

**HOUSE CS FOR CS FOR SENATE BILL NO. 21(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the interest rate applicable to certain amounts due for fees, taxes,  
2 and payments made and property delivered to the Department of Revenue; providing a  
3 tax credit against the corporation income tax for qualified oil and gas service industry  
4 expenditures; relating to the oil and gas production tax rate; relating to gas used in the  
5 state; relating to monthly installment payments of the oil and gas production tax;  
6 relating to oil and gas production tax credits for certain losses and expenditures;  
7 relating to oil and gas production tax credit certificates; relating to nontransferable tax  
8 credits based on production; relating to the oil and gas tax credit fund; relating to  
9 annual statements by producers and explorers; relating to the determination of annual  
10 oil and gas production tax value including adjustments based on a percentage of gross  
11 value at the point of production from certain leases or properties; establishing the Oil  
12 and Gas Competitiveness Review Board; and making conforming amendments."

1 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

2 \* **Section 1.** AS 05.15.095(c) is amended to read:

3 (c) **Before January 1, 2014, a** [A] delinquent fee bears interest at the rate set  
4 by **AS 43.05.225(a). On and after January 1, 2014, a delinquent fee bears interest**  
5 **at the rate set by AS 43.05.225(b)(2)** [AS 43.05.225].

6 \* **Sec. 2.** AS 29.60.850(b) is amended to read:

7 (b) Each fiscal year, the legislature may appropriate to the community revenue  
8 sharing fund [AN AMOUNT EQUAL TO 20 PERCENT OF THE] money received by  
9 the state during the previous calendar year under **AS 43.20.030(c)** [AS 43.55.011(g)].

10 The amount may not exceed

11 (1) \$60,000,000; or

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

14 \* **Sec. 3.** AS 34.45.470(a) is amended to read:

15 (a) **Before January 1, 2014, a** [A] person who fails to pay or deliver property  
16 within the time prescribed by this chapter may be required to pay to the department  
17 interest at the annual rate calculated under **AS 43.05.225(a)** [AS 43.05.225] on the  
18 property or the value of it from the date the property should have been paid or  
19 delivered. **On and after January 1, 2014, a person who fails to pay or deliver**  
20 **property within the time prescribed by this chapter may be required to pay to the**  
21 **department interest at the annual rate calculated under AS 43.05.225(b)(2) on the**  
22 **property or the value of it from the date the property should have been paid or**  
23 **delivered.**

24 \* **Sec. 4.** AS 43.05.225 is amended to read:

25 **Sec. 43.05.225. Interest. Before January 1, 2014, unless** [UNLESS]  
26 otherwise provided,

27 (1) when a tax levied in this title becomes delinquent, it bears interest  
28 in a calendar quarter at the rate of five percentage points above the annual rate charged  
29 member banks for advances by the 12th Federal Reserve District as of the first day of  
30 that calendar quarter, or at the annual rate of 11 percent, whichever is greater,  
31 compounded quarterly as of the last day of that quarter;

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

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

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

5 \* **Sec. 5.** AS 43.05.225 is amended by adding a new subsection to read:

6 (b) On and after January 1, 2014, unless otherwise provided,

7 (1) when a tax levied in this title becomes delinquent, it bears interest  
8 in a calendar quarter at the rate of three percentage points above the annual rate  
9 charged member banks for advances by the 12th Federal Reserve District as of the  
10 first day of that calendar quarter compounded quarterly as of the last day of that  
11 quarter;

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

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

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

16 \* **Sec. 6.** AS 43.20.046(i) is amended to read:

17 (i) The issuance of a refund under this section does not limit the department's  
18 ability to later audit or adjust the claim if the department determines, as a result of the  
19 audit, that the person that claimed the credit was not entitled to the amount of the  
20 credit. The tax liability of the person receiving the credit under this chapter is  
21 increased by the amount of the credit that exceeds that to which the person was  
22 entitled. If the tax liability is increased under this subsection, the increase bears  
23 interest under AS 43.05.225(a) before January 1, 2014, or under  
24 AS 43.05.225(b)(1) on and after January 1, 2014, [AS 43.05.225] from the date the  
25 refund was issued.

