

**CS FOR HOUSE BILL NO. 247(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

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

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to interest applicable to delinquent tax; relating to the oil and gas  
2 production tax, tax payments, and credits; relating to the minimum oil and gas  
3 production tax; repealing a maximum production tax on certain oil; relating to refunds  
4 for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit,  
5 and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to  
6 the assessment of an oil and gas production tax imposed; relating to oil and gas lease  
7 expenditures and production tax credits for municipal entities; relating to a business  
8 license for an oil or gas business; establishing a legislative working group to study the  
9 tax structure for oil and gas produced south of 68 degrees North latitude; and providing  
10 for an effective date."

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

12 \* **Section 1.** AS 38.05.036(a) is amended to read:

1 (a) The department may conduct audits regarding royalty and net profits under  
2 oil and gas contracts, agreements, or leases under this chapter and regarding costs  
3 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and  
4 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes  
5 of an audit under this section,

6 (1) the department may examine the books, papers, records, or  
7 memoranda of a person regarding matters related to the audit; and

8 (2) the records and premises where a business is conducted shall be  
9 open at all reasonable times for inspection by the department.

10 \* **Sec. 2.** AS 38.05.036(b) is amended to read:

11 (b) The Department of Revenue may obtain from the department information  
12 relating to royalty and net profits payments and to exploration incentive credits under  
13 this chapter [OR UNDER AS 41.09], whether or not that information is confidential.  
14 The Department of Revenue may use the information in carrying out its functions and  
15 responsibilities under AS 43, and shall hold that information confidential to the extent  
16 required by an agreement with the department or by AS 38.05.035(a)(8) [,  
17 AS 41.09.010(d),] or AS 43.05.230.

18 \* **Sec. 3.** AS 38.05.036(c) is amended to read:

19 (c) The department may obtain from the Department of Revenue all  
20 information obtained under AS 43 relating to royalty and net profits and to exploration  
21 incentive credits. The department may use the information for purposes of carrying out  
22 its responsibilities and functions under this chapter [AND AS 41.09]. Information  
23 made available to the department that was obtained under AS 43 is confidential and  
24 subject to the provisions of AS 43.05.230.

25 \* **Sec. 4.** AS 38.05.036(f) is amended to read:

26 (f) Except as otherwise provided in this section or in connection with official  
27 investigations or proceedings of the department, it is unlawful for a current or former  
28 officer, employee, or agent of the state to divulge information obtained by the  
29 department as a result of an audit under this section that is required by an agreement  
30 with the department or by AS 38.05.035(a)(8) [OR AS 41.09.010(d)] to be kept  
31 confidential.

1 \* **Sec. 5.** AS 38.05.036(g) is amended to read:

2 (g) Nothing in this section prohibits the publication of statistics in a manner  
3 that maintains the confidentiality of information to the extent required by an  
4 agreement with the department or by AS 38.05.035(a)(8) [OR AS 41.09.010(d)].

5 \* **Sec. 6.** AS 43.05.225 is amended to read:

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

7 (1) a delinquent tax under this title,

8 (A) before January 1, 2014, bears interest in each calendar  
9 quarter at the rate of five percentage points above the annual rate charged  
10 member banks for advances by the 12th Federal Reserve District as of the first  
11 day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
12 greater, compounded quarterly as of the last day of that quarter; [OR]

13 (B) on and after January 1, 2014, **and before January 1, 2017,**  
14 bears interest in each calendar quarter at the rate of three percentage points  
15 above the annual rate charged member banks for advances by the 12th Federal  
16 Reserve District as of the first day of that calendar quarter;

17 **(C) on and after January 1, 2017, bears interest**

18 **(i) for the first four years after a tax becomes**  
19 **delinquent, in each calendar quarter at the rate of five percentage**  
20 **points above the annual rate charged member banks for advances**  
21 **by the 12th Federal Reserve District as of the first day of that**  
22 **calendar quarter, compounded quarterly as of the last day of that**  
23 **quarter; and**

24 **(ii) after the first four years after a tax becomes**  
25 **delinquent, in each calendar quarter at a rate of five percentage**  
26 **points above the annual rate charged member banks for advances**  
27 **by the 12th Federal Reserve District as of the first day of that**  
28 **calendar quarter;**

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

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

31 (B) unclaimed property that is not timely paid or delivered, as

1 allowed by AS 34.45.470(a).

2 \* **Sec. 7.** AS 43.20.046(e) is amended to read:

3 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department  
4 may use available money in the oil and gas tax credit fund established in AS 43.55.028  
5 to make the refund applied for under (d) of this section in whole or in part if the  
6 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN  
7 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT  
8 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,  
9 the claimant's total tax liability under this chapter for the calendar year in which the  
10 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"  
11 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED  
12 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS  
13 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

14 \* **Sec. 8.** AS 43.20.047(e) is amended to read:

15 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department  
16 may use money available in the oil and gas tax credit fund established in AS 43.55.028  
17 to make a refund or payment under (d) of this section in whole or in part if the  
18 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN  
19 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT  
20 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,  
21 the claimant's total tax liability under this chapter for the calendar year in which the  
22 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"  
23 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED  
24 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS  
25 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

26 \* **Sec. 9.** AS 43.20.053(e) is amended to read:

27 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department  
28 may use money available in the oil and gas tax credit fund established in AS 43.55.028  
29 to make a refund or payment under (d) of this section in whole or in part if the  
30 department finds that,

31 [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING

1 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS  
2 TITLE; AND

3 (2)] after application of all available tax credits, the claimant's total tax  
4 liability under this chapter for the calendar year in which the claim is made is zero.

5 \* **Sec. 10.** AS 43.55.011(e) is amended to read:

6 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
7 produced each calendar year from each lease or property in the state, less any oil and  
8 gas the ownership or right to which is exempt from taxation or constitutes a  
9 landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as  
10 otherwise provided under (f), (j), [(k),] (o), and (p) of this section, for oil and gas  
11 produced

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

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

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

17 (2) on and after January 1, 2014, and before January 1, 2022, the tax is  
18 equal to the annual production tax value of the taxable oil and gas as calculated under  
19 AS 43.55.160(a)(1) multiplied by 35 percent;

20 (3) on and after January 1, 2022, the tax for

21 (A) oil is equal to the annual production tax value of the  
22 taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;

23 (B) gas is equal to 13 percent of the gross value at the point of  
24 production of the taxable gas; if the gross value at the point of production of  
25 gas produced from a lease or property is less than zero, that gross value at the  
26 point of production is considered zero for purposes of this subparagraph.

