

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

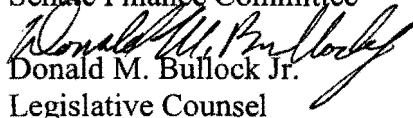
MEMORANDUM

March 30, 2010

SUBJECT: Sectional summary of CSSB 305(RIN), Draft Version "T" with comparison to Draft Version "P" (Work Order No. 26-LS1577T and 26-LS1577P)

TO: Senate Finance Committee

FROM: Donald M. Bullock Jr.
Legislative Counsel



Section 1. Amends AS 29.60.850(b) to reference the new separate progressive tax on gas as a source of money that may be appropriated to the community revenue sharing fund. The "community revenue sharing fund" was established in AS 29.60.850(a), "for the purpose of making community revenue sharing payments to municipalities, reserves, and communities for any public purpose." *There is no amendment to AS 29.60.850(b) in CSSB 305(FIN), Draft Version "P" because the progressive tax on oil in AS 43.55.011(g) continued and would continue to be a source for appropriation.*

Section 2. Amends AS 43.55.011(e) to make separate references to the monthly progressive taxes on oil and gas. The progressive tax on oil, gas produced in Cook Inlet, and gas produced elsewhere and used in the state is in AS 43.55.011(g). The progressive tax on other gas is in AS 43.55.011(p). *Section 1 of CSSB 305(FIN), Draft Version "P" amended AS 43.55.011(e)(2) to refer only to the progressive tax on oil.*

Section 3. Amends AS 43.55.011(g) to have the tax rate determined using the production tax values of oil and the production tax values on a BTU equivalent basis of gas produced in Cook Inlet and gas produced elsewhere and used in the state. Applies the tax rate only to that oil and gas production. Makes no change in the tax rates or the range of production tax values within which the two tax rates apply. *Section 2 in CSSB 305(FIN), Draft Version "P" determined the progressive rate only on the production tax value of oil and applied that rate only to oil.*

Section 4. Adds a new subsections, (p), to AS 43.55.011. Provides for a progressive tax applicable to gas production that is not included in AS 43.55.011(g) as amended in sec. 3 of the bill. Provides that the tax rate is applied to the production tax value of a BTU equivalent of gas. Uses the same tax rates and ranges of production tax values as AS 43.55.011(g) under current law. *The progressive tax on gas in new subsection AS 43.55.011(p) has no counterpart in CSSB 305(FIN), Draft Version "P."*

Section 5. Amends AS 43.55.020(a) to describe the determination of the amount of a monthly installment payment for production taxes when the progressive tax on oil, Cook Inlet gas, and other gas used in the state, and the progressive tax applicable to other gas are determined separately. *Section 6 of CSSB 305(FIN), Draft Version "P" amended AS 43.55.020(a)(1) by excluding gas from the determination of that part of the installment payment that was based on the progressive tax applicable only to oil.*

Section 6. Amends AS 43.55.020(d), relating to a settlement with the royalty owner, by adding references to the progressive tax on the gas to which AS 43.55.011(p) is applicable. *There is no similar provision in CSSB 305(FIN), Draft Version "P" because the reference to AS 43.55.011(g) was still applicable.*

Section 7. Amends AS 43.55.160(a), relating to the determination of the production tax value of oil and gas, by providing the means for determining the production tax value of oil and the production tax value of gas separately. Reorders the subparagraphs so that the subparagraphs related to the production tax value of gas produced outside of Cook Inlet and other gas not used in the state are at the end. *Section 7 in CSSB 305(FIN), Draft Version "P" also amended AS 43.55.160(a), but amended the subsection by removing references to gas when determining the production tax value of oil for purposes of the progressive tax on oil.*

Section 8. Amends AS 43.55.165(h), relating to the requirement that the Department of Revenue adopt regulations for allocating lease expenditures, by requiring that the Department of Revenue consider allocating lease expenditures in proportion to the BTU equivalent barrels of oil produced and gas produced from each lease or property. *Section 9 in CSSB 305(FIN), Draft Version "P" also amended AS 43.55.165(h) in the same manner.*

Section 9. Adds a new subsection, AS 43.55.170(d), which is similar to the amendment to AS 43.55.165(h) in sec. 8, but is applicable to allocating adjustments to lease expenditures. Directs the Department of Revenue to consider allocating adjustments based on the proportion of the BTU equivalents of oil and gas produced. *Section 10 in CSSB 305(FIN), Draft Version "P" also amended AS 43.55.170 by adding a new subsection in the same manner.*

Section 10. Requires a producer that underpays an installment payment after December 31, 2009 and before the effective date because of the retroactive application of the new progressive tax section to pay the amount of the underpayment on the date the first installment payment is due after the effective date of the Act. *There is no similar section in CSSB 305(FIN), Draft Version "P" because the changes in that version were applicable after the effective date of the Act.*

Section 11. Makes the progressive tax provisions of the bill - secs. 2 - 4 and 7 - retroactive to January 1, 2010. *There is no similar section in CSSB 305(FIN), Draft Version "P" because the changes in that version were applicable after the effective date of the Act.*

Section 12. Makes the Act take effect immediately. *The immediate effective date is the same as the immediate effective date in sec. 11 of CSSB 305(FIN), Draft Version "P."*

Bill sections in CSSB 305(FIN), Draft Version "P" that have no counterpart in
CSSB 305(FIN), Draft Version "T"

Sec. 3 in CSSB 305(FIN), Draft Version "P", that amends AS 43.55.011(j) by adding a reference to AS 43.55.011(e)(1), rather and AS 43.55.011(e) because of the exclusion of the progressive tax on gas in that bill, has no counterpart in CSSB 305(FIN), Draft Version "T", which has a progressive tax on gas.

Sec. 4 in CSSB 305(FIN), Draft Version "P" that amends AS 43.55.011(o) by adding a reference to AS 43.55.011(e)(1), rather and AS 43.55.011(e) because of the exclusion of the progressive tax on gas in that bill, has no counterpart in CSSB 305(FIN), Draft Version "T", which has a progressive tax on gas.

Sec. 8 in CSSB 305(FIN), Draft Version "P" that amends AS 43.55.160(c) by removing a reference to gas for the purpose of determining the progressive tax rate on gas has no counterpart in CSSB 305(FIN), Draft Version "T", which has a progressive tax on gas.

Sec. 11 in CSSB 305(FIN), Draft Version "P" made the Act applicable after the effective date of the Act; CSSB 305(FIN), Draft Version "T" has no similar provision because of the retroactive effect of provisions in the bill.