26 \* **Sec. 7.** AS 43.20.047(i) is amended to read:

27 (i) The issuance of a refund under this section does not limit the department's  
28 ability to later audit or adjust the claim if the department determines, as a result of the  
29 audit, that the person that claimed the credit was not entitled to the amount of the  
30 credit. The tax liability of the person receiving the credit under this section is  
31 increased by the amount of the credit that exceeds that to which the person was

1 entitled. If the tax liability is increased under this subsection, the increase bears  
2 interest at the rate set by AS 43.05.225(a) before January 1, 2014, or under  
3 AS 43.05.225(b)(1) on and after January 1, 2014, [AS 43.05.225] from the date the  
4 refund was issued.

5 \* **Sec. 8.** AS 43.20 is amended by adding a new section to read:

6 **Sec. 43.20.049. Qualified oil and gas service industry expenditure credit.**

7 (a) For a tax year beginning after December 31, 2013, a taxpayer may apply a credit  
8 against the tax due under this chapter for a qualified oil and gas service industry  
9 expenditure incurred in the state. The total amount of credit a taxpayer may receive in  
10 a tax year may not exceed the lesser of 10 percent of qualified oil and gas service  
11 industry expenditures incurred in the state during the tax year or \$10,000,000.

12 (b) A taxpayer may not apply more than \$10,000,000 in tax credits under this  
13 section in a tax year. A tax credit or portion of a tax credit under this section may not  
14 be used to reduce the taxpayer's tax liability under this chapter below zero. Any  
15 unused tax credit or portion of a tax credit under this section may be applied in later  
16 tax years, except that any unused tax credit or portion of a tax credit may not be  
17 carried forward for more than five tax years immediately following the tax year in  
18 which the qualified oil and gas service industry expenditures were incurred.

19 (c) An expenditure that is the basis of the credit under this section may not be  
20 the basis for

- 21 (1) a deduction against the tax levied under this chapter;  
22 (2) a credit or deduction under another provision of this title; or  
23 (3) any federal credit claimed under this title.

24 (d) Notwithstanding any contrary provision of AS 40.25.100(a) or  
25 AS 43.05.230(e), for a year that three or more taxpayers claim a tax credit under this  
26 section, the department may publish the aggregated amount of tax credits claimed  
27 under this section and a description of the qualified oil and gas service industry  
28 expenditures that were the basis for a tax credit under this section.

29 (e) In this section,

30 (1) "manufacture" means to perform substantial industrial operations in  
31 the state to transform raw material into tangible personal property with a useful life of

1 three years or more for use in the exploration for, development of, or production of oil  
2 or gas deposits;

3 (2) "modification" means an adjustment, equipping, or other alteration  
4 to existing tangible personal property that has a useful life of three years or more and  
5 is for use in the exploration for, development of, or production of oil or gas deposits;  
6 "modification" does not include minor product alterations or inventory activities;

7 (3) "qualified oil and gas service industry expenditure" means an  
8 expenditure directly attributable to an in-state manufacture or in-state modification of  
9 tangible personal property used in the exploration for, development of, or production  
10 of oil or gas deposits, but does not include components or equipment used for or in the  
11 process of that manufacturing or modification.

12 \* **Sec. 9.** AS 43.50.570 is amended to read:

13 **Sec. 43.50.570. Interest. Before January 1, 2014, a** [A] licensee who fails to  
14 pay an amount due for the purchase of stamps within the time required

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

17 (2) shall pay interest at the rate established under AS 43.05.225(a)  
18 [AS 43.05.225] from the date on which the amount became due until the date of  
19 payment.

20 \* **Sec. 10.** AS 43.50.570 is amended by adding a new subsection to read:

21 (b) On and after January 1, 2014, a licensee who fails to pay an amount due  
22 for the purchase of stamps within the time required

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

25 (2) shall pay interest at the rate established under AS 43.05.225(b)(1)  
26 from the date on which the amount became due until the date of payment.

27 \* **Sec. 11.** AS 43.55.011(e) is amended to read:

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