

CONFERENCE CS FOR HOUSE BILL NO. 247

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FOURTH SPECIAL SESSION

BY THE CONFERENCE COMMITTEE

Offered: 6/6/16

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the exploration incentive credits; relating to the powers and duties
2 of the Alaska Oil and Gas Conservation Commission; relating to interest applicable to
3 delinquent tax; relating to the oil and gas production tax, tax payments, and credits;
4 relating to tax credit certificates; relating to refunds for the gas storage facility tax
5 credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil
6 refinery infrastructure expenditures tax credit; relating to oil and gas lease expenditures
7 and production tax credits for municipal entities; requiring a bond or cash deposit with
8 a business license application for an oil or gas business; and providing for an effective
9 date."

10 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

11 * **Section 1.** AS 31.05.030 is amended by adding a new subsection to read:

12 (n) Upon request of the commissioner of revenue, the commission shall

1 determine the commencement of regular production from a lease or property for
2 purposes of AS 43.55.160(f) and (g).

3 * **Sec. 2.** AS 38.05.036(a) is amended to read:

4 (a) The department may conduct audits regarding royalty and net profits under
5 oil and gas contracts, agreements, or leases under this chapter and regarding costs
6 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and
7 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes
8 of an audit under this section,

9 (1) the department may examine the books, papers, records, or
10 memoranda of a person regarding matters related to the audit; and

11 (2) the records and premises where a business is conducted shall be
12 open at all reasonable times for inspection by the department.

13 * **Sec. 3.** AS 38.05.036(b) is amended to read:

14 (b) The Department of Revenue may obtain from the department information
15 relating to royalty and net profits payments and to exploration incentive credits under
16 this chapter [OR UNDER AS 41.09], whether or not that information is confidential.
17 The Department of Revenue may use the information in carrying out its functions and
18 responsibilities under AS 43, and shall hold that information confidential to the extent
19 required by an agreement with the department or by AS 38.05.035(a)(8) [,
20 AS 41.09.010(d),] or AS 43.05.230.

21 * **Sec. 4.** AS 38.05.036(c) is amended to read:

22 (c) The department may obtain from the Department of Revenue all
23 information obtained under AS 43 relating to royalty and net profits and to exploration
24 incentive credits. The department may use the information for purposes of carrying out
25 its responsibilities and functions under this chapter [AND AS 41.09]. Information
26 made available to the department that was obtained under AS 43 is confidential and
27 subject to the provisions of AS 43.05.230.

28 * **Sec. 5.** AS 38.05.036(f) is amended to read:

29 (f) Except as otherwise provided in this section or in connection with official
30 investigations or proceedings of the department, it is unlawful for a current or former
31 officer, employee, or agent of the state to divulge information obtained by the

1 department as a result of an audit under this section that is required by an agreement
2 with the department or by AS 38.05.035(a)(8) [OR AS 41.09.010(d)] to be kept
3 confidential.

4 * **Sec. 6.** AS 38.05.036(g) is amended to read:

5 (g) Nothing in this section prohibits the publication of statistics in a manner
6 that maintains the confidentiality of information to the extent required by an
7 agreement with the department or by AS 38.05.035(a)(8) [OR AS 41.09.010(d)].

8 * **Sec. 7.** AS 40.25.100(a) is amended to read:

9 (a) Information in the possession of the Department of Revenue that discloses
10 the particulars of the business or affairs of a taxpayer or other person, including
11 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
12 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
13 **AS 43.05.230(i) - (l)** [AS 43.05.230(i) OR (k)] or for purposes of investigation and
14 law enforcement. The information shall be kept confidential except when its
15 production is required in an official investigation, administrative adjudication under
16 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
17 publication of statistics presented in a manner that prevents the identification of
18 particular reports and items, prohibit the publication of tax lists showing the names of
19 taxpayers who are delinquent and relevant information that may assist in the collection
20 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
21 under AS 43.05.405 - 43.05.499.

22 * **Sec. 8.** AS 43.05.225 is amended to read:

23 **Sec. 43.05.225. Interest.** Unless otherwise provided,

24 (1) a delinquent tax [UNDER THIS TITLE,]

25 (A) **under this title**, before January 1, 2014, bears interest in
26 each calendar quarter at the rate of five percentage points above the annual rate
27 charged member banks for advances by the 12th Federal Reserve District as of
28 the first day of that calendar quarter, or at the annual rate of 11 percent,
29 whichever is greater, compounded quarterly as of the last day of that quarter;
30 [OR]

31 (B) **under this title**, on and after January 1, 2014, **except as**

1 **provided in (C) of this paragraph,** bears interest in each calendar quarter at
 2 the rate of three percentage points above the annual rate charged member
 3 banks for advances by the 12th Federal Reserve District as of the first day of
 4 that calendar quarter;

5 **(C) under AS 43.55, on and after January 1, 2017,**

6 **(i) for the first three years after a tax becomes**
 7 **delinquent, bears interest in each calendar quarter at the rate of**
 8 **seven percentage points above the annual rate charged member**
 9 **banks for advances by the 12th Federal Reserve District as of the**
 10 **first day of that calendar quarter, compounded quarterly as of the**
 11 **last day of that quarter; and**

12 **(ii) after the first three years after a tax becomes**
 13 **delinquent, does not bear interest;**

14 (2) the interest rate is 12 percent a year for

15 (A) delinquent fees payable under AS 05.15.095(c); and

16 (B) unclaimed property that is not timely paid or delivered, as
 17 allowed by AS 34.45.470(a).

18 * **Sec. 9.** AS 43.05.230 is amended by adding a new subsection to read:

19 (l) For tax credit certificates purchased by the department in the preceding
 20 calendar year under AS 43.55.028, the department shall make the following
 21 information public by April 30 of each year:

22 (1) the name of each person from whom the department purchased a
 23 transferable tax credit certificate; and

24 (2) the aggregate amount of the tax credit certificates purchased from
 25 the person in the preceding calendar year.

