

#1

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSHB 110(FIN), Draft Version "I"

- 1 Page 3, line 17:
- 2 Delete "2008"
- 3 Insert "2012"

2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSHB 110(FIN), Draft Version "I"

- 1 Page 7, line 23:
- 2 Delete "15"
- 3 Insert "25"

#3

27-GH1007\1.11
Gardner/Bullock
3/29/11

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 110(FIN), Draft Version "I"

BY REPRESENTATIVE GARA

Rep. Doogan
Rep. Guttenberg

1 Page 1, lines 1 - 8:

2 Delete all material and insert:

3 **""An Act relating to a tax credit applicable to the oil and gas production tax**
4 **based on capital expenditures; relating to the alternative tax credit for oil and gas**
5 **exploration; and providing for an effective date.""**
6

7 Page 1, line 10, through page 20, line 25:

8 Delete all material and insert:

9 **** Section 1.** AS 43.55.023(a) is amended to read:

10 (a) A producer or explorer may take a tax credit for a qualified capital
11 expenditure as follows:

12 (1) except as limited by (p) of this section, notwithstanding that a
13 qualified capital expenditure may be a deductible lease expenditure for purposes of
14 calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
15 credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010,
16 AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital
17 expenditure may also elect to apply a tax credit against a tax levied by
18 AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more
19 than half of the tax credit may be applied for a single calendar year;

20 (2) a producer or explorer may take a credit for a qualified capital
21 expenditure incurred in connection with geological or geophysical exploration or in
22 connection with an exploration well only if the producer or explorer

23 (A) agrees, in writing, to the applicable provisions of

1 AS 43.55.025(f)(2);

2 (B) submits to the Department of Natural Resources all data
3 that would be required to be submitted under AS 43.55.025(f)(2).

4 * **Sec. 2.** AS 43.55.023(d) is amended to read:

5 (d) Except as limited by (i) **and (p)** of this section, a person that is entitled to
6 take a tax credit under this section that wishes to transfer the unused credit to another
7 person or obtain a cash payment under AS 43.55.028 may apply to the department for
8 transferable tax credit certificates. An application under this subsection must be in a
9 form prescribed by the department and must include supporting information and
10 documentation that the department reasonably requires. The department shall grant or
11 deny an application, or grant an application as to a lesser amount than that claimed and
12 deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the
13 year following the calendar year in which the qualified capital expenditure or carried-
14 forward annual loss for which the credit is claimed was incurred; (2) the date the
15 statement required under AS 43.55.030(a) or (e) was filed for the calendar year in
16 which the qualified capital expenditure or carried-forward annual loss for which the
17 credit is claimed was incurred; or (3) the date the application was received by the
18 department. If, based on the information then available to it, the department is
19 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
20 the applicant two transferable tax credit certificates, each for half of the amount of the
21 credit. The credit shown on one of the two certificates is available for immediate use.
22 The credit shown on the second of the two certificates may not be applied against a tax
23 for a calendar year earlier than the calendar year following the calendar year in which
24 the certificate is issued, and the certificate must contain a conspicuous statement to
25 that effect. A certificate issued under this subsection does not expire.

26 * **Sec. 3.** AS 43.55.023 is amended by adding a new subsection to read:

27 (p) The amount of credit for a capital expenditure under (a) of this section for
28 an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the
29 amount necessary so that the tax benefit percentage is not more than 85 percent of the
30 capital expenditure. The amount of credit for a capital expenditure under (a) of this
31 section that may not be taken because of the limitation in this subsection may not be

1 applied in a later calendar year under (c) of this section and may not be included in an
 2 application for a tax credit certificate under (d) of this section. In this subsection, "tax
 3 benefit percentage" means the sum of the average monthly tax rate under
 4 AS 43.55.011(e) for the calendar year in which the credit is taken and the percentage
 5 of the capital expenditure that may be taken as a credit under (a) of this section.

