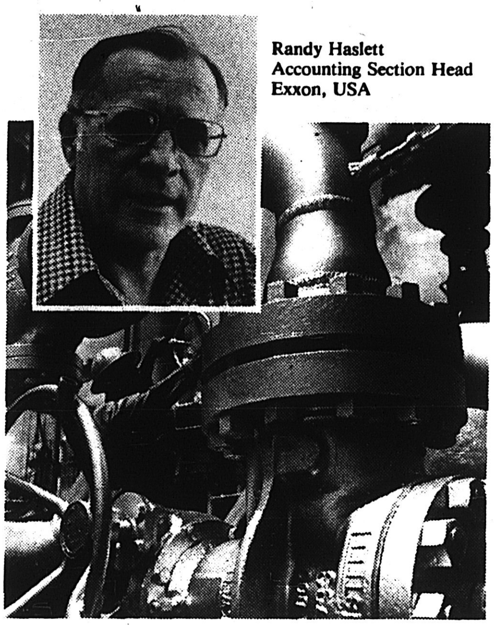
Let's talk...

about "equalizing" taxes.



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Q *Why are you opposing corporate income tax legislation which would change the method of taxing oil company profits?*

A Because we don't believe it's equitable to impose a special income tax system on the oil industry alone, and because the proposals would result in a sharp increase in Alaska's oil industry taxes, which are already higher than in any other producing state.

Q *But supporters of the bill claim they are simply trying to equalize the tax rate. What's wrong with that?*

A You can't "equalize" taxes by increasing them on one industry only when that industry already pays the highest overall tax rate in the state. In addition, the oil industry already pays income taxes on the same basis as any other multi-state business.

Q *How does the state determine how much of a multi-state company's income is taxable in Alaska?*

A Under current law, a multi-state or multinational corporation's total worldwide income is apportioned to Alaska by an equally weighted three-factor formula based on the percentage of the company's total property, payroll and sales in the state. For instance, if the company has 25 percent of its total property, payroll and sales in Alaska, the company pays Alaska corporate income taxes on 25 percent of its total federal taxable income—at the corporate tax rate of 9.4 percent. Variations of this same formula are used in 42 other states and the District of Columbia in calculating income to attribute to multi-state companies.

Q *Would Alaska change the formula under the legislation now proposed?*

A Yes. One bill would delete the sales factor and substitute an extraction factor. Supporters of the measure ignore the fact that production activity (extraction) is measured by the property and payroll factors and that Alaska also already levies a high tax on production through the severance tax. Another proposal is a separate accounting bill. We believe Alaska's present income tax law as it is applied to the oil and gas industry in Alaska is equitable and provides uniformity with other industries and most of the other states that levy income taxes. A departure from this uniformity could result in overlapping taxation by the states.

Q *Do the two corporate income tax proposals now before the Legislature have anything in common?*

A Yes, both would result in multi-billion dollar tax increases on oil companies over the life of the Prudhoe Bay field. Both could discourage future resource development in Alaska at a time when most Alaskans would rather see increased job opportunities instead of increased general fund surpluses.

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