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

28 (f) The levy of tax under (e) of this section for

29 (1) oil and gas produced before **January 1, 2017** [JANUARY 1,  
30 2022], from leases or properties that include land north of 68 degrees North latitude,  
31 other than gas subject to (o) of this section, may not be less than

1 (A) four percent of the gross value at the point of production  
2 when the average price per barrel for Alaska North Slope crude oil for sale on  
3 the United States West Coast during the calendar year for which the tax is due  
4 is more than \$25;

5 (B) three percent of the gross value at the point of production  
6 when the average price per barrel for Alaska North Slope crude oil for sale on  
7 the United States West Coast during the calendar year for which the tax is due  
8 is over \$20 but not over \$25;

9 (C) two percent of the gross value at the point of production  
10 when the average price per barrel for Alaska North Slope crude oil for sale on  
11 the United States West Coast during the calendar year for which the tax is due  
12 is over \$17.50 but not over \$20;

13 (D) one percent of the gross value at the point of production  
14 when the average price per barrel for Alaska North Slope crude oil for sale on  
15 the United States West Coast during the calendar year for which the tax is due  
16 is over \$15 but not over \$17.50; or

17 (E) zero percent of the gross value at the point of production  
18 when the average price per barrel for Alaska North Slope crude oil for sale on  
19 the United States West Coast during the calendar year for which the tax is due  
20 is \$15 or less; [AND]

21 (2) oil **and gas** produced on and after **January 1, 2017, and before**  
22 **January 1, 2022**, from leases or properties that include land north of 68 degrees North  
23 latitude, **other than gas subject to (o) of this section**, may not be less than [(A)] four  
24 percent of the gross value at the point of production, **except that a credit authorized**  
25 **under this chapter may reduce the tax under this subsection to less than four**  
26 **percent, but not to less than two percent of the gross value at the point of**  
27 **production**;

28 (3) **oil produced on and after January 1, 2022, from leases or**  
29 **properties that include land north of 68 degrees North latitude may not be less**  
30 **than four percent of the gross value at the point of production, except that a**  
31 **credit authorized under this chapter may reduce the tax under this subsection to**

1 **less than four percent, but not to less than two percent of the gross value at the**  
 2 **point of production** [WHEN THE AVERAGE PRICE PER BARREL FOR  
 3 ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES  
 4 WEST COAST DURING THE CALENDAR YEAR FOR WHICH THE TAX IS  
 5 DUE IS MORE THAN \$25;

6 (B) THREE PERCENT OF THE GROSS VALUE AT THE  
 7 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL  
 8 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED  
 9 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH  
 10 THE TAX IS DUE IS OVER \$20 BUT NOT OVER \$25;

11 (C) TWO PERCENT OF THE GROSS VALUE AT THE  
 12 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL  
 13 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED  
 14 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH  
 15 THE TAX IS DUE IS OVER \$17.50 BUT NOT OVER \$20;

16 (D) ONE PERCENT OF THE GROSS VALUE AT THE  
 17 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL  
 18 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED  
 19 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH  
 20 THE TAX IS DUE IS OVER \$15 BUT NOT OVER \$17.50; OR

21 (E) ZERO PERCENT OF THE GROSS VALUE AT THE  
 22 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL  
 23 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED  
 24 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH  
 25 THE TAX IS DUE IS \$15 OR LESS].

26 \* **Sec. 12.** AS 43.55.011(m) is amended to read:

27 (m) Notwithstanding any contrary provision of [AS 38.05.180(i),  
 28 AS 41.09.010,] AS 43.55.024 [,] or 43.55.025, the department shall provide by  
 29 regulation a method to ensure that, for a calendar year for which a producer's tax  
 30 liability is limited by (j) [, (k),] or (o) of this section, tax credits based on a lease  
 31 expenditure incurred before January 1, 2011, that are otherwise available under

1 [AS 38.05.180(i), AS 41.09.010,] AS 43.55.024 [,] or 43.55.025 and allocated to gas  
2 subject to the limitations in (j) [, (k),] and (o) of this section are accounted for as  
3 though the credits had been applied first against a tax liability calculated without  
4 regard to the limitations under (j) [, (k),] and (o) of this section so as to reduce the tax  
5 liability to the maximum amount provided for under (j) or (o) of this section for the  
6 production of gas [OR (k) OF THIS SECTION FOR THE PRODUCTION OF OIL].  
7 The regulation must provide for a reasonable method to allocate tax credits to gas  
8 subject to (j) and (o) of this section. Only the amount of a tax credit remaining after  
9 the accounting provided for under this subsection may be used for a later calendar  
10 year, transferred to another person, or applied against a tax levied on the production of  
11 oil or gas not subject to (j) [, (k),] or (o) of this section to the extent otherwise allowed.

12 \* **Sec. 13.** AS 43.55.019(e) is amended to read:

13 (e) The credit under this section may not reduce a person's tax liability for the  
14 calendar year under AS 43.55.011(e) to below the amount calculated under  
15 AS 43.55.011(f) [ZERO FOR ANY TAX YEAR]. An unused credit or portion of a  
16 credit not used under this section for a tax year may not be sold, traded, transferred, or  
17 applied in a subsequent tax year.

18 \* **Sec. 14.** AS 43.55.020(a) is amended to read:

19 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay  
20 the tax as follows:

21 (1) for oil and gas produced before January 1, 2014, an installment  
22 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied  
23 as allowed by law, is due for each month of the calendar year on the last day of the  
24 following month; except as otherwise provided under (2) of this subsection, the  
25 amount of the installment payment is the sum of the following amounts, less 1/12 of  
26 the tax credits that are allowed by law to be applied against the tax levied by  
27 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may  
28 not be less than zero:

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



1 the greater of

2 (i) zero; or

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

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

13 (i) zero;

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

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

26 (C) for [OIL OR] gas subject to AS 43.55.011(j) [, (k),] or (o),  
27 for each lease or property, the greater of

28 (i) zero; or

29 (ii) the sum of 25 percent and the tax rate calculated for  
30 the month under AS 43.55.011(g) multiplied by the remainder obtained  
31 by subtracting 1/12 of the producer's adjusted lease expenditures for the

1 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 2 deductible under AS 43.55.160 for the oil or gas, respectively,  
 3 produced from the lease or property from the gross value at the point of  
 4 production of the oil or gas, respectively, produced from the lease or  
 5 property during the month for which the installment payment is  
 6 calculated;

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

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

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

19 (2) an amount calculated under (1)(C) of this subsection for [OIL OR]  
 20 gas subject to AS 43.55.011(j) [, (k),] or (o) may not exceed the product obtained by  
 21 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
 22 applicable, for gas [OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS APPLICABLE,  
 23 FOR OIL,] but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as  
 24 applicable, the amount of taxable gas produced during the month for the amount of  
 25 taxable gas produced during the calendar year [AND SUBSTITUTING IN  
 26 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF  
 27 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF  
 28 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR];