26 * **Sec. 10.** AS 43.20.046(e) is amended to read:

27 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department
 28 may use available money in the oil and gas tax credit fund established in AS 43.55.028
 29 to make the refund applied for under (d) of this section in whole or in part if the
 30 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN
 31 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT

1 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,
 2 the claimant's total tax liability under this chapter for the calendar year in which the
 3 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"
 4 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED
 5 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS
 6 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

7 * **Sec. 11.** AS 43.20.047(e) is amended to read:

8 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department
 9 may use money available in the oil and gas tax credit fund established in AS 43.55.028
 10 to make a refund or payment under (d) of this section in whole or in part if the
 11 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN
 12 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT
 13 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,
 14 the claimant's total tax liability under this chapter for the calendar year in which the
 15 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"
 16 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED
 17 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS
 18 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

19 * **Sec. 12.** AS 43.20.053(e) is amended to read:

20 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department
 21 may use money available in the oil and gas tax credit fund established in AS 43.55.028
 22 to make a refund or payment under (d) of this section in whole or in part if the
 23 department finds that,

24 [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING
 25 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS
 26 TITLE; AND

27 (2)] after application of all available tax credits, the claimant's total tax
 28 liability under this chapter for the calendar year in which the claim is made is zero.

29 * **Sec. 13.** AS 43.55.011(j) is amended to read:

30 (j) For a calendar year [BEFORE 2022], the tax levied by (e) of this section
 31 for gas produced from a lease or property in the Cook Inlet sedimentary basin may not

1 exceed

2 (1) for a lease or property that first commenced commercial production
3 of gas before April 1, 2006, the product obtained by multiplying (A) the amount of
4 taxable gas produced during the calendar year from the lease or property, times (B) the
5 average rate of tax that was imposed under this chapter for taxable gas produced from
6 the lease or property for the 12-month period ending on March 31, 2006, times (C) the
7 quotient obtained by dividing the total gross value at the point of production of the
8 taxable gas produced from the lease or property during the 12-month period ending on
9 March 31, 2006, by the total amount of that gas;

10 (2) for a lease or property that first commences commercial production
11 of gas after March 31, 2006, the product obtained by multiplying (A) the amount of
12 taxable gas produced during the calendar year from the lease or property, times (B) the
13 average rate of tax that was imposed under this chapter for taxable gas produced from
14 all leases or properties in the Cook Inlet sedimentary basin for the 12-month period
15 ending on March 31, 2006, times (C) the average prevailing value for gas delivered in
16 the Cook Inlet area for the 12-month period ending March 31, 2006, as determined by
17 the department under AS 43.55.020(f).

18 * **Sec. 14.** AS 43.55.011(k) is amended to read:

19 (k) For a calendar year [BEFORE 2022], the tax levied by (e) of this section
20 **may not exceed one dollar per barrel of oil** for oil produced from a lease or property
21 in the Cook Inlet sedimentary basin [MAY NOT EXCEED

22 (1) FOR A LEASE OR PROPERTY THAT FIRST COMMENCED
23 COMMERCIAL PRODUCTION OF OIL BEFORE APRIL 1, 2006, THE PRODUCT
24 OBTAINED BY MULTIPLYING (A) THE AMOUNT OF TAXABLE OIL
25 PRODUCED DURING THE CALENDAR YEAR FROM THE LEASE OR
26 PROPERTY, TIMES (B) THE AVERAGE RATE OF TAX THAT WAS IMPOSED
27 UNDER THIS CHAPTER FOR TAXABLE OIL PRODUCED FROM THE LEASE
28 OR PROPERTY FOR THE 12-MONTH PERIOD ENDING ON MARCH 31, 2006,
29 TIMES (C) THE QUOTIENT OBTAINED BY DIVIDING THE TOTAL GROSS
30 VALUE AT THE POINT OF PRODUCTION OF THE TAXABLE OIL PRODUCED
31 FROM THE LEASE OR PROPERTY DURING THE 12-MONTH PERIOD

1 ENDING ON MARCH 31, 2006, BY THE TOTAL AMOUNT OF THAT OIL;

2 (2) FOR A LEASE OR PROPERTY THAT FIRST COMMENCES
3 COMMERCIAL PRODUCTION OF OIL AFTER MARCH 31, 2006, THE
4 PRODUCT OBTAINED BY MULTIPLYING (A) THE AMOUNT OF TAXABLE
5 OIL PRODUCED DURING THE CALENDAR YEAR FROM THE LEASE OR
6 PROPERTY, TIMES (B) THE AVERAGE RATE OF TAX THAT WAS IMPOSED
7 UNDER THIS CHAPTER FOR TAXABLE OIL PRODUCED FROM ALL LEASES
8 OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN FOR THE 12-
9 MONTH PERIOD ENDING ON MARCH 31, 2006, TIMES (C) THE AVERAGE
10 PREVAILING VALUE FOR OIL PRODUCED AND DELIVERED IN THE COOK
11 INLET AREA FOR THE 12-MONTH PERIOD ENDING ON MARCH 31, 2006, AS
12 DETERMINED BY THE DEPARTMENT UNDER AS 43.55.020(f)].

13 * **Sec. 15.** AS 43.55.011(o) is amended to read:

14 (o) Notwithstanding other provisions of this section, for a calendar year
15 [BEFORE 2022], the tax levied under (e) of this section for each 1,000 cubic feet of
16 gas for gas produced from a lease or property outside the Cook Inlet sedimentary basin
17 and used in the state, other than gas subject to (p) of this section, may not exceed the
18 amount of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this
19 section.

20 * **Sec. 16.** AS 43.55.020(a) is amended to read:

21 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
22 the tax as follows:

23 (1) for oil and gas produced before January 1, 2014, an installment
24 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
25 as allowed by law, is due for each month of the calendar year on the last day of the
26 following month; except as otherwise provided under (2) of this subsection, the
27 amount of the installment payment is the sum of the following amounts, less 1/12 of
28 the tax credits that are allowed by law to be applied against the tax levied by
29 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
30 not be less than zero:

31 (A) for oil and gas not subject to AS 43.55.011(o) or (p)

1 produced from leases or properties in the state outside the cook inlet
 2 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
 3 the greater of

4 (i) zero; or

5 (ii) the sum of 25 percent and the tax rate calculated for
 6 the month under AS 43.55.011(g) multiplied by the remainder obtained
 7 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 8 calendar year of production under AS 43.55.165 and 43.55.170 that are
 9 deductible for the oil and gas under AS 43.55.160 from the gross value
 10 at the point of production of the oil and gas produced from the leases or
 11 properties during the month for which the installment payment is
 12 calculated;

13 (B) for oil and gas produced from leases or properties subject
 14 to AS 43.55.011(f), the greatest of

15 (i) zero;

16 (ii) zero percent, one percent, two percent, three
 17 percent, or four percent, as applicable, of the gross value at the point of
 18 production of the oil and gas produced from the leases or properties
 19 during the month for which the installment payment is calculated; or

