



Dems push back on oil tax cut proposals Representatives, Kerttula urge saving for the future

Wednesday, January 19, 2011

Story last updated at 1/19/2011 - 2:42 am

Dems push back on oil tax cut proposals
Representatives, Kerttula urge saving for the future

By Pat Forgey | JUNEAU EMPIRE

Democratic legislators told the press just before the start of the 27th Alaska Legislature they'll oppose calls by Gov. Sean Parnell and others to lower the state's oil tax rates.

Alaska's oil reserves will not always be there, and the state needs to prepare for that day, said Rep. Berta Gardner, D-Anchorage. She's the minority whip, the No. 2 position in the House Democratic caucus.

"Our mandate is to save what we collect for the future," she said.

Alaska needs to "convert a non-renewable resource into a renewable one," she said. The Alaska Permanent Fund is one such way of converting one-time payments into an ongoing revenue stream.

Alaska's oil production tax law, called Alaska's Clear and Equitable Share, or ACES, was adopted in 2007.

Parnell Monday proposed reductions to ACES of billions of dollars, saying it was "common sense" that reducing the tax would result in more oil production and more jobs.

Rep. Beth Kerttula, House Democratic Leader, said that sounded plausible at first, but that's not what has happened in the past.

"The governor started out by saying 'common sense tells you this is what would happen: you give the incentive and you get more jobs,'" she said.

"I have to agree, that's probably what you'd think, but that's not proven true," Kerttula said.

Gardner said incentive after incentive has been tried to spur drilling in Cook Inlet with nothing to show for it.

Rep. Les Gara, D-Anchorage, said under the an older tax system, called Economic Limit Factor, taxes were dramatically lower without spurring new drilling on the North Slope. Then, despite higher taxes, new North Slope investment began under ACES because world oil prices were higher.

There's no evidence the tax reductions Parnell is proposing would accomplish anything for the state, Gara said.

Historically, artificially low taxes have not led to more investment, he said.

“There are more jobs on the North Slope today than there were under the old ELF system when the taxes were lower,” he said.

Parnell said Monday the state should not just keep building up its financial reserves, but should instead lower taxes in an effort to get more jobs.

Rep. David Guttenberg, D-Fairbanks, said the state should save oil taxes for the future, however.

“We should take excess revenue and slap it into the permanent fund, and use those earnings to pay our bills in the future,” he said. “If we don’t need it now we can put it away for when we do.”

Kerttula said some changes are needed to ACES, such as re-establishing a standard deduction amount. Extra deductions last year cost the state \$300 million in lost revenues, she said.

- Contact reporter Pat Forgey at 523-2250 or patrick.forgey@juneauempire.com.

Refi Rates Hit 2.8%
 \$160,000 mortgage
 for \$659/mo. No SSN
 Req. Get a Free
 Quote!
LendGo.com/Mortgage

**Alaska Vacation
 Guide**
 Get your free Alaska
 guide today! Find
 Activities, Maps, Parks
 & more
TravelAlaska.com

**Save Big on Juneau
 Hotels**
 Hotel Deals in Juneau,
 Alaska. Compare
 Prices and Save up to
 75%.
Juneau.Alaska.Hotel

Ads by Yahoo!

By Pat Forgey | **JUNEAU EMPIRE**

Democratic legislators told the press just before the start of the 27th Alaska Legislature they’ll oppose calls by Gov. Sean Parnell and others to lower the state’s oil tax rates.

Alaska’s oil reserves will not always be there, and the state needs to prepare for that day, said Rep. Berta Gardner, D-Anchorage. She’s the minority whip, the No. 2 position in the House Democratic caucus.

“Our mandate is to save what we collect for the future,” she said.

Alaska needs to “convert a non-renewable resource into a renewable one,” she said. The Alaska Permanent Fund is one such way of converting one-time payments into an ongoing revenue stream.

Alaska’s oil production tax law, called Alaska’s Clear and Equitable Share, or ACES, was adopted in 2007.

Parnell Monday proposed reductions to ACES of billions of dollars, saying it was “common sense” that reducing the tax would result in more oil production and more jobs.

Rep. Beth Kerttula, House Democratic Leader, said that sounded plausible at first, but that’s not what has happened in the past.

“The governor started out by saying ‘common sense tells you this is what would happen: you give the incentive and you get more jobs,’” she said.

“I have to agree, that’s probably what you’d think, but that’s not proven true,” Kerttula said.

Gardner said incentive after incentive has been tried to spur drilling in Cook Inlet with nothing to show for it.

Rep. Les Gara, D-Anchorage, said under the an older tax system, called Economic Limit Factor, taxes were dramatically lower without spurring new drilling on the North Slope. Then, despite higher taxes, new North Slope investment began under ACES because world oil prices were higher.

There's no evidence the tax reductions Parnell is proposing would accomplish anything for the state, Gara said.

Historically, artificially low taxes have not led to more investment, he said.

“There are more jobs on the North Slope today than there were under the old ELF system when the taxes were lower,” he said.

Parnell said Monday the state should not just keep building up its financial reserves, but should instead lower taxes in an effort to get more jobs.

Rep. David Guttenberg, D-Fairbanks, said the state should save oil taxes for the future, however.

“We should take excess revenue and slap it into the permanent fund, and use those earnings to pay our bills in the future,” he said. “If we don't need it now we can put it away for when we do.”

Kerttula said some changes are needed to ACES, such as re-establishing a standard deduction amount. Extra deductions last year cost the state \$300 million in lost revenues, she said.

- Contact reporter Pat Forgey at 523-2250 or patrick.forgey@juneauempire.com.

Click here to return to story:

http://www.juneauempire.com/stories/011911/sta_772093179.shtml