Public Testimony Opportunity – Saturday – April 29th starting at 9:00 a.m.

To testify, call (907) 465-4648 and ask to be patched in to the Senate Finance Committee.

Without changes, the State of Alaska is projected to pay out more in oil tax credits in Fiscal Year 2018 than the state will take in from production taxes. The House passed a moderately strong oil tax revision to the Senate. Senate Resources Committee stripped out the bulk of the cost saving provisions that passed the House, while retaining the important change in eliminating cashable net operating loss credits. They passed a bare-bones version of the oil tax bill up to Senate Finance. http://www.petroleumnews.com/pntruncate/408573779.shtml

Talking Points – Senate Version - HB 111 Oil Taxes

HB 111 protects the state from a nearly unlimited financial liability to cover losses incurred by companies that operate on the North Slope. The bill does so by eliminating purchasable tax credits that have led to the State of Alaska paying cash to cover net operating loss (NOL) subsidies long before there is any oil production subject to taxation. The bill replaces the NOL subsidy program by allowing oil and gas companies to carry forward 100 percent of their losses to a time when they have oil and gas production subject to taxation.

> We can't afford generous oil and gas credits. According to the HB 111 Department of Revenue fiscal note "*Various credits have been added to statute since 2003, with state repurchase beginning in 2007.* ***Through the end of FY 2016, about $8 billion in tax credits have been received by companies.*** *This includes both credits used against tax liability and credits repurchased by the state; it also includes activity on both the North Slope and other areas of the state. A substantial number of companies rely on these credits to support and subsidize their Alaska operations****. For work done in 2015, the producers earned credit certificates for up to 85% of the cost***"

The previous version of HB 111 fixed a major flaw with the current tax credit system in that companies can apply losses and expenses from unproductive fields against the taxes they would owe on more productive oil fields. Under this scenario, a company could purchase a non-producing oil field and use the carried-forward expenditures to offset taxes due on productive fields. The solution in the House version of HB 111 was to apply a concept known as "ring fencing," which limits losses and expenses only in a field where they are earned. **This was removed by Senate Resources and should be put back in.**

The previous version of HB 111 sought to simplify the current tax system by eliminating the complicated sliding scale per barrel credit that changes the effective tax rate depending on the price of oil. Eliminating the per barrel credit simplifies the tax system and brings the system more in line with other oil and gas tax regimes across the globe. – **Removed Senate Resources and should be put back in.**

The previous version of HB 111 eliminated the provision in law where a company is not charged interest on delinquent taxes after three years of delinquency. This provision was added in HB247 to incentivize DOR to accelerate the tax audit process. However, the larger concern is that it remainsin effect for the entirety of any tax appeal or litigation, reducing any incentive on the part of companies to settle a tax issue**. This was stripped out by Senate Resources and should be put back in.**