

Draft revision prepared by Dan Stickel 9/25/14

NEW LANGUAGE

The State of Alaska imposes a production tax, under AS 43.55, on oil and gas produced in the state. The current tax rate of 35% was set in 2013 by Senate Bill 21 (commonly known as the More Alaska Production Act or “MAPA”). The tax is based on the net value of oil and gas, which is the value at the point of production, less all qualified lease expenditures. Qualified lease expenditures include certain qualified capital and operating expenditures.

Tax rates for oil and gas produced from the Cook Inlet are effectively capped at the rate that was imposed on oil and gas produced from each lease or property during the period April 1, 2005 through March 31, 2006. [Cook Inlet Gas Prevailing Value](#) is calculated quarterly by the Division and is currently posted on our website (1994 – present).

The oil and gas production tax provides for various credit programs:

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| AS 43.55.019 | Oil or gas producer education credit |
| AS 43.55.023(a) | Qualified capital expenditure credit |
| AS 43.55.023(b) | Carried-forward annual loss credit |
| AS 43.55.023(l) | Well Lease Expenditures credit |
| AS 43.55.023(d) | Transferable tax credit certificate |
| AS 43.55.023(i) | Transitional investment expenditure credit |
| AS 43.55.024(a) | New area development credit |
| AS 43.55.024(c) | Small producer credit |
| AS 43.55.024(i)-(j) | Per-taxable-barrel credit |
| AS 43.55.025(a)(1)-(4) | Alternative credit for Oil and Gas Exploration |
| AS 43.55.025(a)(5) | Cook Inlet jack-up rig credit |
| AS 43.55.025(a)(6)-(7) | Frontier basin credits |
| AS 43.55.028 | Cash purchases of tax credit certificates |

Under AS 43.55.201, the State collects a 1 cent per barrel conservation surcharge on taxable oil produced if there is less than \$50 million in the Hazardous Release Fund. The State also collects an additional 4 cents per barrel conservation surcharge under AS 43.55.300.

More information about the oil and gas production tax may be found in the [Tax Division Annual Report](#).

History of Alaska's Oil and Gas Production Tax:

Senate Bill 21, aka the More Alaska Production Act (MAPA), was signed by Governor Sean Parnell on May 21, 2013.

Senate Bill 236, House Bill 280, and Senate Bill 309 signed in 2010, by Governor Sean Parnell, created new tax credits and amended some provisions of the tax.

House Bill 2001, aka Alaska's Clear and Equitable Share (ACES), was signed by Governor Sarah Palin on December 20, 2007.

House Bill 3001, aka Petroleum Production Tax (PPT), signed by Governor Frank Murkowski on August 19, 2006.

Production tax system using the Economic Limit Factor (ELF) was in place from 1977-April 2006.