

BALLOT MEASURE 1

# Get the Facts



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DEBUNKING THE MYTHS  
ABOUT OIL TAX REFORM

# What is **Ballot Measure 1?**

After more than 250 hours of public testimony, discussion, and debate in legislative hearings and meetings, the Legislature chose to reform Alaska's oil tax structure. Both Democratic and Republican legislators agreed that Alaska's oil tax system had significant flaws that needed to be fixed. The Legislature's tax reforms went into effect on January 1, 2014.

A group opposing the new tax law now seeks to repeal oil tax reform. The repeal measure was approved to be included on the August 2014 primary ballot as Ballot Measure 1.

On August 19, Alaskans will vote on Ballot Measure 1, and help determine Alaska's economic future.

## Key changes in the new oil tax structure:

- The Legislature eliminated high tax rates at high oil prices with the goal of creating an investment climate that makes Alaska more competitive with other oil-producing states and countries, and to **increase oil production**.
- The base tax rate increased to 35% from an original 25% to protect the state's interest at current and lower oil prices creating a more balanced and fair system (source: Alaska Dept. of Revenue).
- Tax reform eliminated the complex system of tax credits in favor of a simpler tax structure tied directly to oil production.

Voting yes on Ballot Measure 1 would return Alaska to the old, flawed tax structure.

**Voting no on Ballot Measure 1 keeps the new oil tax structure in place.**

**VOTE NO**



To read the full measure, visit the website:

**[www.ForAKsFuture.com](http://www.ForAKsFuture.com)**

MYTH:

Oil tax reform is a “giveaway” to big oil



FACT:

“The so-called \$2 billion “giveaway” this year under SB21 doesn’t exist.”

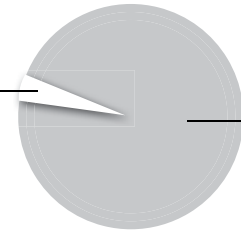
Source: Prof. Scott Goldsmith  
ISER, University of Alaska Anchorage,  
May 1, 2014

Oil tax reform just went into effect January 1st, 2014. Falling oil prices and declining production under the old oil tax structure (ACES) are the primary causes of the current dip in state revenues.

There is no “giveaway.” According to an ISER study by Professor Scott Goldsmith.

**Less than 5% of the revenue shortfall can be attributed to the new tax structure.**

New oil tax structure



All other factors that contributed to the \$2.1 billion revenue shortfall.

Source: University of Alaska Anchorage Institute for Social & Economic Research Report, Prof. Scott Goldsmith

MYTH:

# Oil tax reform threatens the Permanent Fund



## FACT:

**Voting Yes on Ballot Measure 1 will mean less production and less money going into the Permanent Fund.**

**Voting No on Ballot Measure 1 will help grow the Permanent Fund through increased production.**

The state receives taxes and royalty revenues from the oil industry. Taxes do not go into the Permanent Fund, but at least 25% of royalties do. Royalty revenue is determined by production. The only way to increase royalties is to increase production.

Source: Alaska Dept. of Revenue website, 2014

**Under the old oil tax structure, called ACES, oil production declined by 6% per year on average since 2007.** The new oil tax structure is designed specifically to boost production—every additional barrel of oil produced means additional money deposited into the Permanent Fund. It's simple. Voting Yes on Measure 1 means less production and less money going to the Permanent Fund. **Voting No on Measure 1 will add to the Permanent Fund.**

Source: Alaska State Constitution section 9.15; 2013 Alaska Permanent Fund Annual Report, pages 22,30

MYTH:  
Oil tax reform threatens education funding



**FACT:**

At current and projected oil prices, the state is forecasting more state revenue under the new oil tax structure than it would have under the old tax structure starting in July 2014.

