

FACT SHEET: THE "PER BARREL" CREDIT



One Component of Alaska's Oil & Gas Production Tax System

Did You Know?

THE STATE OF ALASKA NO LONGER OFFERS "CASHABLE" CREDITS

- Through legislation passed in 2016 and 2017, the State of Alaska completely repealed all investment-based production tax credits for Cook Inlet and the North Slope.
- This means the state no longer offers refundable or "cashable" credits.
- When in place, only companies with less than 50,000 barrels per day of production qualified for payment from the State for these types of credits.

THE PER BARREL "CREDIT" IS NOT A CASH PAYMENT - IT IS A DEDUCTION

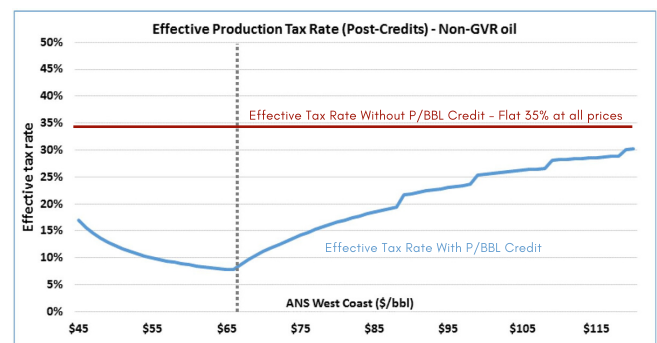
- The Per Barrel Credit, also known as the "sliding scale" credit, was designed in SB 21 as part of the production tax calculation [AS 43.55.024(j)].
- Its purpose? To establish a progressive tax structure on the North Slope: higher effective tax rates when oil prices are high, and more competitive tax rates when prices are low.
- The Per Barrel "Credit" is not the same as a traditional "credit" - there is no payment made to companies and no appropriation for it in the state budget.

THE PER BARREL CREDIT IS AN INTEGRAL PART OF THE TAX CALCULATION

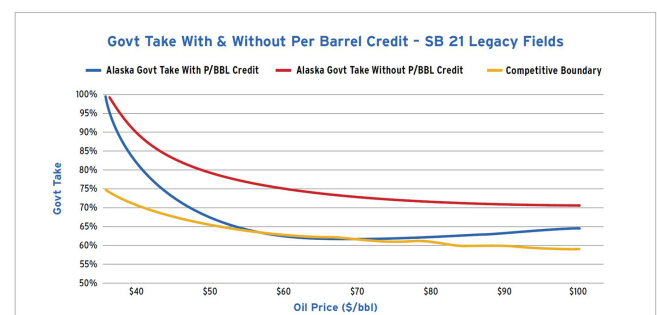
- A producer may apply the Per Barrel Credit against production tax liability on a monthly basis.
- The amount of the credit ranges from \$8 to \$0 per taxable barrel, depending on the price of oil.
- Without the Per Barrel Credit as part of the tax rate calculation, the effective tax rate would be a flat 35% at all prices.

THE PER BARREL CREDIT KEEPS ALASKA COMPETITIVE

Simply put, repealing the Per Barrel Credit would remove an integral progressive element from the tax regime that keeps Alaska competitive at low oil prices. At current prices, this would more than double industry's production taxes. Raising taxes again on the oil industry – for what would be the eighth time in fourteen years – would hamper current and anticipated oil exploration, development, and production activities and negatively impact Alaska's economic well-being.



Source: Department of Revenue, House Resources Hearing Follow-Up, April 2019 (with additions)



Source: Legislative Consultant, Roger Marks, April 2017