6 * **Sec. 4.** AS 43.55.025(a) is amended to read:

7 (a) Subject to the terms and conditions of this section, a credit against the
 8 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that
 9 qualify under (b) of this section in an amount equal to 50 [ONE OF THE
 10 FOLLOWING:

11 (1) 30] percent of the total exploration expenditures [THAT
 12 QUALIFY ONLY UNDER (b) AND (c) OF THIS SECTION;

13 (2) 30 PERCENT OF THE TOTAL EXPLORATION
 14 EXPENDITURES THAT QUALIFY ONLY UNDER (b) AND (d) OF THIS
 15 SECTION;

16 (3) 40 PERCENT OF THE TOTAL EXPLORATION
 17 EXPENDITURES THAT QUALIFY UNDER (b), (c), AND (d) OF THIS SECTION;

18 (4) 40 PERCENT OF THE TOTAL EXPLORATION
 19 EXPENDITURES THAT QUALIFY ONLY UNDER (b) AND (e) OF THIS
 20 SECTION; OR

21 (5) 80, 90, OR 100 PERCENT, OR A LESSER AMOUNT
 22 DESCRIBED IN (f) OF THIS SECTION, OF THE TOTAL EXPLORATION
 23 EXPENDITURES DESCRIBED IN (b)(1) AND (2) OF THIS SECTION AND NOT
 24 EXCLUDED BY (b)(3) AND (4) OF THIS SECTION THAT QUALIFY ONLY
 25 UNDER (f) OF THIS SECTION].

26 * **Sec. 5.** AS 43.55.025(b) is amended to read:

27 (b) To qualify for the production tax credit under (a) of this section, an
 28 exploration expenditure must be incurred for work performed after June 30, 2008, and
 29 before July 1, 2021 [2016], and

30 (1) may be for seismic or other geophysical exploration costs not
 31 connected with a specific well;

1 (2) if for an exploration well,

2 (A) must be incurred by an explorer that holds an interest in the
3 exploration well for which the production tax credit is claimed;

4 (B) may be for either a well that encounters an oil or gas
5 deposit or a dry hole;

6 (C) must be for a well that has been completed, suspended, or
7 abandoned at the time the explorer claims the tax credit under (f) of this
8 section; and

9 (D) must be for goods, services, or rentals of personal property
10 reasonably required for the surface preparation, drilling, casing, cementing,
11 and logging of an exploration well, and, in the case of a dry hole, for the
12 expenses required for abandonment if the well is abandoned within 18 months
13 after the date the well was spudded;

14 (3) may not be for administration, supervision, engineering, or lease
15 operating costs; geological or management costs; community relations or
16 environmental costs; bonuses, taxes, or other payments to governments related to the
17 well; costs, including repairs and replacements, arising from or associated with fraud,
18 wilful misconduct, gross negligence, criminal negligence, or violation of law,
19 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or
20 other costs that are generally recognized as indirect costs or financing costs; and

21 (4) may not be incurred for an exploration well or seismic exploration
22 that is included in a plan of exploration or a plan of development for any unit before
23 May 14, 2003.

24 * **Sec. 6.** AS 43.55.025(k) is amended to read:

25 (k) Subject to the terms and conditions of this section, if a claim is filed under
26 (f)(1) of this section before January 1, **2021** [2016], a credit against the production tax
27 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible
28 expenditure under this subsection incurred for seismic exploration performed before
29 July 1, 2003. To be eligible under this subsection, an expenditure must

30 (1) have been for seismic exploration that

31 (A) obtained data that the commissioner of natural resources

1 considers to be in the best interest of the state to acquire for public distribution;
2 and

3 (B) was conducted outside the boundaries of a production unit;
4 however, the amount of the expenditure that is otherwise eligible under this
5 section is reduced proportionately by the portion of the seismic exploration
6 activity that crossed into a production unit; and

7 (2) qualify under (b)(3) of this section.

8 * **Sec. 7.** AS 43.55.025(c), 43.55.025(d), 43.55.025(e), 43.55.025(*l*), and 43.55.025(m) are
9 repealed.

10 * **Sec. 8.** This Act takes effect January 1, 2012."

