

**AMENDMENT**

OFFERED IN THE SENATE

BY SENATOR FRENCH

TO: CSSB 21(RES), Draft Version "N"

1 Page 1, line 3:

2 Delete "rate"

3 Insert "rates"

4

5 Page 2, following line 9:

6 Insert a new bill section to read:

7 **\*\* Sec. 2.** AS 29.60.850(b), as amended by sec. 1 of this Act, is amended to read:

8 (b) Each fiscal year, the legislature may appropriate to the community revenue  
9 sharing fund **an amount equal to 20 percent of the** money received by the state  
10 during the previous calendar year under **AS 43.55.011(q)** [AS 43.20.030(c)]. The  
11 amount may not exceed

12 (1) \$60,000,000; or

13 (2) the amount that, when added to the fund balance on June 30 of the  
14 previous fiscal year, equals \$180,000,000."

15

16 Renumber the following bill sections accordingly.

17

18 Page 4, following line 4:

19 Insert a new bill section to read:

20 **\*\* Sec. 5.** AS 43.55.011(e), as amended by sec. 4 of this Act, is amended to read:

21 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
22 produced each calendar year from each lease or property in the state, less any oil and  
23 gas the ownership or right to which is exempt from taxation or constitutes a

1 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
2 (p) of this section, the tax is equal to the sum of

3 (1) the annual production tax value of the taxable oil and gas as  
4 calculated under AS 43.55.160(a)(1) [AS 43.55.160(a)] multiplied by 25 [35] percent;  
5 and

6 (2) the sum, over all months of the calendar year, of the tax  
7 amounts determined under (q) of this section."

8  
9 Renumber the following bill sections accordingly.

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11 Page 4, following line 10:

12 Insert new bill sections to read:

13 **\*\* Sec. 7.** AS 43.55.011(o), as amended by sec. 6 of this Act, is amended to read:

14 (o) Notwithstanding other provisions of this section, for a calendar year before  
15 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
16 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
17 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not  
18 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under  
19 (j)(2) of this section.

20 **\* Sec. 8.** AS 43.55.011 is amended by adding a new subsection to read:

21 (q) For each month of the calendar year for which the producer's average  
22 monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of  
23 the taxable oil and gas is more than \$30, the amount of tax for purposes of (e)(2) of  
24 this section is determined by multiplying the monthly production tax value of the  
25 taxable oil and gas produced during the month by the tax rate calculated as follows:

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

30 (2) if the producer's average monthly production tax value of a BTU  
31 equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax

1 rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number  
 2 that represents the difference between the average monthly production tax value of a  
 3 BTU equivalent barrel and \$92.50, except that the sum determined under this  
 4 paragraph may not exceed 50 percent."

5  
 6 Renumber the following bill sections accordingly.

7  
 8 Page 7, line 13:

9 Delete "sec. 5"

10 Insert "sec. 9"

11  
 12 Page 10, following line 10:

13 Insert a new bill section to read:

14 **"\* Sec. 11.** AS 43.55.020(a), as amended by secs. 9 and 10 of this Act, is repealed and  
 15 reenacted to read:

16 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),  
 17 (h), (i), (p), or (q) shall pay the tax as follows:

18 (1) an installment payment of the estimated tax levied by  
 19 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
 20 month of the calendar year on the last day of the following month; except as otherwise  
 21 provided under (2) of this subsection, the amount of the installment payment is the  
 22 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be  
 23 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount  
 24 of the installment payment may not be less than zero:

25 (A) for oil and gas produced from leases or properties in the  
 26 state outside the Cook Inlet sedimentary basin but not subject to  
 27 AS 43.55.011(o) or (p), other than leases or properties subject to  
 28 AS 43.55.011(f), the greater of

29 (i) zero; or

30 (ii) the sum of 25 percent and the tax rate calculated for  
 31 the month under AS 43.55.011(q) multiplied by the remainder obtained

1 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
2 calendar year of production under AS 43.55.165 and 43.55.170 that are  
3 deductible for the leases or properties under AS 43.55.160 from the  
4 gross value at the point of production of the oil and gas produced from  
5 the leases or properties during the month for which the installment  
6 payment is calculated;

7 (B) for oil and gas produced from leases or properties subject  
8 to AS 43.55.011(f), the greatest of

9 (i) zero;

