

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

1 Page 1, line 1, following "tax;":

2 Insert "**providing for a reduction in production tax value for certain oil;**"

3
4 Page 2, following line 5:

5 Insert new bill sections to read:

6 "** **Sec. 2.** AS 43.55.160(a) is amended to read:

7 (a) Except as provided in (b) of this section **and subject to an adjustment**
8 **under AS 43.55.162**, for the purposes of

9 (1) AS 43.55.011(e), the annual production tax value of the taxable

10 (A) oil and gas produced during a calendar year from leases or
11 properties in the state that include land north of 68 degrees North latitude is the
12 gross value at the point of production of the oil and gas taxable under
13 AS 43.55.011(e) and produced by the producer from those leases or properties,
14 less the producer's lease expenditures under AS 43.55.165 for the calendar year
15 applicable to the oil and gas produced by the producer from those leases or
16 properties, as adjusted under AS 43.55.170; this subparagraph does not apply
17 to gas subject to AS 43.55.011(o);

18 (B) oil and gas produced during a calendar year from leases or
19 properties in the state outside the Cook Inlet sedimentary basin, no part of
20 which is north of 68 degrees North latitude, is the gross value at the point of
21 production of the oil and gas taxable under AS 43.55.011(e) and produced by
22 the producer from those leases or properties, less the producer's lease
23 expenditures under AS 43.55.165 for the calendar year applicable to the oil and

1 gas produced by the producer from those leases or properties, as adjusted under
2 AS 43.55.170; this subparagraph does not apply to gas subject to
3 AS 43.55.011(o);

4 (C) oil produced during a calendar year from a lease or
5 property in the Cook Inlet sedimentary basin is the gross value at the point of
6 production of the oil taxable under AS 43.55.011(e) and produced by the
7 producer from that lease or property, less the producer's lease expenditures
8 under AS 43.55.165 for the calendar year applicable to the oil produced by the
9 producer from that lease or property, as adjusted under AS 43.55.170;

10 (D) gas produced during a calendar year from a lease or
11 property in the Cook Inlet sedimentary basin is the gross value at the point of
12 production of the gas taxable under AS 43.55.011(e) and produced by the
13 producer from that lease or property, less the producer's lease expenditures
14 under AS 43.55.165 for the calendar year applicable to the gas produced by the
15 producer from that lease or property, as adjusted under AS 43.55.170;

16 (E) gas produced during a calendar year from a lease or
17 property outside the Cook Inlet sedimentary basin and used in the state is the
18 gross value at the point of production of that gas taxable under
19 AS 43.55.011(e) and produced by the producer from that lease or property, less
20 the producer's lease expenditures under AS 43.55.165 for the calendar year
21 applicable to that gas produced by the producer from that lease or property, as
22 adjusted under AS 43.55.170;

23 (2) AS 43.55.011(g), the monthly production tax value of the taxable

24 (A) oil and gas produced during a month from leases or
25 properties in the state that include land north of 68 degrees North latitude is the
26 gross value at the point of production of the oil and gas taxable under
27 AS 43.55.011(e) and produced by the producer from those leases or properties,
28 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
29 calendar year applicable to the oil and gas produced by the producer from
30 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
31 does not apply to gas subject to AS 43.55.011(o);

1 (B) oil and gas produced during a month from leases or
 2 properties in the state outside the Cook Inlet sedimentary basin, no part of
 3 which is north of 68 degrees North latitude, is the gross value at the point of
 4 production of the oil and gas taxable under AS 43.55.011(e) and produced by
 5 the producer from those leases or properties, less 1/12 of the producer's lease
 6 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
 7 gas produced by the producer from those leases or properties, as adjusted under
 8 AS 43.55.170; this subparagraph does not apply to gas subject to
 9 AS 43.55.011(o);

10 (C) oil produced during a month from a lease or property in the
 11 Cook Inlet sedimentary basin is the gross value at the point of production of
 12 the oil taxable under AS 43.55.011(e) and produced by the producer from that
 13 lease or property, less 1/12 of the producer's lease expenditures under
 14 AS 43.55.165 for the calendar year applicable to the oil produced by the
 15 producer from that lease or property, as adjusted under AS 43.55.170;

16 (D) gas produced during a month from a lease or property in
 17 the Cook Inlet sedimentary basin is the gross value at the point of production
 18 of the gas taxable under AS 43.55.011(e) and produced by the producer from
 19 that lease or property, less 1/12 of the producer's lease expenditures under
 20 AS 43.55.165 for the calendar year applicable to the gas produced by the
 21 producer from that lease or property, as adjusted under AS 43.55.170;

22 (E) gas produced during a month from a lease or property
 23 outside the Cook Inlet sedimentary basin and used in the state is the gross
 24 value at the point of production of that gas taxable under AS 43.55.011(e) and
 25 produced by the producer from that lease or property, less 1/12 of the
 26 producer's lease expenditures under AS 43.55.165 for the calendar year
 27 applicable to that gas produced by the producer from that lease or property, as
 28 adjusted under AS 43.55.170.