4

27-GH1007\1.13
Kurtz/Bullock
3/29/11

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 110(FIN), Draft Version "I"

BY REPRESENTATIVE GARA

Rep. Doogan
Rep. Cuthenberg

1 Page 1, lines 1 - 8:

2 Delete all material and insert:

3 **""An Act providing for a tax credit applicable to the oil and gas production tax**
4 **based on capital expenditures for a production facility for new oil and gas production;**
5 **and providing for an effective date.""**
6

7 Page 1, line 10, through page 20, line 25:

8 Delete all material and insert:

9 **** Section 1.** AS 43.20.043(g) is amended to read:

10 (g) A taxpayer that obtains a credit for a qualified capital investment or cost
11 incurred for qualified services under this section may not also claim a tax credit or
12 royalty modification for the same qualified capital investment or cost incurred for
13 qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR]
14 43.55.025, or 43.55.026. However, a taxpayer may elect not to obtain a credit under
15 this section in order to qualify for a credit provided under AS 38.05.180(i),
16 AS 41.09.010, AS 43.55.023, [OR] 43.55.025, or 43.55.026.

17 *** Sec. 2.** AS 43.55.023(a) is amended to read:

18 (a) A producer or explorer may take a tax credit for a qualified capital
19 expenditure as follows:

20 (1) except as limited by (p) of this section, notwithstanding that a
21 qualified capital expenditure may be a deductible lease expenditure for purposes of
22 calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
23 credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010,

AS 43.20.043, [OR] AS 43.55.025, or 43.55.026, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more than half of the tax credit may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2);

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

* **Sec. 3.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) and (p) of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for transferable tax credit certificates. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant two transferable tax credit certificates, each for half of the amount of the credit. The credit shown on one of the two certificates is available for immediate use. The credit shown on the second of the two certificates may not be applied against a tax for a calendar year earlier than the calendar year following the calendar year in which

1 the certificate is issued, and the certificate must contain a conspicuous statement to
 2 that effect. A certificate issued under this subsection does not expire.

3 * **Sec. 4.** AS 43.55.023 is amended by adding a new subsection to read:

4 (p) The amount of credit for a capital expenditure under (a) of this section for
 5 an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the
 6 amount necessary so that the tax benefit percentage is not more than 85 percent of the
 7 capital expenditure. The amount of credit for a capital expenditure under (a) of this
 8 section that may not be taken because of the limitation in this subsection may not be
 9 applied in a later calendar year under (c) of this section and may not be included in an
 10 application for a tax credit certificate under (d) of this section. In this subsection, "tax
 11 benefit percentage" means the sum of the average monthly tax rate under
 12 AS 43.55.011(e) for the calendar year in which the credit is taken and the percentage
 13 of the capital expenditure that may be taken as a credit under (a) of this section.

14 * **Sec. 5.** AS 43.55 is amended by adding a new section to read:

15 **Sec. 43.55.026. Production facility cost credit.** (a) This section applies to a
 16 credit for a qualified production facility expenditure incurred before the date of
 17 production of oil or gas in paying quantities for a lease or property that is taxable
 18 under AS 43.55.011(e) and that contains land that, as of December 31, 2010, is not or
 19 previously had not been within a unit or produced oil or gas in paying quantities.

20 (b) The amount of the credit under this section is equal to 50 percent of the
 21 qualified production facility expenditures that are incurred after the completion of the
 22 first well drilled that discovers a pool capable of commercial production from the lease
 23 or property and before the commencement of production in paying quantities. The
 24 department, in consultation with the

25 (1) Alaska Oil and Gas Conservation Commission, shall determine the
 26 date on which the first well drilled discovered a pool capable of production from a
 27 lease or property for which the credit is taken; and

28 (2) Department of Natural Resources, shall determine the date of the
 29 commencement of production in paying quantities from the lease or property for
 30 which the credit is taken.

31 (c) The credit under this section may be applied against the tax due under

1 AS 43.55.011(e) during the two-year period immediately following the date of the
2 commencement of production in paying quantities.

3 (d) A qualified production facility expenditure that is taken as a credit under
4 this section may not be used as an expenditure for which a credit may be taken under
5 AS 43.20.043 or AS 43.55.023. A credit under AS 43.55.023 for a qualified
6 production facility expenditure may not be taken against the tax due under
7 AS 43.55.011(e) during the same month in which a credit is taken or purchased by the
8 department under this section.

