

**HOUSE CS FOR CS FOR SENATE BILL NO. 21(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE 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; relating to**  
3 **appropriations from taxes paid under the Alaska Net Income Tax Act; providing a tax**  
4 **credit against the corporation income tax for qualified oil and gas service industry**  
5 **expenditures; relating to the oil and gas production tax rate; relating to gas used in the**  
6 **state; relating to monthly installment payments of the oil and gas production tax;**  
7 **relating to oil and gas production tax credits for certain losses and expenditures;**  
8 **relating to oil and gas production tax credit certificates; relating to nontransferable tax**  
9 **credits based on production; relating to the oil and gas tax credit fund; relating to**  
10 **annual statements by producers and explorers; establishing an Oil and Gas**  
11 **Competitiveness Review Board; relating to the determination of annual oil and gas**  
12 **production tax value including adjustments based on a percentage of gross value at the**

1 point of production from certain leases or properties; and making conforming  
2 amendments."

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

4 \* **Section 1.** AS 29.60.850(b) is amended to read:

5 (b) Each fiscal year, the legislature may appropriate to the community revenue  
6 sharing fund [AN AMOUNT EQUAL TO 20 PERCENT OF THE] money received by  
7 the state during the previous calendar year under AS 43.20.030(c) [AS 43.55.011(g)].  
8 The amount may not exceed

9 (1) \$60,000,000; or

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

12 \* **Sec. 2.** AS 43.05.225 is amended to read:

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

14 (1) when a tax levied in this title becomes delinquent,

15 (A) before January 1, 2014, it bears interest in a calendar  
16 quarter at the rate of five percentage points above the annual rate charged  
17 member banks for advances by the 12th Federal Reserve District as of the first  
18 day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
19 greater, compounded quarterly as of the last day of that quarter; **or**

20 (B) on and after January 1, 2014, it bears interest in a  
21 calendar quarter at the rate of three percentage points above the annual  
22 rate charged member banks for advances by the 12th Federal Reserve  
23 District as of the first day of that calendar quarter, or at the annual rate of  
24 11 percent, whichever is greater, compounded quarterly as of the last day  
25 of that quarter;

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

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

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

30 \* **Sec. 3.** AS 43.20 is amended by adding a new section to read:

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

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

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

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

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

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

24          (e) In this section,

25                   (1) "manufacture" means to perform substantial industrial operations in  
26                   the state to transform raw material into tangible personal property with a useful life of  
27                   three years or more for use in the exploration for, development of, or production of oil  
28                   or gas deposits;

29                   (2) "modification" means an adjustment, equipping, or other alteration  
30                   to existing tangible personal property that has a useful life of three years or more and  
31                   is for use in the exploration for, development of, or production of oil or gas deposits;

1 "modification" does not include minor product alterations or inventory activities;

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

7 \* **Sec. 4.** AS 43.55.011(e) is amended to read:

8 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
9 produced each calendar year from each lease or property in the state, less any oil and  
10 gas the ownership or right to which is exempt from taxation or constitutes a  
11 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
12 (p) of this section, [THE TAX IS EQUAL TO]

13 (1) **before January 1, 2014, the tax is equal to** the sum of

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

16 (B) [(2)] the sum, over all months of the calendar year, of the  
17 tax amounts determined under (g) of this section;

18 (2) **on and after January 1, 2014, the tax is equal to the annual**  
19 **production tax value of the taxable oil and gas as calculated under**  
20 **AS 43.55.160(a)(1) multiplied by 35 percent.**

21 \* **Sec. 5.** AS 43.55.011(g) is amended to read:

22 (g) For each month of **a** [THE] calendar year **before 2014** for which the  
23 producer's average monthly production tax value under AS 43.55.160(a)(2) **of a** [PER]  
24 BTU equivalent barrel of the taxable oil and gas is more than \$30, the amount of tax  
25 for purposes of **(e)(1)(B)** [(e)(2)] of this section is determined by multiplying the  
26 monthly production tax value of the taxable oil and gas produced during the month by  
27 the tax rate calculated as follows:

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

1 equivalent barrel and \$30; or

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

8 \* **Sec. 6.** AS 43.55.011(i) is amended to read:

9 (i) There is levied on the producer of oil or gas a tax for all oil and gas  
10 produced each calendar year from each lease or property in the state the ownership or  
11 right to which constitutes a landowner's royalty interest, except for oil and gas the  
12 ownership or right to which is exempt from taxation. The provisions of this subsection  
13 apply to a landowner's royalty interest as follows:

14 (1) the tax levied for oil is equal to five percent of the gross value at  
15 the point of production of the oil;

16 (2) the tax levied for gas is equal to 1.667 percent of the gross value at  
17 the point of production of the gas;

18 (3) if the department determines that, for purposes of reducing the  
19 producer's tax liability under (1) or (2) of this subsection, the producer has received or  
20 will receive consideration from the royalty owner offsetting all or a part of the  
21 producer's royalty obligation, other than a deduction under **AS 43.55.020 related to a**  
22 **settlement with a royalty owner** [AS 43.55.020(d)] of the amount of a tax paid, then,  
23 notwithstanding (1) and (2) of this subsection, the tax is equal to 25 percent of the  
24 gross value at the point of production of the oil and gas.

