

Gross revenue exclusion for North Slope production and production tax credits

SECTIONAL ANALYSIS HB 3001

Tax calculations and monthly payments

Section 1: Amends AS 43.55.011(e), which levies the oil and gas production tax, to account for adjustments as set out in new AS 43.55.162 to the annual production tax value used to determine the levy of tax for certain new production from leases or properties north of 68 degrees North latitude. This change is effective January 1, 2013, and applies to oil and gas produced after December 31, 2012.

Section 2: Amends AS 43.55.011(g), the progressivity tax, to provide for adjustments under new AS 43.55.162 to the progressivity tax calculated for production from new and currently producing North Slope fields. For oil and gas production statewide, the percentage of the progressivity tax that can be added to the 25% base tax is reduced from 50% to 35% percent, for a total maximum tax of 60%. This change is effective January 1, 2013, and applies to oil and gas produced after December 31, 2012.

Section 3: This is a conforming amendment to AS 43.55.020(a), monthly installment payments, to include the tax adjustment under AS 43.55.162 if applicable, for monthly payment of estimated taxes for oil and gas produced from leases or properties on the North Slope.

Well lease expenditure credit and tax credit certificates

Section 4: AS 43.55.023(a) is amended to remove the requirement that tax credits for qualified capital expenditures be applied against taxes over two years. Tax credits could be used in a single calendar year, instead of split over two years. This change would be effective January 1, 2012.

Section 5: AS 43.55.023(d) is amended to provide that transferable tax credit certificates will be issued as one certificate and to remove the requirements that capital expenditures, well lease expenditures, and carried-forward annual loss certificates be applied against taxes over two years. This change would be effective January 1, 2012.

Section 6: A conforming amendment is made to AS 43.55.023(g), issuance of tax credit certificates, to account for the change that the tax credit certificate may be applied in a single calendar year.

Section 7: Amends AS 43.55.023(l) to expand the 40% well lease expenditure credit to qualified expenditures made for exploration or development wells north of 68 degrees North latitude. This change is effective for expenditures made after December 31, 2012.

Section 8: Amends AS 43.55.023(n) defining well lease expenditures, to include the expansion of the 40% credit to expenditures made for exploration or development wells north of 68 degrees North latitude.

Sections 9-10: These conforming amendments to AS 43.55.028(e) and (g) account for the repeal of AS 43.55.023(m) related to issuance of tax credit certificates and applications to the oil and gas tax credit fund for purchase of the tax credit certificate.

Section 11: AS 43.55.160(a), determination of annual and monthly production tax values, is repealed and reenacted to reorganize and clarify the calculation of annual and monthly production tax values that must be determined for each category of production to which a special tax calculation applies. This section is amended to recognize two new categories of production on land north of 68 degrees North latitude to reflect the new categories set out by AS 43.55.162. This section also simplifies the directions related to monthly production tax value calculations in subsection (2) that must be calculated for each category of oil, gas, or oil and gas for which an annual production tax value must be calculated.

Section 12: A conforming amendment is made to AS 43.55.160(e), determination of excess lease expenditures available for calculation of the carried-forward annual loss credit for categories of production subject to tax limitations.

Gross Revenue Exclusion

Section 13: Amends AS 43.55 to add a new section, AS 43.55.162. Subsection (a) establishes a new reduction (exclusion) to production tax value that is applied to the 25% base rate and progressivity. The reduction (exclusion) to production tax value is 30% of gross value at the point of production for the first 10 years of sustained production from a lease or property that was not in a unit or in commercial production as of January 1, 2008.

Subsection (b) establishes a reduction in the production tax value for purposes of applying progressivity for oil and gas produced from leases or property north of 68 degrees North latitude and not subject to subsection (a). The reduction to production tax value is 40% of gross value at the point of production.

Subsection (c) provides that the annual and monthly production tax value may not be less than zero and that if the applicable gross value of the oil and gas used to calculate the adjustment under AS 43.55.162 is zero or below, no adjustment is made.

Subsection (d) provides that the progressivity tax rate shall be determined before the application of the AS 43.55.162 adjustment. This section is effective January 1, 2013 for oil and gas produced after December 31, 2012.

Technical and Effective Dates

Section 14: Repeals AS 43.55.023(m) so that the department will issue one tax certificate regardless of the location of the exploration, development, or production expenditures.

Section 15: Application section setting out that production after December 31, 2012 qualifies for the tax rates and expenditures after December 31, 2011 qualify for the expanded well lease expenditure credit.

Section 16-20: Provisions for retroactivity, revisor's instructions, and effective dates.