9 (e) A credit or portion of a credit under this section may not be used to reduce
10 a taxpayer's tax liability under AS 43.55.011(e) below zero for any calendar month. A
11 person eligible for the credit under this section that does not take the credit within the
12 two-year period immediately following the date of the commencement of production
13 in paying quantities may apply to the department for a cash payment under
14 AS 43.55.028. An application under this subsection must be in a form prescribed by
15 the department and must include supporting information and documentation that the
16 department reasonably requires. The department shall grant or deny an application, or
17 grant an application as to a lesser amount than that claimed and deny it as to the
18 excess, not later than 120 days after the date the department receives the application.
19 If, based on the information then available to it, the department is reasonably satisfied
20 that the applicant is entitled to a payment, the department shall issue the cash payment
21 or a lesser amount after applying all or a portion of the credit to any outstanding
22 unpaid balance of a tax owed by the applicant under this title.

23 (f) The department shall adopt regulations describing the procedures for
24 determining the amount of the credit, record keeping, verification of the accuracy of
25 the credit claimed, and other regulations necessary to administer this section.

26 (g) In this section,

27 (1) "production facility" means a flow station, a gathering center, a
28 pump station, a storage tank, and related appurtenances, and other facilities that
29 gather, clean, dehydrate, condition, or store crude oil, natural gas, or associated
30 hydrocarbons and that are located on a lease or property leased from the state;

31 (2) "production in paying quantities" means production of oil and gas

1 in quantities sufficient to recover the cost of operating and marketing, although the
2 quantity may be insufficient to recover the cost of drilling;

3 (3) "qualified production facility expenditure" means an expenditure
4 for a production facility that may be recognized as a qualified capital expenditure as
5 defined in AS 43.55.023.

6 * **Sec. 6.** AS 43.55.028(a) is amended to read:

7 (a) The oil and gas tax credit fund is established as a separate fund of the state.
8 The purpose of the fund is to purchase transferable tax credit certificates issued under
9 AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to
10 pay for unused credits under AS 43.55.026 and refunds claimed under
11 AS 43.20.046.

12 * **Sec. 7.** AS 43.55.028(g) is amended to read:

13 (g) The department may adopt regulations to carry out the purposes of this
14 section, including standards and procedures to allocate available money among
15 applications for purchases and payments for unused credits under this chapter and
16 claims for refunds under AS 43.20.046 when the total amount of the applications for
17 purchase and claims for refund exceed the amount of available money in the fund. The
18 regulations adopted by the department may not, when allocating available money in
19 the fund under this section, distinguish an application for the purchase of a credit
20 certificate issued under AS 43.55.023(m), a payment for an unused credit under
21 AS 43.55.026(e), or a claim for refund under AS 43.20.046.

22 * **Sec. 8.** AS 43.55.028 is amended by adding a new subsection to read:

23 (j) The department, on the written application of a person for the payment of
24 an unused credit under AS 43.55.026(e) after the end of the two-year period
25 immediately following the date of the commencement of production in paying
26 quantities, may use available money in the oil and gas tax credit fund to purchase, in
27 whole or in part, the certificate if the department finds that

28 (1) the applicant does not have an outstanding liability to the state for
29 unpaid delinquent taxes under this title;

30 (2) the applicant's total tax liability under AS 43.55.011(e) for the
31 calendar year in which the application is made, after application of all available tax

1 credits, is zero; and

2 (3) the purchase is consistent with this section and regulations adopted
3 under this section.

4 * **Sec. 9.** AS 43.55.180(a) is amended to read:

5 (a) The department shall study

6 (1) the effects of the provisions of this chapter on oil and gas
7 exploration, development, and production in the state, on investment expenditures for
8 oil and gas exploration, development, and production in the state, on the entry of new
9 producers into the oil and gas industry in the state, on state revenue, and on tax
10 administration and compliance, giving particular attention to the tax rates provided
11 under AS 43.55.011, the tax credits provided under AS 43.55.023 - 43.55.026
12 [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease
13 expenditures provided under AS 43.55.160 - 43.55.170; and

14 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue
15 and on oil and gas exploration, development, and production on private land, and the
16 fairness of those tax rates for private landowners.

17 * **Sec. 10.** This Act takes effect January 1, 2012."

