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

#### Base Tax Rate

<table>
<thead>
<tr>
<th>Feature</th>
<th>ACS</th>
<th>SB231 as Introduced</th>
<th>CS821 (PAH) Amended</th>
<th>HCS CS821 (HCS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>25% of PTV on all fields</td>
<td>25% of PTV on all fields</td>
<td>35% of PTV on all fields</td>
<td>33% of PTV on all fields</td>
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#### Progressivity

- **Progressivity** - a tax mechanism that increases the tax rate at higher oil prices and/or profits
  - **Progressivity calculation**
    - 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 before December 31, 2011, in a unit formed before January 1, 2003, if the participating area does not contain a reservoir that has been in a participating area established before December 31, 2013; 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 ISM 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 from a well within a participating area established before December 31, 2011, in a unit formed before January 1, 2003, if the participating area does not contain a reservoir that has been in a participating area established before December 31, 2013; (3) the oil or gas is produced from an area that was added to an existing participating 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 participating area.
  - **Progressivity calculation period**
    - 25% of PTV on all fields

#### Incentives for New Oil

| Gross Revenue Exclusion (GRE; in calculating the PTV, a producer's GRE is reduced by a percentage of the Gross Value of the eligible production on NS that meets certain criteria) | None |
| GRE Time limit | Not applicable |

#### Maximum and Minimum Tax

| Maximum Tax | 30% of PTV on all fields |
| Minimum Tax | 0% of PTV on all fields |

#### Tax Credits

- **Qualified Capital Expenditure Credit under AS 43.55.023(x)1(a) and (b)(2)**
  - 20% for qualified capital expenditures all AK
  - Eliminated for qualified capital expenditures after December 31, 2013 for NS
  - May be applied in a single year
  - May be applied in a single year

- **Qualified oil and gas industry service expenditures credit against tax liabilities under AS 43.55.023(b)(3) (corporate income tax)**
  - Must be taken over two years
  - No change for QCE Credit Cook Inlet and Middle Earth
  - Lesser of 20% of qualified oil and gas industry service expenditures or up to $35 million per taxpayer per year.
  - Credit is non-transferable and may be carried forward for five years.

- **Per taxable oil barrel credit**
  - No change for QCE Credit Cook Inlet and Middle Earth
  - $5 per barrel of oil or GRE eligible oil. For Non-GRE eligible oil there is sliding scale from $60/bbl at wellhead price of up to $80/bbl and the credit slides to $0/bbl at wellhead prices over $150/bbl. 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(b). 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
  - May be applied in a single year

- **Period applied**
  - May be applied in a single year

- **Applicability**
  - Must be applied against production tax liability, increases in value at 1% compounded per year, and may be carried forward for 10 years.
  - Does not expire and is transferable

#### Other provisions

- **Interest rate for delinquent payments**
  - Greater of the 12th Federal Reserve District rate plus 5% or 11 %, compounded quarterly

- **Competitiveness Board**
  - No

- **Frontier Basin tax credit under AS 43.55.021(m)**
  - Same as ACS

- **Small Producer Credit under AS 43.55.024**
  - Expires in 2016

- **Community Revenue Sharing Provision**
  - Yes, appropriated by legislature from corporate income tax revenue - AS 43.20

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