



Press Release

Severance Taxes: A Case Study of Alaska's Ballot Measure 1

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As global oil markets continue to be severely distressed, Alaskans will vote this November on a ballot initiative, Ballot Measure 1, that would increase the effective tax rate on oil to fund government services. In an analysis of this example of a severance tax, AAF's Director of Fiscal Policy Gordon Gray and Director of Energy Policy Ewelina Czaplina find this proposed measure would increase the effective tax rate on oil per barrel by an average of 188 percent over the rest of the decade. This tax increase would also reduce employment by over 6,300 workers, suppress investment activity by 14 percent, and deliver less than half of the revenue supporters have previously claimed, they note.

They conclude:

The proposed Ballot Measure 1 would impose a substantial effective tax increase on a declining tax base, harming an industry that supports the employment of about a quarter of Alaska's workforce. A global price war and the COVID-19 pandemic have led to a dramatic decline in global oil prices, substantially impacting Alaska's economy. A new tax would further impact the economy and risk the employment of thousands of Alaskans, while simultaneously failing to deliver an effective and stable revenue model for the state. This proposal illustrates the dangers inherent in severance taxes – both the temptation among policymakers and interest groups to manipulate it to achieve greater revenue, as well as the instability inherent in it relying on oil revenue to fund government programs.

[Read the analysis.](#)