Oil/Gas Tax 'Totally Opposed'

By JEFF RICHARDSON

"Totally opposed" is the way John Shively of the Alaska Federation of Natives characterized his organizations position on a proposal to tax oil and gas reserves.

The proposal was introduced in the state legislature and was the subject of hearings in Juneau the week of April 14. The bill would levy an annual tax on the full and true value of oil and gas leases under which there are proven reserves. The bill would also tax ownership interests in proven oil and gas reserves in place.

The legislation has drawn criticism from the Alaska Federationf Natives as well as individual Native corporations who fear they will be taxed out of existence before they can develop a sound financial base. Shively said an informal poll of the regional corporations indicated they were all opposed to the

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legislation.

"We just feel there are much better ways for the state to raise money," Shively said.

Charles Naughton of the Koniag Regional Corporation testified, "It would force the corporation into bankruptcy. If we find a reserve, we're going to be taxed out of existence before we can afford to develop it."

The oil and gas tax proposal, of which there are several versions, is generally aimed at raising funds for the state until construction of the trans-Alaska pipeline is completed.

The only point on which people seem to agree is that the state has got to find some money somewhere.

Arlon Tussing, professor of economics at the University of Alaska has suggested from a strictly economic point of view that the oil and gas reserves tax "is not a cost-effective way of raising revenues for the short term."

Tussing, writing in a memordandum to state Commissioner of Finance Sterling Gallagher, added, "Generally, on economic grounds I would urge the state to make no decision on financing the deficiency this year. Any method used to cover the pre-pipeline deficiency is essentially borrowing against future oil revenues. The shorter the period for which funds are borrowed, either by a reserves tax, by sales of options or by sale of securities, the less the cost to the state."

In contrast to fears that the tax will slow down the development of oil and gas reserves, it has also been suggested that the tax will speed up oil and gas development at such a rate that the state and its communities would be unable to handle the growth created by the impact of such development.

Although it has been suggested that Native corporations be exempted from the tax, Jacob Adams of the Arctic Slope Regional Corporation testified at the hearings that such an exemption would probably be declared unconstitutional. At present, ASRC is the only corporation which would be subject to the tax because the tax would be applied to "proven" reserves.

However, other corporations, under agreements with various oil companies have been persuing oil and gas exploration in their regions. Because of the large amount of land the corporations will receive under the land claims act, if oil and gas is discovered, a corporation would be taxed because it would be considered an "ownership interest" under the reserves tax proposal.