28-GS1647\L.3
Nauman/Bullock
4/11/13

AMENDMENT #1

OFFERED IN THE HOUSE BY REPRESENTATIVE THOMPSON

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 5, following line 30:

Insert a new bill section to read:

"* **Sec. 8.** AS 43.55.011(p) is amended to read:

(p) For the seven years immediately following the commencement of commercial production of oil or gas produced from leases or properties in the state that are outside the Cook Inlet sedimentary basin and that do not include land located north of 68 degrees North latitude, where that commercial production began after December 31, 2012, and before January 1, **2027** [2022], the levy of tax under (e) of this section for oil and gas may not exceed four percent of the gross value at the point of production."

Renumber the following bill sections accordingly.

Page 28, line 26:

Delete "sec. 26"

Insert "sec. 27"

Page 28, line 27:

Delete "sec. 13"

Insert "sec. 14"

Delete "secs. 15 - 18"

Insert "secs. 16 - 19"

Page 29, line 7:

Delete "Sec. 30"

Insert "Sec. 31"

Page 29, line 19:

Delete "15 - 18, 23, and 31"

Insert "16 - 19, 24, and 32"

Page 32, line 20:

Delete "sec. 13"

Insert "sec. 14"

Delete "sec. 26"

Insert "sec. 27"

Extends the sunset on 4% production tax cap for first 7 years of production for new fields in Middle Earth from 2022 to 2027.

Amendment 28-GS1647\L.3

When SB 23 passed there was a 2022 sunset on this provision. This 2022 date is convenient because a number of Cook Inlet tax treatments sunset then. However, a sunset in 2022 works at cross purposes with the objective of Middle Earth production and the hoped for attractiveness may now be illusory. Whether considering Yukon Flats, parts of Nenana, or the Kotzebue area basins, none of those and similar areas have much of a chance at getting into production before 2022, even with aggressive exploration, success and no setbacks. They are just too remote and expensive. A simple, flat rate tax cap as a measure was chosen to help attract new investment into these high cost and geologically risky areas which have no oil and gas infrastructure and no discoveries. A 5- year extension to 2027 will go a long way toward making this provision work as intended.

28-GS1647\L.1
Nauman/Bullock
4/11/13

AMENDMENT 2

OFFERED IN THE HOUSE BY REPRESENTATIVE EDGMON

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 17, line 18, through page 18, line 20:

Delete all material and insert:

"(j) For each month of the calendar year for which a producer's average monthly gross value at the point of production of a barrel of taxable oil and gas is less than $150, a producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for each barrel of taxable oil under AS 43.55.011(e) that does not meet any of the criteria in AS 43.55.160(f) and that is produced during a calendar year after December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax credit under this section may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below zero. The amount of the tax credit for a barrel of taxable oil subject to this subsection is

(1) if the producer's average monthly gross value at the point of production of a barrel of taxable oil and gas is less than or equal to $100, $5 for each barrel of taxable oil; or

(2) if the producer's average monthly gross value at the point of production of a barrel of taxable oil and gas is more than $100 and less than $150, $5 for each barrel of taxable oil, reduced by one-tenth of the difference between that average monthly gross value at the point of production of a barrel of oil and $100."

AMENDMENT #3

OFFERED IN THE HOUSE BY REPRESENTATIVE THOMPSON

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 19, following line 11:

Insert a new bill section to read:

"* **Sec. 22.** AS 43.55.025(b) is amended to read:

(b) To qualify for the production tax credit under **(a)(5), (6), or (7)** [(a)] of this section, an exploration expenditure must be incurred for work performed after June 30, 2008, and before July 1, 2016, **or, for work qualifying under (a)(1), (2), (3), or (4) of this section, for work performed in an area outside of the Cook Inlet sedimentary basin and south of 68 degrees North latitude, after June 30, 2008, and before January 1, 2022,** and

(1) may be for seismic or other geophysical exploration costs not connected with a specific well;

(2) if for an exploration well,

(A) must be incurred by an explorer that holds an interest in the exploration well for which the production tax credit is claimed;

(B) may be for either a well that encounters an oil or gas deposit or a dry hole;

(C) must be for a well that has been completed, suspended, or abandoned at the time the explorer claims the tax credit under (f) of this section; and

(D) must be for goods, services, or rentals of personal property reasonably required for the surface preparation, drilling, casing, cementing, and logging of an exploration well, and, in the case of a dry hole, for the expenses required for abandonment if the well is abandoned within 18 months