29 (3) an installment payment of the estimated tax levied by  
 30 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
 31 on the last day of the following month; the amount of the installment payment is the

1 sum of

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

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

10 (4) any amount of tax levied by AS 43.55.011, net of any credits  
11 applied as allowed by law, that exceeds the total of the amounts due as installment  
12 payments of estimated tax is due on March 31 of the year following the calendar year  
13 of production;

14 (5) for oil and gas produced on and after January 1, 2014, and before  
15 January 1, 2022, an installment payment of the estimated tax levied by  
16 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
17 month of the calendar year on the last day of the following month; except as otherwise  
18 provided under (6) and (10) of this subsection, the amount of the installment payment  
19 is the sum of the following amounts, less 1/12 of the tax credits that are allowed by  
20 law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but  
21 the amount of the installment payment may not be less than zero:

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

26 (i) zero; or

27 (ii) 35 percent multiplied by the remainder obtained by  
28 subtracting 1/12 of the producer's adjusted lease expenditures for the  
29 calendar year of production under AS 43.55.165 and 43.55.170 that are  
30 deductible for the oil and gas under AS 43.55.160 from the gross value  
31 at the point of production of the oil and gas produced from the leases or

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

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

5 (i) zero;

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

10 (iii) 35 percent multiplied by the remainder obtained by  
11 subtracting 1/12 of the producer's adjusted lease expenditures for the  
12 calendar year of production under AS 43.55.165 and 43.55.170 that are  
13 deductible for the oil and gas under AS 43.55.160 from the gross value  
14 at the point of production of the oil and gas produced from those leases  
15 or properties during the month for which the installment payment is  
16 calculated, except that, for the purposes of this calculation, a reduction  
17 from the gross value at the point of production may apply for oil and  
18 gas subject to AS 43.55.160(f) or (g);

19 (C) for [OIL OR] gas subject to AS 43.55.011(j) [, (k),] or (o),  
20 for each lease or property, the greater of

21 (i) zero; or

22 (ii) 35 percent multiplied by the remainder obtained by  
23 subtracting 1/12 of the producer's adjusted lease expenditures for the  
24 calendar year of production under AS 43.55.165 and 43.55.170 that are  
25 deductible under AS 43.55.160 for the [OIL OR] gas [,  
26 RESPECTIVELY,] produced from the lease or property from the gross  
27 value at the point of production of the [OIL OR] gas [,  
28 RESPECTIVELY,] produced from the lease or property during the  
29 month for which the installment payment is calculated;

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

31 (i) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the  
2 calendar year of production under AS 43.55.165 and 43.55.170 that are  
3 deductible for the oil and gas under AS 43.55.160 from the gross value  
4 at the point of production of the oil and gas produced from the leases or  
5 properties during the month for which the installment payment is  
6 calculated, but not less than zero; or

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

10 (6) an amount calculated under (5)(C) of this subsection for [OIL OR]  
11 gas subject to AS 43.55.011(j) [, (k),] or (o) may not exceed the product obtained by  
12 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
13 applicable, for gas [OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS APPLICABLE,  
14 FOR OIL,] but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as  
15 applicable, the amount of taxable gas produced during the month for the amount of  
16 taxable gas produced during the calendar year [AND SUBSTITUTING IN  
17 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF  
18 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF  
19 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR];

20 (7) for oil and gas produced on or after January 1, 2022, an installment  
21 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied  
22 as allowed by law, is due for each month of the calendar year on the last day of the  
23 following month; **except as provided in (10) of this subsection**, the amount of the  
24 installment payment is the sum of the following amounts, less 1/12 of the tax credits  
25 that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the  
26 calendar year, but the amount of the installment payment may not be less than zero:

27 (A) for oil produced from leases or properties that include land  
28 north of 68 degrees North latitude, the greatest of

29 (i) zero;

30 (ii) zero percent, one percent, two percent, three  
31 percent, or four percent, as applicable, of the gross value at the point of

1 production of the oil produced from the leases or properties during the  
2 month for which the installment payment is calculated; or

3 (iii) 35 percent multiplied by the remainder obtained by  
4 subtracting 1/12 of the producer's adjusted lease expenditures for the  
5 calendar year of production under AS 43.55.165 and 43.55.170 that are  
6 deductible for the oil under AS 43.55.160(h)(1) from the gross value at  
7 the point of production of the oil produced from those leases or  
8 properties during the month for which the installment payment is  
9 calculated, except that, for the purposes of this calculation, a reduction  
10 from the gross value at the point of production may apply for oil  
11 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

12 (B) for oil produced before or during the last calendar year  
13 under AS 43.55.024(b) for which the producer could take a tax credit under  
14 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet  
15 sedimentary basin, no part of which is north of 68 degrees North latitude, other  
16 than leases or properties subject to AS 43.55.011(p), the greater of

17 (i) zero; or

18 (ii) 35 percent multiplied by the remainder obtained by  
19 subtracting 1/12 of the producer's adjusted lease expenditures for the  
20 calendar year of production under AS 43.55.165 and 43.55.170 that are  
21 deductible for the oil under AS 43.55.160(h)(2) from the gross value at  
22 the point of production of the oil produced from the leases or properties  
23 during the month for which the installment payment is calculated;

24 (C) for oil and gas produced from leases or properties subject  
25 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,  
26 the sum of

27 (i) 35 percent multiplied by the remainder obtained by  
28 subtracting 1/12 of the producer's adjusted lease expenditures for the  
29 calendar year of production under AS 43.55.165 and 43.55.170 that are  
30 deductible for the oil under AS 43.55.160(h)(3) from the gross value at  
31 the point of production of the oil produced from the leases or properties

1 during the month for which the installment payment is calculated, but  
2 not less than zero; and

3 (ii) 13 percent of the gross value at the point of  
4 production of the gas produced from the leases or properties during the  
5 month, but not less than zero;

6 (D) for oil produced from leases or properties in the state, no  
7 part of which is north of 68 degrees North latitude, other than leases or  
8 properties subject to (B) or (C) of this paragraph, the greater of

9 (i) zero; or

10 (ii) 35 percent multiplied by the remainder obtained by  
11 subtracting 1/12 of the producer's adjusted lease expenditures for the  
12 calendar year of production under AS 43.55.165 and 43.55.170 that are  
13 deductible for the oil under AS 43.55.160(h)(4) from the gross value at  
14 the point of production of the oil produced from the leases or properties  
15 during the month for which the installment payment is calculated;

16 (E) for gas produced from each lease or property in the state,  
17 other than a lease or property subject to AS 43.55.011(p), 13 percent of the  
18 gross value at the point of production of the gas produced from the lease or  
19 property during the month for which the installment payment is calculated, but  
20 not less than zero;

