

ALABAMA DEPARTMENT OF REVENUE

OIL AND GAS SEVERANCE TAX

810-8-6-.02 Procedures for Reporting and Remitting Oil & Gas Production and Privilege Taxes for Offshore Production.

(1) Act No. 2009-147 amended the oil and gas tax statutes and became effective May 1, 2009. This Act changed the method by which production and privilege taxes are calculated for offshore wells producing at depths greater than 8,000 feet. In accordance with this Act, offshore production and privilege taxes are to be calculated and remitted as follows:

(a) Offshore production occurring at depths greater than 8,000 feet shall be taxed based on a percentage of gross proceeds from the sale of oil or natural gas.

(b) The production tax rate as levied in Code of Alabama 1975, Section 9-17-25, for production from these wells shall be 1.66% of the gross proceeds attributable to the offshore production.

(c) The privilege tax rate as levied in Code of Alabama 1975, Section 40-20-2, for production from these wells shall be 3.65% of the gross proceeds attributable to the offshore production.

(2) Offshore wells producing at depths of 8,000 feet or less will continue to be taxed at the production tax rates set forth in Section 9-17-25, Code of Alabama 1975, and the privilege tax rates set forth in Section 40-20-2, Code of Alabama 1975.

(3) All offshore oil & gas producers are required to file a return each month on forms prescribed by the Commissioner. A return must be filed with the department even if no tax is due. The return is due on or before the fifteenth (15th) day of each month for the second preceding month's production. The return must be signed by an authorized officer under penalty of perjury that the information contained in the return is true and correct.

(Sections 40-2A-7(a)(5) and 40-20-4(d), Code of Alabama 1975, effective March 4, 2010)