

**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

1                   production when the average price per barrel for Alaska North Slope  
2                   crude oil for sale on the United States West Coast during the calendar  
3                   year for which the tax is due is over \$25 but not over \$40;

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

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

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

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

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

22                   (A) seven percent of the gross value at the point of  
23                   production when the average price per barrel for Alaska North Slope  
24                   crude oil for sale on the United States West Coast during the calendar  
25                   year for which the tax is due is more than \$65;

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

30                   (C) five percent of the gross value at the point of production  
31                   when the average price per barrel for Alaska North Slope crude oil for

1                   sale on the United States West Coast during the calendar year for which  
2                   the tax is due is over \$40 but not over \$55;

3                   **(D)** four percent of the gross value at the point of production  
4                   when the average price per barrel for Alaska North Slope crude oil for sale on  
5                   the United States West Coast during the calendar year for which the tax is due  
6                   is over [MORE THAN] \$25 **but not over \$40**;

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

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

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

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

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

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

26                  (1) for oil and gas produced before January 1, 2014, an installment  
27                  payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied  
28                  as allowed by law, is due for each month of the calendar year on the last day of the  
29                  following month; except as otherwise provided under (2) of this subsection, the  
30                  amount of the installment payment is the sum of the following amounts, less 1/12 of  
31                  the tax credits that are allowed by law to be applied against the tax levied by

1 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may  
2 not be less than zero:

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

7 (i) zero; or

8 (ii) the sum of 25 percent and the tax rate calculated for  
9 the month under AS 43.55.011(g) multiplied by the remainder obtained  
10 by 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 and gas under AS 43.55.160 from the gross value  
13 at the point of production of the oil and gas produced from the leases or  
14 properties during the month for which the installment payment is  
15 calculated;

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

18 (i) zero;

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

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

31 (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

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

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

1 AS 43.55.011(f), the greatest of  
2 (i) zero;  
3 (ii) **the percentage applicable under AS 43.55.011(f)**

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

9 (iii) 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)(1) from the gross value at  
13 the point of production of the oil produced from those leases or  
14 properties during the month for which the installment payment is  
15 calculated, except that, for the purposes of this calculation, a reduction  
16 from the gross value at the point of production may apply for oil  
17 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

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

23 (i) zero; or

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

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

1 the sum of

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

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

12 (D) for oil produced from leases or properties in the state, no  
13 part of which is north of 68 degrees North latitude, other than leases or  
14 properties subject to (B), (C), or (F) of this paragraph, the greater of

15 (i) zero; or

16 (ii) 35 percent multiplied by the remainder obtained by  
17 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 under AS 43.55.160(h)(4) from the gross value at  
20 the point of production of the oil produced from the leases or properties  
21 during the month for which the installment payment is calculated;

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

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

29 (i) zero; or

30 (ii) 35 percent multiplied by the remainder obtained by  
31 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 produced from the lease or property from the gross value at the point of production of the oil produced from the lease or property during the month for which the installment payment is calculated;

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

(i) zero; or

(ii) 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;

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

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

(10) an amount calculated under (7)(F) or (G) 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.

(10) an amount calculated under (7)(F) or (G) of this subsection for oil 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.