI reaches \$150 per barrel. By multiplying the \$100 increase by the .35% escalator, we reach the cap 35% tax rate. This 35% in addition to the existing production tax rate of 15% brings Alaska the equal 50% split that the legislature determined to be an appropriate cap during previous discussions of the progressive tax rate.

HB 3005 does not propose any changes to the existing production tax at AS 43.55.011, including the Economic Limit Factor. However, it would be compatible with any production tax based on either profit or gross.

This bill has a retroactive effective date of April 1, 2006, allowing the recent high oil prices to fall under this progressive tax structure. The accrued payment is due 30 days after the effective date of the bill. It may be paid in a lump sum without interest or remitted in six equal monthly payments with any unpaid balance accruing interest at the rate proscribed in AS 43.05.225.

HB 3005 allows the state to capture a fair share of windfall profits at extremely high oil prices.