25 \* **Sec. 7.** AS 43.55.011(o) is amended to read:

26 (o) Notwithstanding other provisions of this section, for a calendar year before  
27 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
28 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
29 in the state, **other than gas subject to (p) of this section,** may not exceed the amount  
30 of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section.

31 \* **Sec. 8.** AS 43.55.020(a) is amended to read:

1 (a) For a calendar year, a producer subject to tax under **AS 43.55.011**  
2 [AS 43.55.011(e) - (i) OR (p)] shall pay the tax as follows:

3 (1) **before January 1, 2014**, an installment payment of the estimated  
4 tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due  
5 for each month of the calendar year on the last day of the following month; except as  
6 otherwise provided under (2) of this subsection, the amount of the installment payment  
7 is the sum of the following amounts, less 1/12 of the tax credits that are allowed by  
8 law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but  
9 the amount of the installment payment may not be less than zero:

10 (A) for oil and gas **not subject to AS 43.55.011(o) or (p)**  
11 produced from leases or properties in the state outside the Cook Inlet  
12 sedimentary basin [BUT NOT SUBJECT TO AS 43.55.011(o) OR (p)], other  
13 than leases or properties subject to AS 43.55.011(f), the greater of

14 (i) zero; or

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

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

25 (i) zero;

26 (ii) zero percent, one percent, two percent, three  
27 percent, or four percent, as applicable, of the gross value at the point of  
28 production of the oil and gas produced from **the** [ALL] leases or  
29 properties during the month for which the installment payment is  
30 calculated; or

31 (iii) the sum of 25 percent and the tax rate calculated for

1 the month under AS 43.55.011(g) multiplied by the remainder obtained  
2 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
3 calendar year of production under AS 43.55.165 and 43.55.170 that are  
4 deductible for **the oil and gas** [THOSE LEASES OR PROPERTIES]  
5 under AS 43.55.160 from the gross value at the point of production of  
6 the oil and gas produced from those leases or properties during the  
7 month for which the installment payment is calculated;

8 (C) for oil **or** [AND] gas [PRODUCED FROM EACH LEASE  
9 OR PROPERTY] subject to AS 43.55.011(j), (k), **or** (o) [, OR (p)], **for each**  
10 **lease or property**, the greater of

11 (i) zero; or

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

21 **(D) for oil and gas subject to AS 43.55.011(p), the lesser of**

22 **(i) the sum of 25 percent and the tax rate calculated**  
23 **for the month under AS 43.55.011(g) multiplied by the remainder**  
24 **obtained by subtracting 1/12 of the producer's adjusted lease**  
25 **expenditures for the calendar year of production under**  
26 **AS 43.55.165 and 43.55.170 that are deductible for the oil and gas**  
27 **under AS 43.55.160 from the gross value at the point of production**  
28 **of the oil and gas produced from the leases or properties during the**  
29 **month for which the installment payment is calculated, but not less**  
30 **than zero; or**

31 **(ii) four percent of the gross value at the point of**

**production of the oil and gas produced from the leases or properties during the month, but not less than zero;**

(2) an amount calculated under (1)(C) of this subsection for oil or gas  
[PRODUCED FROM A LEASE OR PROPERTY

(A)] 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;

[(B) SUBJECT TO AS 43.55.011(p) MAY NOT EXCEED FOUR PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS;]

(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** [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



1 the calendar year of production;

2 (5) on and after January 1, 2014, an installment payment of the  
3 estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed  
4 by law, is due for each month of the calendar year on the last day of the following  
5 month; except as otherwise provided under (6) of this subsection, the amount of  
6 the installment payment is the sum of the following amounts, less 1/12 of the tax  
7 credits that are allowed by law to be applied against the tax levied by  
8 AS 43.55.011(e) for the calendar year, but the amount of the installment payment  
9 may not be less than zero;

10 (A) for oil and gas not subject to AS 43.55.011(o) or (p)  
11 produced from leases or properties in the state outside the Cook Inlet  
12 sedimentary basin, other than leases or properties subject to  
13 AS 43.55.011(f), the greater of

14 (i) zero; or

15 (ii) 35 percent multiplied by the remainder obtained  
16 by subtracting 1/12 of the producer's adjusted lease expenditures  
17 for the calendar year of production under AS 43.55.165 and  
18 43.55.170 that are deductible for the oil and gas under  
19 AS 43.55.160 from the gross value at the point of production of the  
20 oil and gas produced from the leases or properties during the  
21 month for which the installment payment is calculated;

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

24 (i) zero;

25 (ii) zero percent, one percent, two percent, three  
26 percent, or four percent, as applicable, of the gross value at the  
27 point of production of the oil and gas produced from the leases or  
28 properties during the month for which the installment payment is  
29 calculated; or

30 (iii) 35 percent multiplied by the remainder obtained  
31 by subtracting 1/12 of the producer's adjusted lease expenditures

1 for the calendar year of production under AS 43.55.165 and  
2 43.55.170 that are deductible for the oil and gas under  
3 AS 43.55.160 from the gross value at the point of production of the  
4 oil and gas produced from those leases or properties during the  
5 month for which the installment payment is calculated, except that,  
6 for the purposes of this calculation, a reduction from the gross  
7 value at the point of production may apply for oil and gas subject  
8 to AS 43.55.160(f) or (g);