21 (8) an amount calculated under (7)(C) of this subsection may not  
22 exceed four percent of the gross value at the point of production of the oil and gas  
23 produced from leases or properties subject to AS 43.55.011(p) during the month for  
24 which the installment payment is calculated;

25 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and  
26 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point  
27 of production is determined under AS 43.55.011(f) [AS 43.55.011(f)(1) OR (2)] but  
28 substituting the phrase "month for which the installment payment is calculated" in  
29 [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for which the tax is due";

30 **(10) after December 31, 2016, for the purposes of a calculation**  
31 **under (5)(B)(ii) or (7)(A)(ii) of this subsection, a credit under this chapter may**

1 **not be applied to reduce an installment payment to less than the applicable**  
2 **percentage under AS 43.55.011(f).** [""]

3 \* **Sec. 15.** AS 43.55.023(a) is amended to read:

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

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

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

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

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

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

23 \* **Sec. 16.** AS 43.55.023(b) is amended to read:

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



1 the amount of 35 percent of a carried-forward annual loss. For lease expenditures  
2 incurred on or after January 1, 2014, **and before January 1, 2017,** to explore for,  
3 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a  
4 producer or explorer may elect to take a tax credit in the amount of 25 percent of a  
5 carried-forward annual loss. **For lease expenditures incurred after December 31,**  
6 **2016, to explore for, develop, or produce oil or gas deposits located south of 68**  
7 **degrees North latitude and outside of the Cook Inlet sedimentary basin, a**  
8 **producer or explorer may elect to take a tax credit in the amount of 25 percent of**  
9 **a carried-forward annual loss. For lease expenditures incurred after**  
10 **December 31, 2016, to explore for, develop, or produce oil or gas deposits located**  
11 **in the Cook Inlet sedimentary basin, a producer or explorer may elect to take a**  
12 **credit in the amount of 10 percent of a carried-forward annual loss, if the**  
13 **producer or explorer had, before January 1, 2017, taken a credit under this**  
14 **subsection for an expenditure incurred in the Cook Inlet sedimentary basin.** A  
15 credit under this subsection may be applied against a tax levied by AS 43.55.011(e).  
16 For purposes of this subsection,

17 (1) a carried-forward annual loss is the amount of a producer's or  
18 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a  
19 previous calendar year that was not deductible in calculating production tax values for  
20 that calendar year under AS 43.55.160;

21 (2) **for lease expenditures incurred on or after January 1, 2017,**  
22 **any reduction under AS 43.55.160(f) or (g) is added back to the calculation of**  
23 **production tax values for that calendar year under AS 43.55.160 for the**  
24 **determination of a carried-forward annual loss.**

25 \* Sec. 17. AS 43.55.023(c) is amended to read:

26 (c) A credit or portion of a credit under this section may not be used to reduce  
27 a person's tax liability under AS 43.55.011(e) for any calendar year below **the amount**  
28 **calculated under AS 43.55.011(f)** [ZERO], and any unused credit or portion of a  
29 credit not used under this subsection may be applied in a later calendar year.

30 \* Sec. 18. AS 43.55.023(d) is amended to read:

31 (d) A person that is entitled to take a tax credit under this section that wishes

1 to transfer the unused credit to another person or obtain a cash payment under  
2 AS 43.55.028 may apply to the department for a transferable tax credit certificate. An  
3 application under this subsection must be in a form prescribed by the department and  
4 must include supporting information and documentation that the department  
5 reasonably requires. The department shall grant or deny an application, or grant an  
6 application as to a lesser amount than that claimed and deny it as to the excess, not  
7 later than 120 days after the latest of (1) March 31 of the year following the calendar  
8 year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward  
9 annual loss for which the credit is claimed was incurred; (2) the date the statement  
10 required under AS 43.55.030(a) or (e) was filed for the calendar year in which the  
11 [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which  
12 the credit is claimed was incurred; or (3) the date the application was received by the  
13 department. If, based on the information then available to it, the department is  
14 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
15 the applicant a transferable tax credit certificate for the amount of the credit. A  
16 certificate issued under this subsection does not expire.

17 \* **Sec. 19.** AS 43.55.023(e) is amended to read:

18 (e) A person to which a transferable tax credit certificate is issued under (d) of  
19 this section may transfer the certificate to another person, and a transferee may further  
20 transfer the certificate. Subject to the limitations set out in **former (a) of this section**  
21 **and (b) - (d)** [(a) - (d)] of this section, and notwithstanding any action the department  
22 may take with respect to the applicant under (g) of this section, the owner of a  
23 certificate may apply the credit or a portion of the credit shown on the certificate only  
24 against a tax levied by AS 43.55.011(e). However, a credit shown on a transferable tax  
25 credit certificate may not be applied to reduce a transferee's total tax liability under  
26 AS 43.55.011(e) for oil and gas produced during a calendar year to less than 80  
27 percent of the tax that would otherwise be due without applying that credit. Any  
28 portion of a credit not used under this subsection may be applied in a later period.

29 \* **Sec. 20.** AS 43.55.023(l) is amended to read:

30 (l) A producer or explorer may apply for a tax credit for a well lease  
31 expenditure incurred in the state [SOUTH OF 68 DEGREES NORTH LATITUDE]

1 after June 30, 2010, as follows:

2 (1) notwithstanding that a well lease expenditure incurred in the state  
3 [SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible lease  
4 expenditure for purposes of calculating the production tax value of oil and gas under  
5 AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section,  
6 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043, or AS 43.55.025, a producer or  
7 explorer that incurs a well lease expenditure in the state [SOUTH OF 68 DEGREES  
8 NORTH LATITUDE] may elect to apply a tax credit against a tax levied by  
9 AS 43.55.011(e) in the amount of

10 (A) 40 percent of that expenditure incurred south of 68  
11 degrees North latitude before January 1, 2017;

12 (B) 30 percent of that expenditure incurred south of 68  
13 degrees North latitude after December 31, 2016, and before January 1,  
14 2018;

15 (C) 20 percent of that expenditure incurred inside the Cook  
16 Inlet sedimentary basin after December 31, 2017;

17 (D) 30 percent of that expenditure incurred outside the  
18 Cook Inlet sedimentary basin and south of 68 degrees North latitude after  
19 December 31, 2017, and before January 1, 2019 [; A TAX CREDIT  
20 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE  
21 CALENDAR YEAR];

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

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

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

30 \* **Sec. 21.** AS 43.55.024(f) is amended to read:

31 (f) A tax credit authorized by (a) of this section may not be applied to reduce a

1 producer's tax liability for any calendar year under AS 43.55.011(e) on oil and gas  
2 produced from leases or properties outside the Cook Inlet sedimentary basin, no part  
3 of which is north of 68 degrees North latitude, below **the amount calculated under**  
4 **AS 43.55.011(f)** [ZERO].