Source: Dept. of Revenue presentation, Feb. 2014

More revenue will allow more long-term, sustainable funding of our schools. **Under the new oil tax structure, state revenue will increase with more production and become more predictable at a wide range of oil prices.**

MYTH:  
Oil tax reform caused a \$2 billion deficit

**FACT:**

Falling oil prices, declining Alaska oil production, and rising production costs account for more than **95% of this year's revenue shortfall.**

Source: Prof. Scott Goldsmith  
ISER, University of Alaska Anchorage, May 1, 2014

Based on current oil prices, state officials predict the new oil tax structure will generate higher revenues than the old, failed tax system.

Source: Dept. of Revenue presentation, Feb. 2014

MYTH:

**FACT:**

There's no guarantee that oil companies will invest

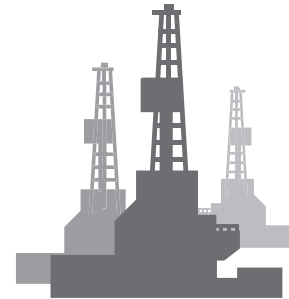
Companies are increasing their investment because of oil tax reform. **BP, Repsol, and ConocoPhillips have announced significant new work since oil tax reform was passed.**

The Alaska Department of Revenue now projects there will be \$10 billion of new investments in Alaska over the next decade.

Source: Dept. of Revenue presentation, Feb. 2014

Since the new oil tax structure passed in 2013, oil companies have announced plans for:

**6** new rigs



Source: Tim Bradner, Alaska Journal of Commerce January 16, 2014

**\$10 billion**  
in new investments



Source: Dept. of Revenue presentation, Feb. 2014

**The new tax law is already working.**

MYTH:  
ACES, the  
old oil tax  
structure,  
gave  
Alaska a  
“fair share”



**FACT**

The new oil tax structure includes a base tax rate (35%) that is substantially higher than the old base tax rate (25%).



At Department of Revenue forecasted oil prices, Alaska’s revenues will be higher under the new oil tax structure next year than it would be under the old tax structure.

Source: Dept. of Revenue presentation, Feb. 2014

**Alaska gets a “fair share” under the new oil tax structure.**

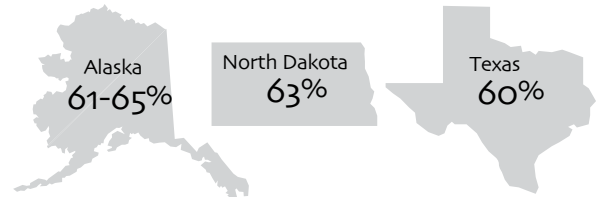
Additionally, under the new tax structure, total government take (federal, state, local taxes/royalties combined) is 61-65% at \$100 per barrel. The new tax structure makes Alaska competitive with other top-producing states.

**The new tax structure makes Alaska competitive with other top-producing states**

Alaska under the old tax structure (ACES)



Current government take under the new tax structure, based on \$100 per barrel price



Source: PFC Energy Report, April 2013

# How do I **Get Involved?**



## Like us and follow us

Get additional facts, updates and news regarding Ballot Measure 1.



## Join our coalition

Visit our website or text VOTENO to 907-341-4015 to show your support. Your personal information will not be shared.



## Write a letter to the editor

Let your voice be heard! Write a letter to the editor of your local paper. Need info? Contact us at [info@votenoone.com](mailto:info@votenoone.com)



## Share our message

Tell your friends, family and coworkers how important the new oil tax structure is to our future. You can spread the word by sharing our website and Facebook page!

VOTE NO



## Vote no on Ballot Measure 1 on August 19th

You can register to vote and find out more information about this year's primary election at [www.elections.alaska.gov](http://www.elections.alaska.gov)

Find out more ways to get involved by emailing us at [info@votenoone.com](mailto:info@votenoone.com)



Text

**VOTENO**

To 907-341-4015  
to join our  
coalition



Paid for by Vote No on 1, Anchorage, AK 99509. Bob Berto, Rick Boyles, Leslie Hajdukovich, Linda Leary and Rick Mystrom, co-chairs, approved this message. Top contributors are BP, Anchorage, Alaska, ConocoPhillips, Anchorage, Alaska, and ExxonMobil, Anchorage, Alaska

**vote**

**NO**  **on 1**

*for Alaska's future*