28-GS1647\L.6
Nauman/Bullock
4/11/13

AMENDMENT # 4

OFFERED IN THE HOUSE BY REPRESENTATIVE TAMMIE WILSON

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 25, lines 27 - 29:

Delete "nominated by the two leading nonprofit trade associations representing the oil and gas industry in the state and appointed by the governor, with one member nominated by each association"

Insert "of the public appointed by the governor who do not represent the oil and gas industry" ~~in the state"~~

Page 26, line 22:

Delete "may not meet more than"

Insert "shall meet at least"

after the date the well was spudded;

(3) may not be for administration, supervision, engineering, or lease operating costs; geological or management costs; community relations or environmental costs; bonuses, taxes, or other payments to governments related to the well; costs, including repairs and replacements, arising from or associated with fraud, wilful misconduct, gross negligence, criminal negligence, or violation of law, including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or other costs that are generally recognized as indirect costs or financing costs; and

(4) may not be incurred for an exploration well or seismic exploration that is included in a plan of exploration or a plan of development for any unit before May 14, 2003."

Page 28, line 26:

Delete "sec. 26"

Insert "sec. 27"

Page 29, line 7:

Delete "sec. 30"

Insert "sec. 31"

Page 29, line 11:

Delete "23, and 31"

Insert "24, and 32"

Page 32, line 20:

Delete "sec. 26"

Insert "sec. 27"

Extends the 30% and 40% credits in AS 43.55.025(a)(1),(2),(3), or (4) set to expire in 2016 to 2022 for Middle Earth. The amendment leaves in place 2016 sunset for the 75% and 80% credits applicable only to Middle Earth.

Amendment 28-GS1647\L.2

AMENDMENT #5

Gara + Muñoz

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 24, line 11, following "section,":

Insert "for the first seven years immediately following the commencement of production subject to tax under AS 43.55.011(e),"

Page 24, line 30, following "section,":

Insert "for the first seven years immediately following the commencement of production subject to tax under AS 43.55.011(e),"

28-GS1647\L.29
Nauman/Bullock
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AMENDMENT #6 Gara & Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 4, line 18, following "**to**":

Insert "**the sum of**

(A)"

Page 4, line 20, following "**percent**":

Insert "**; and**

(B) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section"

Page 4, line 21, through page 5, line 7:

Delete all material and insert:

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

(g) **For purposes of (e) of this section, the tax amount is determined as follows:**

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

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

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

(2) on or after January 1, 2014, for each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more than $60, the difference between the monthly production tax value of a BTU equivalent barrel and $60 multiplied by the volume of oil and gas produced by the producer for the month multiplied by 10 percent."

Renumber the following bill sections accordingly.

Page 9, line 15, following "**(ii)**":

Insert "**the sum of the amount calculated for the month under AS 43.55.011(g) and**"

Page 9, line 30, following "**(iii)**":

Insert "**the sum of the amount calculated for the month under AS 43.55.011(g) and**"

Page 10, line 12, following "**(ii)**":

Insert "**the sum of the amount calculated for the month under AS 43.55.011(g) and**"

Page 10, line 21, following "**(i)**":

Insert "**<u>the sum of the amount calculated for the month under AS 43.55.011(g) and</u>**"

Page 11, lines 10 - 28:

Delete all material.

Renumber the following bill sections accordingly.

Page 13, lines 11 - 29:

Delete all material.

Renumber the following bill sections accordingly.

Page 28, line 20:

Delete "AS 43.55.020(d), 43.55.023(i), and 43.55.023(p)"

Insert "AS 43.55.023(i) and 43.55.023(p)"

Page 28, line 26:

Delete "sec. 26"

Insert "sec. 24"

Page 28, line 27:

Delete "sec. 13"

Insert "sec. 11"

Delete "secs. 15 - 18"

Insert "secs. 13 - 16"

Page 29, line 7:

Delete "sec. 30"

Insert "sec. 28"

Page 29, line 11:

Delete "15 - 18, 23, and 31"

Insert "13 - 16, 21, and 29"

Page 29, line 12:

Delete "sec. 13"

Insert "sec. 11"

Delete "sec. 26"

Insert "sec. 24"

8

AMENDMENT #7

OFFERED IN THE HOUSE
TO: HCS CSSB 21(FIN), Draft Version "L" Gara + Kawasaki

Page 24, line 13:

Delete "20"

Insert "15"

9

AMENDMENT #8

Gara + Kawasaki

OFFERED IN THE HOUSE
TO: HCS CSSB 21(RES)

Page 1, line 4:
Delete "**rate**"
Insert "**rates**"

Page 2, line 2:
Delete "**and**"

Page 2, line 3, following "**amendments**":
Insert "**; and providing for an effective date**"

Page 2, following line 16:
Insert a new bill section to read:
"* **Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

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

(1) $60,000,000; or

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

Renumber the following bill sections accordingly.

