

ALASKA STATE LEGISLATURE



REPRESENTATIVE GERAN TARR

Sponsor Statement **HB 288-OIL AND GAS PRODUCTION TAX**

Recognizing that Alaska's fiscal gap can't be reduced through budget cuts alone, HB 288-OIL AND GAS PRODUCTION TAX, was introduced to increase revenue to address Alaska's \$2.5 billion funding gap. HB 288 increases Alaska's oil and gas minimum tax from four percent to seven percent, when prices are above \$25 per barrel, and companies are subject to the minimum tax. This would raise an estimated \$222-\$255 million annually.

After a broad-base tax was rejected by the senate, HB 288 was introduced as a modest, fair increase that benefits all Alaskans and helps address the deficit the State of Alaska is facing. Over the past year, oil prices have stabilized in the \$60 per barrel range. Department of Revenue data indicate the state only receives approximately \$2 per barrel of oil through the minimum production tax. When prices are above \$25 dollars per barrel this increase in production tax would generate some much-needed revenue for the state.

The State of Alaska cannot balance the budget with the existing revenue stream. The Alaska House Majority Coalition is committed to a vibrant future for Alaska where our kids can get a great education, our seniors and elders are cared for, and our economy works for all Alaskans. This minimum tax increase would help Alaska balance the budget, stabilize the economy and ensure Alaska is a state where businesses feel comfortable investing.

HB 288 is a simple bill. The fundamental oil and gas tax structure would not be changed. Instead, a small increase would be made to the minimum tax. It will require a minimum amount of money to implement and would not impede the continuing legislative efforts to pass a comprehensive overhaul of the oil and gas tax structure at a future date.

Without other options left on the table to balance the budget, HB 288 was introduced as an alternative means to help close the fiscal gap and ensure Alaska remains a desirable place to live.