

ALASKA STATE LEGISLATURE

News from the House & Senate Majority

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Legislature Passes Oil Tax Legislation

Triples Oil Revenue at Today's High Prices

(JUNEAU) – Tonight the Alaska Legislature passed one of the most significant pieces of legislation in state history, HB 3001. The new oil tax plan replaces the state's outdated ELF oil tax system. The legislation will deliver billions in additional oil revenue to the state to pay for schools, transportation infrastructure, and a stronger social services safety net. The infusion of new cash will also help grow the Alaska Permanent Fund.

“This legislation demonstrates how the state can successfully partner with the petroleum industry to each other's mutual benefit. This also takes us one step closer to a North Slope natural gas pipeline. A vote for the passage of this legislation is a vote for the future of the state,” said Senate President Ben Stevens (R – Anchorage).

“ELF has been shortchanging the state and the people of Alaska for too long. The system adopted tonight, although not perfect, will collect our fair share of oil revenues. It is a hybrid between net and gross. We will all watch this new system carefully to ensure it provides maximum benefits for the people of Alaska,” said Speaker of the House John Harris (R – Valdez).

Sen. Ralph Seekins (R- Fairbanks) lead the effort in the senate to craft a tax structure that worked for the industry and the state as chairman of the Senate Special Committee on Natural Gas Development.

“It took six long, hard months of work and it was worth every minute of it. We have a tax plan in place that reflects a new synergy between Alaska and the petroleum industry because on top of the extra oil revenue, it encourages new exploration,” said Sen. Seekins.

“This program will collect Alaska's fair share at high prices, while encouraging more exploration for oil. Alaska needed to modernize our oil tax structure to continue to compete in a global economy,” said Rep. Ralph Samuels (R-Anchorage).

Here are some highlights of bill:

- 20% production tax credits for oil and gas investment in Alaska
- 22.5% tax rate on “net” positive cash flow or “Production Tax Value”

- Progressivity. A higher tax rate (.25) kicks in when oil sells for more than \$55 per barrel.
- At yesterday's ANS closing price of \$75.05 and a full year of production the PPT will generate 3.7 billion in one year revenues, almost three times the amount generated under the current ELF based production tax.
- Protects declining Cook Inlet oil production by leaving the existing tax structure in place.
- Requires a report in 2011 about how well all the incentive provisions are working to enhance exploration, development and production in the state.

HB 3001 now goes to Gov. Frank Murkowski for his signature.

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