29 * **Sec. 3.** AS 43.55 is amended by adding a new section to read:

30 **Sec. 43.55.162. Adjustment to production tax value for increasing oil**
 31 **production.** (a) The production tax value of oil delivered to and transported by the

1 Trans Alaska Pipeline System, as calculated under AS 43.55.160(a)(1)(A) and (B) and
2 AS 43.66.160(a)(2)(A) and (B), may be reduced by an amount determined by the
3 department under this section.

4 (b) A producer shall report to the department the total adjusted amount of
5 annual oil production and adjusted amount of the average daily statewide oil
6 production delivered by the producer for transport to the Trans Alaska Pipeline
7 System for both the calendar year immediately preceding the year for which the tax is
8 being determined and the year for which the tax is being determined. The report shall
9 be filed at the time the statement required under AS 43.55.030(a) is filed.

10 (c) When calculating the

11 (1) adjusted amount of the average daily statewide production under
12 (b) of this section, the producer shall exclude from the calculation the days on which
13 the rate of production is significantly reduced and the volume of production on those
14 days for which the rate of production is significantly reduced; for the purposes of this
15 paragraph, the rate of production is significantly reduced when the production of oil
16 delivered by the producer to the Trans Alaska Pipeline System for the day is less than
17 one-half of the average daily production for the year calculated by dividing the total
18 oil production that is produced by the producer and delivered to the Trans Alaska
19 Pipeline System for the year by the number of days in the year;

20 (2) adjusted amount of total annual oil production that is delivered by
21 the producer to the Trans Alaska Pipeline System, the producer shall multiply the
22 adjusted amount of average daily production determined under (1) of this subsection
23 by the number of days in the applicable calendar year; and

24 (3) adjusted amount of total annual oil production that is delivered by
25 the producer to the Trans Alaska Pipeline System for the year for which the tax is
26 being determined under (2) of this subsection, the producer may not include the
27 amount of production resulting from the purchase, merger, or other acquisition of
28 another producer and any production attributable to the producer from a unit in which
29 the producer did not participate in the calendar year immediately preceding the year
30 for which the tax is being determined; however, the increased production that may not
31 be included by a producer under this paragraph may be included in the adjusted

1 amount of total annual oil production for the year when determining the amount by
2 which production increases in the next succeeding year.

3 (d) After receiving a report by the producer under (b) of this section, the
4 department may reduce the production tax value determined under

5 (1) AS 43.55.160(a)(1)(A) and (B) by \$10 for each barrel of oil
6 delivered by the producer to the Trans Alaska Pipeline system during the year for
7 which the tax is being determined that exceeds the adjusted total annual production for
8 the calendar year immediately preceding the year for which the tax is being
9 determined; and

10 (2) AS 43.55.160(a)(2)(A) and (B) by \$10 for each barrel of oil
11 delivered to the Trans Alaska Pipeline System for each month in the year for which
12 the tax is being determined that exceeds 1/12 of the number of barrels by which the
13 adjusted total annual production for the year for which the tax is being determined
14 exceeds the adjusted total annual production for the calendar year immediately
15 preceding the year for which the tax is being determined.

16 (e) The department shall notify the producer of the amount of tax reduction
17 allowed as a result of a reduction in production tax value determined by the
18 department under (d) of this section. At the request of the producer, the department
19 may refund any amount due to the producer as a result of the reduction in production
20 tax value or credit the amount of the tax reduction against the liability of the taxpayer
21 for a tax due under this title.

22 (f) A tax reduction that results from a reduction in the production tax value
23 under this section may not be considered when a producer is required to calculate and
24 pay any amount due under AS 43.55.020(a). However, at the request of the producer, a
25 credit allowed under (e) of this section may be applied against a payment due under
26 AS 43.55.020(a) for a period after the department determines the amount of reduction
27 in the production tax value.

28 (g) The department may adopt regulations specifying the information that
29 must be included in the report filed by a producer under (b) of this section and other
30 regulations necessary for the administration of this section.

31 * **Sec. 4.** The uncoded law of the State of Alaska is amended by adding a new section to

1 read:

2 APPLICABILITY. The reduction in production tax value under AS 43.55.162,
3 enacted by sec. 10 of this Act, applies to qualifying oil produced after December 31, 2012. In
4 this section, "qualifying oil" means oil delivered to the Trans Alaska Pipeline System the
5 production tax value of which is calculated under AS 43.55.160(a)(1)(A) and (B) and
6 43.55.160(a)(2)(A) and (B)."

7

8 Renumber the following bill section accordingly.