20 (iii) the sum of 25 percent and the tax rate calculated for
 21 the month under AS 43.55.011(g) multiplied by the remainder obtained
 22 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 23 calendar year of production under AS 43.55.165 and 43.55.170 that are
 24 deductible for the oil and gas under AS 43.55.160 from the gross value
 25 at the point of production of the oil and gas produced from those leases
 26 or properties during the month for which the installment payment is
 27 calculated;

28 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
 29 each lease or property, the greater of

30 (i) zero; or

31 (ii) the sum of 25 percent and the tax rate calculated for

1 the month under AS 43.55.011(g) multiplied by the remainder obtained
2 by subtracting 1/12 of the producer's adjusted lease expenditures for the
3 calendar year of production under AS 43.55.165 and 43.55.170 that are
4 deductible under AS 43.55.160 for the oil or gas, respectively,
5 produced from the lease or property from the gross value at the point of
6 production of the oil or gas, respectively, produced from the lease or
7 property during the month for which the installment payment is
8 calculated;

9 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

10 (i) the sum of 25 percent and the tax rate calculated for
11 the month under AS 43.55.011(g) multiplied by the remainder obtained
12 by subtracting 1/12 of the producer's adjusted lease expenditures for the
13 calendar year of production under AS 43.55.165 and 43.55.170 that are
14 deductible for the oil and gas under AS 43.55.160 from the gross value
15 at the point of production of the oil and gas produced from the leases or
16 properties during the month for which the installment payment is
17 calculated, but not less than zero; or

18 (ii) four percent of the gross value at the point of
19 production of the oil and gas produced from the leases or properties
20 during the month, but not less than zero;

21 (2) an amount calculated under (1)(C) of this subsection for oil or gas
22 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
23 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
24 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
25 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
26 amount of taxable gas produced during the month for the amount of taxable gas
27 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
28 (2)(A), as applicable, the amount of taxable oil produced during the month for the
29 amount of taxable oil produced during the calendar year;

30 (3) an installment payment of the estimated tax levied by
31 AS 43.55.011(i) for each lease or property is due for each month of the calendar year

1 on the last day of the following month; the amount of the installment payment is the
2 sum of

3 (A) the applicable tax rate for oil provided under
4 AS 43.55.011(i), multiplied by the gross value at the point of production of the
5 oil taxable under AS 43.55.011(i) and produced from the lease or property
6 during the month; and

7 (B) the applicable tax rate for gas provided under
8 AS 43.55.011(i), multiplied by the gross value at the point of production of the
9 gas taxable under AS 43.55.011(i) and produced from the lease or property
10 during the month;

11 (4) any amount of tax levied by AS 43.55.011, net of any credits
12 applied as allowed by law, that exceeds the total of the amounts due as installment
13 payments of estimated tax is due on March 31 of the year following the calendar year
14 of production;

15 (5) for oil and gas produced on and after January 1, 2014, and before
16 January 1, 2022, an installment payment of the estimated tax levied by
17 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
18 month of the calendar year on the last day of the following month; except as otherwise
19 provided under (6) of this subsection, the amount of the installment payment is the
20 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
21 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
22 of the installment payment may not be less than zero:

23 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
24 produced from leases or properties in the state outside the Cook Inlet
25 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
26 the greater of

27 (i) zero; or

28 (ii) 35 percent multiplied by the remainder obtained by
29 subtracting 1/12 of the producer's adjusted lease expenditures for the
30 calendar year of production under AS 43.55.165 and 43.55.170 that are
31 deductible for the oil and gas under AS 43.55.160 from the gross value

1 at the point of production of the oil and gas produced from the leases or
2 properties during the month for which the installment payment is
3 calculated;

4 (B) for oil and gas produced from leases or properties subject
5 to AS 43.55.011(f), the greatest of

6 (i) zero;

7 (ii) zero percent, one percent, two percent, three
8 percent, or four percent, as applicable, of the gross value at the point of
9 production of the oil and gas produced from the leases or properties
10 during the month for which the installment payment is calculated; or

11 (iii) 35 percent multiplied by the remainder obtained by
12 subtracting 1/12 of the producer's adjusted lease expenditures for the
13 calendar year of production under AS 43.55.165 and 43.55.170 that are
14 deductible for the oil and gas under AS 43.55.160 from the gross value
15 at the point of production of the oil and gas produced from those leases
16 or properties during the month for which the installment payment is
17 calculated, except that, for the purposes of this calculation, a reduction
18 from the gross value at the point of production may apply for oil and
19 gas subject to AS 43.55.160(f) or (g);

20 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
21 each lease or property, the greater of

22 (i) zero; or

23 (ii) 35 percent multiplied by the remainder obtained by
24 subtracting 1/12 of the producer's adjusted lease expenditures for the
25 calendar year of production under AS 43.55.165 and 43.55.170 that are
26 deductible under AS 43.55.160 for the oil or gas, respectively,
27 produced from the lease or property from the gross value at the point of
28 production of the oil or gas, respectively, produced from the lease or
29 property during the month for which the installment payment is
30 calculated;

31 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

1 (i) 35 percent multiplied by the remainder obtained by
 2 subtracting 1/12 of the producer's adjusted lease expenditures for the
 3 calendar year of production under AS 43.55.165 and 43.55.170 that are
 4 deductible for the oil and gas under AS 43.55.160 from the gross value
 5 at the point of production of the oil and gas produced from the leases or
 6 properties during the month for which the installment payment is
 7 calculated, but not less than zero; or

8 (ii) four percent of the gross value at the point of
 9 production of the oil and gas produced from the leases or properties
 10 during the month, but not less than zero;

11 (6) an amount calculated under (5)(C) of this subsection for oil or gas
 12 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
 13 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
 14 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
 15 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
 16 amount of taxable gas produced during the month for the amount of taxable gas
 17 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
 18 (2)(A), as applicable, the amount of taxable oil produced during the month for the
 19 amount of taxable oil produced during the calendar year;

20 (7) for oil and gas produced on or after January 1, 2022, an installment
 21 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 22 as allowed by law, is due for each month of the calendar year on the last day of the
 23 following month; **except as otherwise provided under (10) of this subsection**, the
 24 amount of the installment payment is the sum of the following amounts, less 1/12 of
 25 the tax credits that are allowed by law to be applied against the tax levied by
 26 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
 27 not be less than zero:

28 (A) for oil produced from leases or properties **subject to**
 29 **AS 43.55.011(f)** [THAT INCLUDE LAND NORTH OF 68 DEGREES
 30 NORTH LATITUDE], the greatest of

31 (i) zero;

1 (ii) zero percent, one percent, two percent, three
 2 percent, or four percent, as applicable, of the gross value at the point of
 3 production of the oil produced from the leases or properties during the
 4 month for which the installment payment is calculated; or

5 (iii) 35 percent multiplied by the remainder obtained by
 6 subtracting 1/12 of the producer's adjusted lease expenditures for the
 7 calendar year of production under AS 43.55.165 and 43.55.170 that are
 8 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
 9 the point of production of the oil produced from those leases or
 10 properties during the month for which the installment payment is
 11 calculated, except that, for the purposes of this calculation, a reduction
 12 from the gross value at the point of production may apply for oil
 13 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

14 (B) for oil produced before or during the last calendar year
 15 under AS 43.55.024(b) for which the producer could take a tax credit under
 16 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
 17 sedimentary basin, no part of which is north of 68 degrees North latitude, other
 18 than leases or properties subject to AS 43.55.011(o) or (p) [AS 43.55.011(p)],
 19 the greater of

20 (i) zero; or

21 (ii) 35 percent multiplied by the remainder obtained by
 22 subtracting 1/12 of the producer's adjusted lease expenditures for the
 23 calendar year of production under AS 43.55.165 and 43.55.170 that are
 24 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
 25 the point of production of the oil produced from the leases or properties
 26 during the month for which the installment payment is calculated;

27 (C) for oil and gas produced from leases or properties subject
 28 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
 29 the sum of

30 (i) 35 percent multiplied by the remainder obtained by
 31 subtracting 1/12 of the producer's adjusted lease expenditures for the

1 calendar year of production under AS 43.55.165 and 43.55.170 that are
 2 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
 3 the point of production of the oil produced from the leases or properties
 4 during the month for which the installment payment is calculated, but
 5 not less than zero; and

6 (ii) 13 percent of the gross value at the point of
 7 production of the gas produced from the leases or properties during the
 8 month, but not less than zero;

9 (D) for oil produced from leases or properties in the state, no
 10 part of which is north of 68 degrees North latitude, other than leases or
 11 properties subject to (B), [OR] (C), **or (F)** of this paragraph, the greater of

12 (i) zero; or

13 (ii) 35 percent multiplied by the remainder obtained by
 14 subtracting 1/12 of the producer's adjusted lease expenditures for the
 15 calendar year of production under AS 43.55.165 and 43.55.170 that are
 16 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
 17 the point of production of the oil produced from the leases or properties
 18 during the month for which the installment payment is calculated;

19 (E) for gas produced from each lease or property in the state
 20 **outside the Cook Inlet sedimentary basin**, other than a lease or property
 21 subject to **AS 43.55.011(o) or (p)** [AS 43.55.011(p)], 13 percent of the gross
 22 value at the point of production of the gas produced from the lease or property
 23 during the month for which the installment payment is calculated, but not less
 24 than zero;

25 **(F) for oil subject to AS 43.55.011(k), for each lease or**
 26 **property, the greater of**

27 **(i) zero; or**

28 **(ii) 35 percent multiplied by the remainder obtained**
 29 **by subtracting 1/12 of the producer's adjusted lease expenditures**
 30 **for the calendar year of production under AS 43.55.165 and**
 31 **43.55.170 that are deductible under AS 43.55.160 for the oil,**

1 produced from the lease or property from the gross value at the
 2 point of production of the oil, produced from the lease or property
 3 during the month for which the installment payment is calculated;

4 (G) for gas subject to AS 43.55.011(j) or (o), for each lease
 5 or property, the greater of

6 (i) zero; or

7 (ii) 13 percent of the gross value at the point of
 8 production of the gas produced from the lease or property during
 9 the month for which the installment payment is calculated;

10 (8) an amount calculated under (7)(C) of this subsection may not
 11 exceed four percent of the gross value at the point of production of the oil and gas
 12 produced from leases or properties subject to AS 43.55.011(p) during the month for
 13 which the installment payment is calculated;

14 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
 15 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
 16 of production is determined under AS 43.55.011(f)(1) or (2) but substituting the
 17 phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1)
 18 and (2) for the phrase "calendar year for which the tax is due";

19 (10) an amount calculated under (7)(F) or (G) of this subsection
 20 for oil or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product
 21 obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or
 22 43.55.011(o), as applicable, for gas, or set out in AS 43.55.011(k)(1) or (2), as
 23 applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or
 24 43.55.011(o), as applicable, the amount of taxable gas produced during the month
 25 for the amount of taxable gas produced during the calendar year and substituting
 26 in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil
 27 produced during the month for the amount of taxable oil produced during the
 28 calendar year. ["

29 * **Sec. 17.** AS 43.55.023(a) is amended to read:

30 (a) A producer or explorer may take a tax credit for a qualified capital
 31 expenditure as follows:

1 (1) notwithstanding that a qualified capital expenditure may be a
 2 deductible lease expenditure for purposes of calculating the production tax value of oil
 3 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
 4 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or
 5 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
 6 against a tax levied by AS 43.55.011(e) in the amount of 10 [20] percent of that
 7 expenditure;

8 (2) a producer or explorer may take a credit for a qualified capital
 9 expenditure incurred in connection with geological or geophysical exploration or in
 10 connection with an exploration well only if the producer or explorer

11 (A) agrees, in writing, to the applicable provisions of
 12 AS 43.55.025(f)(2); and

13 (B) submits to the Department of Natural Resources all data
 14 that would be required to be submitted under AS 43.55.025(f)(2);

15 (3) a credit for a qualified capital expenditure incurred to explore for,
 16 develop, or produce oil or gas deposits located

17 (A) north of 68 degrees North latitude may be taken only if the
 18 expenditure is incurred before January 1, 2014;

19 (B) in the Cook Inlet sedimentary basin may be taken only
 20 if the expenditure is incurred before January 1, 2018.