10 (ii) zero percent, one percent, two percent, three  
11 percent, or four percent, as applicable, of the gross value at the point of  
12 production of the oil and gas produced from all leases or properties  
13 during the month for which the installment payment is calculated; or

14 (iii) the sum of 25 percent and the tax rate calculated for  
15 the month under AS 43.55.011(q) multiplied by the remainder obtained  
16 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
17 calendar year of production under AS 43.55.165 and 43.55.170 that are  
18 deductible for those leases or properties under AS 43.55.160 from the  
19 gross value at the point of production of the oil and gas produced from  
20 those leases or properties during the month for which the installment  
21 payment is calculated;

22 (C) for oil and gas produced from each lease or property  
23 subject to AS 43.55.011(j), (k), (o), or (p), the greater of

24 (i) zero; or

25 (ii) the sum of 25 percent and the tax rate calculated for  
26 the month under AS 43.55.011(q) multiplied by the remainder obtained  
27 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
28 calendar year of production under AS 43.55.165 and 43.55.170 that are  
29 deductible under AS 43.55.160 for oil or gas, respectively, produced  
30 from the lease or property from the gross value at the point of  
31 production of the oil or gas, respectively, produced from the lease or

1 property during the month for which the installment payment is  
2 calculated;

3 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
4 produced from a lease or property

5 (A) subject to AS 43.55.011(j), (k), or (o) may not exceed the  
6 product obtained by carrying out the calculation set out in AS 43.55.011(j)(1)  
7 or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1)  
8 or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A)  
9 or 43.55.011(o), as applicable, the amount of taxable gas produced during the  
10 month for the amount of taxable gas produced during the calendar year and  
11 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of  
12 taxable oil produced during the month for the amount of taxable oil produced  
13 during the calendar year;

14 (B) subject to AS 43.55.011(p) may not exceed four percent of  
15 the gross value at the point of production of the oil or gas;

16 (3) an installment payment of the estimated tax levied by  
17 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
18 on the last day of the following month; the amount of the installment payment is the  
19 sum of

20 (A) the applicable tax rate for oil provided under  
21 AS 43.55.011(i), multiplied by the gross value at the point of production of the  
22 oil taxable under AS 43.55.011(i) and produced from the lease or property  
23 during the month; and

24 (B) the applicable tax rate for gas provided under  
25 AS 43.55.011(i), multiplied by the gross value at the point of production of the  
26 gas taxable under AS 43.55.011(i) and produced from the lease or property  
27 during the month;

28 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any  
29 credits applied as allowed by law, that exceeds the total of the amounts due as  
30 installment payments of estimated tax is due on March 31 of the year following the  
31 calendar year of production."

1

2 Renumber the following bill sections accordingly.

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4 Page 10, following line 28:

5 Insert a new bill section to read:

6 **\*\* Sec. 13. AS 43.55.020(d), as amended by sec. 12 of this Act, is amended to read:**

7 (d) In making settlement with the royalty owner for oil and gas that is taxable  
8 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable  
9 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the  
10 time the tax becomes due to the amount of the tax paid. If the total deductions of  
11 installment payments of estimated tax for a calendar year exceed the actual tax for that  
12 calendar year, the producer shall, before April 1 of the following year, refund the  
13 excess to the royalty owner. Unless otherwise agreed between the producer and the  
14 royalty owner, the amount of the tax paid under AS 43.55.011(e), (f), and (g)  
15 [AS 43.55.011(e)] on taxable royalty oil and gas for a calendar year, other than oil and  
16 gas the ownership or right to which constitutes a landowner's royalty interest, is  
17 considered to be the gross value at the point of production of the taxable royalty oil  
18 and gas produced during the calendar year multiplied by a figure that is a quotient, in  
19 which

20 (1) the numerator is the producer's total tax liability under  
21 AS 43.55.011(e), (f), and (g) [AS 43.55.011(e)] for the calendar year of production;  
22 and

23 (2) the denominator is the total gross value at the point of production  
24 of the oil and gas taxable under AS 43.55.011(e), (f), and (g) [AS 43.55.011(e)]  
25 produced by the producer from all leases and properties in the state during the  
26 calendar year."