5 \* **Sec. 22.** AS 43.55.024(g) is amended to read:

6 (g) A tax credit authorized by (c) of this section may not be applied to reduce  
7 a producer's tax liability for any calendar year under AS 43.55.011(e) below **the**  
8 **amount calculated under AS 43.55.011(f)** [ZERO].

9 \* **Sec. 23.** AS 43.55.024(i) is amended to read:

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

17 \* **Sec. 24.** AS 43.55.025(m) is amended to read:

18 (m) The persons that drill the first four exploration wells in the state and  
19 within the areas described in (o) of this section on state lands, private lands, or federal  
20 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a  
21 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)  
22 of this section. A credit under this subsection may not be taken for more than two  
23 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration  
24 expenditures eligible for the credit in this subsection must be incurred for work  
25 performed after June 1, 2012, and before July 1, 2016, **except that expenditures to**  
26 **complete an exploration well that was spudded but not completed before July 1,**  
27 **2016, are eligible for the credit under this subsection.** A person planning to drill an  
28 exploration well on private land and to apply for a credit under this subsection shall  
29 obtain written consent from the owner of the oil and gas interest for the full public  
30 release of all well data after the expiration of the confidentiality period applicable to  
31 information collected under (f) of this section. The written consent of the owner of the

1 oil and gas interest must be submitted to the commissioner of natural resources before  
2 approval of the proposed exploration well. In addition to the requirements in (c)(1),  
3 (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the  
4 owner of the oil and gas interest, a person planning to drill an exploration well shall  
5 obtain approval from the commissioner of natural resources before the well is  
6 spudded. The commissioner of natural resources shall make a written determination  
7 approving or rejecting an exploration well within 60 days after receiving the request  
8 for approval or as soon as is practicable thereafter. Before approving the exploration  
9 well, the commissioner of natural resources shall consider the following: the location  
10 of the well; the proximity to a community in need of a local energy source; the  
11 proximity of existing infrastructure; the experience and safety record of the explorer in  
12 conducting operations in remote or roadless areas; the projected cost schedule;  
13 whether seismic mapping and seismic data sufficiently identify a particular trap for  
14 exploration; whether the targeted and planned depth and range are designed to  
15 penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and  
16 reach the level below which economic hydrocarbon reservoirs are likely to be found,  
17 or reach 12,000 feet or more true vertical depth; and whether the exploration plan  
18 provides for a full evaluation of the wellbore below surface casing to the depth of the  
19 well. Whether the exploration well for which a credit is requested under this  
20 subsection is located within an area and a basin described under (o) of this section  
21 shall be determined by the commissioner of natural resources and reported to the  
22 commissioner. A taxpayer that obtains a credit under this subsection may not claim a  
23 tax credit under AS 43.55.023 or another provision in this section for the same  
24 exploration expenditure.

25 \* **Sec. 25.** AS 43.55.025 is amended by adding a new subsection to read:

26 (q) A credit or portion of a credit under this section may not be used to reduce  
27 a person's tax liability under AS 43.55.011(e) for any calendar year below the amount  
28 calculated under AS 43.55.011(f).

29 \* **Sec. 26.** AS 43.55.028(e) is amended to read:

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

1 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under  
2 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
3 purchase, in whole or in part, the certificate. **The department may not purchase a**  
4 **total of more than \$100,000,000 in tax credit certificates from a person in a**  
5 **calendar year. Before purchasing a certificate or part of a certificate,** [IF] the  
6 department **shall find** [FINDS] that

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

10 (2) the **application is not the result of the division of a single entity**  
11 **into multiple entities that would reasonably be expected to apply as a single entity**  
12 **if the \$100,000,000 limitation in this subsection did not exist** [APPLICANT DOES  
13 NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID  
14 DELINQUENT TAXES UNDER THIS TITLE];

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

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

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

23 \* **Sec. 27.** AS 43.55.028 is amended by adding a new subsection to read:

24 (j) If an applicant or claimant has an outstanding liability to the state directly  
25 related to the applicant's or claimant's oil or gas exploration, development, or  
26 production and the department has not previously reduced the amount paid to that  
27 applicant or claimant for a certificate or refund because of that outstanding liability,  
28 the department may purchase only that portion of a certificate or pay only that portion  
29 of a refund that exceeds the outstanding liability. With the applicant's or claimant's  
30 consent, the department may apply the amount by which the department reduced its  
31 purchase of a certificate or payment for a refund because of an outstanding liability to

1 satisfy the outstanding liability. Satisfaction of an outstanding liability under this  
2 subsection does not affect the applicant's ability to contest that liability. The  
3 department may enter into contracts or agreements with another department to which  
4 the outstanding liability is owed. In this subsection, "outstanding liability" means an  
5 amount of tax, interest, penalty, fee, rental, royalty, or other charge for which the state  
6 has issued a demand for payment that has not been paid when due and, if contested,  
7 has not been finally resolved against the state.

8 \* **Sec. 28.** AS 43.55.029(a) is amended to read:

9 (a) An explorer or producer that has applied for a production tax credit under  
10 **former** AS 43.55.023(a) [, (b),] or (l) **or under AS 43.55.023(b)** or 43.55.025(a) may  
11 make a present assignment of the production tax credit certificate expected to be  
12 issued by the department to a third-party assignee. The assignment may be made either  
13 at the time the application is filed with the department or not later than 30 days after  
14 the date of filing with the department. Once a notice of assignment in compliance with  
15 this section is filed with the department, the assignment is irrevocable and cannot be  
16 modified by the explorer or producer without the written consent of the assignee  
17 named in the assignment. If a production tax credit certificate is issued to the explorer  
18 or producer, the notice of assignment remains effective and shall be filed with the  
19 department by the explorer or producer together with any application for the  
20 department to purchase the certificate under AS 43.55.028(e).

21 \* **Sec. 29.** AS 43.55.030(a) is amended to read:

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

- 27 (1) a description of each lease or property from which oil or gas was  
28 produced, by name, legal description, lease number, or accounting codes assigned by  
29 the department;
- 30 (2) the names of the producer and, if different, the person paying the  
31 tax, if any;

1 (3) the gross amount of oil and the gross amount of gas produced from  
2 each lease or property, separately identifying the gross amount of gas produced from  
3 each oil and gas lease to which an effective election under AS 43.55.014(a) applies,  
4 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of  
5 the gross amount of oil and gas owned by the producer;

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

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

12 (6) the producer's qualified capital expenditures, [AS DEFINED IN  
13 AS 43.55.023,] other lease expenditures under AS 43.55.165, and adjustments or other  
14 payments or credits under AS 43.55.170;

15 (7) the production tax values of the oil and gas under AS 43.55.160(a)  
16 or of the oil under AS 43.55.160(h), as applicable;

17 (8) any claims for tax credits to be applied; and

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

20 \* **Sec. 30.** AS 43.55.030(e) is amended to read:

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

27 (1) the explorer's or producer's qualified capital expenditures, [AS  
28 DEFINED IN AS 43.55.023,] other lease expenditures under AS 43.55.165, and  
29 adjustments or other payments or credits under AS 43.55.170; and

30 (2) if the explorer or producer receives a payment or credit under  
31 AS 43.55.170, calculations showing whether the explorer or producer is liable for a



1 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount.