21 * **Sec. 18.** AS 43.55.023(b) is amended to read:

22 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
 23 credit in the amount of 25 percent of a carried-forward annual loss. For lease
 24 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
 25 explore for, develop, or produce oil or gas deposits located north of 68 degrees North
 26 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
 27 percent of a carried-forward annual loss. For lease expenditures incurred on and after
 28 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north
 29 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in
 30 the amount of 35 percent of a carried-forward annual loss. For lease expenditures
 31 incurred on or after January 1, 2014, and before January 1, 2017, to explore for,

1 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
 2 producer or explorer may elect to take a tax credit in the amount of 25 percent of a
 3 carried-forward annual loss. **For lease expenditures incurred on or after January 1,**
 4 **2017, to explore for, develop, or produce oil or gas deposits located south of 68**
 5 **degrees North latitude, a producer or explorer may elect to take a tax credit in**
 6 **the amount of 15 percent of a carried-forward annual loss, except that a credit**
 7 **for lease expenditures incurred to explore for, develop, or produce oil or gas**
 8 **deposits located in the Cook Inlet sedimentary basin may only be taken if the**
 9 **expenditure is incurred before January 1, 2018.** A credit under this subsection may
 10 be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection,

11 (1) a carried-forward annual loss is the amount of a producer's or
 12 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
 13 previous calendar year that was not deductible in calculating production tax values for
 14 that calendar year under AS 43.55.160;

15 (2) **for lease expenditures incurred on or after January 1, 2017,**
 16 **any reduction under AS 43.55.160(f) or (g) is added back to the calculation of**
 17 **production tax values for that calendar year under AS 43.55.160 for the**
 18 **determination of a carried-forward annual loss.**

19 * **Sec. 19.** AS 43.55.023(l) is amended to read:

20 (l) A producer or explorer may apply for a tax credit for a well lease
 21 expenditure incurred in the state south of 68 degrees North latitude after June 30,
 22 2010, as follows:

23 (1) notwithstanding that a well lease expenditure incurred in the state
 24 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
 25 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
 26 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),
 27 AS 41.09.010,] AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
 28 well lease expenditure in the state south of 68 degrees North latitude may elect to
 29 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of

30 (A) 40 percent of that expenditure **incurred before January 1,**
 31 **2017;**

1 **(B) 20 percent of that expenditure incurred on or after**
 2 **January 1, 2017** [; A TAX CREDIT UNDER THIS PARAGRAPH MAY BE
 3 APPLIED FOR A SINGLE CALENDAR YEAR];

4 (2) a producer or explorer may take a credit for a well lease
 5 expenditure incurred in the state south of 68 degrees North latitude in connection with
 6 geological or geophysical exploration or in connection with an exploration well only if
 7 the producer or explorer

8 (A) agrees, in writing, to the applicable provisions of
 9 AS 43.55.025(f)(2); and

10 (B) submits to the Department of Natural Resources all data
 11 that would be required to be submitted under AS 43.55.025(f)(2);

12 **(3) a credit for a well lease expenditure incurred to explore for,**
 13 **develop, or produce oil or gas deposits located in the Cook Inlet sedimentary**
 14 **basin may be taken only if the expenditure is incurred before January 1, 2018.**

15 * **Sec. 20.** AS 43.55.024(i) is amended to read:

16 (i) A producer may apply against the producer's tax liability for the calendar
 17 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
 18 AS 43.55.011(e) that **receives a reduction in the gross value at the point of**
 19 **production under** [MEETS ONE OR MORE OF THE CRITERIA IN]
 20 AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31,
 21 2013. A tax credit authorized by this subsection may not reduce a producer's tax
 22 liability for a calendar year under AS 43.55.011(e) below zero.

23 * **Sec. 21.** AS 43.55.024(j) is amended to read:

24 (j) A producer may apply against the producer's tax liability for the calendar
 25 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
 26 each barrel of oil taxable under AS 43.55.011(e) that does not **receive a reduction in**
 27 **the gross value at the point of production under** [MEET ANY OF THE CRITERIA
 28 IN] AS 43.55.160(f) or (g) and that is produced during a calendar year after
 29 December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax
 30 credit under this subsection may not reduce a producer's tax liability for a calendar
 31 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The

1 amount of the tax credit for a barrel of taxable oil subject to this subsection produced
2 during a month of the calendar year is

3 (1) \$8 for each barrel of taxable oil if the average gross value at the
4 point of production for the month is less than \$80 a barrel;

5 (2) \$7 for each barrel of taxable oil if the average gross value at the
6 point of production for the month is greater than or equal to \$80 a barrel, but less than
7 \$90 a barrel;

8 (3) \$6 for each barrel of taxable oil if the average gross value at the
9 point of production for the month is greater than or equal to \$90 a barrel, but less than
10 \$100 a barrel;

11 (4) \$5 for each barrel of taxable oil if the average gross value at the
12 point of production for the month is greater than or equal to \$100 a barrel, but less
13 than \$110 a barrel;

14 (5) \$4 for each barrel of taxable oil if the average gross value at the
15 point of production for the month is greater than or equal to \$110 a barrel, but less
16 than \$120 a barrel;

17 (6) \$3 for each barrel of taxable oil if the average gross value at the
18 point of production for the month is greater than or equal to \$120 a barrel, but less
19 than \$130 a barrel;

20 (7) \$2 for each barrel of taxable oil if the average gross value at the
21 point of production for the month is greater than or equal to \$130 a barrel, but less
22 than \$140 a barrel;

23 (8) \$1 for each barrel of taxable oil if the average gross value at the
24 point of production for the month is greater than or equal to \$140 a barrel, but less
25 than \$150 a barrel;

26 (9) zero if the average gross value at the point of production for the
27 month is greater than or equal to \$150 a barrel.

28 * **Sec. 22.** AS 43.55.025(m) is amended to read:

29 (m) The persons that drill the first four exploration wells in the state and
30 within the areas described in (o) of this section on state lands, private lands, or federal
31 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a