9 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for  
10 each lease or property, the greater of

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained  
13 by subtracting 1/12 of the producer's adjusted lease expenditures  
14 for the calendar year of production under AS 43.55.165 and  
15 43.55.170 that are deductible under AS 43.55.160 for the oil or gas,  
16 respectively, produced from the lease or property from the gross  
17 value at the point of production of the oil or gas, respectively,  
18 produced from the lease or property during the month for which  
19 the installment payment is calculated;

20 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

21 (i) 35 percent multiplied by the remainder obtained  
22 by subtracting 1/12 of the producer's adjusted lease expenditures  
23 for the calendar year of production under AS 43.55.165 and  
24 43.55.170 that are deductible for the oil and gas under  
25 AS 43.55.160 from the gross value at the point of production of the  
26 oil and gas produced from the leases or properties during the  
27 month for which the installment payment is calculated, but not less  
28 than zero; or

29 (ii) four percent of the gross value at the point of  
30 production of the oil and gas produced from the leases or  
31 properties during the month, but not less than zero;

1                   **(6) an amount calculated under (5)(C) of this subsection for oil or**  
2                   **gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by**  
3                   **carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as**  
4                   **applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil,**  
5                   **but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable,**  
6                   **the amount of taxable gas produced during the month for the amount of taxable**  
7                   **gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A)**  
8                   **or (2)(A), as applicable, the amount of taxable oil produced during the month for**  
9                   **the amount of taxable oil produced during the calendar year.**

10 \* **Sec. 9.** AS 43.55.020(d) is amended to read:

11                   (d) **Before January 1, 2014, in** [IN] making settlement with the royalty owner  
12                   for oil and gas that is taxable under AS 43.55.011, the producer may deduct the  
13                   amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil  
14                   or gas equivalent in value at the time the tax becomes due to the amount of the tax  
15                   paid. If the total deductions of installment payments of estimated tax for a calendar  
16                   year exceed the actual tax for that calendar year, the producer shall, before April 1 of  
17                   the following year, refund the excess to the royalty owner. Unless otherwise agreed  
18                   between the producer and the royalty owner, the amount of the tax paid under  
19                   AS 43.55.011(e) - (g) on taxable royalty oil and gas for a calendar year, other than oil  
20                   and gas the ownership or right to which constitutes a landowner's royalty interest, is  
21                   considered to be the gross value at the point of production of the taxable royalty oil  
22                   and gas produced during the calendar year multiplied by a figure that is a quotient, in  
23                   which

24                                   (1) the numerator is the producer's total tax liability under  
25                                   AS 43.55.011(e) - (g) for the calendar year of production; and

26                                   (2) the denominator is the total gross value at the point of production  
27                                   of the oil and gas taxable under AS 43.55.011(e) - (g) produced by the producer from  
28                                   all leases and properties in the state during the calendar year.

29 \* **Sec. 10.** AS 43.55.020(g) is amended to read:

30                   (g) Notwithstanding any contrary provision of AS 43.05.225,

31                                   **(1) before January 1, 2014,** an unpaid amount of an installment

1 payment required under (a)(1) - (3) of this section that is not paid when due bears  
 2 interest **(A)** [(1)] at the rate provided for an underpayment under 26 U.S.C. 6621  
 3 (Internal Revenue Code), as amended, compounded daily, from the date the  
 4 installment payment is due until March 31 following the calendar year of production,  
 5 and **(B)** [(2)] as provided for a delinquent tax under AS 43.05.225 after that March 31;  
 6 **interest** [. INTEREST] accrued under **(A)** [(1)] of this **paragraph** [SUBSECTION]  
 7 that remains unpaid after that March 31 is treated as an addition to tax that bears  
 8 interest under **(B)** [(2)] of this **paragraph; an** [SUBSECTION. AN] unpaid amount of  
 9 tax due under (a)(4) of this section that is not paid when due bears interest as provided  
 10 for a delinquent tax under AS 43.05.225;

11 **(2) on and after January 1, 2014, an unpaid amount of an**  
 12 **installment payment required under (a)(3), (5), or (6) of this section that is not**  
 13 **paid when due bears interest (A) at the rate provided for an underpayment**  
 14 **under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily,**  
 15 **from the date the installment payment is due until March 31 following the**  
 16 **calendar year of production, and (B) as provided for a delinquent tax under**  
 17 **AS 43.05.225 after that March 31; interest accrued under (A) of this paragraph**  
 18 **that remains unpaid after that March 31 is treated as an addition to tax that**  
 19 **bears interest under (B) of this paragraph; an unpaid amount of tax due under**  
 20 **(a)(4) of this section that is not paid when due bears interest as provided for a**  
 21 **delinquent tax under AS 43.05.225.**

22 \* **Sec. 11.** AS 43.55.020(h) is amended to read:

23 (h) Notwithstanding any contrary provision of AS 43.05.280,

24 (1) an overpayment of an installment payment required under (a)(1) -  
 25 (3), **(5) or (6)** of this section bears interest at the rate provided for an overpayment  
 26 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from  
 27 the later of the date the installment payment is due or the date the overpayment is  
 28 made, until the earlier of

