Ballot Measure 1: Oil Tax Initiative

Alaska Common Ground
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West Coast Value of Alaska North Slope Oil Production

"Real" value (adjusted for inflation, expressed in 2020 dollars)

"Nominal" value (not adjusted for inflation)

Note: FY20 & FY21 values are based on AK DOR production & price projections from Spring 2020 Revenue Sources Book.
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)

- Non-oil revenues: PF transfer
- Non-oil revenues (excluding PF transfer)
- All other oil revenues
- Royalties
- Production tax

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

<table>
<thead>
<tr>
<th>Oil price per bbl</th>
<th>Increase in state revenue</th>
<th>% increase in Prod. Tax Revenues</th>
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</thead>
<tbody>
<tr>
<td>$35</td>
<td>$224 million</td>
<td>216%</td>
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<tr>
<td>$45</td>
<td>$373 million</td>
<td>196%</td>
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<td>$55</td>
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<td>$827 million</td>
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<td>$75</td>
<td>$1.016 billion</td>
<td>223%</td>
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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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