1 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)
2 of this section. A credit under this subsection may not be taken for more than two
3 exploration wells in a single area described in (o)(1) - (6) of this section.
4 **Notwithstanding (b) of this section, exploration** [EXPLORATION] expenditures
5 eligible for the credit in this subsection must be incurred for work performed after
6 June 1, 2012, and before **July 1, 2017, except that expenditures to complete an**
7 **exploration well that was spudded but not completed before July 1, 2017, are**
8 **eligible for the credit under this subsection** [JULY 1, 2016]. A person planning to
9 drill an exploration well on private land and to apply for a credit under this subsection
10 shall obtain written consent from the owner of the oil and gas interest for the full
11 public release of all well data after the expiration of the confidentiality period
12 applicable to information collected under (f) of this section. The written consent of the
13 owner of the oil and gas interest must be submitted to the commissioner of natural
14 resources before approval of the proposed exploration well. In addition to the
15 requirements in (c)(1), (c)(2)(A), and (c)(2)(C) of this section and submission of the
16 written consent of the owner of the oil and gas interest, a person planning to drill an
17 exploration well shall obtain approval from the commissioner of natural resources
18 before the well is spudded. The commissioner of natural resources shall make a
19 written determination approving or rejecting an exploration well within 60 days after
20 receiving the request for approval or as soon as is practicable thereafter. Before
21 approving the exploration well, the commissioner of natural resources shall consider
22 the following: the location of the well; the proximity to a community in need of a local
23 energy source; the proximity of existing infrastructure; the experience and safety
24 record of the explorer in conducting operations in remote or roadless areas; the
25 projected cost schedule; whether seismic mapping and seismic data sufficiently
26 identify a particular trap for exploration; whether the targeted and planned depth and
27 range are designed to penetrate and fully evaluate the hydrocarbon potential of the
28 proposed prospect and reach the level below which economic hydrocarbon reservoirs
29 are likely to be found, or reach 12,000 feet or more true vertical depth; and whether
30 the exploration plan provides for a full evaluation of the wellbore below surface casing
31 to the depth of the well. Whether the exploration well for which a credit is requested

1 under this subsection is located within an area and a basin described under (o) of this
 2 section shall be determined by the commissioner of natural resources and reported to
 3 the commissioner. A taxpayer that obtains a credit under this subsection may not claim
 4 a tax credit under AS 43.55.023 or another provision in this section for the same
 5 exploration expenditure.

6 * **Sec. 23.** AS 43.55.028(e) is amended to read:

7 (e) The department, on the written application of a person to whom a
 8 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
 9 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under
 10 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
 11 purchase, in whole or in part, the certificate. **The department may not purchase a**
 12 **total of more than \$70,000,000 in tax credit certificates from a person in a**
 13 **calendar year. Before purchasing a certificate or part of a certificate,** [IF] the
 14 department **shall find** [FINDS] that

15 (1) the calendar year of the purchase is not earlier than the first
 16 calendar year for which the credit shown on the certificate would otherwise be allowed
 17 to be applied against a tax;

18 (2) the **application is not the result of the division of a single entity**
 19 **into multiple entities that would reasonably be expected to apply as a single entity**
 20 **if the \$70,000,000 limitation in this subsection did not exist** [APPLICANT DOES
 21 NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID
 22 DELINQUENT TAXES UNDER THIS TITLE];

23 (3) the applicant's total tax liability under AS 43.55.011(e), after
 24 application of all available tax credits, for the calendar year in which the application is
 25 made is zero;

26 (4) the applicant's average daily production of oil and gas taxable
 27 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
 28 the application is made was not more than 50,000 BTU equivalent barrels; and

29 (5) the purchase is consistent with this section and regulations adopted
 30 under this section.

31 * **Sec. 24.** AS 43.55.028(g) is amended to read:

1 (g) The department **shall** [MAY] adopt regulations to carry out the purposes
 2 of this section, including standards and procedures to allocate available money among
 3 applications for purchases under this chapter and claims for refunds and payments
 4 under AS 43.20.046, 43.20.047, or 43.20.053 when the total amount of the
 5 applications for purchase and claims for refund exceed the amount of available money
 6 in the fund. The regulations adopted by the department

7 **(1) may not, when allocating available money in the fund under this**
 8 **section, distinguish an application for the purchase of a credit certificate issued under**
 9 **former AS 43.55.023(m) or a claim for a refund or payment under AS 43.20.046,**
 10 **43.20.047, or 43.20.053;**

11 **(2) must, when allocating available money in the fund under this**
 12 **section, grant a preference, between two applicants, to the applicant with a**
 13 **higher percentage of resident workers in the applicant's workforce, including**
 14 **workers employed by the applicant's direct contractors, in the state in the**
 15 **previous calendar year; in this paragraph, "resident worker" has the meaning**
 16 **given in AS 43.40.092(b);**

17 **(3) must provide for the purchase of the amount equal to the first**
 18 **50 percent of the credit repurchase limit per person under (e) of this section at a**
 19 **rate of 100 percent of the value of the certificate or portion of the certificate**
 20 **requested to be purchased and the amount equal to the next 50 percent of the**
 21 **credit repurchase limit per person under (e) of this section at a rate of 75 percent**
 22 **of the value of the certificate or portion of the certificate requested to be**
 23 **purchased.**

24 * **Sec. 25.** AS 43.55.028 is amended by adding a new subsection to read:

25 (j) If an applicant or claimant has an outstanding liability to the state directly
 26 related to the applicant's or claimant's oil or gas exploration, development, or
 27 production and the department has not previously reduced the amount paid to that
 28 applicant or claimant for a certificate or refund because of that outstanding liability,
 29 the department may purchase only that portion of a certificate or pay only that portion
 30 of a refund that exceeds the outstanding liability. After notifying the applicant or
 31 claimant, the department may apply the amount by which the department reduced its

1 purchase of a certificate or payment for a refund because of an outstanding liability to
 2 satisfy the outstanding liability. Satisfaction of an outstanding liability under this
 3 subsection does not affect the applicant's ability to contest that liability. The
 4 department may enter into contracts or agreements with another department to which
 5 the outstanding liability is owed. In this subsection, "outstanding liability" means an
 6 amount of tax, interest, penalty, fee, rental, royalty, or other charge for which the state
 7 has issued a demand for payment that has not been paid when due and, if contested,
 8 has not been finally resolved against the state.

