

HOUSE BILL NO. 288

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES TARR, Josephson, Seaton

Introduced: 1/16/18

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the minimum tax imposed on oil and gas produced from leases or**
2 **properties that include land north of 68 degrees North latitude; and providing for an**
3 **effective date."**

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

5 * **Section 1.** AS 43.55.011(f) is amended to read:

6 (f) The levy of tax under (e) of this section for

7 (1) oil and gas produced before **January 1, 2019** [JANUARY 1,
8 2022], from leases or properties that include land north of 68 degrees North latitude,
9 other than gas subject to (o) of this section, may not be less than

10 (A) four percent of the gross value at the point of production
11 when the average price per barrel for Alaska North Slope crude oil for sale on
12 the United States West Coast during the calendar year for which the tax is due
13 is more than \$25;

14 (B) three percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on
 2 the United States West Coast during the calendar year for which the tax is due
 3 is over \$20 but not over \$25;

4 (C) two percent of the gross value at the point of production
 5 when the average price per barrel for Alaska North Slope crude oil for sale on
 6 the United States West Coast during the calendar year for which the tax is due
 7 is over \$17.50 but not over \$20;

8 (D) one percent of the gross value at the point of production
 9 when the average price per barrel for Alaska North Slope crude oil for sale on
 10 the United States West Coast during the calendar year for which the tax is due
 11 is over \$15 but not over \$17.50; or

12 (E) zero percent of the gross value at the point of production
 13 when the average price per barrel for Alaska North Slope crude oil for sale on
 14 the United States West Coast during the calendar year for which the tax is due
 15 is \$15 or less; [AND]

16 (2) oil and gas produced on and after January 1, 2019, and before
 17 January 1, 2022, from leases or properties that include land north of 68 degrees
 18 North latitude, other than gas subject to (o) of this section, may not be less than

19 (A) seven percent of the gross value at the point of
 20 production when the average price per barrel for Alaska North Slope
 21 crude oil for sale on the United States West Coast during the calendar
 22 year for which the tax is due is more than \$25;

23 (B) three percent of the gross value at the point of
 24 production when the average price per barrel for Alaska North Slope
 25 crude oil for sale on the United States West Coast during the calendar
 26 year for which the tax is due is over \$20 but not over \$25;

27 (C) two percent of the gross value at the point of production
 28 when the average price per barrel for Alaska North Slope crude oil for
 29 sale on the United States West Coast during the calendar year for which
 30 the tax is due is over \$17.50 but not over \$20;

31 (D) one percent of the gross value at the point of production

when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$15 but not over \$17.50; or

(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is \$15 or less; and

(3) oil produced on and after January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, may not be less than

(A) seven [FOUR] percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than \$25;

(B) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$20 but not over \$25;

(C) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$17.50 but not over \$20;

(D) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$15 but not over \$17.50; or

(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is \$15 or less.

* **Sec. 2.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay

1 the tax as follows:

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

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

14 (i) zero; or

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

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

25 (i) zero;

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

30 (iii) the sum of 25 percent and the tax rate calculated for
31 the month under AS 43.55.011(g) multiplied by the remainder obtained

1 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 2 calendar year of production under AS 43.55.165 and 43.55.170 that are
 3 deductible for the oil and gas under AS 43.55.160 from the gross value
 4 at the point of production of the oil and gas produced from those leases
 5 or properties during the month for which the installment payment is
 6 calculated;

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

9 (i) zero; or

10 (ii) 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 under AS 43.55.160 for the oil or gas, respectively,
 15 produced from the lease or property from the gross value at the point of
 16 production of the oil or gas, respectively, produced from the lease or
 17 property during the month for which the installment payment is
 18 calculated;

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

20 (i) 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 the leases or
 26 properties during the month for which the installment payment is
 27 calculated, but not less than zero; or

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

31 (2) an amount calculated under (1)(C) of this subsection for oil or gas

subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

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

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

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

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

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

(i) zero; or

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

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

(i) zero;

(ii) **the percentage applicable under AS 43.55.011(f)** [ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE,] of the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated; or

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

(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for

each lease or property, the greater of

(i) zero; or

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

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

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

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

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

(7) for oil and gas produced on or after January 1, 2022, an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied

as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (10) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) **the percentage applicable under AS 43.55.011(f)**

[ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE,] of the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated; or

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

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

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the
 2 calendar year of production under AS 43.55.165 and 43.55.170 that are
 3 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
 4 the point of production of the oil produced from the leases or properties
 5 during the month for which the installment payment is calculated;

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

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

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

19 (D) for oil produced from leases or properties in the state, no
 20 part of which is north of 68 degrees North latitude, other than leases or
 21 properties subject to (B), (C), or (F) of this paragraph, 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 for the oil under AS 43.55.160(h)(4) from the gross value at
 27 the point of production of the oil produced from the leases or properties
 28 during the month for which the installment payment is calculated;

29 (E) for gas produced from each lease or property in the state
 30 outside the Cook Inlet sedimentary basin, other than a lease or property subject
 31 to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of

1 production of the gas produced from the lease or property during the month for
2 which the installment payment is calculated, but not less than zero;

3 (F) for oil subject to AS 43.55.011(k), for each lease or
4 property, the greater of

5 (i) zero; or

6 (ii) 35 percent multiplied by the remainder obtained by
7 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 under AS 43.55.160 for the oil produced from the lease or
10 property from the gross value at the point of production of the oil
11 produced from the lease or property during the month for which the
12 installment payment is calculated;

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

15 (i) zero; or

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

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

23 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
24 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
25 of production is determined under AS 43.55.011(f) [AS 43.55.011(f)(1) OR (2)] but
26 substituting the phrase "month for which the installment payment is calculated" in
27 AS 43.55.011(f) [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for
28 which the tax is due";

29 (10) an amount calculated under (7)(F) or (G) of this subsection for oil
30 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
31 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as

1 applicable, for gas, or set out in AS 43.55.011(k) for oil, but substituting in
2 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
3 gas produced during the month for the amount of taxable gas produced during the
4 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
5 during the month for the amount of taxable oil produced during the calendar year.

6 (10) an amount calculated under (7)(F) or (G) of this subsection for oil
7 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
8 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
9 applicable, for gas, or set out in AS 43.55.011(k) for oil, but substituting in
10 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
11 gas produced during the month for the amount of taxable gas produced during the
12 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
13 during the month for the amount of taxable oil produced during the calendar year.

14 * **Sec. 3.** This Act takes effect January 1, 2019.