Office of the AGIA Coordinator

Alaska's Clear & Equitable Share (ACES)

What is ACES? ACES is an equitable and progressive tax system adopted to replace the politically compromised Petroleum Production Tax adopted in 2006. ACES was created to …

- Be transparent to maximize public confidence and minimize the risk of taxpayer manipulation;
- Provide a far share of revenue to the state; and
- Attract new investment for oil & gas exploration and to provide an incentive for producers to re-invest in existing fields

How does ACES work? ACES …

- Levies a tax on Net Profits – after Expenses;
- Provides a Credit for Capital Investments;
- Encourages new exploration by proving for the State to pays up to 40% of and oil or gas producer's exploration costs;
- Replaces a regressive tax system with a progressive tax system, which increases and decreases based on the price of oil and a producer's level of investment (The more you invest, the less tax you pay!

How does ACES differ from the old tax regimes? ACES…

- Is Progressive. The tax rate varies with oil price and investment; the old tax system was regressive, with a tax rate that applied without regard to oil price or investment;
- Targets a company's profits. The old system taxed oil fields regardless of profit;
- Reduces tax rates for Cook Inlet and for in-state gas use. The old system provided no incentives for challenged areas or special needs; and
- Provides credit to companies with lower production volume. There was no such credit under the old tax system

How does ACES encourage exploration and development? ACES …

- Offers exploration credit of up to 40% of exploration costs, plus a 25% credit for net losses. Credits never expire. They may be transferred to another company or sold to the state;
- Structure means little to no tax at beginning of project development when costs are high; and
- Encourages investment. ACES provides a mechanism for the State to pay cash for credit certificates to companies that continue to invest in state projects

How do we know it will work? Has anyone else ever tried a similar tax structure?

- ACES is similar to a carefully crafted income tax, and Alaska leads the U.S. in innovative petroleum taxation;
- Other hydrocarbon-rich countries have profit-based petroleum fiscal systems, including Australia, the United Kingdom, Norway, and South Africa; and
- Like ACES, fiscal systems in other countries attempt to balance the government's right to a fair share of revenues with incentives for reinvestment and future development

Since the legislature passed ACES, how has it made things better for Alaskans?

- ACES provides the state with higher revenues when prices are high;
- In the first year of implementation, ACES produced the highest production tax in state history, returning $6.8 billion to the state treasury;
- The increased revenue from ACES enabled the state to provide every eligible Alaskan with a resource rebate of $1,200 per person; and
- The incentives in ACES are encouraging investment from companies that are new to the state, with the number of petroleum companies doing business in the state almost doubling between 2006 and 2008

How or why has ACES has been good for industry?

- Lower oil prices in 2008 and 2009 resulted in lower taxes for companies paying production tax under ACES
- Up front investment credits have encouraged development of two new fields – Oooguruk and Nikaitchuq – and aided in making exploration more affordable
- Small producers benefit from the small company tax credit of up to $12 million per year
- Producers in Cook Inlet pay taxes equal to or lower than they did under the previous production tax system

For more information on ACES, go to: http://gov.state.ak.is/aces/aces_about.php