GREATER FAIRBANKS
CHAMBER OF COMMERCE

March 24, 2017

Honorable Paul Seaton, Co-Chair
Honorable Neal Foster, Co-Chair
Representatives
Alaska State Capitol
Juneau, Alaska 99801

Dear Representative Paul Seaton and Representative Neal Foster:

We are writing in opposition to HB 111 that will increase taxes levied on the oil and gas industry.

Singling out the state's largest taxpayer for the 5th tax increase in a decade is unwise, especially when the oil and gas industry is still recovering from a significant downturn in prices and production. Approximately 4,000 industry jobs have already been lost statewide in addition to thousands of indirect jobs throughout Alaska. A competitive and stable oil tax structure will stabilize and generate investment, jobs, economic activity and revenue to the treasury, which is critically important given that Alaska is almost entirely dependent on oil production.

Alaska competes in a global market and operates in the very challenging Arctic environment. Lawmakers must keep this in mind when establishing policies that ensure a robust oil and gas industry well into the future. Investors will chose the most competitive and advantageous opportunities to grow their businesses. Alaska needs a policy that will keep us competitive.

We understand the obstacles to balance the state's budget. In the short-term, it may be more difficult to achieve balance by not raising taxes on the oil industry. However, it's not reasonable to target a single industry in our fiscal solution. This kind of tax instability is counter to the goal of increasing production and investment in our state.

Alaska has a prolific oil and gas industry; consider the recent discoveries of Caelus, Armstrong and ConocoPhillips Alaska. In total, these discoveries could produce 200,000 – 400,000 bpd. That is a 40% - 80% increase to production! This would drastically change the long term revenues to our state and should be considered an ultimate goal when looking at policy changes.

Specific HB 111 provisions that work against the state's interest, both direct to the treasury and also to Alaskans who benefit from the thousands of jobs in the industry, include:

- **Net operating loss (NOL's) changes** are a substantial tax increase and abandon a common policy throughout jurisdictions.

- **Hardening of the minimum tax floor** from 4% to 5%. Another way to say this is increasing tax liability by 25%, which is a significant increase.
- **Elimination of the cashable credit payment systems** should be carefully weighed given investment decisions made using this mechanism. Cashable credits encourage new and smaller investors to explore and develop Alaskan oil. We appreciate the impact that the credits have played in increasing exploration activities statewide. In particular, the continuation of the so called 'middle earth' provisions are significant to interior communities in the potential development of oil and gas in the interior. As a concrete example, Doyon is using credits for drilling in Nenana.
- **An increase in the interest rate charged and monthly account settlement requirements** both incentivize the State to drag out audits.

The Greater Fairbanks Chamber of Commerce (GFCC) currently represents over 750 businesses throughout Interior Alaska. The success of our members is directly linked to their ability to do business in an environment that promotes economic development. Our work on behalf of the business community is primarily supported by the volunteers that serve on the Chamber's public policy and advocacy committees.

Many of our Chamber members are directly in the oil and gas business and employ workers locally and on the North Slope oil fields. Fairbanks has long benefited from the development of oil and gas and we believe that there are many opportunities for us and Alaska – especially the new fields being announced. Don't kill this opportunity by forcing a targeted tax on the oil industry. Don't eliminate the potential jobs and revenues to the state and local government, by a frantic money grab.

Sincerely,

Marisa Sharrah
President & CEO
Greater Fairbanks Chamber of Commerce

Garry Hutchison
Board Chair
Greater Fairbanks Chamber of Commerce

cc: Interior Delegation
Governor Walker