29 (A) the date it is refunded or is applied to an underpayment; or

30 (B) March 31 following the calendar year of production;

31 (2) except as provided under (1) of this subsection, interest with

1 respect to an overpayment is allowed only on any net overpayment of the payments  
2 required under (a) of this section that remains after the later of March 31 following the  
3 calendar year of production or the date that the statement required under  
4 AS 43.55.030(a) is filed;

5 (3) interest is allowed under (2) of this subsection only from a date that  
6 is 90 days after the later of March 31 following the calendar year of production or the  
7 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed  
8 if the overpayment was refunded within the 90-day period;

9 (4) interest under (2) and (3) of this subsection is paid at the rate and in  
10 the manner provided in AS 43.05.225(1).

11 \* **Sec. 12.** AS 43.55.020 is amended by adding a new subsection to read:

12 (l) On and after January 1, 2014, in making settlement with the royalty owner  
13 for oil and gas that is taxable under AS 43.55.011, the producer may deduct the  
14 amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil  
15 or gas equivalent in value at the time the tax becomes due to the amount of the tax  
16 paid. If the total deductions of installment payments of estimated tax for a calendar  
17 year exceed the actual tax for that calendar year, the producer shall, before April 1 of  
18 the following year, refund the excess to the royalty owner. Unless otherwise agreed  
19 between the producer and the royalty owner, the amount of the tax paid under  
20 AS 43.55.011(e) on taxable royalty oil and gas for a calendar year, other than oil and  
21 gas the ownership or right to which constitutes a landowner's royalty interest, is  
22 considered to be the gross value at the point of production of the taxable royalty oil  
23 and gas produced during the calendar year multiplied by a figure that is a quotient, in  
24 which

25 (1) the numerator is the producer's total tax liability under  
26 AS 43.55.011(e) for the calendar year of production; and

27 (2) the denominator is the total gross value at the point of production  
28 of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all  
29 leases and properties in the state during the calendar year.

30 \* **Sec. 13.** AS 43.55.023(a) is amended to read:

31 (a) A producer or explorer may take a tax credit for a qualified capital

1 expenditure as follows:

2 (1) notwithstanding that a qualified capital expenditure may be a  
3 deductible lease expenditure for purposes of calculating the production tax value of oil  
4 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
5 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
6 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
7 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
8 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY  
9 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

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

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

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

17 **(3) a credit for a qualified capital expenditure incurred to explore**  
18 **for, develop, or produce oil or gas deposits located north of 68 degrees North**  
19 **latitude may be taken only if the expenditure is incurred before January 1, 2014.**

20 \* **Sec. 14.** AS 43.55.023(b) is amended to read:

21 (b) **Before January 1, 2014, a** [A] producer or explorer may elect to take a  
22 tax credit in the amount of 25 percent of a carried-forward annual loss. **For lease**  
23 **expenditures incurred on and after January 1, 2014, and before January 1, 2016,**  
24 **to explore for, develop, or produce oil or gas deposits located north of 68 degrees**  
25 **North latitude, a producer or explorer may elect to take a tax credit in the**  
26 **amount of 45 percent of a carried-forward annual loss. For lease expenditures**  
27 **incurred on and after January 1, 2016, to explore for, develop, or produce oil or**  
28 **gas deposits located north of 68 degrees North latitude, a producer or explorer**  
29 **may elect to take a tax credit in the amount of 35 percent of a carried-forward**  
30 **annual loss. For lease expenditures incurred on or after January 1, 2014, to**  
31 **explore for, develop, or produce oil or gas deposits located south of 68 degrees**

1 **North latitude, a producer or explorer may elect to take a tax credit in the**  
2 **amount of 25 percent of a carried-forward annual loss.** A credit under this  
3 subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of  
4 this subsection, a carried-forward annual loss is the amount of a producer's or  
5 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a  
6 previous calendar year that was not deductible in calculating production tax values for  
7 that calendar year under AS 43.55.160.

8 \* **Sec. 15.** AS 43.55.023(d) is amended to read:

9 (d) **A** [EXCEPT AS LIMITED BY (i) OF THIS SECTION, A] person that is  
10 entitled to take a tax credit under this section that wishes to transfer the unused credit  
11 to another person or obtain a cash payment under AS 43.55.028 may apply to the  
12 department for **a** transferable tax credit **certificate** [CERTIFICATES]. An application  
13 under this subsection must be in a form prescribed by the department and must include  
14 supporting information and documentation that the department reasonably requires.  
15 The department shall grant or deny an application, or grant an application as to a lesser  
16 amount than that claimed and deny it as to the excess, not later than 120 days after the  
17 latest of (1) March 31 of the year following the calendar year in which the qualified  
18 capital expenditure or carried-forward annual loss for which the credit is claimed was  
19 incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for  
20 the calendar year in which the qualified capital expenditure or carried-forward annual  
21 loss for which the credit is claimed was incurred; or (3) the date the application was  
22 received by the department. If, based on the information then available to it, the  
23 department is reasonably satisfied that the applicant is entitled to a credit, the  
24 department shall issue the applicant **a** [TWO] transferable tax credit **certificate for**  
25 [CERTIFICATES, EACH FOR HALF OF] the amount of the credit. [THE CREDIT  
26 SHOWN ON ONE OF THE TWO CERTIFICATES IS AVAILABLE FOR  
27 IMMEDIATE USE. THE CREDIT SHOWN ON THE SECOND OF THE TWO  
28 CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR  
29 YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE  
30 CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE  
31 CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT

1 EFFECT.] A certificate issued under this subsection does not expire.

2 \* **Sec. 16.** AS 43.55.023(g) is amended to read:

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

16 \* **Sec. 17.** AS 43.55.023(n) is amended to read:

17 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure  
18 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

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

28 (2) an expense for seismic work conducted within the boundaries of a  
29 production or exploration unit.