27

28 Renumber the following bill sections accordingly.

29

30 Page 11, following line 18:

31 Insert a new bill section to read:

1     **\*\* Sec. 15.** AS 43.55.023(a), as amended by sec. 14 of this Act, is amended to read:

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

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

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

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

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

19                    (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE  
20            INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
21            DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE  
22            TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,  
23            2014]."

24  
25     Renumber the following bill sections accordingly.

26  
27     Page 11, following line 29:

28             Insert a new bill section to read:

29     **\*\* Sec. 17.** AS 43.55.023(b), as amended by sec. 16 of this Act, is amended to read:

30             (b) A [EXCEPT AS PROVIDED IN (p) - (u) OF THIS SECTION FOR A  
31             TAX CREDIT BASED ON LEASE EXPENDITURES INCURRED AFTER

1 DECEMBER 31, 2013, TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR  
 2 GAS DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE, A]  
 3 producer or explorer may elect to take a tax credit in the amount of 25 [35] percent of  
 4 a carried-forward annual loss. A credit under this subsection may be applied against a  
 5 tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward  
 6 annual loss is the amount of a producer's or explorer's adjusted lease expenditures  
 7 under AS 43.55.165 and 43.55.170 for a previous calendar year that was not  
 8 deductible in calculating production tax values for that calendar year under  
 9 AS 43.55.160."

10  
 11 Renumber the following bill sections accordingly.

12  
 13 Page 12, following line 4:

14 Insert a new bill section to read:

15 **"\* Sec. 19.** AS 43.55.023(c), as amended by sec. 18 of this Act, is amended to read:

16 (c) A credit or portion of a credit under this section may not be used to reduce  
 17 a person's tax liability under AS 43.55.011(e) for any calendar year below zero, and [.   
 18 EXCEPT AS OTHERWISE PROVIDED UNDER (p) - (u) OF THIS SECTION,] any  
 19 unused credit or portion of a credit not used under this subsection may be applied in a  
 20 later calendar year.

21  
 22 Renumber the following bill sections accordingly.

23  
 24 Page 12, line 30:

25 Delete "sec. 11"

26 Insert "sec. 20"

27  
 28 Page 13, following line 18:

29 Insert a new bill section to read:

30 **"\* Sec. 22.** AS 43.55.023(d), as amended by secs. 20 and 21 of this Act, is amended to read:

31 (d) A [EXCEPT FOR A TAX CREDIT BASED ON A LEASE



1 EXPENDITURE INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR,  
 2 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68  
 3 DEGREES NORTH LATITUDE, A] person that is entitled to take a tax credit under  
 4 this section that wishes to transfer the unused credit to another person or obtain a cash  
 5 payment under AS 43.55.028 may apply to the department for [A] transferable tax  
 6 credit certificates [CERTIFICATE]. An application under this subsection must be in a  
 7 form prescribed by the department and must include supporting information and  
 8 documentation that the department reasonably requires. The department shall grant or  
 9 deny an application, or grant an application as to a lesser amount than that claimed and  
 10 deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the  
 11 year following the calendar year in which the qualified capital expenditure or carried-  
 12 forward annual loss for which the credit is claimed was incurred; (2) the date the  
 13 statement required under AS 43.55.030(a) or (e) was filed for the calendar year in  
 14 which the qualified capital expenditure or carried-forward annual loss for which the  
 15 credit is claimed was incurred; or (3) the date the application was received by the  
 16 department. If, based on the information then available to it, the department is  
 17 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
 18 the applicant two [A] transferable tax credit certificates, each for half of  
 19 [CERTIFICATE FOR] the amount of the credit. **The credit shown on one of the two**  
 20 **certificates is available for immediate use. The credit shown on the second of the**  
 21 **two certificates may not be applied against a tax for a calendar year earlier than**  
 22 **the calendar year following the calendar year in which the certificate is issued,**  
 23 **and the certificate must contain a conspicuous statement to that effect.** A  
 24 certificate issued under this subsection does not expire."

25  
 26 Renumber the following bill sections accordingly.

