

Alaska Legislative Panel Unveils Oil Tax Rewrite

BECKY BOHRER, Associated Press

JUNEAU, Alaska (AP) — The Senate Resources Committee on Friday unveiled a rewrite Gov. Sean Parnell's oil tax overhaul.

The proposal kept some of the bones of Parnell's plan in place, but increased the base tax rate from the current 25 percent to 35 percent and provides a \$5 a barrel credit for oil produced.

Committee members said it was geared at concerns that were raised about Parnell's plan, that the level of government take is too low at higher oil prices and too high at lower prices.

Early modeling indicated a flattening of the government's take around 60 percent from \$80 to \$120 oil for new entrants and roughly between 63 percent and 65 percent for prices from \$100 to \$160 a barrel.

Increasing oil production is a shared goal between the governor and legislators. The debate centers on how best to do that.

Parnell has proposed a plan that he says would restore balance to the system, and is aimed at making the state more competitive while encouraging new production. It would scrap the progressive surcharge that companies say is a disincentive to new investment but that has been credited with helping fatten the state's coffers the past few years.

It also would revamp the suite of tax credits, which could top \$1 billion next year. Parnell's revenue commissioner has said he's seen no evidence that credits to oil companies have led to increased production.

Parnell's plan would keep in place the 25 percent base tax rate and include a tax break for oil from new fields, including new areas of the legacy fields, long the mainstay of Alaska's oil industry. It would keep in place credits for exploration but eliminate credits for qualified capital expenditures on the North Slope. Other credits would be geared toward production of new oil.

The work-in-progress Senate plan would increase from 20 percent to 30 percent the tax break for oil from new fields and new areas of legacy fields proposed by Parnell, known as the gross revenue exclusion.

Sen. Cathy Giessel, R-Anchorage, and the committee chair, said the plan would use that tax break as an incentive for companies in existing fields to try new technologies, like horizontal drilling, to access oil they otherwise wouldn't be able to tap.

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The Senate proposal, among other things, includes a corporate tax break for companies that manufacture products in Alaska that can be used in the oil fields. And it calls for a board to assess the competitiveness of Alaska against other oil-producing regions, an issue promoted strongly by Sen. Lesil McGuire, R-Anchorage.

Sen. Fred Dyson, R-Eagle River, questioned the corporate tax break and subsidizing this particular industry over others.

The House and Senate Resources committees have both been holding hearings on the issue but the Senate is expected to now take the lead. House Speaker Mike Chenault said Friday that the decision to go that route was a matter of spreading the workload and looking at the best use of his committees' time, as the legislature nears the half-way mark of the 90-day session with a number of issues — including Chenault's gas line bill — still in process.

Additional work will be done on the oil tax bill, with Senate Resources having meetings scheduled next week and Senate Finance expected to do more of the heavy lifting as it analyzes the fiscal impact of the bill. A fiscal note was not yet available for the rewritten bill.

Sen. Hollis French, D-Anchorage, and the lone minority member on resources, was absent Friday but would have a chance to offer his amendments on Monday, Giessel said.

Minority Democrats have released their own plan for increasing production, billed as an alternative to what they call Parnell's "oil wealth giveaway." It would provide tax breaks for oil from new fields or legacy fields, including a break for future production in legacy fields over 2012 levels. It would cap progressivity, require development plans from initial leases on state lands, set a tax floor to protect the state if oil prices plummet and make state loans available for production facilities at new fields.

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