30 \* **Sec. 18.** AS 43.55.023 is amended by adding a new subsection to read:

31 (p) Before January 1, 2014, the provisions of (d) of this section may be limited



1 by (i) of this section.

2 \* **Sec. 19.** AS 43.55.024(e) is amended to read:

3 (e) On written application by a producer that includes any information the  
4 department may require, the department shall determine whether the producer  
5 qualifies for a calendar year under **(a) and (c) of** this section. To qualify under **(a) and**  
6 **(c) of** this section, a producer must demonstrate that its operation in the state or its  
7 ownership of an interest in a lease or property in the state as a distinct producer would  
8 not result in the division among multiple producer entities of any production tax  
9 liability under AS 43.55.011(e) that reasonably would be expected to be attributed to a  
10 single producer if the tax credit provisions of (a) or (c) of this section did not exist.

11 \* **Sec. 20.** AS 43.55.024 is amended by adding new subsections to read:

12 (i) A producer may apply against the producer's tax liability for the calendar  
13 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under  
14 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and  
15 that is produced during a calendar year after December 31, 2013. A tax credit  
16 authorized by this subsection may not reduce a producer's tax liability for a calendar  
17 year under AS 43.55.011(e) below zero.

18 (j) A producer may apply against the producer's tax liability for the calendar  
19 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for  
20 each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria  
21 in AS 43.55.160(f) or (g) and that is produced during a calendar year after  
22 December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax  
23 credit under this subsection may not reduce a producer's tax liability for a calendar  
24 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The  
25 amount of the tax credit for a barrel of taxable oil subject to this subsection produced  
26 during a month of the calendar year is

27 (1) \$8 for each barrel of taxable oil if the average gross value at the  
28 point of production for the month is less than \$80 a barrel;

29 (2) \$7 for each barrel of taxable oil if the average gross value at the  
30 point of production for the month is greater than or equal to \$80 a barrel, but less than  
31 \$90 a barrel;

1 (3) \$6 for each barrel of taxable oil if the average gross value at the  
2 point of production for the month is greater than or equal to \$90 a barrel, but less than  
3 \$100 a barrel;

4 (4) \$5 for each barrel of taxable oil if the average gross value at the  
5 point of production for the month is greater than or equal to \$100 a barrel, but less  
6 than \$110 a barrel;

7 (5) \$4 for each barrel of taxable oil if the average gross value at the  
8 point of production for the month is greater than or equal to \$110 a barrel, but less  
9 than \$120 a barrel;

10 (6) \$3 for each barrel of taxable oil if the average gross value at the  
11 point of production for the month is greater than or equal to \$120 a barrel, but less  
12 than \$130 a barrel;

13 (7) \$2 for each barrel of taxable oil if the average gross value at the  
14 point of production for the month is greater than or equal to \$130 a barrel, but less  
15 than \$140 a barrel;

16 (8) \$1 for each barrel of taxable oil if the average gross value at the  
17 point of production for the month is greater than or equal to \$140 a barrel, but less  
18 than \$150 a barrel;

19 (9) zero if the average gross value at the point of production for the  
20 month is greater than or equal to \$150 a barrel.

21 \* **Sec. 21.** AS 43.55.025(a) is amended to read:

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

25 (1) 30 percent of the total exploration expenditures that qualify only  
26 under (b) and (c) of this section;

27 (2) 30 percent of the total exploration expenditures that qualify only  
28 under (b) and (d) of this section;

29 (3) 40 percent of the total exploration expenditures that qualify under  
30 (b), (c), and (d) of this section;

31 (4) 40 percent of the total exploration expenditures that qualify only

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

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

6 (6) the lesser of \$25,000,000 or 80 percent of the total exploration  
7 drilling expenditures described in (m) of this section and that qualify under (b) and  
8 **(c)(1), (c)(2)(A), and (c)(2)(C)** [(c)] of this section; or

9 (7) the lesser of \$7,500,000 or 75 percent of the total seismic  
10 exploration expenditures described in (n) of this section and that qualify under (b) of  
11 this section.

