

Ballot Measure 1: Oil Tax Initiative

***Alaska Common Ground
October 6, 2020***

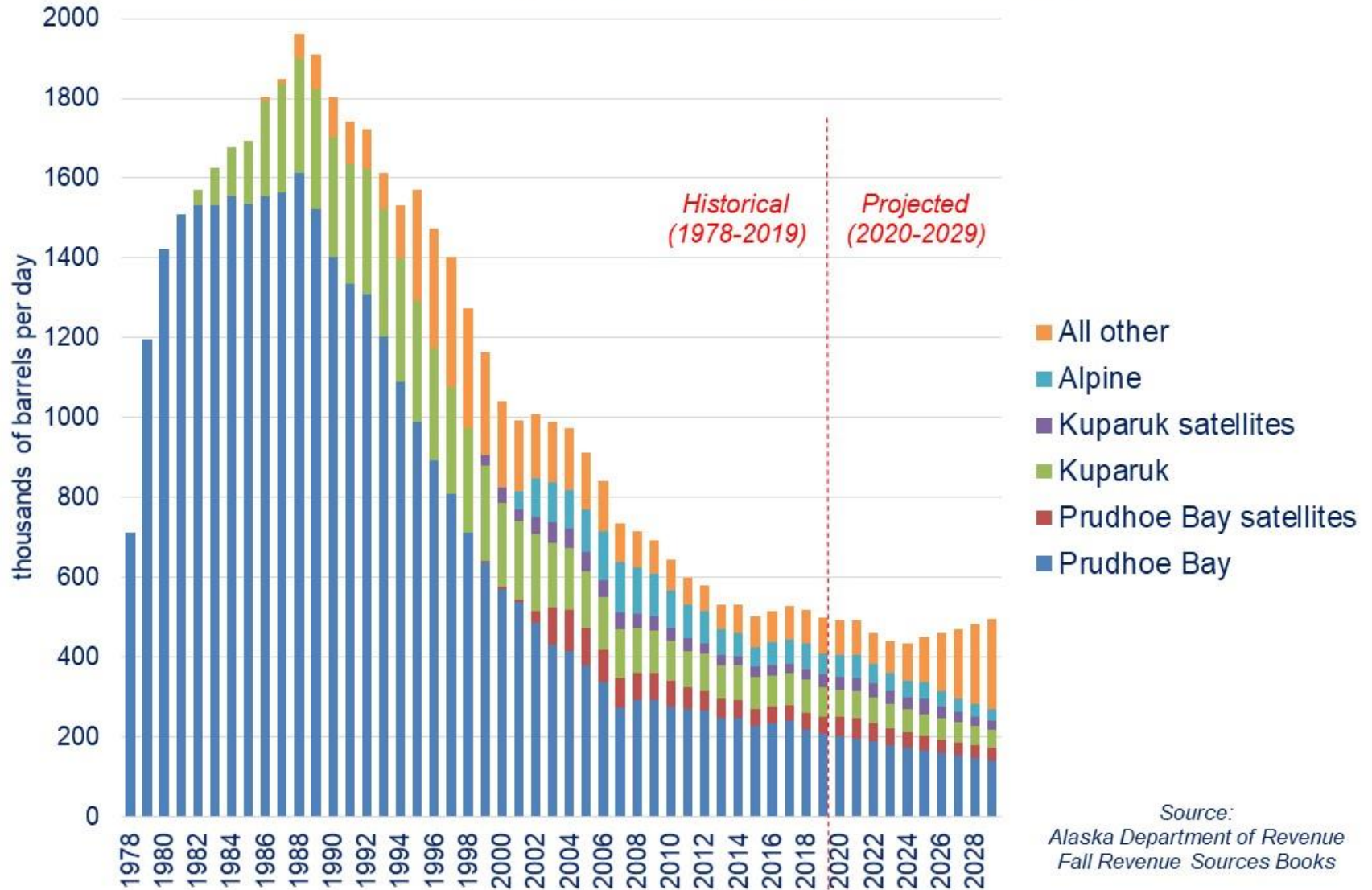