Page 6, following line 13:

Insert a new bill section to read:

"* **Sec. 13.** AS 43.55.011(e), as amended by sec. 12 of this Act, is repealed and reenacted to read:

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

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

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

Renumber the following bill sections accordingly.

Page 7, following line 5:

Insert new bill sections to read:

"* **Sec. 16.** AS 43.55.011(o), as amended by sec. 15 of this Act, is amended to read:

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

* **Sec. 17.** AS 43.55.011 is amended by adding a new subsection to read:

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

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

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

Renumber the following bill sections accordingly.

Page 12, following line 16:

Insert a new bill section to read:

"* **Sec. 19.** AS 43.55.020(a), as amended by sec. 18 of this Act, is repealed and reenacted to read:

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

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

(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(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 the calendar year of production."

Renumber the following bill sections accordingly.

Page 13, following line 4:

Insert a new bill section to read:

"* **Sec. 21.** AS 43.55.020(d), as amended by sec. 20 of this Act, is repealed and reenacted to read:

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

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

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

Renumber the following bill sections accordingly.

Page 15, following line 6:

Insert a new bill section to read:

"* **Sec. 25.** AS 43.55.023(a), as amended by sec. 24 of this Act, is amended to read:

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 15, following line 19:

Insert a new bill section to read:

"* **Sec. 27.** AS 43.55.023(b), as amended by sec. 26 of this Act, is amended to read:

(b) **<u>A</u>** [FOR LEASE EXPENDITURES INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED SOUTH OF 68

DEGREES NORTH LATITUDE, A] producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. [FOR LEASE EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE, A PRODUCER OR EXPLORER MAY ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 33 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS.] A credit under this subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year under AS 43.55.160."

Renumber the following bill sections accordingly.

Page 16, following line 13:

Insert a new bill section to read:

"* **Sec. 29.** AS 43.55.023(d), as amended by sec. 28 of this Act, is repealed and reenacted to read:

(d) A person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for transferable tax credit certificates. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of the following: March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant two transferable tax credit certificates, each for half of the amount of the credit. The credit shown on one of the two certificates is available for immediate use. The credit shown on the second of the two certificates may not be applied against a tax for a calendar year earlier than the calendar year following the calendar year in which the certificate is issued, and the certificate must contain a conspicuous statement to that effect. A certificate issued under this subsection does not expire."

Renumber the following bill sections accordingly.

Page 16, following line 29:

Insert a new bill section to read:

"* **Sec. 31.** AS 43.55.023(g), as amended by sec. 30 of this Act, is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) **<u>or (p)</u>** of this section or former (m) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under [AS 43.05.225(a) BEFORE JANUARY 1, 2014, OR UNDER] AS 43.05.225(b)(1) [ON AND AFTER JANUARY 1, 2014,] from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e)."

Renumber the following bill sections accordingly.

Page 17, following line 12:

Insert a new bill section to read:

"* **Sec. 33.** AS 43.55.023(n), as amended by sec. 32 of this Act, is amended to read:

(n) For the purposes of (*l*) **<u>and (q)</u>** of this section, a well lease expenditure incurred in the state south of 68 degrees North latitude is a lease expenditure that is

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

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

Renumber the following bill sections accordingly.

Page 17, line 13:

Delete "a new subsection"

Insert "new subsections"

Page 17, following line 18:

Insert a new subsection to read:

"(q) For a lease expenditure incurred in the state south of 68 degrees North latitude after December 31, 2018, 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 21, following line 26:

Insert a new bill section to read:

"* **Sec. 41.** AS 43.55.028(e), as amended by sec. 40 of this Act, is amended to read:

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 22, following line 5:

Insert a new bill section to read:

"* **Sec. 43.** AS 43.55.028(g), as amended by sec. 42 of this Act, is amended to read:

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

Renumber the following bill sections accordingly.

Page 22, following line 18:

Insert a new bill section to read:

"* **Sec. 45.** AS 43.55.030(e), as amended by sec. 44 of this Act, is amended to read:

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

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

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

Renumber the following bill sections accordingly.