#5

27-GH1007\1.9
Bullock
3/28/11

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE DOOGAN

TO: CSHB 110(FIN), Draft Version "I"

Rep. Guttenberg
Rep. Gara

1 Page 1, lines 5 - 6:

2 Delete "**relating to certain additional nontransferable oil and gas production tax**
3 **credits;**"

4

5 Page 1, following line 12:

6 Insert a new bill section to read:

7 "*** Sec. 2.** AS 05.15.095(c) is amended to read:

8 (c) A delinquent fee bears interest at the rate set by AS 43.05.225
9 [AS 43.05.225(2)]."

10

11 Renumber the following bill sections accordingly.

12

13 Page 2, following line 5:

14 Insert a new bill section to read:

15 "*** Sec. 4.** AS 34.45.470(a) is amended to read:

16 (a) A person who fails to pay or deliver property within the time prescribed by
17 this chapter may be required to pay to the department interest at the annual rate
18 calculated under AS 43.05.225 [AS 43.05.225(2)] on the property or the value of it
19 from the date the property should have been paid or delivered."

20

21 Renumber the following bill sections accordingly.

22

23 Page 2, following line 17:

1 Insert a new bill section to read:

2 **"* Sec. 6.** AS 43.05.225 is amended to read:

3 **Sec. 43.05.225. Interest.** Unless otherwise provided,

4 (1) when a tax levied in this title becomes delinquent, it bears interest
5 in a calendar quarter at the rate of **five** [THREE] percentage points above the annual
6 rate charged member banks for advances by the 12th Federal Reserve District as of the
7 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is
8 **greater** [LESSER], compounded quarterly as of the last day of that quarter;

9 (2) the interest rate is 12 percent a year for

10 (A) delinquent fees payable under AS 05.15.095(c); and

11 (B) unclaimed property that is not timely paid or delivered, as
12 allowed by AS 34.45.470(a)."

13

14 Renumber the following bill sections accordingly.

15

16 Page 2, following line 25:

17 Insert a new bill section to read:

18 **"* Sec. 8.** AS 43.20.046(i) is amended to read:

19 (i) The issuance of a refund under this section does not limit the department's
20 ability to later audit or adjust the claim if the department determines, as a result of the
21 audit, that the person that claimed the credit was not entitled to the amount of the
22 credit. The tax liability of the person receiving the credit under this chapter is
23 increased by the amount of the credit that exceeds that to which the person was
24 entitled. If the tax liability is increased under this subsection, the increase bears
25 interest under **AS 43.05.225** [AS 43.05.225(1)] from the date the refund was issued."

26

27 Renumber the following bill sections accordingly.

28

29 Page 3, following line 2:

30 Insert a new bill section to read:

31 **"* Sec. 10.** AS 43.50.570 is amended to read:

1 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the
2 purchase of stamps within the time required

3 (1) is considered to have failed to pay the cigarette taxes due under this
4 chapter; and

5 (2) shall pay interest at the rate established under AS 43.05.225
6 [AS 43.05.225(1)] from the date on which the amount became due until the date of
7 payment."
8

9 Renumber the following bill sections accordingly.

10
11 Page 3, following line 20:

12 Insert a new bill section to read:

13 "*** Sec. 12.** AS 43.55.011(e) is repealed and reenacted to read:

14 (e) There is levied on the producer of oil or gas a tax for all oil and gas
15 produced each calendar year from each lease or property in the state, less any oil and
16 gas the ownership or right to which is exempt from taxation or constitutes a
17 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
18 this section, the tax is equal to the sum of

19 (1) the annual production tax value of the taxable oil and gas as
20 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

21 (2) the sum, over all months of the calendar year, of the tax amounts
22 determined under (g) of this section."
23

24 Renumber the following bill sections accordingly.

25
26 Page 7, following line 24:

27 Insert a new bill section to read:

28 "*** Sec. 14.** AS 43.55.011(g) is repealed and reenacted to read:

29 (g) For each month of the calendar year for which the producer's average
30 monthly production tax value under AS 43.55.160(a)(2) for each BTU equivalent
31 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of

(e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value for each BTU equivalent barrel of the taxable oil and gas for the month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value for each BTU equivalent barrel and \$30; or

(2) if the producer's average monthly production tax value for each BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value for each BTU equivalent barrel and \$92.50, except that the sum determined under this paragraph may not exceed 50 percent."

Renumber the following bill sections accordingly.

