

2d CS FOR HOUSE BILL NO. 247()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the powers and duties of the Alaska Oil and Gas Conservation**
2 **Commission; relating to the exploration incentive credits; relating to confidential**
3 **information status and public record status of information in the possession of the**
4 **Department of Revenue; relating to interest applicable to delinquent tax; relating to oil**
5 **and gas production tax credits; relating to tax credit certificates; relating to the**
6 **calculation of the production tax value of oil and gas; relating to refunds for the gas**
7 **storage facility tax credit, the liquefied natural gas storage facility tax credit, and the**
8 **qualified in-state oil refinery infrastructure expenditures tax credit; relating to the**
9 **purchase of tax credit certificates from the oil and gas tax credit fund; relating to lease**
10 **expenditures; relating to oil and gas lease expenditures and production tax credits for**
11 **municipal entities; relating to a bond or cash deposit required for an oil or gas business;**
12 **establishing a legislative working group to study the tax structure for oil and gas**

1 **produced south of 68 degrees North latitude; and providing for an effective date."**

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

3 *** Section 1.** AS 31.05.030 is amended by adding a new subsection to read:

4 (n) The commission shall determine the commencement of regular production
5 from a lease or property for purposes of AS 43.55.160(f) and (g).

6 *** Sec. 2.** AS 38.05.036(a) is amended to read:

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

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

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

16 *** Sec. 3.** AS 38.05.036(b) is amended to read:

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

24 *** Sec. 4.** AS 38.05.036(c) is amended to read:

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

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

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

8 * **Sec. 6.** AS 38.05.036(g) is amended to read:

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

12 * **Sec. 7.** AS 40.25.100(a) is amended to read:

13 (a) Information in the possession of the Department of Revenue that discloses
14 the particulars of the business or affairs of a taxpayer or other person, including
15 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
16 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
17 AS 43.05.230(i) - (l) [AS 43.05.230(i) OR (k)] or for purposes of investigation and
18 law enforcement. The information shall be kept confidential except when its
19 production is required in an official investigation, administrative adjudication under
20 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
21 publication of statistics presented in a manner that prevents the identification of
22 particular reports and items, prohibit the publication of tax lists showing the names of
23 taxpayers who are delinquent and relevant information that may assist in the collection
24 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
25 under AS 43.05.405 - 43.05.499.

26 * **Sec. 8.** AS 43.05.225 is amended to read:

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

28 (1) a delinquent tax under this title,

29 (A) before January 1, 2014, bears interest in each calendar
30 quarter at the rate of five percentage points above the annual rate charged
31 member banks for advances by the 12th Federal Reserve District as of the first

1 day of that calendar quarter, or at the annual rate of 11 percent, whichever is
2 greater, compounded quarterly as of the last day of that quarter; [OR]

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

7 **(C) on and after January 1, 2017, bears interest in each**
8 **calendar quarter at the rate of five percentage points above the annual**
9 **rate charged member banks for advances by the 12th Federal Reserve**
10 **District as of the first day of that calendar quarter, compounded quarterly**
11 **as of the last day of that quarter;**

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

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

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

16 * **Sec. 9.** AS 43.05.230 is amended by adding a new subsection to read:

17 (l) For tax credit certificates purchased by the department in the preceding
18 calendar year under AS 43.55.028, the department shall make the following
19 information public by April 30 of each year:

20 (1) the name of each person from whom the department purchased a
21 transferable tax credit certificate; and

22 (2) the aggregate amount of the tax credit certificates purchased from
23 the person in the preceding calendar year.

24 * **Sec. 10.** AS 43.20.046(e) is amended to read:

25 (e) The department may [USE AVAILABLE MONEY IN THE OIL AND
26 GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO] make the refund
27 applied for under (d) of this section in whole or in part if the department finds that (1)
28 the claimant does not have an outstanding liability to the state for unpaid delinquent
29 taxes under this title; and (2) after application of all available tax credits, the
30 claimant's total tax liability under this chapter for the calendar year in which the claim
31 is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS

1 AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN
2 ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT
3 BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

4 * **Sec. 11.** AS 43.20.047(e) is amended to read:

5 (e) The department may [USE MONEY AVAILABLE IN THE OIL AND
6 GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO] make a refund or
7 payment under (d) of this section in whole or in part if the department finds that (1)
8 the claimant does not have an outstanding liability to the state for unpaid delinquent
9 taxes under this title; and (2) after application of all available tax credits, the
10 claimant's total tax liability under this chapter for the calendar year in which the claim
11 is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS
12 AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN
13 ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT
14 BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

15 * **Sec. 12.** AS 43.20.053(e) is amended to read:

16 (e) The department may [USE MONEY AVAILABLE IN THE OIL AND
17 GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO] make a refund or
18 payment under (d) of this section in whole or in part if the department finds that

19 (1) the claimant does not have an outstanding liability to the state for
20 unpaid delinquent taxes under this title; and

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

23 * **Sec. 13.** AS 43.20.340 is amended by adding a new paragraph to read:

24 (11) "unpaid delinquent tax" means an amount of tax for which the
25 department has issued an assessment that has not been paid and, if contested, has not
26 been finally resolved in the taxpayer's favor.

27 * **Sec. 14.** AS 43.55.011(m) is amended to read:

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

1 expenditure incurred before January 1, 2011, that are otherwise available under
 2 [AS 38.05.180(i), AS 41.09.010,] AS 43.55.024 [,] or 43.55.025 and allocated to gas
 3 subject to the limitations in (j), (k), and (o) of this section are accounted for as though
 4 the credits had been applied first against a tax liability calculated without regard to the
 5 limitations under (j), (k), and (o) of this section so as to reduce the tax liability to the
 6 maximum amount provided for under (j) or (o) of this section for the production of gas
 7 or (k) of this section for the production of oil. The regulation must provide for a
 8 reasonable method to allocate tax credits to gas subject to (j) and (o) of this section.
 9 Only the amount of a tax credit remaining after the accounting provided for under this
 10 subsection may be used for a later calendar year, transferred to another person, or
 11 applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o)
 12 of this section to the extent otherwise allowed.

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

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

16 (1) notwithstanding that a qualified capital expenditure may be a
 17 deductible lease expenditure for purposes of calculating the production tax value of oil
 18 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
 19 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or
 20 explorer that incurs a qualified capital expenditure **south of 68 degrees North**
 21 **latitude** may [ALSO] elect to apply a tax credit against a tax levied by
 22 AS 43.55.011(e) in the amount of

23 **(A) 30 percent of that expenditure incurred during**
 24 **calendar year 2017; or**

25 **(B) 20 percent of that expenditure incurred during calendar**
 26 **year 2018;**

27 (2) [A PRODUCER OR EXPLORER MAY TAKE A CREDIT FOR
 28 A QUALIFIED CAPITAL EXPENDITURE INCURRED IN CONNECTION WITH
 29 GEOLOGICAL OR GEOPHYSICAL EXPLORATION OR IN CONNECTION
 30 WITH AN EXPLORATION WELL ONLY IF THE PRODUCER OR EXPLORER

31 (A) AGREES, IN WRITING, TO THE APPLICABLE

1 PROVISIONS OF AS 43.55.025(f)(2); AND

2 (B) SUBMITS TO THE DEPARTMENT OF NATURAL
3 RESOURCES ALL DATA THAT WOULD BE REQUIRED TO BE
4 SUBMITTED UNDER AS 43.55.025(f)(2);

5 (3)] a credit for a qualified capital expenditure incurred to explore for,
6 develop, or produce oil or gas deposits located **in the Cook Inlet sedimentary basin**
7 [NORTH OF 68 DEGREES NORTH LATITUDE] may be taken only if the **producer**
8 **or explorer produced oil or gas in the Cook Inlet sedimentary basin before**
9 **January 1, 2017** [EXPENDITURE IS INCURRED BEFORE JANUARY 1, 2014].