Page 24, following line 23:

Insert a new bill section to read:

"* **Sec. 47.** AS 43.55.160(a), as amended by sec. 46 of this Act, is repealed and reenacted to read:

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

(1) AS 43.55.011(e), the annual production tax value of the taxable oil, gas, or oil and gas subject to this paragraph produced during a calendar year is the gross value at the point of production of the oil, gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the producer from leases or properties, as adjusted under AS 43.55.170; this paragraph applies to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 26, following line 2:

Insert a new subsection to read:

"(h) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating a monthly production tax value under (a)(2) of this section, the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year."

Page 31, following line 11:

Insert a new bill section to read:

"* **Sec. 59.** AS 43.55.020(*l*), 43.55.024(i), 43.55.024(j), 43.55.160(f), and 43.55.160(g) are repealed."

Page 31, line 17:

Delete "Section 13 of this Act and AS 43.55.160(a)(1)(E), as amended by sec. 32"

Insert "Section 15 of this Act, AS 43.55.160(a)(1)(E), as amended by sec. 46 of this Act, and AS 43.55.160(f) and (g) as enacted by sec. 48"

Page 31, line 19:

Delete "sec. 18"

Insert "sec. 24"

Delete "secs. 20 - 23"

Insert "secs. 28, 30, 32, and AS 43.55.023(p) in sec. 34 of this Act"

Page 31, line 21:

Delete "Section 19"

Insert "Section 26"

Page 31, following line 22:

Insert a new subsection to read:

"(d) AS 43.55.160(h), enacted by sec. 48 of this Act, applies to the transportation of oil and gas produced on and after the effective date of sec. 13 of this Act."

Page 32, line 19:

Delete "Sections 13, 20 - 23, 29, and 43"

Insert "Sections 15, 28, 30, 32, 34, and 58"

Page 32, line 20:

Delete "sec. 18"

Insert "sec. 24"

Delete "sec. 32"

Insert "sec. 46"

Page 32, following line 21:

Insert new bill sections to read:

"* **Sec. 65.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. Sections 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 41, 43, 45, 47, and 59 of this Act, AS 43.55.023(q) in sec. 34 of this Act, and AS 43.55.160(h) in sec. 48 of this Act take effect only if the volume of oil production for the calendar year 2018 does not exceed the volume of oil produced for the 2013 calendar year. The commissioner of natural resources shall notify the lieutenant governor and the revisor of statutes before January 1, 2019, or as soon as practicable thereafter, if the volume of oil production for the calendar year 2018 is greater than the volume of oil produced during the 2013 calendar year.

* **Sec. 66.** If secs. 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 41, 43, 45, 47, and 59 of this Act,

AS 43.55.023(q) in sec. 34 of this Act, and AS 43.55.160(h) in sec. 48 of this Act take effect under sec. 65 of this Act, they take effect January 1, 2019."

28-GS1647\L.11
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AMENDMENT #9

Gara + Kawasaki

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TO: HCS CSSB 21(FIN), Draft Version "L"

Page 24, line 12, following "gas":

Insert "produced from an area, unit, or expanded area that did not have production before July 1, 2013, and"

Page 24, line 30, following "gas":

Insert "produced from an area, unit, or expanded area that did not have production before July 1, 2013, and"

28-GS1647\L.12
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4/11/13

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#10

AMENDMENT

Gara + Kawasaki

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TO: HCS CSSB 21(FIN), Draft Version "L"

Page 24, line 22, following "area.":

Insert "This subsection does not apply to a lease or property that is located within a unit for more than 20 years before commercial production on the lease or property."

Page 24, lines 25 - 27:

Delete "In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources."

Page 25, line 6, following "calculated.":

Insert "This subsection does not apply to a lease or property that is located within a unit for more than 20 years before commercial production on the lease or property."

Page 25, following line 8:

Insert a new subsection to read:

"(h) In this section,

(1) "commercial production" means the production of oil for the purpose of sale or other beneficial use, except when the sale or beneficial use is incidental to the testing of an unproven well or unproven completion interval; and

(2) "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources."

