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Presentation to Resource Committees - HB 488/SB 305  
PPT Summary

1. PPT is a Governor's bill, this Administration strongly supports it and encourages its timely enactment
2. Thank you for giving the Department of Revenue 3 days to make presentations on the PPT, the bill itself and to answer your questions and thank you speakers for all your work devoted to preparing your presentations
3. The proposed PPT legislation will:
  - a. Replace a broken ELF based severance tax
  - b. Encourage badly need investment in oil and gas exploration, development and production
  - c. Provide special incentives for small explorers
  - d. Enhanced State revenues, particularly during periods of high oil prices
4. During the last three days there have been many good questions and thought provoking dialogue. I want to make it very clear that the Governor made the important policy calls on several of the matters discussed at length:
  - a. 20% tax rate
  - b. 20% tax credit rate
  - c. \$73 million exemption
5. The Governor had two targets for Pedro van Meurs:
  - a. increase State revenues based on what Producers are paying in similar oil regimes around the world;
  - b. increase incentives to explore and invest in the 50mm to 150 mm barrel fields
6. From August 2005 to February 2006, Pedro suggested a 20% - 15% plan. He then provided a range of alternatives to the House and Senate Finance Committees three weeks ago. His final proposal was 25% - 20%.

7. While the Governor appreciates Pedro's recommendation, the Governor wanted to tilt toward more exploration and investment. So he reduced the tax rate to 20%
8. The Governor believes that more exploration will help fill TAPS and thus mean more money to the State over time than a 25% tax rate.
9. I'd like to remind us all that the Governor has done a marvelous and unexpected thing for Alaska. He has gotten the Producers to agree to increase their Production Tax rate by 100% AND to build a gasline!
10. This Administration believes that this will optimize State revenues from oil and gas over the long run
11. Again, the Administration encourages the enactment of HB 488/SB 305