12 \* **Sec. 22.** AS 43.55.025(m) is amended to read:

13 (m) The persons that drill the first four exploration wells in the state and  
14 within the areas described in (o) of this section on state lands, private lands, or federal  
15 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a  
16 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)  
17 of this section. A credit under this subsection may not be taken for more than two  
18 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration  
19 expenditures eligible for the credit in this subsection must be incurred for work  
20 performed after June 1, 2012, and before July 1, 2016. A person planning to drill an  
21 exploration well on private land and to apply for a credit under this subsection shall  
22 obtain written consent from the owner of the oil and gas interest for the full public  
23 release of all well data after the expiration of the confidentiality period applicable to  
24 information collected under (f) of this section. The written consent of the owner of the  
25 oil and gas interest must be submitted to the commissioner of natural resources before  
26 approval of the proposed exploration well. In addition to the requirements in **(c)(1),**  
27 **(c)(2)(A), and (c)(2)(C)** [(c)] of this section and submission of the written consent of  
28 the owner of the oil and gas interest, a person planning to drill an exploration well  
29 shall obtain approval from the commissioner of natural resources before the well is  
30 spudded. The commissioner of natural resources shall make a written determination  
31 approving or rejecting an exploration well within 60 days after receiving the request

1 for approval or as soon as is practicable thereafter. Before approving the exploration  
2 well, the commissioner of natural resources shall consider the following: the location  
3 of the well; the proximity to a community in need of a local energy source; the  
4 proximity of existing infrastructure; the experience and safety record of the explorer in  
5 conducting operations in remote or roadless areas; the projected cost schedule;  
6 whether seismic mapping and seismic data sufficiently identify a particular trap for  
7 exploration; whether the targeted and planned depth and range are designed to  
8 penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and  
9 reach the level below which economic hydrocarbon reservoirs are likely to be found,  
10 or reach 12,000 feet or more true vertical depth; and whether the exploration plan  
11 provides for a full evaluation of the wellbore below surface casing to the depth of the  
12 well. Whether the exploration well for which a credit is requested under this  
13 subsection is located within an area and a basin described under (o) of this section  
14 shall be determined by the commissioner of natural resources and reported to the  
15 commissioner. A taxpayer that obtains a credit under this subsection may not claim a  
16 tax credit under AS 43.55.023 or another provision in this section for the same  
17 exploration expenditure.

18 \* **Sec. 23.** AS 43.55.028(e) is amended to read:

19 (e) The department, on the written application of a person to whom a  
20 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**  
21 **AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued  
22 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
23 purchase, in whole or in part, the certificate if the department finds that

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

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

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

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

4 (5) the purchase is consistent with this section and regulations adopted  
5 under this section.

6 \* **Sec. 24.** 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 and payments  
10 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
11 purchase and claims for refund exceed the amount of available money in the fund. The  
12 regulations adopted by the department may not, when allocating available money in  
13 the fund under this section, distinguish an application for the purchase of a credit  
14 certificate issued under **former** AS 43.55.023(m) or a claim for a refund or payment  
15 under AS 43.20.046 or 43.20.047.

16 \* **Sec. 25.** AS 43.55.030(e) is amended to read:

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

23 (1) the **explorer's or** producer's qualified capital expenditures, as  
24 defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
25 adjustments or other payments or credits under AS 43.55.170; and

26 (2) if the explorer or producer receives a payment or credit under  
27 AS 43.55.170, calculations showing whether the explorer or producer is liable for a  
28 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount.

29 \* **Sec. 26.** AS 43.55.160(a) is amended to read:

30 (a) Except as provided in (b), **(f), and (g)** of this section, for the purposes of

31 (1) AS 43.55.011(e), the annual production tax value of [THE] taxable

1 oil, gas, or oil and gas [SUBJECT TO THIS PARAGRAPH] produced during a  
2 calendar year **in a category for which a separate annual production tax value is**  
3 **required to be calculated under this paragraph** is the gross value at the point of  
4 production of **that** [THE] oil, gas, or oil and gas taxable under AS 43.55.011(e), less  
5 the producer's lease expenditures under AS 43.55.165 **attributable to that category**  
6 **and to that** [FOR THE CALENDAR YEAR APPLICABLE TO THE] oil, gas, or oil  
7 and gas [, AS APPLICABLE,] produced by the producer **for the calendar year**  
8 [FROM LEASES OR PROPERTIES], as adjusted under AS 43.55.170; **a separate**  
9 **annual production tax value must be calculated for** [THIS PARAGRAPH  
10 APPLIES TO]

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

14 (B) oil and gas produced from leases or properties in the state  
15 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
16 degrees North latitude **and that qualifies for a tax credit under**  
17 **AS 43.55.024(a) and (b)**; this subparagraph does not apply to [GAS]

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

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

20 (C) oil produced before 2022 from **each** [A] lease or property  
21 in the Cook Inlet sedimentary basin;

22 (D) gas produced before 2022 from **each** [A] lease or property  
23 in the Cook Inlet sedimentary basin;

24 (E) gas produced before 2022 from **each** [A] lease or property  
25 in the state outside the Cook Inlet sedimentary basin and used in the state,  
26 **other than gas subject to AS 43.55.011(p)**;

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

29 (G) oil and gas produced from **leases or properties in the**  
30 **state** [A LEASE OR PROPERTY] no part of which is north of 68 degrees  
31 North latitude, other than oil or gas described in (B), (C), (D), (E), or (F) of

1 this paragraph;

2 (2) AS 43.55.011(g), **for oil and gas produced before January 1,**  
3 **2014,** the monthly production tax value of the taxable