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AMENDMENT #11

Gara ē Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 4, line 17:

Delete "(g)"

Insert "**(g)(1)** [(g)]"

Page 4, line 18, following "**to**":

Insert "**the sum of**

(A)"

Page 4, line 20, following "**percent**":

Insert "**; and**

(B) the sum, over all the months of the calendar year, of the tax amounts determined under (g)(2) of this section"

Page 4, line 21, through page 5, line 7:

Delete all material and insert:

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

(g) **For purposes of (e) of this section, the tax amount is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:**

(1) before January 1, 2014, for [FOR] each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) **of a** [PER] BTU equivalent barrel of the taxable oil and gas is more than $30, [THE AMOUNT OF TAX FOR PURPOSES OF (e)(2) OF THIS

SECTION IS DETERMINED BY MULTIPLYING THE MONTHLY PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS PRODUCED DURING THE MONTH BY] the tax rate calculated as follows:

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

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

(2) on or after January 1, 2014, for each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more than $55, the tax rate calculated by multiplying by 0.2 the number that represents the difference between that average monthly production tax value of a BTU equivalent barrel and $55, except that the tax rate determined under this paragraph may not exceed 15 percent."

Page 9, line 15:

Delete "**35 percent**"

Insert "**the sum of 35 percent and the tax rate calculated for the month under AS 43.55.011(g)**"

Page 9, line 30:

Delete "**35 percent**"

Insert "**the sum of 35 percent and the tax rate calculated for the month under**

AS 43.55.011(g)"

Page 10, line 12:

Delete "**35 percent**"

Insert "**the sum of 35 percent and the tax rate calculated for the month under AS 43.55.011(g)**"

Page 10, line 21:

Delete "**35 percent**"

Insert "**the sum of 35 percent and the tax rate calculated for the month under AS 43.55.011(g)**"

Page 11, lines 10 - 28:

Delete all material.

Renumber the following bill sections accordingly.

Page 13, lines 11 - 29:

Delete all material.

Renumber the following bill sections accordingly.

Page 14, lines 22 - 26:

Delete "**For lease expenditures incurred on and after January 1, 2014, and before January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 45 percent of a carried-forward annual loss.**"

Page 14, line 27:

Delete "**2016**"

Insert "**2014**"

Page 28, line 20:

Delete "AS 43.55.020(d), 43.55.023(i), and 43.55.023(p)"

Insert "AS 43.55.023(i) and 43.55.023(p)"

Page 28, line 26:

Delete "sec. 26"

Insert "sec. 24"

Page 28, line 27:

Delete "sec. 13"

Insert "sec. 11"

Delete "secs. 15 - 18"

Insert "secs. 13 - 16"

Page 29, line 7:

Delete "sec. 30"

Insert "sec. 28"

Page 29, line 11:

Delete "15 - 18, 23, and 31"

Insert "13 - 16, 21, and 29"

Page 29, line 12:

Delete "sec. 13"

Insert "sec. 11"

Delete "sec. 26"

Insert "sec. 24"

28-GS1647\L.17
Nauman/Bullock
4/11/13

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AMENDMENT #12

OFFERED IN THE HOUSE
TO: HCS CSSB 21(FIN), Draft Version "L"

Gara + Kawasaki

Page 17, line 28:
Delete "$80"
Insert "$50"

Page 17, line 30:
Delete "$80"
Insert "$50"

Page 17, line 31:
Delete "$90"
Insert "$60"

Page 18, line 2:
Delete "$90"
Insert "$60"

Page 18, line 3:
Delete "$100"
Insert "$70"

Page 18, line 5:
Delete "$100"
Insert "$70"

Page 18, line 6:
Delete "$110"
Insert "$80"

Page 18, line 8:
Delete "$110"
Insert "$80"

Page 18, line 9:
Delete "$120"
Insert "$90"

Page 18, line 11:
Delete "$120"
Insert "$90"

Page 18, line 12:
Delete "$130"
Insert "$100"

Page 18, line 14:
Delete "$130"
Insert "$100"

Page 18, line 15:
Delete "$140"
Insert "$110"

Page 18, line 17:
Delete "$140"

Insert "$110"

Page 18, line 18:

Delete "$150"

Insert "$120"

Page 19, line 20:

Delete "$150"

Insert "$120"

14 #13

AMENDMENT

Kawasaki + Gara

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 17, line 27, through page 18, line 20:

Delete all material and insert:

"(1) if the average gross value at the point of production for the month is less than $80 a barrel,

(A) $8 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) $6 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

(2) if the average gross value at the point of production for the month is greater than or equal to $80 a barrel, but less than $90 a barrel,

(A) $7 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) $5 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

(3) if the average gross value at the point of production for the month is greater than or equal to $90 a barrel, but less than $100 a barrel,

(A) $6 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) $4 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

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

(A) $5 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) $3 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

