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Oil Tax Cut Bill Advances in State House

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By Fairbanks Daily News-Miner
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JUNEAU — A plan to cut oil taxes is moving, with a panel voting late Monday to advance it to a second stage within the state House.

Supporters said the bill, aimed at spurring exploration on the North Slope, has drawn enough review at the House Resources Committee. The panel voted 7-2 to advance the measure to the Finance Committee for more work.

A handful of changes came first, with the committee Monday adding an offer of major tax breaks or credits to firms who use Alaska labor for at least four-fifths of their North Slope labor needs.

“We can do something or we can do nothing. I think this bill is a good start,” said Rep. Eric Feige, R-Chickaloon. The freshman said declining oil production — one-third as much crude is pumped today as in the late-1980s — is what led him to seek office last year.

The bill would cut tax rates for exploration south of the Prudhoe Bay and Kuparuk fields.

It would rearrange rates when oil prices generally hold at less than \$120 per barrel. It would cap rates above that number, placing a lid on the progressive increase as oil prices rise.

It was unclear late Monday what impact the committee’s Friday and Monday changes would have on the bill’s price tag, which has drawn more criticism than any other component.

Gov. Sean Parnell pitched the measure in January as a job maker, saying long-term economic benefit from more exploration would eclipse short-term losses in state revenue. Skeptics say annual loss will be twice Parnell’s original \$1 billion-per-year estimate, and the governor has said he’d tap state savings until the cuts start working and more explorers reach the North Slope.

Critics say arguments from industry and government analysts that the plan will succeed as advertised have fallen short.

“This bill is a \$2 billion gamble in my opinion,” said Rep. Scott Kawasaki, D-Fairbanks.

Kawasaki and Rep. Berta Gardner, D-Anchorage, voted unsuccessfully to keep the bill at the committee’s desk. Reps. Paul Seaton (R-Homer), Bob Herron (D-Bethel), Alan Dick (R-Stony

River), Peggy Wilson (R-Wrangell), Cathy Munoz (R-Juneau) and Neal Foster (D-Nome) joined Feige in advancing the bill. The bill is House Bill 110.