

AMENDMENT

OFFERED IN THE SENATE

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

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

2 Insert "**limiting the amount of certain tax credits applicable to the oil and gas**
3 **production tax;**"

4

5 Page 2, following line 5:

6 Insert new bill sections to read:

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

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

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

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

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

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

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

(l) **Except as limited by (p) of this section, a** [A] producer or explorer may apply for a tax credit for a well lease expenditure incurred in the state south of 68 degrees North latitude after June 30, 2010, as follows:

(1) notwithstanding that a well lease expenditure incurred in the state south of 68 degrees North latitude may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),

AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state south of 68 degrees North latitude may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure; a tax credit under this paragraph may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a well lease expenditure incurred in the state south of 68 degrees North latitude 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); and

(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. 5.** AS 43.55.023 is amended by adding a new subsection to read:

(p) The amount of credit for a capital expenditure under (a) or (l) of this section for an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the amount necessary so that the tax benefit percentage is not more than 65 percent of the capital expenditure. The amount of credit for a capital expenditure under (a) or (l) of this section that may not be taken because of the limitation in this subsection may not be applied in a later calendar year under (c) of this section and may not be included in an application for a tax credit certificate under (d) of this section. In this subsection, "tax benefit percentage" means the sum of the average monthly tax rate under AS 43.55.011(e) and (g) for the calendar year in which the credit is taken and the percentage of the capital expenditure that may be taken as a credit under (a) or (l) of this section.

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

(a) Subject to the terms and conditions of this section **and except as limited by (n) of this section**, a credit against the production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 percent of the total exploration expenditures that qualify only

1 under (b) and (c) of this section;

2 (2) 30 percent of the total exploration expenditures that qualify only
3 under (b) and (d) of this section;

4 (3) 40 percent of the total exploration expenditures that qualify under
5 (b), (c), and (d) of this section;

6 (4) 40 percent of the total exploration expenditures that qualify only
7 under (b) and (e) of this section; or

8 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this
9 section, of the total exploration expenditures described in (b)(1) and (2) of this section
10 and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this
11 section.

12 * **Sec. 7.** AS 43.55.025 is amended by adding a new subsection to read:

13 (n) The amount of credit for an exploration expenditure under (a)(1) - (4) of
14 this section for an expenditure that is also a lease expenditure under AS 43.55.165 is
15 reduced by the amount necessary so that the tax benefit percentage is not more than 65
16 percent of the exploration expenditure. The amount of credit for an exploration
17 expenditure under (a)(1) - (4) of this section that may not be taken because of the
18 limitation in this subsection may not be transferred, conveyed, or sold under (g) of this
19 section. In this subsection, "tax benefit percentage" means the sum of the average
20 monthly tax rate under AS 43.55.011(e) and (g) for the calendar year in which the
21 credit is taken and the percentage of the exploration expenditure that may be taken as a
22 credit under (a)(1) - (4) of this section."

23
24 Renumber the following bill section accordingly.