(5) if the average gross value at the point of production for the month is greater than or equal to $110 a barrel, but less than $120 a barrel,

(A) $4 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) $2 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

(6) if the average gross value at the point of production for the month is greater than or equal to $120 a barrel, but less than $130 a barrel,

(A) $3 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) $1 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

(7) if the average gross value at the point of production for the month is greater than or equal to $130 a barrel, but less than $140 a barrel,

(A) $2 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) zero if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

(8) if the average gross value at the point of production for the month is greater than or equal to $140 a barrel, but less than $150 a barrel,

(A) $1 for each barrel of taxable oil if the volume of taxable oil produced by the producer for the month exceeds the volume of taxable oil produced in the corresponding month in 2012; or

(B) zero if the volume of taxable oil produced by the producer for the month does not exceed the volume of taxable oil produced in the corresponding month in 2012;

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

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A M E N D M E N T #14

Gara + Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Page 1, line 1, through page 2, line 2:

Delete all material and insert:

""An Act relating to the oil and gas production tax; relating to oil and gas production tax credits; amending the minimum tax on oil and gas production; relating to the determination of the production tax value of oil and gas; relating to the financing of oil processing facilities on the North Slope by the Alaska Industrial Development and Export Authority; and providing for an effective date.""

Page 2, line 4, through page 29, line 13:

Delete all material and insert:

"* **Section 1.** AS 43.55.011(e) is amended to read:

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

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1)**, as adjusted by AS 43.55.162,** multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section.

* **Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced from each lease or property within a unit or nonunitized reservoir that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties within the unit or nonunitized reservoir below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this section by the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties within the unit or nonunitized reservoir is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

* **Sec. 3.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) **of a** [PER] BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month**, as adjusted by AS 43.55.162,** by the tax rate calculated as follows:

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

(2) if the producer's average monthly production tax value **of a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the

number that represents the difference between the average monthly production tax value **<u>of a</u>** [PER] BTU equivalent barrel and $92.50, except that the sum determined under this paragraph may not exceed **<u>30</u>** [50] percent.

* **Sec. 4.** AS 43.55.020(a) is amended to read:

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

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

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

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 **<u>and 1/12 of the adjustment to production tax value for the calendar year under AS 43.55.162</u>** from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), **<u>10 percent of the gross value at the point of production of that oil and gas</u>** [THE GREATEST OF

(i) ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM ALL LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED; OR

(iii) THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THOSE LEASES OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THOSE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

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

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 **and 1/12 of the adjustment to production tax value for the calendar year under AS 43.55.162** for oil or gas, **as applicable** [RESPECTIVELY], produced from the lease or property from the gross value at the point of production of the oil or gas, **as applicable** [RESPECTIVELY], produced from the lease or property during the month for which the installment payment is calculated;

(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(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 the calendar year of production.

* **Sec. 5.** AS 43.55.024(d) is amended to read:

(d) A producer may not take a tax credit under (c) of this section for any calendar year after the later of

(1) **2022** [2016]; or

(2) if the producer did not have commercial oil or gas production from a lease or property in the state before April 1, 2006, the ninth calendar year after the calendar year during which the producer first has commercial oil or gas production before May 1, 2016, from at least one lease or property in the state.

* **Sec. 6.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.026. Heavy oil research and development tax credit. (a) A taxpayer may apply 20 percent of the taxpayer's expenditure attributable to this state for research and development related to improving methods of producing heavy oil in the state for the taxable year that exceeds the base amount, but not to exceed $10,000,000, as a credit against the state tax liability imposed on the taxpayer under this chapter.

(b) Research and development expenditures in this section are attributable to this state if the research and development is being conducted in this state or the payroll of employees conducting the research and development is in this state. In this subsection, payroll of an employee is in this state if compensation is paid to an employee in this state and reported as paid in this state in the quarterly contribution report under AS 23.20 to the Department of Labor and Workforce Development.

(c) If the tax credit under this section exceeds the taxpayer's tax liability after other tax credits are taken under this chapter for the year in which the expenditure is incurred, the excess of the tax credit over the liability may be carried forward for up to seven years. If an unused credit is carried forward to a tax year from an earlier year, the credit arising in the earliest year is applied first against the tax liability for the year.

(d) A person may not claim a credit under this section for research and development expenditures that were deducted in the calculation of tax liability under AS 43.55.011(e).