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

11 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
12 credit in the amount of 25 percent of a carried-forward annual loss. For lease
13 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
14 explore for, develop, or produce oil or gas deposits located north of 68 degrees North
15 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
16 percent of a carried-forward annual loss. For lease expenditures incurred on and after
17 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north
18 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in
19 the amount of 35 percent of a carried-forward annual loss. For lease expenditures
20 incurred on or after January 1, 2014, **and before January 1, 2018,** to explore for,
21 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
22 producer or explorer may elect to take a tax credit in the amount of 25 percent of a
23 carried-forward annual loss. A credit under this subsection may be applied against a
24 tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward
25 annual loss is the amount of a producer's or explorer's adjusted lease expenditures
26 under AS 43.55.165 and 43.55.170 for a previous calendar year that was not
27 deductible in calculating production tax values for that calendar year under
28 AS 43.55.160. **A credit under this subsection may be taken for lease expenditures**
29 **incurred after December 31, 2016,**

30 **(1) in the Cook Inlet sedimentary basin only if the producer or**
31 **explorer taking the credit produced oil or gas in the Cook Inlet sedimentary**

1 **basin before January 1, 2017;**

2 **(2) north of 68 degrees North latitude only if, during calendar year**
3 **2016, the producer or explorer produced an average of more than zero and less**
4 **than 20,000 BTU equivalent barrels a day in the state.**

5 * **Sec. 17.** AS 43.55.023(d) is amended to read:

6 (d) A person that is entitled to take a tax credit under this section that wishes
7 to [TRANSFER THE UNUSED CREDIT TO ANOTHER PERSON OR] obtain a
8 cash payment under AS 43.55.028 may apply to the department for a **nontransferable**
9 [TRANSFERABLE] tax credit certificate. An application under this subsection must
10 be in a form prescribed by the department and must include supporting information
11 and documentation that the department reasonably requires. The department shall
12 grant or deny an application, or grant an application as to a lesser amount than that
13 claimed and deny it as to the excess, not later than 120 days after the latest of (1)
14 March 31 of the year following the calendar year in which the qualified capital
15 expenditure or carried-forward annual loss for which the credit is claimed was
16 incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for
17 the calendar year in which the qualified capital expenditure or carried-forward annual
18 loss for which the credit is claimed was incurred; or (3) the date the application was
19 received by the department. If, based on the information then available to it, the
20 department is reasonably satisfied that the applicant is entitled to a credit, the
21 department shall issue the applicant a [TRANSFERABLE] tax credit certificate for the
22 amount of the credit. A certificate issued under this subsection does not expire.

23 * **Sec. 18.** AS 43.55.023(g) is amended to read:

24 (g) The issuance of a [TRANSFERABLE] tax credit certificate under (d) of
25 this section or former (m) of this section or the purchase of a certificate under
26 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to
27 which the certificate relates or to adjust the claim if the department determines, as a
28 result of the audit, that the applicant was not entitled to the amount of the credit for
29 which the certificate was issued. The tax liability of the applicant under
30 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit
31 that exceeds that to which the applicant was entitled, or the applicant's available valid

1 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced
2 by that amount. If the applicant's tax liability is increased under this subsection, the
3 increase bears interest under AS 43.05.225 from the date the [TRANSFERABLE] tax
4 credit certificate was issued. For purposes of this subsection, an applicant that is an
5 explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

6 * **Sec. 19.** AS 43.55.023(k) is amended to read:

7 (k) An entity that is exempt from taxation under this chapter may not apply for
8 a [TRANSFERABLE] tax credit certificate **under (d) of this section.**

9 * **Sec. 20.** 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 **receives a reduction in the gross value at the point of**
13 **production under** [MEETS ONE OR MORE OF THE CRITERIA IN]
14 AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31,
15 2013. A tax credit authorized by this subsection may not reduce a producer's tax
16 liability for a calendar year under AS 43.55.011(e) below zero.

17 * **Sec. 21.** AS 43.55.024(j) is amended to read:

18 (j) A producer may apply against the producer's tax liability for the calendar
19 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
20 each barrel of oil taxable under AS 43.55.011(e) that does not **receive a reduction in**
21 **the gross value at the point of production under** [MEET ANY OF THE CRITERIA
22 IN] AS 43.55.160(f) or (g) and that is produced during a calendar year after
23 December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax
24 credit under this subsection may not reduce a producer's tax liability for a calendar
25 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The
26 amount of the tax credit for a barrel of taxable oil subject to this subsection produced
27 during a month of the calendar year is

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

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

1 \$90 a barrel;

2 (3) \$6 for each barrel of taxable oil if the average gross value at the
3 point of production for the month is greater than or equal to \$90 a barrel, but less than
4 \$100 a barrel;

