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Citizens to House Finance: Drop HB 411, repay earned credits

Testifiers expressed unanimous support for dropping the latest oil tax proposal

April 13, 2018- Anchorage- Last night, Alaskans from across the state showed up in force to oppose House Bill 411, the latest oil and gas tax bill being proposed by the House Majority. In a 20-0 showing, testifiers encouraged members of House Finance to set the bill aside, and focus instead on passing House Bill 331, the oil tax credit repayment bill.

Among the highlights:

Chad Gerondale, Anchorage: “At this time looking at another change to our state’s oil and gas tax policy is not a prudent or wise decision. HB411 will not help increase more exploration, more TAPS throughput, and will add another barrier to entry for other potential explorers. Additionally, HB331 is good policy. Small, independent oil and gas companies cannot further explore, rent, buy, or service equipment without cash to pay vendors.”

Chelsea Goucher, Ketchikan: “Now is the not the time to stifle growth and punish businesses who are investing in our State’s economy and putting Alaskan residents to work; nor is it the time to once again adjust the tax structure for the oil and gas industry. Though your committee has not yet heard HB331, this bill would go much farther toward improving our economy and bolstering State revenues in the long run. Alaska’s reputation has been marred by not paying promised tax credits to some of the small independents on the North Slope. By bonding and paying off these credits at a discount—as suggested in HB331—capital for new projects will be freed up and the State and Alaska’s residents will benefit from jobs, royalties, and other taxes.”

Gail Phillips, former Speaker of the House, Anchorage: “Enough is enough. This bill (HB 411) should have gone to the Resources Committee to be thoroughly vetted. This last minute attempt to change the tax structure is wrong.”

House Bill 411, a wholesale rewrite of the state’s oil tax law, was introduced in the waning days of the 90-day legislative session, and referred to only one committee (House Finance). On Wednesday, the legislature’s oil tax consultant, Richard Ruggiero with IN3nergy, told the committee that no other oil region in the world is even contemplating a tax increase of the size and nature of HB 411. He also said the bill would decrease Alaska’s competitive position, and that paying back earned credits is necessary before Alaska can realistically expect to attract meaningful investment again.

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Significantly, the Walker Administration also opposes the bill. Department of Revenue Commissioner Sheldon Fisher testified earlier in the week, saying, “The Administration does not support this bill, and we do not support changing the oil tax system at this time.”

House Bill 331, on the other hand, enjoys bipartisan agreement to date, particularly in the shared acknowledgement that earned credits must be reimbursed quickly in order for the State to repair its damaged reputation within the global investment community.

“The public made it loud and clear last night: enough with the never-ending proposals to change our oil and gas tax policy, and it’s time refocus on House Bill 331 and end this drawn out exercise of debating when to pay companies back for their millions in investments,” said Kara Moriarty, Alaska Oil and Gas Association (AOGA) president and CEO. “We agree with Governor Walker that these credits are a liability that hurt Alaska’s ability to attract capital, and it’s past time to resolve the issue.”

AOGA is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry in Alaska for the benefit of all Alaskans. More information about the organization can be found at www.aoga.org, on Facebook (AlaskaOilAndGas), or twitter (@AOGA).

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