2 \* **Sec. 31.** AS 43.55.160(e) is amended to read:

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

23 \* **Sec. 32.** AS 43.55.160(f) is amended to read:

24 (f) On and after January 1, 2014, in the calculation of an annual production tax  
25 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the  
26 point of production of oil or gas produced from a lease or property north of 68 degrees  
27 North latitude meeting one or more of the following criteria is reduced by 20 percent:  
28 (1) the oil or gas is produced from a lease or property that does not contain a lease that  
29 was within a unit on January 1, 2003; (2) the oil or gas is produced from a  
30 participating area established after December 31, 2011, that is within a unit formed  
31 under AS 38.05.180(p) before January 1, 2003, if the participating area does not

1 contain a reservoir that had previously been in a participating area established before  
2 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an  
3 existing participating area by the Department of Natural Resources on and after  
4 January 1, 2014, and the producer demonstrates to the department that the volume of  
5 oil or gas produced is from acreage added to an existing participating area. This  
6 subsection does not apply to gas produced before 2022 that is used in the state or to  
7 gas produced on and after January 1, 2022. **For oil or gas first produced after**  
8 **December 31, 2016, the reduction under this subsection shall apply to oil or gas**  
9 **produced from a lease or property for the first five years after the**  
10 **commencement of production in commercial quantities of oil or gas from that**  
11 **lease or property. For oil or gas first produced before January 1, 2017, the**  
12 **reduction under this subsection for a lease or property shall expire January 1,**  
13 **2021.** A reduction under this subsection may not reduce the gross value at the point of  
14 production below zero. In this subsection, "participating area" means a reservoir or  
15 portion of a reservoir producing or contributing to production as approved by the  
16 Department of Natural Resources.

17 \* **Sec. 33.** AS 43.55.160(g) is amended to read:

18 (g) On and after January 1, 2014, in addition to the reduction under (f) of this  
19 section, in the calculation of an annual production tax value of a producer under  
20 (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or  
21 gas produced from a lease or property north of 68 degrees North latitude that does not  
22 contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if  
23 the oil or gas is produced from a unit made up solely of leases that have a royalty  
24 share of more than 12.5 percent in amount or value of the production removed or sold  
25 from the lease as determined under AS 38.05.180(f). This subsection does not apply if  
26 the royalty obligation for one or more of the leases in the unit has been reduced to 12.5  
27 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the  
28 annual production tax value is calculated. This subsection does not apply to gas  
29 produced before 2022 that is used in the state or to gas produced on and after  
30 January 1, 2022. **For oil or gas first produced after December 31, 2016, the**  
31 **reduction under this subsection shall apply to oil or gas produced from a lease or**

1 **property for the first five years after the commencement of production in**  
2 **commercial quantities of oil or gas from that lease or property. For oil or gas first**  
3 **produced before January 1, 2017, the reduction under this subsection for a lease**  
4 **or property shall expire January 1, 2021.** A reduction under this subsection may not  
5 reduce the gross value at the point of production below zero.

6 \* **Sec. 34.** AS 43.55.165(a) is amended to read:

7 (a) **For** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION,  
8 FOR] purposes of this chapter, a producer's lease expenditures for a calendar year are

9 (1) costs, other than items listed in (e) of this section, that are

10 (A) incurred by the producer during the calendar year after  
11 March 31, 2006, to explore for, develop, or produce oil or gas deposits located  
12 within the producer's leases or properties in the state or, in the case of land in  
13 which the producer does not own an operating right, operating interest, or  
14 working interest, to explore for oil or gas deposits within other land in the  
15 state; and

16 (B) allowed by the department by regulation, based on the  
17 department's determination that the costs satisfy the following three  
18 requirements:

19 (i) the costs must be incurred upstream of the point of  
20 production of oil and gas;

21 (ii) the costs must be ordinary and necessary costs of  
22 exploring for, developing, or producing, as applicable, oil or gas  
23 deposits; and

24 (iii) the costs must be direct costs of exploring for,  
25 developing, or producing, as applicable, oil or gas deposits; and

26 (2) a reasonable allowance for that calendar year, as determined under  
27 regulations adopted by the department, for overhead expenses that are directly related  
28 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

29 \* **Sec. 35.** AS 43.55.165(e) is amended to read:

30 (e) For purposes of this section, lease expenditures do not include

31 (1) depreciation, depletion, or amortization;

1 (2) oil or gas royalty payments, production payments, lease profit  
2 shares, or other payments or distributions of a share of oil or gas production, profit, or  
3 revenue, except that a producer's lease expenditures applicable to oil and gas produced  
4 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net  
5 profit paid to the state under that lease;

6 (3) taxes based on or measured by net income;

7 (4) interest or other financing charges or costs of raising equity or debt  
8 capital;

9 (5) acquisition costs for a lease or property or exploration license;

10 (6) costs arising from fraud, wilful misconduct, gross negligence,  
11 violation of law, or failure to comply with an obligation under a lease, permit, or  
12 license issued by the state or federal government;

13 (7) fines or penalties imposed by law;

14 (8) costs of arbitration, litigation, or other dispute resolution activities  
15 that involve the state or concern the rights or obligations among owners of interests in,  
16 or rights to production from, one or more leases or properties or a unit;

17 (9) costs incurred in organizing a partnership, joint venture, or other  
18 business entity or arrangement;

19 (10) amounts paid to indemnify the state; the exclusion provided by  
20 this paragraph does not apply to the costs of obtaining insurance or a surety bond from  
21 a third-party insurer or surety;

22 (11) surcharges levied under AS 43.55.201 or 43.55.300;

23 (12) an expenditure otherwise deductible under (b) of this section that  
24 is a result of an internal transfer, a transaction with an affiliate, or a transaction  
25 between related parties, or is otherwise not an arm's length transaction, unless the  
26 producer establishes to the satisfaction of the department that the amount of the  
27 expenditure does not exceed the fair market value of the expenditure;

28 (13) an expenditure incurred to purchase an interest in any corporation,  
29 partnership, limited liability company, business trust, or any other business entity,  
30 whether or not the transaction is treated as an asset sale for federal income tax  
31 purposes;

1 (14) a tax levied under AS 43.55.011 or 43.55.014;

