

29-LS0715\P
Nauman
2/13/16

SENATE CS FOR CS FOR HOUSE BILL NO. 155(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES THOMPSON, Wilson, Saddler

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing an exploration incentive credit; amending the calculation of adjusted
2 gross income for purposes of the tax on gambling activities aboard large passenger
3 vessels; repealing the amount that may be deducted from the motor fuel tax to cover the
4 expense of accounting and filing for the monthly tax return; repealing a provision
5 allowing an investigation expense under the Alaska Small Loans Act to be in place of a
6 fee required under the Alaska Business License Act; repealing the amount that may be
7 deducted from the tobacco excise tax to cover the expense of accounting and filing for
8 the monthly tax return; repealing the discount on cigarette tax stamps provided as
9 compensation for affixing the stamps to packages; and providing for an effective date."

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

11 * **Section 1.** AS 41.09.010(a) is amended to read:

12 (a) **The** [UNDER AN INCENTIVE PROGRAM DISTINCT FROM THE

1 EXPLORATION INCENTIVE CREDIT AUTHORIZED BY AS 38.05.180(i), THE]
 2 commissioner may extend to a qualified applicant an exploration incentive credit for
 3 each of the following activities performed on land in the state, regardless of whether
 4 the land is state-owned land:

5 (1) geophysical work [ON LAND THAT IS NOT SUBJECT TO A
 6 CREDIT UNDER AS 38.05.180(i)];

7 (2) drilling a stratigraphic test well; and

8 (3) drilling an exploratory well.

9 * **Sec. 2.** AS 41.09.010(b) is amended to read:

10 (b) An exploration incentive credit extended under (a) of this section may be
 11 applied against

12 (1) [A PAYMENT OR OBLIGATION AGAINST WHICH A
 13 CREDIT AUTHORIZED BY AS 38.05.180(i) MAY BE CLAIMED];

14 (2) taxes payable under AS 43.20; and

15 (2) [(3)] oil and gas bonus payments due the state under
 16 AS 38.05.180(f).

17 * **Sec. 3.** AS 43.20.043(g) is amended to read:

18 (g) A taxpayer that obtains a credit for a qualified capital investment or cost
 19 incurred for qualified services under this section may not also claim a tax credit or
 20 royalty modification for the same qualified capital investment or cost incurred for
 21 qualified services under [AS 38.05.180(i),] AS 41.09.010, AS 43.55.023, or
 22 43.55.025. However, a taxpayer may elect not to obtain a credit under this section in
 23 order to qualify for a credit provided under [AS 38.05.180(i),] AS 41.09.010,
 24 AS 43.55.023, or 43.55.025.

25 * **Sec. 4.** AS 43.35.210 is amended to read:

26 **Sec. 43.35.210. Tax on gambling activities.** There is imposed on the operator
 27 of gaming or gambling activities aboard large passenger vessels in the state a tax of 33
 28 percent of the adjusted gross income from those activities. "Adjusted gross income"
 29 means gross income less prizes awarded and [FEDERAL AND] municipal taxes paid
 30 or owed on the income. The tax shall be collected and is due and payable to the
 31 Department of Revenue in the manner and at the times required by the Department of

1 Revenue.

2 * **Sec. 5.** AS 43.50.590(a) is amended to read:

3 (a) The department shall adopt procedures for a refund or credit to a licensee
4 in the amount of the denominated value [, LESS THE DISCOUNT GIVEN UNDER
5 AS 43.50.540,] for

6 (1) unused or damaged stamps;

7 (2) stamps affixed to cigarette packages that have become unfit for use
8 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if
9 the licensee provides proof acceptable to the department that the cigarettes have not
10 been and will not be consumed in this state; or

11 (3) stamps affixed to cigarette packages that are sold or distributed
12 outside the state if the licensee provides proof acceptable to the department that the
13 cigarettes have not been and will not be consumed in this state and the licensee is
14 properly licensed in the jurisdictions outside the state where the sales or distributions
15 are made.

16 * **Sec. 6.** AS 43.55.011(m) is amended to read:

17 (m) Notwithstanding any contrary provision of [AS 38.05.180(i),
18 AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by regulation
19 a method to ensure that, for a calendar year for which a producer's tax liability is
20 limited by (j), (k), or (o) of this section, tax credits based on a lease expenditure
21 incurred before January 1, 2011, that are otherwise available under [AS 38.05.180(i),
22 AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to gas subject to the
23 limitations in (j), (k), and (o) of this section are accounted for as though the credits had
24 been applied first against a tax liability calculated without regard to the limitations
25 under (j), (k), and (o) of this section so as to reduce the tax liability to the maximum
26 amount provided for under (j) or (o) of this section for the production of gas or (k) of
27 this section for the production of oil. The regulation must provide for a reasonable
28 method to allocate tax credits to gas subject to (j) and (o) of this section. Only the
29 amount of a tax credit remaining after the accounting provided for under this
30 subsection may be used for a later calendar year, transferred to another person, or
31 applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o)

1 of this section to the extent otherwise allowed.

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

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

5 (1) notwithstanding that a qualified capital expenditure may be a
6 deductible lease expenditure for purposes of calculating the production tax value of oil
7 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
8 [AS 38.05.180(i),] AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
9 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
10 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
11 expenditure;

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

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

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

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

22 * **Sec. 8.** AS 43.55.023(l) is amended to read:

23 (l) A producer or explorer may apply for a tax credit for a well lease
24 expenditure incurred in the state south of 68 degrees North latitude after June 30,
25 2010, as follows:

26 (1) notwithstanding that a well lease expenditure incurred in the state
27 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
28 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
29 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),]
30 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
31 well lease expenditure in the state south of 68 degrees North latitude may elect to

1 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent
2 of that expenditure; a tax credit under this paragraph may be applied for a single
3 calendar year;

4 (2) a producer or explorer may take a credit for a well lease
5 expenditure incurred in the state south of 68 degrees North latitude in connection with
6 geological or geophysical exploration or in connection with an exploration well only if
7 the producer or explorer

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

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

12 * **Sec. 9.** AS 06.20.030(c); AS 38.05.180(i); AS 41.09.030; AS 43.50.330(b), 43.50.540(c),
13 and 43.50.540(h) are repealed.

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

16 TRANSITION. The repeal of AS 38.05.180(i) by sec. 9 of this Act does not prohibit
17 the Department of Natural Resources from issuing a credit for an expenditure incurred before
18 the effective date of sec. 9 of this Act. A credit issued under former AS 38.05.180(i) before
19 the effective date of sec. 9 of this Act may, during the period established by the commissioner
20 under former AS 38.05.180(i), be assigned or used to offset taxes imposed under the
21 provisions identified in former AS 38.05.180(i).

22 * **Sec. 11.** Section 4 of this Act takes effect January 1, 2017.

23 * **Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect July 1, 2016.