

ALASKA STATE LEGISLATURE

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Official Business

Sectional Analysis Senate CS for 2d CS for House Bill 247 TAX;CREDITS;INTEREST;REFUNDS;O & G Version AA

Section. 1 (**Effective date, 1/1/2017**) Amends statutes related to the Alaska Oil and Gas Conservation Commission, AS 31. 05.030, directing the commission to verify regular production of oil eligible for a Gross Value Reduction, and to determine the commencement of regular production for oil eligible for a Gross Value Reduction.

Section. 2 (**Effective date, 1/1/2017**) Conforming language to the repeal of statutes related to exploration credits, AS 41.09. AS 41.09 is repealed in Section. 44.

Section. 3 (**Effective date, 1/1/2017**) Conforming language to the repeal of statutes related to exploration credits, AS 41.09. AS 41.09 is repealed in Section. 44.

Section. 4 (**Effective date, 1/1/2017**) Conforming language to the repeal of statutes related to exploration credits, AS 41.09. AS 41.09 is repealed in Section. 44.

Section. 5 (**Effective date, 1/1/2017**) Conforming language to the repeal of statutes related to exploration credits, AS 41.09. AS 41.09 is repealed in Section. 44.

Section. 6 (**Effective date, 1/1/2017**) Conforming language to the repeal of statutes related to exploration credits, AS 41.09. AS 41.09 is repealed in Section. 44.

Section. 7 (**Effective date, 1/1/2017**) Amends statutes related to the disposition of tax information for public disclosure, AS 40.25.100(a), adding language conforming to disclosure requirements in the newly created AS 43.05.230(l). AS 43.05.230(l) is created in Section. 9.

Section. 8 (**Effective date, 1/1/2017**) Amends statutes related to the calculation of interest for delinquent taxes, AS 43.05.225. Specifically cites the oil and gas tax related statute, AS 43.55, and sets the rate of interest to 7% above the Federal

Reserve rate, for the first 3 years, and then eliminates the accrual of interest thereafter.

Section. 9 (Effective date, 1/1/2017) Amends statutes related to the disclosure of tax return and reports, AS 43.05.230. Adds a new subsection, AS 43.05.230(1), directing the Department of Revenue to classify the aggregate amount of tax credits purchased under each statutory section, and make that information available to the public by April 30 of each year.

Section. 10 (Effective date 1/1/2017) Amends statutes related to purchases of the gas storage facility credit, AS 43.20.046(e). Adds conforming language to the new definition of outstanding liability to the state as written in AS 43.55.028(j). AS 43.55.028(j) is in Section. 30.

Section. 11 (Effective date 1/1/2017) Amends statutes related to purchases for the LNG storage credit, AS 43.20.047(e). Adds conforming language to the new definition of outstanding liability to the state as written in AS 43.55.028(j). AS 43.55.028(j) is in Section. 30.

Section. 12 (Effective date 1/1/2017) Amends statutes related to the in-state refinery credit, AS 43.20.053(a). As of January 1, 2017, reduces the credit to 20% of qualified expenditures, or \$5 million, whichever is the lesser. As of January 1, 2018, the credit is eliminated.

Section. 13 (Effective date 1/1/2017) Amends statutes related to repurchases for the in-state refinery credit, AS 43.20.053(e). Adds conforming language to the new definition of outstanding liability to the state as written in AS 43.55.028(j). AS 43.55.028(j) is in Section. 30.

Section. 14 (Effective date 1/1/2017) Amends statutes related to the limits on taxes for Cook Inlet gas, AS 43.55.011(j). Removes the sunset of 2022 for the tax limit on gas.

Section. 15 (Effective date 1/1/2017) Amends statutes related to the limits on taxes for Cook Inlet oil, AS 43.55.011(k). Removes the sunset of 2022 for the tax limit on oil; imposes a tax on Cook Inlet oil not to exceed \$1 per barrel.

Section. 16 (Effective date 1/1/2017) Amends statutes related to the limits on taxes for gas produced in state but outside of the Cook Inlet, for use in state, AS

43.55.011(o). Removes the sunset of 2022 for the tax limit on gas produced in state but outside of the Cook Inlet, for use in state.

Section. 17 (**Effective date 1/1/2017**) Amends statutes related to the installment payments of taxes, AS 43.55.020(a). Adds language conforming to the changes of the in-state refinery credit, Sections. 12-13, and the limits on taxes for Cook Inlet gas, Section. 14.

Section. 18 (**Effective date 1/1/2017**) Amends statutes relate to the Qualified Capital Expenditure credits, AS 43.55.023(a). Reduces the credit rate to 10% for the Cook Inlet, and bars Middle Earth from accessing the credit.