2 (15) costs incurred for dismantlement, removal, surrender, or  
3 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the  
4 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in  
5 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not  
6 excluded under this paragraph if the dismantlement, removal, surrender, or  
7 abandonment for which the cost is incurred is undertaken for the purpose of replacing,  
8 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

9 (16) costs incurred for containment, control, cleanup, or removal in  
10 connection with any unpermitted release of oil or a hazardous substance and any  
11 liability for damages imposed on the producer or explorer for that unpermitted release;  
12 this paragraph does not apply to the cost of developing and maintaining an oil  
13 discharge prevention and contingency plan under AS 46.04.030;

14 (17) costs incurred to satisfy a work commitment under an exploration  
15 license under AS 38.05.132;

16 (18) that portion of expenditures, that would otherwise be qualified  
17 capital expenditures, [AS DEFINED IN AS 43.55.023,] incurred during a calendar  
18 year that are less than the product of \$0.30 multiplied by the total taxable production  
19 from each lease or property, in BTU equivalent barrels, during that calendar year,  
20 except that, when a portion of a calendar year is subject to this provision, the  
21 expenditures and volumes shall be prorated within that calendar year;

22 (19) costs incurred for repair, replacement, or deferred maintenance of  
23 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
24 undertaken in response to a failure, problem, or event that results in an unscheduled  
25 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
26 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
27 equipment, other than a well, that is undertaken in response to, or is otherwise  
28 associated with, an unpermitted release of a hazardous substance or of gas; however,  
29 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
30 and (b) of this section may be treated as lease expenditures if the department  
31 determines that the repair or replacement is solely necessitated by an act of war, by an

1 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
2 inevitable, and irresistible character, the effects of which could not have been  
3 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
4 negligent act or omission of a third party, other than a party or its agents in privity of  
5 contract with, or employed by, the producer or an operator acting for the producer, but  
6 only if the producer or operator, as applicable, exercised due care in operating and  
7 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
8 precautions against the act or omission of the third party and against the consequences  
9 of the act or omission; in this paragraph,

10 (A) "costs incurred for repair, replacement, or deferred  
11 maintenance of a facility, a pipeline, a structure, or equipment" includes costs  
12 to dismantle and remove the facility, pipeline, structure, or equipment that is  
13 being replaced;

14 (B) "hazardous substance" has the meaning given in  
15 AS 46.03.826;

16 (C) "replacement" includes renovation or improvement;

17 (20) costs incurred to construct, acquire, or operate a refinery or crude  
18 oil topping plant, regardless of whether the products of the refinery or topping plant  
19 are used in oil or gas exploration, development, or production operations; however, if  
20 a producer owns a refinery or crude oil topping plant that is located on or near the  
21 premises of the producer's lease or property in the state and that processes the  
22 producer's oil produced from that lease or property into a product that the producer  
23 uses in the operation of the lease or property in drilling for or producing oil or gas, the  
24 producer's lease expenditures include the amount calculated by subtracting from the  
25 fair market value of the product used the prevailing value, as determined under  
26 AS 43.55.020(f), of the oil that is processed;

27 (21) costs of lobbying, public relations, public relations advertising, or  
28 policy advocacy.

29 \* **Sec. 36.** AS 43.55.165(f) is amended to read:

30 (f) For purposes of AS 43.55.023(b) [AS 43.55.023(a) AND (b)] and only as  
31 to expenditures incurred to explore for an oil or gas deposit located within land in

1 which an explorer does not own a working interest, the term "producer" in this section  
2 includes "explorer."

3 \* **Sec. 37.** AS 43.55.170(c) is amended to read:

4 (c) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as  
5 to expenditures incurred to explore for an oil or gas deposit located within land in  
6 which an explorer does not own a working interest, the term "producer" in this section  
7 includes "explorer."

8 \* **Sec. 38.** AS 43.55.890 is amended to read:

9 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary  
10 provision of AS 40.25.100, and regardless of whether the information is considered  
11 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of  
12 particular returns or reports, the department may publish the following information  
13 under this chapter, if aggregated among three or more producers or explorers, showing  
14 by month or calendar year and by lease or property, unit, or area of the state:

- 15 (1) the amount of oil or gas production;
- 16 (2) the amount of taxes levied under this chapter or paid under this  
17 chapter;
- 18 (3) the effective tax rates under this chapter;
- 19 (4) the gross value of oil or gas at the point of production;
- 20 (5) the transportation costs for oil or gas;
- 21 (6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];
- 22 (7) exploration expenditures under AS 43.55.025;
- 23 (8) production tax values of oil or gas under AS 43.55.160;
- 24 (9) lease expenditures under AS 43.55.165;
- 25 (10) adjustments to lease expenditures under AS 43.55.170;
- 26 (11) tax credits applicable or potentially applicable against taxes levied  
27 by this chapter.

28 \* **Sec. 39.** AS 43.55.895(b) is amended to read:

29 (b) A municipal entity subject to taxation because of this section  
30 **(1)** is eligible for [ALL] tax credits **proportionate to its production**  
31 **taxable under AS 43.55.011(e); and**

1                                    **(2) shall allocate its lease expenditures in proportion to its**  
 2                                    **production taxable under AS 43.55.011(e)** [UNDER THIS CHAPTER TO THE  
 3                                    SAME EXTENT AS ANY OTHER PRODUCER].

4        \* **Sec. 40.** AS 43.55.900 is amended by adding a new paragraph to read:

5                                    (26) "qualified capital expenditure"

6                                    (A) means, except as otherwise provided in (B) of this  
 7                                    paragraph, an expenditure that is a lease expenditure under AS 43.55.165 and  
 8                                    is

9                                    (i) incurred for geological or geophysical exploration;

10                                    (ii) treated as a capitalized expenditure under 26 U.S.C.  
 11                                    (Internal Revenue Code), as amended, regardless of elections made  
 12                                    under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is  
 13                                    treated as a capitalized expenditure for federal income tax reporting  
 14                                    purposes by the person incurring the expenditure; or

15                                    (iii) treated as a capitalized expenditure under 26 U.S.C.  
 16                                    (Internal Revenue Code), as amended, regardless of elections made  
 17                                    under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is  
 18                                    eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal  
 19                                    Revenue Code), as amended;

20                                    (B) does not include an expenditure incurred to acquire an asset  
 21                                    the cost of previously acquiring which was a lease expenditure under  
 22                                    AS 43.55.165 or would have been a lease expenditure under AS 43.55.165 if it  
 23                                    had been incurred after March 31, 2006, or that has previously been placed in  
 24                                    service in the state; an expenditure to acquire an asset is not excluded under  
 25                                    this subparagraph if not more than an immaterial portion of the asset meets a  
 26                                    description under this subparagraph; for purposes of this subparagraph, "asset"  
 27                                    includes geological, geophysical, and well data and interpretations.