Page 10, following line 13:

Insert a new bill section to read:

"* Sec. 16. AS 43.55.020(a) is amended to read:

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

(1) 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 produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to

AS 43.55.011(o), 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 [APPLICABLE TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND 43.55.011(g), AS APPLICABLE, APPLIED TO] 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 leases or properties 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 all 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 [APPLICABLE TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND 43.55.011(g), AS APPLICABLE, APPLIED TO] 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 those leases or properties 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 and gas produced from each lease or property

subject to AS 43.55.011(j), (k), or (o), 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** [APPLICABLE TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND 43.55.011(g), AS APPLICABLE, APPLIED TO] 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 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;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property 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)(1) or (2), as applicable, 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)(1)(A) or (2)(A), as applicable, 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(e) or (i), 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."

Renumber the following bill sections accordingly.

Page 10, following line 25:

Insert a new bill section to read:

"* **Sec. 18.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (2) as provided for a delinquent tax under AS 43.05.225 [AS 43.05.225(1)] after that March 31. Interest accrued under (1) of this subsection that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under AS 43.05.225 [AS 43.05.225(1)]."

Renumber the following bill sections accordingly.

Page 11, following line 12:

Insert a new bill section to read:

"* **Sec. 20.** AS 43.55.023(a) is amended to read:

1 (a) A producer or explorer may take a tax credit for a qualified capital
2 expenditure as follows:

3 (1) notwithstanding that a qualified capital expenditure may be a
4 deductible lease expenditure for purposes of calculating the production tax value of oil
5 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
6 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
7 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
8 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
9 expenditure; **however, not more than half of the tax credit may be applied for a**
10 **single calendar year;**

11 (2) a producer or explorer may take a credit for a qualified capital
12 expenditure incurred in connection with geological or geophysical exploration or in
13 connection with an exploration well only if the producer or explorer

14 (A) agrees, in writing, to the applicable provisions of
15 AS 43.55.025(f)(2);

16 (B) submits to the Department of Natural Resources all data
17 that would be required to be submitted under AS 43.55.025(f)(2)."
18

19 Renumber the following bill sections accordingly.

20
21 Page 12, following line 7:

22 Insert a new bill section to read:

23 **"* Sec. 22.** AS 43.55.023(d) is amended to read:

24 (d) Except as limited by (i) of this section, a person that is entitled to take a tax
25 credit under this section that wishes to transfer the unused credit to another person or
26 obtain a cash payment under AS 43.55.028 may apply to the department for [A]
27 transferable tax credit **certificates** [CERTIFICATE]. An application under this
28 subsection must be in a form prescribed by the department and must include
29 supporting information and documentation that the department reasonably requires.
30 The department shall grant or deny an application, or grant an application as to a lesser
31 amount than that claimed and deny it as to the excess, not later than 120 days after the

latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure [, WELL LEASE EXPENDITURE,] or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure [, WELL LEASE EXPENDITURE,] or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant two [A] transferable tax credit certificates, each for half of [CERTIFICATE FOR] the amount of the credit. The credit shown on one of the two certificates is available for immediate use. The credit shown on the second of the two certificates may not be applied against a tax for a calendar year earlier than the calendar year following the calendar year in which the certificate is issued, and the certificate must contain a conspicuous statement to that effect.

A certificate issued under this subsection does not expire."

Renumber the following bill sections accordingly.

Page 13, following line 4:

Insert a new bill section to read:

"* **Sec. 25.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section, [OR] former (m) of this section, or (p) of this section, or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the

1 increase bears interest under AS 43.05.225 [AS 43.05.225(1)] from the date the
 2 transferable tax credit certificate was issued. For purposes of this subsection, an
 3 applicant that is an explorer is considered a producer subject to the tax levied by
 4 AS 43.55.011(e)."

5
 6 Renumber the following bill sections accordingly.