27  
 28 Page 14, following line 1:

29 Insert a new bill section to read:

30 **\*\* Sec. 24. AS 43.55.023(g), as amended by sec. 23 of this Act, is amended to read:**

31 (g) The issuance of a transferable tax credit certificate under (d), (v), of this

1 section or former (m) of this section or the purchase of a certificate under  
 2 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
 3 which the certificate relates or to adjust the claim if the department determines, as a  
 4 result of the audit, that the applicant was not entitled to the amount of the credit for  
 5 which the certificate was issued. The tax liability of the applicant under  
 6 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
 7 that exceeds that to which the applicant was entitled, or the applicant's available valid  
 8 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
 9 by that amount. If the applicant's tax liability is increased under this subsection, the  
 10 increase bears interest under AS 43.05.225 from the date the transferable tax credit  
 11 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
 12 is considered a producer subject to the tax levied by AS 43.55.011(e)."  
 13

14 Renumber the following bill sections accordingly.

15  
 16 Page 14, following line 15:

17 Insert a new bill section to read:

18 **\*\* Sec. 26.** AS 43.55.023(n), as amended by sec. 25 of this Act, is amended to read:

19 (n) For the purposes of (l) and (v) of this section, a well lease expenditure  
 20 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

21 (1) directly related to an exploration well, a stratigraphic test well, a  
 22 producing well, or an injection well other than a disposal well, located in the state  
 23 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure  
 24 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal  
 25 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made  
 26 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well  
 27 includes an expenditure for well sidetracking, well deepening, well completion or  
 28 recompletion, or well workover, regardless of whether the well is or has been a  
 29 producing well; or

30 (2) an expense for seismic work conducted within the boundaries of a  
 31 production or exploration unit."

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Renumber the following bill sections accordingly.

Page 17, following line 27:

Insert a new subsection to read:

"(v) For a lease expenditure incurred in the state south of 68 degrees North latitude after December 31, 2017, that qualifies for tax credits under (a) and (b) of this section, and for a well lease expenditure incurred in the state south of 68 degrees North latitude that qualifies for a tax credit under (l) of this section, the department shall issue transferable tax credit certificates to the person entitled to the credit for the full amount of the credit. The transferable tax credit certificates do not expire."

Page 20, following line 28:

Insert a new bill section to read:

"\* **Sec. 33.** AS 43.55.025(c), as amended by sec. 32 of this Act, is amended to read:

(c) To be eligible for a production tax credit authorized by (a)(1), (3), or (6) of this section, exploration expenditures must

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

(2) be for an exploration well, subject to the following:

(A) before the well is spudded,

(i) the explorer shall submit to the commissioner of natural resources the information necessary to determine whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well;

(ii) at the time of the submittal of information under (i) of this subparagraph, the commissioner of natural resources may request from the explorer that specific data sets, ancillary data, and reports including all results, and copies of well data collected and data analyses for the well be provided to the Department of Natural Resources upon completion of the drilling; in this sub-subparagraph,

1 well data include all analyses conducted on physical material, and well  
 2 logs collected from the well and sample analyses; testing geophysical  
 3 and velocity data including vertical seismic profiles and check shot  
 4 surveys; testing data and analyses; age data; geochemical analyses; and  
 5 access to tangible material; and

6 (iii) the commissioner of natural resources must make  
 7 an affirmative determination as to whether the geological objective of  
 8 the well is a potential oil or gas trap that is distinctly separate from any  
 9 trap that has been tested by a preexisting well and what information  
 10 under (ii) of this subparagraph must be submitted by the explorer after  
 11 completion, abandonment, or suspension under AS 31.05.030; the  
 12 commissioner of natural resources shall make that determination within  
 13 60 days after receiving all the necessary information from the explorer  
 14 based on the information received and on other information the  
 15 commissioner of natural resources considers relevant;

16 (B) for an exploration well other than a well to explore a  
 17 Cook Inlet prospect, the well must be located and drilled in such a manner  
 18 that the bottom hole is located not less than three miles away from the  
 19 bottom hole of a preexisting well drilled for oil or gas, irrespective of  
 20 whether the preexisting well has been completed, suspended, or  
 21 abandoned;

22 (C) after completion, suspension, or abandonment under  
 23 AS 31.05.030 of the exploration well, the commissioner of natural resources  
 24 must determine that the well was consistent with achieving the explorer's  
 25 stated geological objective."  
 26

27 Page 21, following line 16:

28 Insert a new bill section to read:

29 **\*\* Sec. 35.** AS 43.55.028(e), as amended by sec. 34 of this Act, is amended to read:

30 (e) The department, on the written application of a person to whom a  
 31 transferable tax credit certificate has been issued under AS 43.55.023(d) or (v) or