(e) Each year, if three or more taxpayers claim the credit authorized under this section during the immediately preceding year, the department shall report to the legislature the number of taxpayers who claimed credits under this section in the prior year, the total cumulative amount of credits granted to all taxpayers under this section for the prior tax year, a description of the research and development projects for which the credit was granted, and the total cumulative number of employees conducting the research and development for which all taxpayers claim the credit.

(f) The commissioner shall establish in regulation a method for apportioning research expenditures of a producer related to heavy oil production in and outside of the state. When developing the regulations, the commissioner may consider the relative amounts of heavy oil the producer is seeking to produce in areas in and outside of the state or consider another reasonable basis on which fairly to apportion costs for research related to in-state oil production and oil produced outside of the state.

(g) In this section, "base amount" means the average of research and development expenditures related to improving methods of producing heavy oil and attributable to this state for the three tax years immediately preceding the taxable year for which the credit is being claimed.

* **Sec. 7.** AS 43.55.030(a) is amended to read:

(a) A producer that produces oil or gas from a lease or property in the state during a calendar year, whether or not any tax payment is due under AS 43.55.020(a) for that oil or gas, shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the department**, the following:

(1) a description of each lease or property from which oil or gas was produced, by name, legal description, lease number, or accounting codes assigned by the department;

(2) the names of the producer and, if different, the person paying the tax, if any;

(3) the gross amount of oil and the gross amount of gas produced from each lease or property, and the percentage of the gross amount of oil and gas owned by the producer;

(4) the gross value at the point of production of the oil and of the gas produced from each lease or property owned by the producer and the costs of

transportation of the oil and gas;

(5) the name of the first purchaser and the price received for the oil and for the gas, unless relieved from this requirement in whole or in part by the department;

(6) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170;

(7) the production tax values of the oil and gas under AS 43.55.160;

(8) any claims for tax credits to be applied; [AND]

(9) calculations showing the amounts, if any, that were or are due under AS 43.55.020(a) and interest on any underpayment or overpayment**; and**

(10) for each expenditure that is the basis for a credit claimed under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 40.25.100(a) and AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this section.

* **Sec. 8.** AS 43.55.030(e) is amended to read:

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

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

(2) if the explorer or producer receives a payment or credit under

AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount**; and**

(3) for each expenditure that is the basis for a credit claimed under this chapter, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 40.25.100(a) and AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this section.

* **Sec. 9.** AS 43.55.160(a) is amended to read:

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

(1) AS 43.55.011(e), the annual production tax value of the taxable oil, gas, or oil and gas subject to this paragraph produced during a calendar year is the gross value at the point of production of the oil, gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the producer from leases or properties, as adjusted under AS 43.55.170; this paragraph applies to

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

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

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

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

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

(D) gas produced before 2022 from a lease or property in the

Cook Inlet sedimentary basin;

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

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

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

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

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

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

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

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

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

* **Sec. 10.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustments to production tax value. (a) The annual production tax value of oil produced from a lease or property north of 68 degrees North latitude by the producer is reduced, during the first seven consecutive years after the start of commercial production by 20 percent of the gross value at the point of production of oil produced during the calendar year. This subsection does not apply to a lease or property that

(1) was in commercial production before January 1, 2007;

(2) is located within a unit area that has never had commercial production; or

(3) is located within a unit for more than 20 years before the first commercial production on the lease or property.

(b) The annual production tax value of oil or gas produced by a producer is reduced during the first five consecutive years after the start of commercial production by 10 percent if the oil or gas is produced from a participating area established after December 31, 2012, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before January 1, 2012. This subsection does not apply to production from a lease or property located within a unit for more than 20 years before the first commercial production on the lease or property.

(c) The annual production tax value of heavy oil produced by a producer is reduced by 10 percent of the gross value at the point of production of heavy oil produced, for the calendar year, from a lease or property that is located within a unit area existing on January 1, 2014.

(d) For a calendar year after 2012, the annual production tax value of oil produced by a producer that produced oil in 2012 is reduced by 10 percent of the gross value at the point of production of the volume of oil produced during the calendar year in excess of the total volume produced by the producer in 2012. The volume of oil produced by a producer in 2012 is the average daily statewide production of the producer, excluding from the calculation the days on which production is significantly reduced, multiplied by the number of days in the calendar year. For the purposes of this subsection, production is significantly reduced when the production volume of oil for the day is less than one-half of the quotient of the total volume of oil production that is produced by the producer for the year and the number of days in the calendar year. A producer that increases its volume of production through the purchase, merger, or other acquisition of another producer is the sum of the producer's total target volume and the total target volume for the producer that is purchased, merged with, or otherwise acquired; however, if the producer that is purchased, merged with, or otherwise acquired did not have a target volume determined under this section, the volume of the increased production that is attributable to the purchase, merger, or other acquisition may not be considered for the purpose of determining whether the producer that acquired the additional production has increased the volume of production above its target volume.