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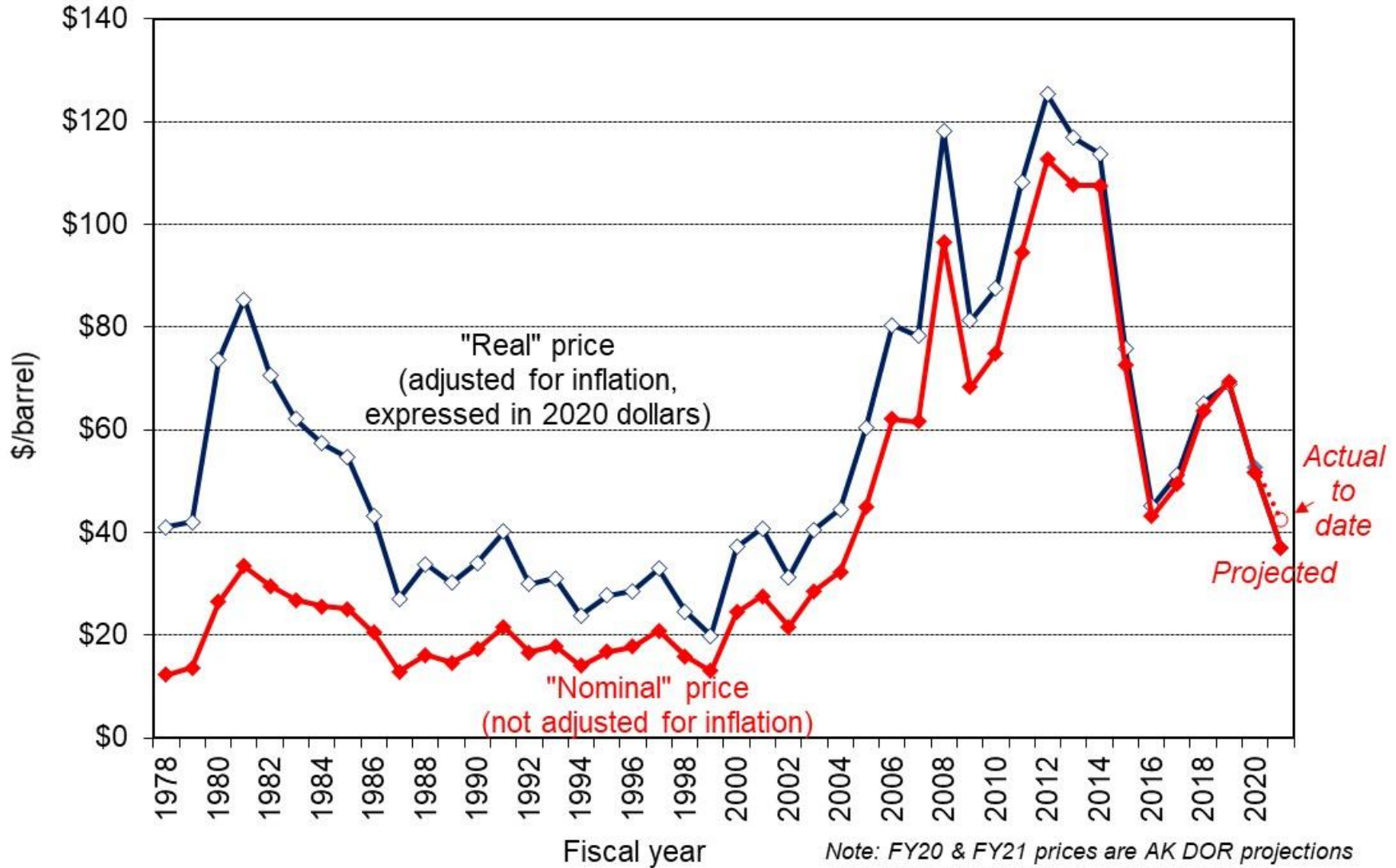
Alaska North Slope Oil Production, by Production Area