1 former AS 43.55.023(m) or to whom a production tax credit certificate has been issued  
 2 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
 3 purchase, in whole or in part, the certificate if the department finds that

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

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

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

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

15 (5) the purchase is consistent with this section and regulations adopted  
 16 under this section."  
 17

18 Renumber the following bill sections accordingly.  
 19

20 Page 21, following line 26:

21 Insert a new bill section to read:

22 **\*\* Sec. 37.** AS 43.55.028(g), as amended by sec. 36 of this Act, is amended to read:

23 (g) The department may adopt regulations to carry out the purposes of this  
 24 section, including standards and procedures to allocate available money among  
 25 applications for purchases under this chapter and claims for refunds and payments  
 26 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
 27 purchase and claims for refund exceed the amount of available money in the fund. The  
 28 regulations adopted by the department may not, when allocating available money in  
 29 the fund under this section, distinguish an application for the purchase of a credit  
 30 certificate issued under AS 43.55.023(v) or former AS 43.55.023(m), or a claim for a  
 31 refund or payment under AS 43.20.046 or 43.20.047."

1  
2 Renumber the following bill sections accordingly.

3  
4 Page 22, following line 8:

5 Insert a new bill section to read:

6 **"\* Sec. 39.** AS 43.55.030(e), as amended by sec. 38 of this Act, is amended to read:

7 (e) An explorer or producer that incurs a lease expenditure under  
8 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar  
9 year but does not produce oil or gas from a lease or property in the state during the  
10 calendar year shall file with the department on March 31 of the following year a  
11 statement, under oath, in a form prescribed by the department, giving, with other  
12 information required, the following:

13 (1) the [EXPLORER'S OR] producer's qualified capital expenditures,  
14 as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
15 adjustments or other payments or credits under AS 43.55.170; and

16 (2) if the explorer or producer receives a payment or credit under  
17 AS 43.55.170, calculations showing whether the explorer or producer is liable for a  
18 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount."  
19

20 Renumber the following bill sections accordingly.

21  
22 Page 26, following line 5:

23 Insert a new bill section to read:

24 **"\* Sec. 43.** AS 43.55.160(a), as amended by secs. 41 and 42 of this Act, is repealed and  
25 reenacted to read:

26 (a) Except as provided in (b) of this section, for the purposes of

27 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,  
28 gas, or oil and gas subject to this paragraph produced during a calendar year is the  
29 gross value at the point of production of the oil, gas, or oil and gas taxable under  
30 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
31 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the

1 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph  
2 applies to

3 (A) oil and gas produced from leases or properties in the state  
4 that include land north of 68 degrees North latitude, other than gas produced  
5 before 2022 and used in the state;

6 (B) oil and gas produced from leases or properties in the state  
7 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
8 degrees North latitude; this subparagraph does not apply to

9 (i) gas produced before 2022 and used in the state; or

10 (ii) oil and gas subject to AS 43.55.011(p);

11 (C) oil produced before 2022 from a lease or property in the  
12 Cook Inlet sedimentary basin;

13 (D) gas produced before 2022 from a lease or property in the  
14 Cook Inlet sedimentary basin;

15 (E) gas produced before 2022 from a lease or property in the  
16 state outside the Cook Inlet sedimentary basin and used in the state;

17 (F) oil and gas subject to AS 43.55.011(p) produced from  
18 leases or properties in the state;

19 (G) oil and gas produced from a lease or property no part of  
20 which is north of 68 degrees North latitude, other than oil or gas described in  
21 (B), (C), (D), (E), or (F) of this paragraph;

22 (2) AS 43.55.011(q), the monthly production tax value of the taxable

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

31 (B) oil and gas produced during a month from leases or

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

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

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

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

29 Renumber the following bill sections accordingly.

30  
31 Page 26, following line 25:



1           Insert a new bill section to read:

2       **\*\* Sec. 45.** AS 43.55.160(e), as amended by sec. 44 of this Act, is amended to read:

3           (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
4           would otherwise be deductible by a producer in a calendar year but whose deduction  
5           would cause an annual production tax value calculated under (a)(1) [(a)] of this  
6           section of taxable oil or gas produced during the calendar year to be less than zero  
7           may be used to establish a carried-forward annual loss under AS 43.55.023(b).  
8           However, the department shall provide by regulation a method to ensure that, for a  
9           period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or  
10          (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would  
11          otherwise be deductible by a producer for that period but whose deduction would  
12          cause a production tax value calculated under (a)(1)(C), (D), (E), or (F) [(a)(3), (4),  
13          (5), OR (6)] of this section to be less than zero are accounted for as though the  
14          adjusted lease expenditures had first been used as deductions in calculating the  
15          production tax values of oil or gas subject to any of the limitations under  
16          AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to  
17          reduce the tax liability calculated without regard to the limitation to the maximum  
18          amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p).  
19          Only the amount of those adjusted lease expenditures remaining after the accounting  
20          provided for under this subsection may be used to establish a carried-forward annual  
21          loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

22  
23       Renumber the following bill sections accordingly.

24  
25       Page 27, following line 11:

26           Insert a new bill section to read:

27       **\*\* Sec. 47.** AS 43.55.160 is amended by adding a new subsection to read:

28           (g) Notwithstanding any contrary provision of AS 43.55.150, for purposes of  
29           calculating a monthly production tax value under (a)(2) of this section, the gross value  
30           at the point of production of the oil and gas is calculated under regulations adopted by  
31           the department that provide for using an appropriate monthly share of the producer's

1 costs of transportation for the calendar year."

2

3 Renumber the following bill sections accordingly.

4

5 Page 29, following line 28:

6

Insert a new bill section to read:

7

"\* Sec. 50. AS 43.55.023(p), 43.55.023(q), 43.55.023(r), 43.55.023(s), 43.55.023(t),  
8 43.55.023(u), 43.55.024(i), 43.55.030(g), and 43.55.160(f) are repealed January 1, 2018."

9

10 Renumber the following bill sections accordingly.

11

12 Page 30, line 2:

13

Delete "Sections 3, 6, 7, and 26 - 28"

14

Insert "Sections 4, 10, 12, 42, 44, and 46"

15

16 Page 30, line 4:

17

Delete "Sections 4 and 25"

18

Insert "Sections 6 and 41"

19

20 Page 30, line 6:

21

Delete "Sections 8, 11, 13, and 14 of this Act and AS 43.55.023(a)(1), as amended by  
22 sec. 8"

23

Insert "Sections 14, 20, 23, and 25 of this Act and AS 43.55.023(a)(1), as amended by  
24 sec. 14"

25

26 Page 30, line 8:

27

Delete "Sections 9, 10, 12, 15, and 24"

28

Insert "Sections 16, 18, 21, 27, and 40"

29

30 Page 30, following line 9:

31

Insert new subsections to read:

1           "(e) Sections 5, 7, 8, 11, 13, 43, and 45 of this Act apply to oil and gas produced after  
2 December 31, 2017.

3           (f) Sections 15, 17, 19, 22, 24, and 26 of this Act and AS 43.55.023(v), enacted by  
4 sec. 27 of this Act, apply to expenditures incurred after December 31, 2017."

5

6 Page 30, line 14:

7           Delete "sec. 29"

8           Insert "sec. 48"

9

10 Page 30, line 27:

11           Delete "Sections 4, 11, 13, 14, 21, 25, and 30 of this Act and AS 43.55.023(a)(1), as  
12 amended by sec. 8"

13           Insert "Sections 6, 20, 23, 25, 34, 41, and 49 of this Act and AS 43.55.023(a)(1), as  
14 amended by sec. 14"

15

16 Page 30, line 29:

17           Delete "Sections 1, 3, 6, 7, 9, 10, 12, 15, 17, 18, 24, and 26 - 28 of this Act"

18           Insert "Sections 1, 4, 10, 12, 16, 18, 21, 29, 30, 40, 42, 44, 46, and 50 of this Act, and  
19 AS 43.55.023(p) - (u), enacted by sec. 27 of this Act,"

20

21 Page 30, following line 30:

22           Insert a new bill section to read:

23           **\*\* Sec. 57.** Sections 2, 5, 7, 8, 11, 13, 15, 17, 19, 22, 24, 26, 33, 35, 37, 39, 43, 45, 47, and  
24 51 of this Act, and AS 43.55.023(v), enacted by sec. 27 of this Act, take effect January 1,  
25 2018."

26

27 Renumber the following bill section accordingly.

28

29 Page 30, line 31:

30           Delete "sec. 37"

31           Insert "secs. 57 and 58"