7
 8 Page 13, line 8:

9 Delete "2021"

10 Insert "2015"

11
 12 Page 13, line 31:

13 Delete "2020"

14 Insert "2014"

15 Delete "2021"

16 Insert "2015"

17
 18 Page 14, line 9, following "expenditure;":

19 Insert "a tax credit under this paragraph may be applied for a single calendar
 20 year;"

21
 22 Page 15, line 3, following "(l)":

23 Insert "and (p)"

24
 25 Page 15, following line 15:

26 Insert a new bill section to read:

27 "*** Sec. 30.** AS 43.55.023 is amended by adding a new subsection to read:

28 (p) For a lease expenditure incurred in the state south of 68 degrees North
 29 latitude after December 31, 2014, that qualifies for tax credits under (a) and (b) of this
 30 section, and for a well lease expenditure incurred in the state south of 68 degrees
 31 North latitude that qualifies for a tax credit under (l) of this section, the department

1 shall issue transferable tax credit certificates to the person entitled to the credit for the
2 full amount of the credit. The transferable tax credit certificates do not expire."

3

4 Renumber the following bill sections accordingly.

5

6 Page 15, line 16, through page 17, line 16:

7 Delete all material.

8

9 Renumber the following bill sections accordingly.

10

11 Page 18, following line 6:

12 Insert a new bill section to read:

13 **"* Sec. 32.** AS 43.55.028(e) is amended to read:

14 (e) The department, on the written application of a person to whom a
15 transferable tax credit certificate has been issued under AS 43.55.023(d), [OR] former
16 AS 43.55.023(m), or AS 43.55.023(p), or to whom a production tax credit certificate
17 has been issued under AS 43.55.025(f), may use available money in the oil and gas tax
18 credit fund to purchase, in whole or in part, the certificate if the department finds that

19 (1) the calendar year of the purchase is not earlier than the first
20 calendar year for which the credit shown on the certificate would otherwise be allowed
21 to be applied against a tax;

22 (2) the applicant does not have an outstanding liability to the state for
23 unpaid delinquent taxes under this title;

24 (3) the applicant's total tax liability under AS 43.55.011(e), after
25 application of all available tax credits, for the calendar year in which the application is
26 made is zero;

27 (4) the applicant's average daily production of oil and gas taxable under
28 AS 43.55.011(e) during the calendar year preceding the calendar year in which the
29 application is made was not more than 50,000 BTU equivalent barrels; and

30 (5) the purchase is consistent with this section and regulations adopted
31 under this section."

1
2 Renumber the following bill sections accordingly.

3
4 Page 18, following line 15:

5 Insert a new bill section to read:

6 **"* Sec. 34.** AS 43.55.028(g) is amended to read:

7 • (g) The department may adopt regulations to carry out the purposes of this
8 section, including standards and procedures to allocate available money among
9 applications for purchases under this chapter and claims for refunds under
10 AS 43.20.046 when the total amount of the applications for purchase and claims for
11 refund exceed the amount of available money in the fund. The regulations adopted by
12 the department may not, when allocating available money in the fund under this
13 section, distinguish an application for the purchase of a credit certificate issued under
14 former AS 43.55.023(m) or AS 43.55.023(p) or a claim for refund under
15 AS 43.20.046."

16
17 Renumber the following bill sections accordingly.

18
19 Page 19, following line 12:

20 Insert a new bill section to read:

21 **"* Sec. 36.** AS 43.55.890 is amended to read:

22 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary
23 provision of AS 40.25.100, and regardless of whether the information is considered
24 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
25 particular returns or reports, the department may publish the following information
26 under this chapter, if aggregated among three or more producers or explorers,
27 showing, by month or calendar year and by lease or property, unit, or area of the state:

28 (1) the amount of oil or gas production;

29 (2) the amount of taxes levied under this chapter or paid under this
30 chapter;

31 (3) the effective tax rates under this chapter;

- (4) the gross value of oil or gas at the point of production;
- (5) the transportation costs for oil or gas;
- (6) qualified capital expenditures, as defined in AS 43.55.023;
- (7) exploration expenditures under AS 43.55.025;
- (8) production tax values of oil or gas under AS 43.55.160;
- (9) lease expenditures under AS 43.55.165;
- (10) adjustments to lease expenditures under AS 43.55.170;
- (11) tax credits applicable or potentially applicable against taxes levied