28        \* **Sec. 41.** AS 43.70.020 is amended by adding a new subsection to read:

29                                    (g) A person whose business engages in oil or gas exploration or development  
 30                                    must, in addition to filing the regular application required by this section, file with the  
 31                                    commissioner a surety bond of \$250,000 running to unsecured creditors licensed in the



1 state before being entitled to a license under this chapter. The commissioner shall  
2 waive the surety bond requirement under this subsection if the business produces oil or  
3 gas in commercial quantities.

4 \* **Sec. 42.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;  
5 AS 43.20.053(j)(4); and AS 43.55.011(k) are repealed January 1, 2017.

6 \* **Sec. 43.** AS 43.55.023(a), 43.55.023(l), 43.55.023(n), 43.55.023(o), 43.55.028(i),  
7 43.55.075(d)(1), 43.55.165(j), and 43.55.165(k) are repealed January 1, 2022.

8 \* **Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10 **LEGISLATIVE WORKING GROUP.** (a) A legislative working group is established  
11 to analyze the Cook Inlet fiscal regime for oil and gas, review the state's tax structure and  
12 rates on oil and gas produced south of 68 degrees North latitude, recommend changes to the  
13 legislature for consideration during the First Regular Session of the Thirtieth Alaska State  
14 Legislature, and develop terms for a comprehensive fiscal regime for the area south of 68  
15 degrees North latitude including,

16 (1) a tax structure that accounts for the unique circumstances for each oil and  
17 gas producing area south of 68 degrees North latitude;

18 (2) incentives for the exploration, development, and production of oil and gas  
19 south of 68 degrees North latitude;

20 (3) consideration of the competitiveness of the area to attract new oil and gas  
21 development;

22 (4) consideration of the unique market considerations of the Cook Inlet  
23 sedimentary basin and the need to support energy supply security for communities in  
24 Southcentral Alaska;

25 (5) alternative means of state support for the exploration, development, and  
26 production of oil and gas in this area, including through the Alaska Industrial Export and  
27 Development Authority;

28 (6) analysis of whether refundable state tax credits are still necessary for a  
29 new regime;

30 (7) evaluation of the need for disclosure of some confidential information to  
31 help legislators shape policy, including an evaluation of the associated state and federal

1 constitutional issues related to statutory waivers of taxpayer confidentiality.

2 (b) The working group consists of

3 (1) two co-chairs, one of whom is a member of the house appointed by the  
4 speaker of the house of representatives, and one of whom is a member of the senate appointed  
5 by the president of the senate; and

6 (2) members appointed by the co-chairs; members must be legislators and  
7 must include members of the majority and minority caucuses.

8 (c) The co-chairs of the working group may form an advisory group to the working  
9 group, composed of members who are not legislators and who have expertise and skills to  
10 assist in the review and development of a new plan for the tax structure and rates on oil and  
11 gas produced south of 68 degrees North latitude. The members of an advisory group may  
12 include commissioners or employees of state departments, members of the oil and gas  
13 industry or trade associations, and economists.

14 (d) The working group is to be supported by legislative consultants under contract  
15 through the Legislative Budget and Audit Committee.

16 \* **Sec. 45.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 **APPLICABILITY.** Sections 7 - 9, 26, and 27 of this Act apply to a refund or payment  
19 applied for on or after January 1, 2017.

20 \* **Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 **TRANSITION: QUALIFIED CAPITAL EXPENDITURES AND WELL LEASE**  
23 **EXPENDITURES.** (a) Notwithstanding the repeal of AS 43.55.023(a), (l), (n), and (o) by sec.  
24 43 of this Act, and the amendments to AS 43.55.023(d) and (e), 43.55.029(a), 43.55.165(f),  
25 and 43.55.170(c) by secs. 18, 19, 28, 36, and 37 of this Act, a taxpayer who incurs

26 (1) a qualified capital expenditure before the effective date of sec. 43 of this  
27 Act that qualifies for a qualified capital expenditure credit under AS 43.55.023(a) may apply  
28 for a credit or transferable tax credit certificate under AS 43.55.023 and assign the tax credit  
29 under AS 43.55.029, as those sections read on the day before the effective date of sec. 43 of  
30 this Act;

31 (2) a well lease expenditure before the effective date of sec. 43 of this Act that

1 qualifies for a well lease expenditure credit under AS 43.55.023(l) may apply for a credit or  
2 transferable tax credit certificate under AS 43.55.023 and assign the tax credit under  
3 AS 43.55.029, as those sections read on the day before the effective date of sec. 43 of this  
4 Act.

5 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023 and  
6 43.55.029, as those sections read on the day before the effective date of sec. 43 of this Act, for  
7 qualified capital expenditures and well lease expenditures incurred before the effective date of  
8 sec. 43 of this Act.

9 \* **Sec. 47.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER  
12 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 34 of this  
13 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 43 of this Act, AS 43.55.165(j) and (k)  
14 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010  
15 under AS 43.55.165, as that section read on the day before the effective date of sec. 43 of this  
16 Act.

17 \* **Sec. 48.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 TRANSITION: REGULATIONS. The Department of Revenue and the Department of  
20 Natural Resources may adopt regulations necessary to implement the changes made by this  
21 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
22 before the effective date of the law implemented by the regulation. The Department of  
23 Revenue shall adopt regulations governing the use of tax credits under AS 43.55 for a  
24 calendar year for which the applicable tax credit provisions of AS 43.55 differ as between  
25 parts of the year as a result of this Act.

26 \* **Sec. 49.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any  
29 contrary provision of AS 44.62.240,

30 (1) if the Department of Revenue expressly designates in a regulation that the  
31 regulation applies retroactively, a regulation adopted by the Department of Revenue to

1 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to  
2 the effective date of the law implemented by the regulation;

3 (2) if the Department of Natural Resources expressly designates in the  
4 regulation that the regulation applies retroactively, a regulation adopted by the Department of  
5 Natural Resources to implement, interpret, make specific, or otherwise carry out the statutory  
6 amendments in this Act affecting the administration of oil and gas leases issued under  
7 AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation relates to the treatment of oil  
8 and gas production taxes in determining net profits under those leases, may apply  
9 retroactively to the effective date of the law implemented by the regulation.

10 \* **Sec. 50.** Sections 24, 44, and 48 of this Act take effect immediately under  
11 AS 01.10.070(c).

12 \* **Sec. 51.** Sections 18, 19, 28 - 30, 34 - 38, 40, 43, 46, and 47 of this Act take effect  
13 January 1, 2022.

14 \* **Sec. 52.** Except as provided in secs. 50 and 51 of this Act, this Act takes effect January 1,  
15 2017.