Source:
Alaska Department of Revenue
Fall Revenue Sources Books



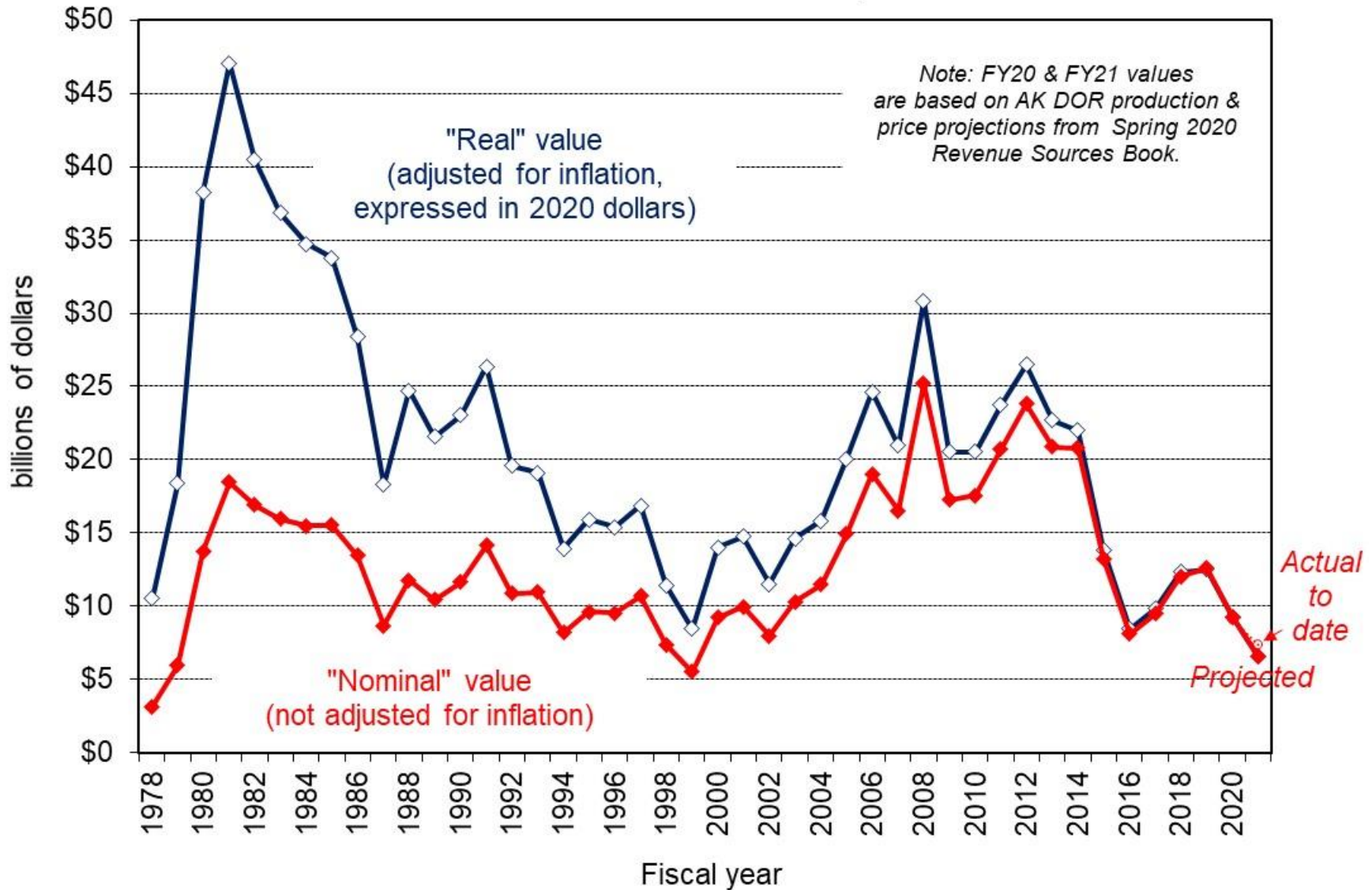
Average Annual Crude Oil Price (ANS West Coast)



Note: FY20 & FY21 prices are AK DOR projections from Spring 2020 Revenue Sources Book



West Coast Value of Alaska North Slope Oil Production



Four major government oil revenue streams

1. Property taxes

- Does not depend upon production, prices or profits
- Most flows to a few local governments

2. Royalties

- For production on state lands or state share of Federal production
- Depends upon production and prices



Four major government oil revenue streams

3. Production Tax

--A gross value or net profits tax, depending upon prices and costs.