9 * **Sec. 26.** AS 43.55.160(f) is amended to read:

10 (f) On and after January 1, 2014, in the calculation of an annual production tax
 11 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
 12 point of production of oil or gas produced from a lease or property north of 68 degrees
 13 North latitude meeting one or more of the following criteria is reduced by 20 percent:
 14 (1) the oil or gas is produced from a lease or property that does not contain a lease that
 15 was within a unit on January 1, 2003; (2) the oil or gas is produced from a
 16 participating area established after December 31, 2011, that is within a unit formed
 17 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
 18 contain a reservoir that had previously been in a participating area established before
 19 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
 20 existing participating area by the Department of Natural Resources on and after
 21 January 1, 2014, and the producer demonstrates to the department that the volume of
 22 oil or gas produced is from acreage added to an existing participating area. This
 23 subsection does not apply to gas produced before 2022 that is used in the state or to
 24 gas produced on and after January 1, 2022. **For oil and gas first produced from a**
 25 **lease or property after December 31, 2016, a reduction allowed under this**
 26 **subsection applies from the date of commencement of regular production of oil**
 27 **and gas from that lease or property and expires after three years, consecutive or**
 28 **nonconsecutive, in which the average annual price per barrel for Alaska North**
 29 **Slope crude oil for sale on the United States West Coast is more than \$70 or after**
 30 **seven years, whichever occurs first. For oil and gas first produced from a lease or**
 31 **property before January 1, 2017, a reduction allowed under this subsection**

1 expires on the earlier of January 1, 2023, or January 1 following three years,
 2 consecutive or nonconsecutive, in which the average annual price per barrel for
 3 Alaska North Slope crude oil for sale on the United States West Coast is more
 4 than \$70. The Alaska Oil and Gas Conservation Commission shall determine the
 5 commencement of regular production of oil and gas for purposes of this section.

6 A reduction under this subsection may not reduce the gross value at the point of
 7 production below zero. In this subsection, "participating area" means a reservoir or
 8 portion of a reservoir producing or contributing to production as approved by the
 9 Department of Natural Resources.

10 * **Sec. 27.** AS 43.55.160(g) is amended to read:

11 (g) On and after January 1, 2014, in addition to the reduction under (f) of this
 12 section, in the calculation of an annual production tax value of a producer under
 13 (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or
 14 gas produced from a lease or property north of 68 degrees North latitude that does not
 15 contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if
 16 the oil or gas is produced from a unit made up solely of leases that have a royalty
 17 share of more than 12.5 percent in amount or value of the production removed or sold
 18 from the lease as determined under AS 38.05.180(f). This subsection does not apply if
 19 the royalty obligation for one or more of the leases in the unit has been reduced to 12.5
 20 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the
 21 annual production tax value is calculated. This subsection does not apply to gas
 22 produced before 2022 that is used in the state or to gas produced on and after
 23 January 1, 2022. For oil and gas first produced from a lease or property after
 24 December 31, 2016, a reduction allowed under this subsection applies from the
 25 date of commencement of regular production of oil and gas from that lease or
 26 property and expires after three years, consecutive or nonconsecutive, in which
 27 the average annual price per barrel for Alaska North Slope crude oil for sale on
 28 the United States West Coast is more than \$70 or after seven years, whichever
 29 occurs first. For oil and gas first produced from a lease or property before
 30 January 1, 2017, a reduction allowed under this subsection expires on the earlier
 31 of January 1, 2023, or January 1 following three years, consecutive or

1 **nonconsecutive, in which the average annual price per barrel for Alaska North**
2 **Slope crude oil for sale on the United States West Coast is more than \$70. The**
3 **Alaska Oil and Gas Conservation Commission shall determine the**
4 **commencement of regular production for purposes of this subsection.** A reduction
5 under this subsection may not reduce the gross value at the point of production below
6 zero.

7 * **Sec. 28.** AS 43.55.160(h) is amended to read:

8 (h) For oil produced on and after January 1, 2022, except as provided in (b),
9 (f), and (g) of this section, for the purposes of AS 43.55.011(e)(3), the annual
10 production tax value of oil taxable under AS 43.55.011(e) produced by a producer
11 during a calendar year

12 (1) from leases or properties in the state that include land north of 68
13 degrees North latitude is the gross value at the point of production of that oil, less the
14 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
15 explore for, develop, or produce oil and gas deposits located in the state north of 68
16 degrees North latitude or located in leases or properties in the state that include land
17 north of 68 degrees North latitude, as adjusted under AS 43.55.170;

18 (2) before or during the last calendar year under AS 43.55.024(b) for
19 which the producer could take a tax credit under AS 43.55.024(a), from leases or
20 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
21 north of 68 degrees North latitude, other than leases or properties subject to
22 AS 43.55.011(p), is the gross value at the point of production of that oil, less the
23 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
24 explore for, develop, or produce oil and gas deposits located in the state outside the
25 Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil
26 and gas deposits located in a lease or property that includes land north of 68 degrees
27 North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from
28 which commercial production has not begun, as adjusted under AS 43.55.170;

29 (3) from leases or properties subject to AS 43.55.011(p) is the gross
30 value at the point of production of that oil, less the producer's lease expenditures under
31 AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and

1 gas deposits located in leases or properties subject to AS 43.55.011(p) or, before
 2 January 1, 2027, located in leases or properties in the state outside the Cook Inlet
 3 sedimentary basin, no part of which is north of 68 degrees North latitude from which
 4 commercial production has not begun, as adjusted under AS 43.55.170;

5 (4) from leases or properties in the state no part of which is north of 68
 6 degrees North latitude, other than leases or properties subject to (2) or (3) of this
 7 subsection, is the gross value at the point of production of that oil less the producer's
 8 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 9 develop, or produce oil and gas deposits located in the state south of 68 degrees North
 10 latitude, other than oil and gas deposits located in a lease or property in the state that
 11 includes land north of 68 degrees North latitude, and excluding lease expenditures that
 12 are deductible under (2) or (3) of this subsection or would be deductible under (2) or
 13 (3) of this subsection if not prohibited by (b) of this section, as adjusted under
 14 AS 43.55.170; **a separate annual production tax value shall be calculated for**

15 **(A) oil produced from each lease or property in the Cook**

16 **Inlet sedimentary basin;**

17 **(B) oil produced from each lease or property outside the**

18 **Cook Inlet sedimentary basin, no part of which is north of 68 degrees**

19 **North latitude, other than leases or properties subject to (3) of this**

20 **subsection.**

21 * **Sec. 29.** AS 43.55.165(a) is amended to read:

22 (a) **For** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION,
 23 FOR] purposes of this chapter, a producer's lease expenditures for a calendar year are

24 (1) costs, other than items listed in (e) of this section, that are

25 (A) incurred by the producer during the calendar year after
 26 March 31, 2006, to explore for, develop, or produce oil or gas deposits located
 27 within the producer's leases or properties in the state or, in the case of land in
 28 which the producer does not own an operating right, operating interest, or
 29 working interest, to explore for oil or gas deposits within other land in the
 30 state; and

31 (B) allowed by the department by regulation, based on the

1 department's determination that the costs satisfy the following three
2 requirements:

3 (i) the costs must be incurred upstream of the point of
4 production of oil and gas;

5 (ii) the costs must be ordinary and necessary costs of
6 exploring for, developing, or producing, as applicable, oil or gas
7 deposits; and

8 (iii) the costs must be direct costs of exploring for,
9 developing, or producing, as applicable, oil or gas deposits; and

10 (2) a reasonable allowance for that calendar year, as determined under
11 regulations adopted by the department, for overhead expenses that are directly related
12 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

13 * **Sec. 30.** AS 43.55.895(b) is amended to read:

14 (b) A municipal entity subject to taxation because of this section

15 (1) is eligible for [ALL] tax credits **proportionate to its production**
16 **taxable under AS 43.55.011(e); and**

17 **(2) shall allocate its lease expenditures in proportion to its**
18 **production taxable under AS 43.55.011(e)** [UNDER THIS CHAPTER TO THE
19 SAME EXTENT AS ANY OTHER PRODUCER].