(e) A reduction in production tax value provided by this section may not be combined with any other reduction in production tax value provided by this section in the same year. Oil or gas from a lease or property that produces oil or gas that results in a production tax reduction under (a) of this section is ineligible for a production tax reduction under (b) and (c) of this section and may not be used in the calculation of production volume under (d) of this section.

(f) A reduction in production tax value provided by this section may not reduce the production tax value of a producer below zero.

(g) The rate of tax under AS 43.55.011(g) shall be determined before the application of the adjustment provided by this section.

(h) In this section,

(1) "commercial production" means the production of oil for the purpose of sale or other beneficial use, except when the sale or beneficial use is incidental to the testing of an unproved well or unproved completion interval;

(2) "participating area" means that part of an oil and gas lease unit to which production is allocated in the manner described in a unit agreement.

*** Sec. 11.** AS 43.55.990 is amended by adding a new paragraph to read:

(14) "heavy oil" means oil with an American Petroleum Institute gravity of less than 18 degrees.

*** Sec. 12.** AS 44.88.140(a) is amended to read:

(a) Except as provided in AS 29.45.030(a)(1) **and AS 44.88.168**, the real and personal property of the authority and its assets, income, and receipts are declared to be the property of a political subdivision of the state and, together with any project or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a leasehold interest created in a project or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an essential public and governmental function and purpose, and the property, assets, income, receipts, project, development project, and leasehold interests shall be exempt from all taxes and special assessments of the state or a political subdivision of the state, including, without limitation, all boroughs, cities, municipalities, school districts, public utility districts, and other taxing units. All bonds of the authority are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose and to be a public instrumentality, and the bonds, and the interest on them, the income from them and the transfer of the bonds, and all assets, income, and receipts pledged to pay or secure the payments of the bonds, or interest on them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income, or any other taxes, provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the authority, in any property, assets, income, receipts, project, development project, or lease whether or not financed under this chapter. By January 10 of each year, the authority shall submit to the governor a report describing the nature and extent of the tax exemption of the property, assets, income, receipts, project, development project, and leasehold interests of the authority under this section. The authority shall notify the legislature that the report is available.

* **Sec. 13.** AS 44.88 is amended by adding a new section to read:

Sec. 44.88.168. Oil and gas infrastructure fund. (a) The oil and gas infrastructure fund is established in the authority. The oil and gas infrastructure fund consists of money appropriated to the authority for deposit in the fund, and money deposited in the fund by the authority. The fund is not an account in the revolving loan fund established in AS 44.88.060, and the authority shall account for the fund separately from the revolving fund. Money in the fund may be used to finance the construction and improvement of an oil or gas processing facility on the North Slope and flow lines and other surface infrastructure for the facility.

(b) Notwithstanding AS 44.88.140, the state or a political subdivision of the state may levy a tax or special assessment on an oil or gas processing facility, flow lines, and other surface infrastructure for the facility financed by the oil and gas infrastructure fund.

(c) In this section, "North Slope" means that area of the state lying north of 68 degrees North latitude.

* **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING FACILITY. (a) The Alaska Industrial Development and Export Authority may issue bonds to finance the construction and improvement of an oil or gas processing facility on the Alaska North Slope and flow lines and other surface infrastructure for the facility. The processing facility, flow lines, and other surface infrastructure for the facility shall be used to secure bonds issued under this section. The principal amount of the bonds provided by the authority for the facility, flow lines, and other surface infrastructure may not exceed $200,000,000 and may include the costs of funding reserves and other costs of issuing the bonds that the authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas processing facility, flow lines, and other surface infrastructure for the facility constructed or financed by the oil and gas infrastructure fund are subject to taxes and special assessments of the state or a political subdivision of the state.

(b) This section constitutes the legislative approval required by AS 44.88.095(g) and 44.88.690.

(c) The prohibition on the issuance of bonds in an amount exceeding $400,000,000 under AS 44.88.095 does not apply to bonds issued under this section, and the principal amount of bonds issued under this section may not be considered in determining whether the limit in AS 44.88.095 has been reached.

* **Sec. 15.** This Act takes effect January 1, 2014."