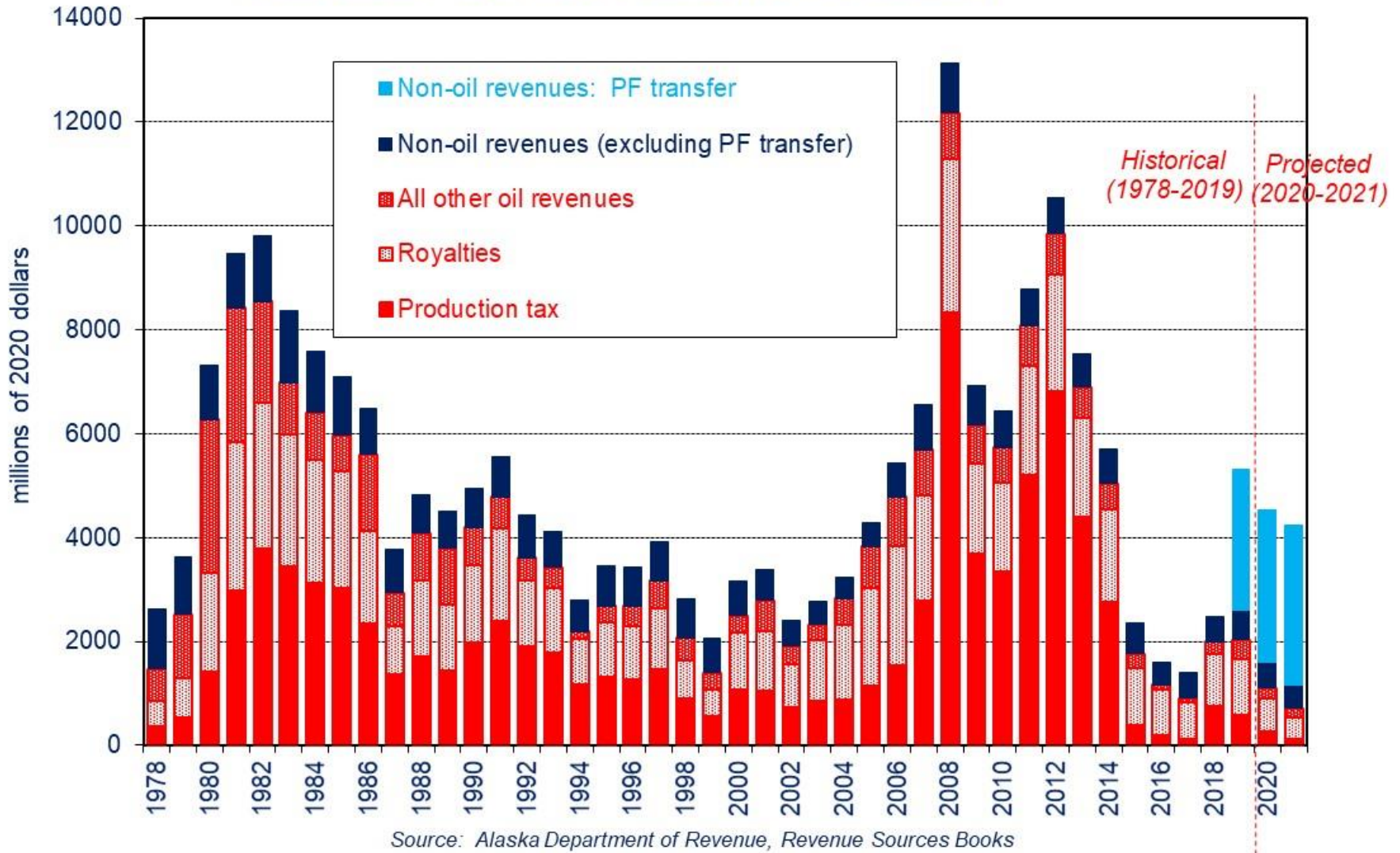
4. Petroleum corporate income taxes

--Company's world-wide profits are "apportioned" on basis of property, sales, and production.

--Maximum rate is 9.4%



Unrestricted General Fund Revenues: Historical and Projected (real dollars: adjusted for inflation to 2020 dollars)



Source: Alaska Department of Revenue, Revenue Sources Books



Current Production Tax

Three key elements:

- 1. A minimum tax on gross value. 4% at current prices.**
- 2. Tax of 35% on net production value.**
- 3. Per-barrel credits.**
 - Affects switch from gross to net tax.**
 - Offsets some of tax under net prod. value.**



Ballot Measure 1 changes to Production Tax

- 1. Increases minimum tax rate to a range of 10% to 15%, depending upon price of oil.**
- 2. Eliminates per-barrel credits**
- 3. Increases tax rate on net production tax value (PTV) from 35% to 50% for that part of PTV that exceeds \$50/bbl.**

Dept. of Revenue estimates of first year impacts

<u>Oil price per bbl</u>	<u>Increase in state revenue</u>	<u>% increase in Prod. Tax Revenues</u>
\$35	\$224 million	216%
\$45	\$373 million	196%
\$55	\$586 million	225%
\$65	\$827 million	258%
\$75	\$1.016 billion	223%

Other details on Ballot Measure 1

- **Calculated monthly, so oil price fluctuations within year affect production taxes.**
- **Ring-fencing of cost allocations.**
- **Requirements for tax information to be public.**

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