by this chapter [; THE INFORMATION RELATING TO TAX CREDITS UNDER THIS PARAGRAPH, TO THE EXTENT THE INFORMATION IS AVAILABLE TO THE DEPARTMENT, MUST INCLUDE THE STATUTORY AUTHORITY FOR EACH TYPE OF CREDIT TAKEN, THE AMOUNT OF CREDITS TAKEN UNDER EACH STATUTE AUTHORIZING A TAX CREDIT, AND WHETHER THE CREDIT IS FOR AN EXPENDITURE RELATED TO OIL OR GAS EXPLORATION, DEVELOPMENT, OR PRODUCTION, INCLUDING THE DRILLING OF WELLS; PERFORMING WORK ON EXISTING WELLS; CONDUCTING GEOLOGICAL OR GEOPHYSICAL EXPLORATION; ACQUIRING, CONSTRUCTING, OR INSTALLING NEW FACILITIES OR EQUIPMENT; AND MAINTAINING, REPAIRING, OR REPLACING EXISTING FACILITIES OR EQUIPMENT]."

Renumber the following bill sections accordingly.

Page 19, following line 17:

Insert a new bill section to read:

"* **Sec. 38.** AS 43.56.160 is amended to read:

Sec. 43.56.160. Interest and penalty. When the tax levied by AS 43.56.010(a) becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent taxes, exclusive of penalty, shall be assessed at **a rate of eight percent a year** [THE RATE SPECIFIED IN AS 43.05.225(1)]."

1 Renumber the following bill sections accordingly.

2

3 Page 19, following line 28:

4 Insert a new bill section to read:

5 **"* Sec. 40.** AS 43.77.020(d) is amended to read:

6 (d) A person subject to the tax under this chapter shall make quarterly
7 payments of the tax estimated to be due for the year, as required under regulations
8 adopted by the department. A taxpayer will be subject to an estimated tax penalty,
9 determined by applying the interest rate specified in AS 43.05.225 [AS 43.05.225(1)]
10 to the underpayment for each quarter, unless the taxpayer makes estimated tax
11 payments in equal installments that total either

12 (1) at least 90 percent of the taxpayer's tax liability under this chapter
13 for the tax year; or

14 (2) at least 100 percent of the taxpayer's tax liability under this chapter
15 for the prior tax year."
16

17 Renumber the following bill sections accordingly.

18

19 Page 20, following line 1:

20 Insert a new bill section to read:

21 **"* Sec. 42.** AS 43.90.430 is amended to read:

22 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter
23 becomes delinquent, the payment bears interest at the rate applicable to a delinquent
24 tax under AS 43.05.225 [AS 43.05.225(1)]."
25

26 Renumber the following bill sections accordingly.

27

28 Page 20, line 5:

29 Delete "Sections 10 - 12, 14, 16, and 28"

30 Insert "Sections 19, 21, 23, 26, 28, and 43"
31

1 Page 20, line 7:

2 Delete "Sections 6 - 8"

3 Insert "Sections 11, 13, and 15"

4

5 Page 20, line 8:

6 Delete "Sections 15 and 17"

7 Insert "Sections 20, 22, 25, 27, 29, and 30"

8

9 Page 20, line 9:

10 Delete "2020"

11 Insert "2014"

12

13 Page 20, following line 9:

14 Insert a new subsection to read:

15 "(d) Sections 12, 14, and 16 of this Act apply to oil and gas produced after
16 December 31, 2014."

17

18 Page 20, line 18:

19 Delete "Sections 10 - 12, 14, 16, 22, 23, and 28"

20 Insert "Sections 19, 21, 23, 26, 28, 31, 33, and 43"

21

22 Page 20, line 20:

23 Delete "Section 24"

24 Insert "Section 35"

25

26 Page 20, line 21:

27 Delete "Sections 6 - 8 and 29(b)"

28 Insert "Sections 11, 13, 15, and 44(b)"

29

30 Page 20, line 22:

31 Delete "Sections 15, 17, and 29(c)"

1 Insert "Sections 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 25, 27, 29, 30, 32, 34, 36, 38, 40,
2 42, and 44(c)"

3 Delete "2021"

4 Insert "2015"

5

6 Page 20, line 23:

7 Delete "Sections 10 - 12, 14, 16, 22, 23, 28, 29(a), and 31"

8 Insert "Sections 19, 21, 23, 26, 28, 31, 33, 43, 44(a), and 46"

9

10 Page 20, line 25:

11 Delete "secs. 32 - 35"

12 Insert "secs. 47 - 50"