Section. 19 (**Effective date 1/1/2017**) Amends the statutes related to the Net Operating Loss credit, AS 43.55.023(b). Reduces the credit rate to 15% for the Cook Inlet. Adds language preventing the Gross Value Reduction, a North Slope specific credit, from increasing the size of a Net Operating Loss.

Section. 20 (**Effective date 1/1/2018**) Amends the statutes related to the Net Operating Loss credit, AS 43.55.023(b). Eliminates the Net Operating Loss credit for both the Cook Inlet and Middle Earth.

Section. 21 (**Effective date 1/1/2018**) Amends the statutes related to credits eligible for transfer between private parties or reimbursement by the state, AS 43.55.023(d). Adds language conforming to the elimination of the Qualified Capital Expenditure credit for both the Cook Inlet and Middle Earth. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 22 (**Effective date 1/1/2018**) Amends statutes related to the limitation on transferability of credits, AS 43.55.023(e). Adds language conforming to the elimination of the Qualified Capital Expenditure credit for both the Cook Inlet and Middle Earth. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 23 (**Effective date 1/1/2017**) Amends statutes related to the Well Lease Expenditure credit, AS 43.55.023(l). Reduces the credit rate to 20%. Limits the credit to the Cook Inlet, thereby excluding Middle Earth.

Section. 24 (**Effective date 1/1/2017**) Amends statutes related to the Gross Value Reduction credit, AS 43.55.024 (i). Adds language clarifying oil receiving a Gross Value Reduction. Enables oil transitioning from eligibility of the Gross Value Reduction to be fully classified as legacy oil.

Section. 25 (**Effective date, 1/1/2017**) Amends statutes related to the sliding scale per-barrel credit on legacy oil, AS 43.55.024(j). Adds language clarifying oil receiving a Gross Value Reduction. Enables oil transitioning from eligibility of the Gross Value Reduction to be fully classified as legacy oil, and thereby eligible for the sliding scale per-barrel credit on legacy oil.

Section. 26 (**Effective date, 1/1/2018**) Amends statutes related to the oil and gas tax credit fund, AS 43.55.028(a). Adds language conforming to the repeal of the in-state refinery income tax credit, AS 43.20.053(a). AS 43.20.053(a) language changes are in Section. 12.

Section. 27 (**Effective date, 1/1/2017**) Amends statutes related to the oil and gas tax credit fund, AS 43.55.028(e). Adds language imposing a per-company annual limit of \$70 million from the fund. Does not allow the artificial division of an entity to enhance the per-company limit. Reinstates the eligible applicant restriction threshold of the fund to 50,000 barrels of oil equivalent/day of production.

Section. 28 (**Effective date, 1/1/2017**) Amends statutes related to the oil and gas tax credit fund, AS 43.55.028(g). Adds language giving priority for repurchases from the fund to companies with an Alaska resident hire rate of 75% or greater. Imposes restrictions on the rate of repurchase per-company: the first \$35 million per company is repurchased at 100% of the certificate value; the second \$35 million is available for repurchase at 75% of the certificate value. Monetary amounts conform to the annual per-company limit in AS 43.55.028(e). AS 43.55.028(e) is in Section. 27.

Section. 29 (**Effective date, 1/1/2018**) Amends statutes related to the oil and gas tax credit fund, AS 43.55.028(g). Adds language conforming to the repeal of the in-state refinery income tax credit, AS 43.20.053(a). AS 43.20.053(a) is in Section. 12.

Section. 30 (**Effective date, 1/1/2017**) Amends statutes related to the oil and gas tax credit fund, AS 43.55.028. Adds a new subsection (j), limiting the amount of credits repurchased to an outstanding liability to the state related to an applicant's work in oil or gas exploration, development, or production. The limitation occurs after the applicant has been notified. Creates a definition of outstanding liability to the state.

Section. 31 (**Effective date, 1/1/2018**) Amends statutes related to the assignment of tax credits, AS 43.55.029(a). Adds language conforming to the elimination of the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 32 (**Effective date, 1/1/2018**) Amends statutes related to the filing of statement on oil and gas taxes, AS 43.55.030(a). Adds language conforming to the elimination of the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 33 (**Effective date, 1/1/2018**) Amends statutes related to the filing of statement and assignment of oil and gas taxes and credits, AS 43.55.030(e). Adds language conforming to the elimination of the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 34 (**Effective date, 1/1/2017**) Amends statutes related to the Gross Value Reduction credit, AS 43.55.160(f). Adds language limiting the eligibility for receiving the Gross Value Reduction to 7 years, or after 3 years either consecutively or nonconsecutively, in which the price of Alaska North Slope oil averages greater than \$70/barrel. Adds language that the Alaska Oil and Gas Conservation Commission will determine the commencement of regular production of oil or gas. Applicable production begun before 2017 is ineligible after 2023.

