

# House Passes PPT Rewrite Bill

## Clean and Open Process Results in Near Doubling of Tax

(Juneau) – The Alaska House of Representatives, in a marathon session Sunday night to finalize changes to the state’s petroleum profits tax (PPT), passed HB 2001 with amendments that nearly double the revenue oil companies will pay for production on the North Slope.

“I was pleased to see that the work done on the bill was done in a very clean, very open and transparent process,” said Rep. John Harris, R-Valdez. “I believe the Governor is getting nearly everything she asked for, and in some areas more than she asked for.

“However, there are a number of the members of the House who are concerned that by raising the tax rates and reducing the available deductions and credits, we could cause the industry to not invest in Alaska. We will need billions of dollars in investment in the future to keep the Trans Alaska Pipeline flowing. There could be very serious unintended consequences to this bill.”

With an increase in the base PPT rate from 22.5 percent to 25 percent of net profits, plus an aggressive surcharge of .4 percent per dollar whenever the price rises higher than \$30 dollars per barrel, the HB 2001 changes would generate about \$4 billion (at \$80 per barrel). The current PPT rate and surcharge generate about \$2 billion annually.

The main features of the bill as it emerged from the House are:

- PPT base rate increased from 22.5 to 25 percent
- Progressivity rate, or surcharge, raised from .25 percent per dollar when the price rises over \$40 to .4 percent over \$30 per barrel
- Eliminates transitional investment expenditures, or TIE credits, for expenditures made under the former ELF system. Under the current PPT, the oil industry could take credits for investments made up to six years ago
- Revises how the wellhead value of North Slope crude oil is determined by enacting a new definition of transportation costs
- Requires whistleblowers to be financially responsible for costs of investigations if it turns out their charges were erroneous
- Drops a provision to move tax auditors out of the classified state service into the exempt service, but creates “audit masters” positions, who would be exempt

House Bill 2001 now goes on to the Senate for its consideration. The Legislature has until the special session ends on Friday, November 16 at midnight to finish work on the bill.