Per-Taxable-Barrel Credit

AS 43.55.024(i)-(j)

The Per-Taxable-Barrel Credit is a production tax credit for each taxable barrel of oil production on the North Slope. This credit is an integral part of the production tax calculation. It cannot be transferred or carried-forward, and is not eligible for cash purchase. This credit does not have an expiration date.

In “new oil” areas that qualify for a Gross Value Reduction (GVR), the credit is $5 per taxable barrel. Those areas are defined in AS 43.55.160(f) and (g).

For areas that do not qualify for a GVR, the credit ranges from $0 to $8 per taxable barrel based on the average gross value at point of production (GVPP) per barrel produced in the tax year. The credit operates on a sliding scale ranging from $0 per barrel when the GVPP is more than $150 per barrel, to $8 per barrel when the GVPP is less than $80 per barrel.

The vast majority of oil produced on the North Slope is not GVR-eligible. Therefore, the structure of the Per-Taxable-Barrel Credit is such that as the price of oil increases, the dollar value of the credit decreases, and vice versa.

One important limit is that if a company chooses to utilize the $0 to $8 credit for non-GVR-eligible oil, that company may not use this credit and any other credits or deductions to reduce its tax liability to less than the minimum tax established under AS 43.55.011(f), currently 4%of the GVPP. The credit for GVR-eligible oil may not reduce the producer’s liability for that production below zero.

Because they cannot be transferred or carried forward, these credits do not create a future liability for the state if they are not used in the year earned.