Section. 35 (**Effective date, 1/1/2017**) Amends statutes related to the Gross Value Reduction credit based on royalty rates, AS 43.55.160(g). Adds language limiting the eligibility of receiving the Gross Value Reduction to 7 years for production commencing after 2016. Adds language that the Alaska Oil and Gas Conservation Commission will determine the commencement of regular production of oil or gas. Applicable production begun before 2017 is ineligible after 2023.

Section. 36 (**Effective date, 1/1/2018**) Amends statutes related to lease expenditures, AS 43.55.165. Adds language conforming to the repeal of AS 43.55.165(j) and (k), lease expenditures that were applicable between 2007 and 2009.

Section. 37 (**Effective date, 1/1/2018**) Amends statutes related to lease expenditures, AS 43.55.165(e). Adds language conforming to the elimination of

the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 38 (**Effective date, 1/1/2018**) Amends statutes related to lease expenditures, AS 43.55.165(f). Adds language conforming to the elimination of the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 39 (**Effective date, 1/1/2018**) Amends statutes related to adjustment to lease expenditures, AS 43.55.170(c). Adds language conforming to the elimination of the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 40 (**Effective date, 1/1/2018**) Amends statutes related to the disclosure of tax information, AS 43.55.890. Adds language conforming to the elimination of the definition of the Qualified Capital Expenditure credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45.

Section. 41 (**Effective date, 1/1/2017**) Amends statutes related to municipal entity credits and lease expenditures, AS 43.55.895(b). Limits the credits a municipal entity can claim to only its share of production that is taxable.

Section. 42 (**Effective date, 1/1/2018 for QCE definition; 1/1/2017 for regular production definition**) Amends statutes related to definition of terms for oil and gas taxation, AS 43.55.900. Adds a new definition for the Qualified Capital Expenditure Credit, AS 43.55.900(26), due to the repeal of the Qualified Capital Expenditure Credit. The repeal provision for the Qualified Capital Expenditure credit is in Section. 45. Adds a definition for regular production, AS 43.55.900(27).

Section. 43 (**Effective date, 1/1/2017**) Amends the statutes related to the Alaska Business License Act, AS 43.70. Adds new sections, AS 43.70.025, AS 43.70.028, requiring businesses engaging in oil or gas exploration, development, or production, to post a surety bond in the amount of \$250,000.

Section. 44 (**Effective date, 1/1/2017**) Repeals Alaska Statutes AS 38.05.180(i), AS 41.09, AS 43.20.053(j)(4) (the in-state refinery credit), and AS 43.55.011(m).

Section. 45 (**Effective date, 1/1/2018**) Repeals Alaska Statutes AS 43.20.053; AS 43.55.023(a) (the Qualified Capital Expenditure credit, (l)(the Well Lease

Expenditure credit), (n), (o)(the definition of the Qualified Capital Expenditure credit; 43.55.028(i); 43.55.075(d)(1); 43.55.165(j and (k)(Lease expenditures incurred between 2007-2009).

Section. 46 (**Effective date, 1/1/2017**) Creates applicability provisions for the limits on repurchasing tax credits. Creates applicability provisions for \$1/barrel tax limit on oil for the Cook Inlet.

Section. 47 (**Effective date 1/1/2018**) Transition language for the in-state refinery credit.

Section. 48 (**Effective date 1/1/2018**) Transition language for assignment of the Qualified Capital Expenditure credit and the Well Lease Expenditure credit.

Section. 49 (**Effective date 1/1/2018**) Transition language for assignment of the New Operating Loss credit.

Section. 50 (**Effective date 1/1/2018**) Transition language for lease expenditures incurred in 2007, 2008 and 2009.

Section. 51 (**Effective immediately**) Language for adoption of regulations by the Departments of Revenue, Natural Resources, and Commerce, Community and Economic Development, as well as the Alaska Oil and Gas Conservation Commission.

Section. 52 (**Effective immediately**) Language providing for the adoption of retroactive regulations by the Departments of Revenue and Natural Resources.

Section. 53 (**Effective dates**) Makes Sections. 51-52 effective immediately.

Section. 54 (**Effective dates**) Makes Sections. 20-22, 26, 29, 31-33, 36-40, 45, 47-50, and AS 43.55.900(26) (Definition of Qualified Capital Expenditure), added by Section. 42, effective January 1, 2018.

Section. 55 (**Effective dates**) Makes all sections not provided in Sections. 53-54 effective January 1, 2017.