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3/27/18

CS FOR HOUSE BILL NO. 288(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES TARR, Josephson, Seaton

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 \$65;

23 (B) six percent of the gross value at the point of production
24 when the average price per barrel for Alaska North Slope crude oil for
25 sale on the United States West Coast during the calendar year for which
26 the tax is due is over \$55 but not over \$65;

27 (C) five 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 \$40 but not over \$55;

31 (D) 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 over \$25 but not over \$40;

(E) 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;

(F) 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;

(G) 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

(H) 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 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 \$65;

(B) six 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 \$55 but not over \$65;

(C) five 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 \$40 but not over \$55;

(D) 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 **over** [MORE THAN] \$25 **but not over \$40;**

(E) [(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;

(F) [(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;

(G) [(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

(H) [(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 the tax as follows:

(1) for oil and gas produced before January 1, 2014, 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 (2) 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) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) 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) 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) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) 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;

(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) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) 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) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) 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;

(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

1 calendar year of production under AS 43.55.165 and 43.55.170 that are
2 deductible for the oil and gas under AS 43.55.160 from the gross value
3 at the point of production of the oil and gas produced from the leases or
4 properties during the month for which the installment payment is
5 calculated;

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

8 (i) zero;

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

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

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

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

26 (i) zero; or

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

1 production of the oil or gas, respectively, produced from the lease or
2 property during the month for which the installment payment is
3 calculated;

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

5 (i) 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 and gas under AS 43.55.160 from the gross value
9 at the point of production of the oil and gas produced from the leases or
10 properties during the month for which the installment payment is
11 calculated, but not less than zero; or

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

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

23 (7) for oil and gas produced on or after January 1, 2022, 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 (10) 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 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 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)(2) from 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;

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

the sum 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 under AS 43.55.160(h)(3) from 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, but not less than zero; and

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

(D) for oil produced from leases or properties in the state, no part of which is north of 68 degrees North latitude, other than leases or properties subject to (B), (C), or (F) of this paragraph, 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 under AS 43.55.160(h)(4) from 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;

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

(F) for oil subject to AS 43.55.011(k), 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

1 calendar year of production under AS 43.55.165 and 43.55.170 that are
2 deductible under AS 43.55.160 for the oil produced from the lease or
3 property from the gross value at the point of production of the oil
4 produced from the lease or property during the month for which the
5 installment payment is calculated;

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

8 (i) zero; or

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

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

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

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

30 (10) an amount calculated under (7)(F) or (G) of this subsection for oil
31 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by

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

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