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

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

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

27 (D) gas produced during a month from a lease or property in  
28 the Cook Inlet sedimentary basin is the gross value at the point of production  
29 of the gas taxable under AS 43.55.011(e) and produced by the producer from  
30 that lease or property, less 1/12 of the producer's lease expenditures under  
31 AS 43.55.165 for the calendar year applicable to the gas produced by the

1 producer from that lease or property, as adjusted under AS 43.55.170;

2 (E) gas produced during a month from a lease or property  
3 outside the Cook Inlet sedimentary basin and used in the state is the gross  
4 value at the point of production of that gas taxable under AS 43.55.011(e) and  
5 produced by the producer from that lease or property, less 1/12 of the  
6 producer's lease expenditures under AS 43.55.165 for the calendar year  
7 applicable to that gas produced by the producer from that lease or property, as  
8 adjusted under AS 43.55.170.

9 \* **Sec. 27.** AS 43.55.160 is amended by adding new subsections to read:

10 (f) On and after January 1, 2014, in the calculation of an annual production tax  
11 value of a producer under (a)(1) of this section, the gross value at the point of  
12 production of oil or gas produced from a lease or property north of 68 degrees North  
13 latitude meeting one or more of the following criteria is reduced by 20 percent: (1) the  
14 oil or gas is produced from a lease or property that does not contain a lease that was  
15 within a unit on January 1, 2003; (2) the oil or gas is produced from a participating  
16 area established after December 31, 2011, that is within a unit formed under  
17 AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a  
18 reservoir that had previously been in a participating area established before  
19 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an  
20 existing participating area by the Department of Natural Resources on and after  
21 January 1, 2014, and the producer demonstrates to the department that the volume of  
22 oil or gas produced is from acreage added to an existing participating area. This  
23 subsection does not apply to gas produced before 2022 that is used in the state. A  
24 reduction under this subsection may not reduce the gross value at the point of  
25 production below zero. In this subsection, "participating area" means a reservoir or  
26 portion of a reservoir producing or contributing to production as approved by the  
27 Department of Natural Resources.

28 (g) On and after January 1, 2014, in addition to the reduction under (f) of this  
29 section, in the calculation of an annual production tax value of a producer under (a)(1)  
30 of this section, the gross value at the point of production of oil or gas produced from a  
31 lease or property that does not contain a lease that was within a unit on January 1,



1 2003, is reduced by 10 percent if the oil or gas is produced from a unit made up solely  
2 of leases that have a royalty share of more than 12.5 percent in amount or value of the  
3 production removed or sold from the lease as determined under AS 38.05.180(f). This  
4 subsection does not apply if the royalty obligation for one or more of the leases in the  
5 unit has been reduced to 12.5 percent or less under AS 38.05.180(j) for all or part of  
6 the calendar year for which the annual production tax is calculated. This subsection  
7 does not apply to gas produced before 2022 that is used in the state. A reduction under  
8 this subsection may not reduce the gross value at the point of production below zero.

9 \* **Sec. 28.** AS 43.55.180(b) is amended to read:

10 (b) The department shall prepare a report on or before the first day of the **2016**  
11 [2011] regular session of the legislature on the results of the study made under (a) of  
12 this section, including recommendations as to whether any changes should be made to  
13 this chapter. The department shall notify the legislature that the report prepared under  
14 this subsection is available.

15 \* **Sec. 29.** AS 43.56.160 is amended to read:

16 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
17 becomes delinquent, a penalty of 10 percent shall be added. **Before January 1, 2014,**  
18 **interest** [INTEREST] on the delinquent taxes, exclusive of penalty, shall be assessed  
19 at a rate of eight percent a year. **On and after January 1, 2014, interest on the**  
20 **delinquent taxes, exclusive of penalty, shall be assessed at the rate specified in**  
21 **AS 43.05.225.**

22 \* **Sec. 30.** AS 43.98 is amended by adding new sections to read:

23 **Article 2. Oil and Gas Competitiveness Review Board.**

24 **Sec. 43.98.040. Oil and Gas Competitiveness Review Board.** (a) The Oil and  
25 Gas Competitiveness Review Board is established in the department.

26 (b) The board shall consist of nine members as follows:

27 (1) two members nominated by the two leading nonprofit trade  
28 associations representing the oil and gas industry in the state and appointed by the  
29 governor, with one member nominated by each association;

30 (2) the chair of the Alaska Oil and Gas Conservation Commission or  
31 the chair's designee;

1 (3) three members of the public appointed by the governor, including  
2 one member who is a petroleum engineer, one member who is a geologist, and one  
3 member who is a financial analyst;

4 (4) the commissioner of environmental conservation or the  
5 commissioner's designee;

6 (5) the commissioner of natural resources or the commissioner's  
7 designee; and

8 (6) the commissioner of revenue or the commissioner's designee.

9 (c) The governor shall, every two years, designate one of the members as  
10 chair.

11 (d) Members of the board appointed under (b)(1) and (3) of this section serve  
12 for four years. An individual who has served on the board may be reappointed.

13 (e) A vacancy on the board shall be filled in the manner of the original  
14 appointment.

15 (f) A member of the board may be removed and replaced at the discretion of  
16 the governor.

