Major Provisions Under Proposed and Current Oil Production Tax Systems for North Slope Production

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FEATURE	ACES	SB21 as introduced	CSSB21 (FIN) Amended	HCS CSSB21 (RES)
Base Tax Rate				
Base Tax Rate - the base percentage of the tax charged on the Production Tax Value (PTV). The Production Tax Value is the net value of the taxable oil after allowable operating, capital, and transportation costs are deducted from the market value.	25% of PTV on all fields	25% of PTV on all fields	35% of PTV on all fields	33% of PTV for all fields
Progressivity				
Progressivity - a tax mechanism that increases the tax rate at higher oil prices and/or profits	Based on PTV	No progressivity	No progressivity	No progressivity
• Progressivity calculation	0.4 % per dollar of per barrel-PTV from $30 to $92.50; 0.1% per dollar of per barrel-PTV above $92.50	No progressivity	No progressivity	No progressivity
• Progressivity calculation period	Calculated monthly	No progressivity	No progressivity	No progressivity
Incentives for New Oil				
Gross Revenue Exclusion (GRE)-In calculating the PTV, a producer's GVPP is reduced by a percentage of Gross Value of the eligible production on NS that meets certain criteria	None	Gross Revenue Exclusion (GRE): In calculating the PTV, a producer's GVPP is reduced by 20% of the Gross Value of the eligible production. Oil is from new PA.	20% of the Gross Value of eligible production on NS. Criteria: (1) is produced from a well within a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) is produced from a well within a participating area established after December 31, 2011, in a unit formed before January 1, 2003, if the participating area does not contain a reservoir that had been in a participating area established before December 31, 2011; or (3) is produced from a well that has been accurately metered and measured and the producer demonstrates to the department drains a reservoir or portion of a reservoir that DNR has certified was not contributing to production before January 1, 2013.	20% of the Gross Value of the eligible production on NS. Criteria: (1) is produced from a well within a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) is produced within a participating area established after December 31, 2011, in a unit formed before January 1, 2003, if the participating area does not contain a reservoir that had been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participation area by the Department of Natural Resources after December 31, 2012, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participation area.
GRE Time limit	Not applicable	None	None	None
Maximum and Minimum Tax				
Maximum Tax	75% of PTV for all fields	25% of PTV for all fields	35% of PTV for all fields	33% of PTV for all fields
Minimum Tax	4% of Gross Value at Point of Production when oil prices are above $25 per barrel; reduced to 0% at $15 per barrel	4% of Gross Value at Point of Production when oil prices are above $25 per barrel; reduced to 0% at $15 per barrel	4% of Gross Value at Point of Production when oil prices are above $25 per barrel; reduced to 0% at $15 per barrel	4% of Gross Value at Point of Production when oil prices are above $25 per barrel; reduced to 0% at $15 per barrel
Tax Credits				
Qualified Capital Expenditure Credit under AS 43.55.023(a)(1) and (a)(2)	20% for qualified capital expenditures all AK	Eliminated for qualified capital expenditures after December 31, 2013 for NS	Eliminated for qualified capital expenditures after December 31, 2013 for NS	Eliminated for qualified capital expenditures after December 31, 2013 for NS
	Must be taken over two years	May be applied in a single year	May be applied in a single year	May be applied in a single year
	20% for qualified capital expenditures all AK	No change for QCE Credit Cook Inlet and Middle Earth	No change for QCE Credit Cook Inlet and Middle Earth	No change for QCE Credit Cook Inlet and Middle Earth
Qualified oil and gas industry service expenditures credit against tax liabilities under AS 43.20 (corporate income tax)	None	None	Lesser of 10% of qualified oil and gas industry service expenditures or up to $10 million per taxpayer per year. Credit is non-transferable and may be carried forward for five years.	Lesser of 10% of qualified oil and gas industry service expenditures or up to $10 million per taxpayer per year. Credit is non-transferable and may be carried forward for five years.
Per taxable oil barrel credit	None	None	$5 per barrel of oil, applies to North Slope and other areas	$5 per barrel of oil on GRE eligible oil. For Non-GRE eligible oil barrel there is sliding scale from $8/barrel at wellhead price of up to $80/barrel and the credit slides to $0/barrel at wellhead prices over $150/barrel. Sliding scale is at rate of $1 per $10. Credit for non-GRE areas may not reduce North Slope tax liability below minimum tax under AS 43.55.011(f). Applies to North Slope and other areas
Carry-Forward Annual Loss Credit under AS 43.55.023(b); applicability				
• Percentage	25% for Carry-Forward Annual Loss Credit for NS	25% for Carry-Forward Annual Loss Credit	35%,a Carry-Forward Annual Loss Credit for NS, monetizable	33%,a Carry-Forward Annual Loss Credit for NS, monetizable
• Period applied	Must be taken over two years	May be applied in a single year	May be applied in a single year	May be applied in a single year
• Applicability	Does not expire and is transferable	Must be applied against production tax liability, increases in value at 15% compounded per year, and may be carried forward for 10 years	Does not expire and is transferable	Does not expire and is transferable
	25% for Carry-Forward Annual Loss Credit for Cook Inlet and Middle Earth	No change for Cook Inlet and Middle Earth (25% for Carry-Forward Annual Loss Credit)	No change for Cook Inlet and Middle Earth (25% for Carry-Forward Annual Loss Credit)	No change for Cook Inlet and Middle Earth (25% for Carry-Forward Annual Loss Credit)
Frontier Basin tax credit under AS 43.55.025(m)	80% of eligible expenses up to $25 million for first 4 qualifying wells; seismic basin credits of $7,500,00 or 80 percent, whichever is less.	Same as ACES	Same as ACES	80% of eligible expenses up to $25 million for first 4 qualifying wells; Removes requirement that an exploration well drilled in Middle Earth be 3 miles from existing well to qualify for credit under the 43.55.025(m), seismic basin credits of $7,500,00 or 80 percent, whichever is less.
Small Producer Credit under AS 43.55.024	Expires in 2016	Extended to 2022	Expires in 2016	Extended to 2022 or the ninth calendar year after the calendar year that the producer first has commercial production.
Other provisions				
Interest rate for delinquent payments	Greater of the 12th Federal Reserve District rate plus 5% or 11 %, compounded quarterly	Same as ACES	The 12th Federal Reserve District rate plus 3%, compounded quarterly	The 12th Federal Reserve District rate plus 3%, compounded quarterly
Competitiveness Board	No	No	Yes	No
Report on to study production tax system	No	No	No	by 2016
DOR to consider Joint Interest Billings in audit process	May consider	May consider	May consider	Required to consider
AIDEA has bonding authority to finance construction of oil and gas processing facilities	No	No	No	Yes
Community Revenue Sharing Provision	Yes, from progressivity revenues - AS 43.55.011 (g)	Yes, appropriated by legislature from corporate income tax revenue - AS 43.20	Yes, appropriated by legislature from any source	Yes, appropriated by legislature from corporate income tax revenue - AS 43.20

*Different provisions may apply to oil and gas production in other parts of the state outside of the North Slope.