20 * **Sec. 31.** AS 43.55.900 is amended by adding a new paragraph to read:

21 (26) "regular production" has the meaning given in AS 31.05.170.

22 * **Sec. 32.** AS 43.70 is amended by adding new sections to read:

23 **Sec. 43.70.025. Bond or cash deposit required for an oil or gas business.** (a)

24 At the time of applying for a license under this chapter, an applicant engaged in the
25 business of oil or gas exploration, development, or production shall file a surety bond
26 in the amount of \$250,000 running to the state, conditioned upon the applicant's
27 promise to pay all

28 (1) taxes and contributions due the state and political subdivisions; and

29 (2) persons furnishing labor or material or renting or supplying
30 equipment to the applicant.

31 (b) In lieu of the surety bond required under this section, the applicant may

1 file with the commissioner a cash deposit or other negotiable security acceptable to the
2 commissioner in the amount of \$250,000.

3 (c) The bond required by this section remains in effect until cancelled by
4 action of the surety, the principal, or if the commissioner finds that the business is
5 producing oil or gas in commercial quantities, by the commissioner.

6 **Sec. 43.70.028. Claims against an oil or gas business.** (a) A person having a
7 claim against a person required to file a surety bond under AS 43.70.025 because of
8 the failure to pay a liability described in AS 43.70.025(a) may bring suit upon the
9 bond. A copy of the complaint shall be served by registered or certified mail on the
10 commissioner at the time suit is filed, and the commissioner shall maintain a record,
11 available for public inspection, of all suits commenced. This service on the
12 commissioner shall constitute service on the surety, and the commissioner shall
13 transmit the complaint or a copy of it to the surety within 72 hours after it is received.
14 The surety on the bond is not liable in an aggregate amount in excess of that named in
15 the bond, but if claims pending at any one time exceed the amount of the bond, the
16 claims shall be satisfied from the bond in the following order:

- 17 (1) material, equipment, and supplies delivered in the state;
- 18 (2) labor, including employee benefits;
- 19 (3) taxes and other amounts due to the city and borough, in that order;
- 20 (4) repair of public facilities;
- 21 (5) taxes and other amounts due to the state.

22 (b) If a judgment is entered against a cash deposit, the commissioner, upon
23 receipt of a certified copy of a final judgment, shall pay the judgment from the amount
24 of the deposit in accordance with the priorities set out in (a) of this section.

25 (c) An action described in (a) of this section may not be commenced on the
26 bond more than three years after the cancellation of the bond.

27 * **Sec. 33.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;
28 AS 43.20.053(j)(4); and AS 43.55.011(m) are repealed January 1, 2017.

29 * **Sec. 34.** AS 43.55.165(j) and 43.55.165(k) are repealed January 1, 2018.

30 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 APPLICABILITY. (a) AS 43.20.046(e), as amended by sec. 10 of this Act,
 2 AS 43.20.047(e), as amended by sec. 11 of this Act, AS 43.20.053(e), as amended by sec. 12
 3 of this Act, AS 43.55.028(e), as amended by sec. 23 of this Act, and AS 43.55.028(j), as
 4 amended by sec. 25 of this Act, and regulations related to a tax credit certificate purchase
 5 preference for applicants with a workforce of resident workers and tax credit purchase rates,
 6 adopted under AS 43.55.028(g), as amended by sec. 24 of this act, apply to a purchase applied
 7 for on or after the effective date of secs. 10, 11, 12, and 23 - 25 of this Act.

8 (b) AS 43.55.011(k), as amended by sec. 14 of this Act, applies to oil produced after
 9 the effective date of sec. 14 of this Act.

10 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
 11 read:

12 TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER
 13 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 29 of this
 14 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 34 of this Act, AS 43.55.165(j) and (k)
 15 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010
 16 under AS 43.55.165, as that section read on the day before the repeal of AS 43.55.165(j) and
 17 (k) by sec. 34 of this Act.

18 * **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to
 19 read:

20 TRANSITION: REGULATIONS. The Department of Revenue, the Department of
 21 Natural Resources, the Department of Commerce, Community, and Economic Development,
 22 and the Alaska Oil and Gas Conservation Commission may adopt regulations necessary to
 23 implement the changes made by this Act. The regulations take effect under AS 44.62
 24 (Administrative Procedure Act), but not before the effective date of the law implemented by
 25 the regulation. The Department of Revenue shall adopt regulations governing the use of tax
 26 credits under AS 43.55 for a calendar year for which the applicable tax credit provisions of
 27 AS 43.55 differ as between parts of the year as a result of this Act.

28 * **Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to
 29 read:

30 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
 31 contrary provision of AS 44.62.240,

1 (1) if the Department of Revenue expressly designates in a regulation that the
2 regulation applies retroactively, a regulation adopted by the Department of Revenue to
3 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
4 the effective date of the law implemented by the regulation;

5 (2) if the Department of Natural Resources expressly designates in the
6 regulation that the regulation applies retroactively, a regulation adopted by the Department of
7 Natural Resources to implement, interpret, make specific, or otherwise carry out the statutory
8 amendments in this Act affecting the administration of oil and gas leases issued under
9 AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation relates to the treatment of oil
10 and gas production taxes in determining net profits under those leases, may apply
11 retroactively to the effective date of the law implemented by the regulation.

12 * **Sec. 39.** Sections 22, 37, and 38 of this Act take effect immediately under
13 AS 01.10.070(c).

14 * **Sec. 40.** Sections 29, 34, and 36 of this Act take effect January 1, 2018.

15 * **Sec. 41.** Except as provided in secs. 39 and 40 of this Act, this Act takes effect January 1,
16 2017.