17 (g) The members of the board appointed under (b)(1) and (3) of this section  
18 serve without compensation but shall receive per diem and travel expenses authorized  
19 for boards and commissions under AS 39.20.180.

20 (h) The board may enter into contracts for professional services. The  
21 department shall provide staff for administrative support for the board.

22 (i) The board may not meet more than once in a calendar year.

23 **Sec. 43.98.050. Duties.** The duties of the board include the following:

24 (1) establish and maintain a salient collection of information related to  
25 oil and gas exploration, development, and production in the state and related to tax  
26 structures, rates, and credits in other regions with oil and gas resources;

27 (2) review historical, current, and potential levels of investment in the  
28 state's oil and gas sector;

29 (3) identify factors that affect investment in oil and gas exploration,  
30 development, and production in the state, including tax structure, rates, and credits;  
31 royalty requirements; infrastructure; workforce availability; and regulatory

1 requirements;

2 (4) review the competitive position of the state to attract and maintain  
3 investment in the oil and gas sector in the state as compared to the competitive  
4 position of other regions with oil and gas resources;

5 (5) in order to facilitate the work of the board, establish procedures to  
6 accept and keep confidential information that is beneficial to the work of the board,  
7 including the creation of a secure data room and confidentiality agreements to be  
8 signed by individuals having access to confidential information;

9 (6) make written findings and recommendations to the Alaska State  
10 Legislature before

11 (A) January 31, 2015, or as soon thereafter as practicable,  
12 regarding

13 (i) changes to the state's regulatory environment and  
14 permitting structure that would be conducive to encouraging increased  
15 investment while protecting the interests of the people of the state and  
16 the environment;

17 (ii) the status of the oil and gas industry labor pool in  
18 the state and the effectiveness of workforce development efforts by the  
19 state;

20 (iii) the status of the oil-and-gas-related infrastructure  
21 of the state, including a description of infrastructure deficiencies; and

22 (iv) the competitiveness of the state's fiscal oil and gas  
23 tax regime when compared to other regions of the world;

24 (B) January 31, 2021, or as soon thereafter as practicable,  
25 regarding

26 (i) changes to the state's fiscal regime that would be  
27 conducive to increased and ongoing long-term investment in and  
28 development of the state's oil and gas resources;

29 (ii) alternative means for increasing the state's ability to  
30 attract and maintain investment in and development of the state's oil  
31 and gas resources; and

1 (iii) a review of the current effectiveness and future  
2 value of any provisions of the state's oil and gas tax laws that are  
3 expiring in the next five years.

4 **Sec. 43.98.060. Information to be provided to board.** (a) The commissioner  
5 of natural resources, the commissioner of revenue, the commissioner of environmental  
6 conservation, and other commissioners and state agencies that have responsibility for  
7 and maintain information related to oil and gas investment and activity in the state  
8 shall, at the request of the board, provide information required by the board to carry  
9 out the duties described in AS 43.98.050.

10 (b) At the request of the board, and except for information that is confidential  
11 under AS 40.25.100(a) or AS 43.05.230 and information required to be held  
12 confidential by the Alaska Oil and Gas Conservation Commission, a commissioner  
13 may disclose to the board information that is otherwise confidential after each member  
14 of the board and each staff member for the board with access to the information signs  
15 a confidentiality agreement prepared by the commissioner making the disclosure.  
16 Information that is confidential under AS 43.05.230 may not be disclosed to the board.

17 **Sec. 43.98.070. Definition.** In AS 43.98.040 - 43.98.070, "board" means the  
18 Oil and Gas Competitiveness Review Board.

19 \* **Sec. 31.** AS 43.55.023(m) is repealed.

20 \* **Sec. 32.** AS 43.55.020(d), 43.55.023(i), and 43.55.023(p) are repealed January 1, 2014.

21 \* **Sec. 33.** AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed February 28,  
22 2021.

23 \* **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 **APPLICABILITY.** (a) Section 7 of this Act and AS 43.55.160(a)(1)(E), as amended  
26 by sec. 26 of this Act, apply to oil and gas produced after December 31, 2012.

27 (b) AS 43.55.023(a)(1), as amended by sec. 13 of this Act, and secs. 15 - 18 of this  
28 Act apply to expenditures incurred on and after January 1, 2013.

29 \* **Sec. 35.** The uncodified law of the State of Alaska is amending by adding a new section to  
30 read:

31 **TRANSITION: REGULATIONS.** The Department of Revenue may adopt regulations

1 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure  
2 Act), but not before the effective date of the respective provision of this Act.

3 \* **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 TRANSITION: OIL AND GAS COMPETITIVENESS REVIEW BOARD. The  
6 governor shall appoint the initial members of the Oil and Gas Competitiveness Review Board,  
7 established in sec. 30 of this Act, before November 1, 2014. The initial terms of the members  
8 of the board appointed under AS 43.98.040(b)(1) and (3) shall be four years.

9 \* **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 RETROACTIVITY. Sections 7, 15 - 18, 23, and 31 of this Act, AS 43.55.023(a)(1), as  
12 amended by sec. 13 of this Act, and AS 43.55.160(a)(1)(E), as amended by sec. 26 of this  
13 Act, are retroactive to January 1, 2013.