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

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

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

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

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

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

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

23 (m) The persons that drill the first four exploration wells in the state and
24 within the areas described in (o) of this section on state lands, private lands, or federal
25 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a
26 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)
27 of this section. A credit under this subsection may not be taken for more than two
28 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration
29 expenditures eligible for the credit in this subsection must be incurred for work
30 performed after June 1, 2012, and before July 1, 2016, **except that expenditures to**
31 **complete an exploration well that was spudded but not completed before July 1,**

1 **2016, are eligible for the credit under this subsection.** A person planning to drill an
2 exploration well on private land and to apply for a credit under this subsection shall
3 obtain written consent from the owner of the oil and gas interest for the full public
4 release of all well data after the expiration of the confidentiality period applicable to
5 information collected under (f) of this section. The written consent of the owner of the
6 oil and gas interest must be submitted to the commissioner of natural resources before
7 approval of the proposed exploration well. In addition to the requirements in (c)(1),
8 (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the
9 owner of the oil and gas interest, a person planning to drill an exploration well shall
10 obtain approval from the commissioner of natural resources before the well is
11 spudded. The commissioner of natural resources shall make a written determination
12 approving or rejecting an exploration well within 60 days after receiving the request
13 for approval or as soon as is practicable thereafter. Before approving the exploration
14 well, the commissioner of natural resources shall consider the following: the location
15 of the well; the proximity to a community in need of a local energy source; the
16 proximity of existing infrastructure; the experience and safety record of the explorer in
17 conducting operations in remote or roadless areas; the projected cost schedule;
18 whether seismic mapping and seismic data sufficiently identify a particular trap for
19 exploration; whether the targeted and planned depth and range are designed to
20 penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and
21 reach the level below which economic hydrocarbon reservoirs are likely to be found,
22 or reach 12,000 feet or more true vertical depth; and whether the exploration plan
23 provides for a full evaluation of the wellbore below surface casing to the depth of the
24 well. Whether the exploration well for which a credit is requested under this
25 subsection is located within an area and a basin described under (o) of this section
26 shall be determined by the commissioner of natural resources and reported to the
27 commissioner. A taxpayer that obtains a credit under this subsection may not claim a
28 tax credit under AS 43.55.023 or another provision in this section for the same
29 exploration expenditure.

30 * **Sec. 23.** AS 43.55.025(m), as amended by sec. 22 of this Act, is amended to read:

31 (m) The persons that drill the first four exploration wells in the state and

1 within the areas described in (o) of this section on state lands, private lands, or federal
2 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a
3 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)
4 of this section. A credit under this subsection may not be taken for more than two
5 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration
6 expenditures eligible for the credit in this subsection must be incurred for work
7 performed after June 1, 2012, and before July 1, 2016, except that expenditures to
8 complete an exploration well that was spudded but not completed before July 1, 2016,
9 are eligible for the credit under this subsection. A person planning to drill an
10 exploration well on private land and to apply for a credit under this subsection shall
11 obtain written consent from the owner of the oil and gas interest for the full public
12 release of all well data after the expiration of the confidentiality period applicable to
13 information collected under (f) of this section. The written consent of the owner of the
14 oil and gas interest must be submitted to the commissioner of natural resources before
15 approval of the proposed exploration well. In addition to the requirements in (c)(1),
16 (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the
17 owner of the oil and gas interest, a person planning to drill an exploration well shall
18 obtain approval from the commissioner of natural resources before the well is
19 spudded. The commissioner of natural resources shall make a written determination
20 approving or rejecting an exploration well within 60 days after receiving the request
21 for approval or as soon as is practicable thereafter. Before approving the exploration
22 well, the commissioner of natural resources shall consider the following: the location
23 of the well; the proximity to a community in need of a local energy source; the
24 proximity of existing infrastructure; the experience and safety record of the explorer in
25 conducting operations in remote or roadless areas; the projected cost schedule;
26 whether seismic mapping and seismic data sufficiently identify a particular trap for
27 exploration; whether the targeted and planned depth and range are designed to
28 penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and
29 reach the level below which economic hydrocarbon reservoirs are likely to be found,
30 or reach 12,000 feet or more true vertical depth; and whether the exploration plan
31 provides for a full evaluation of the wellbore below surface casing to the depth of the

1 well. Whether the exploration well for which a credit is requested under this
2 subsection is located within an area and a basin described under (o) of this section
3 shall be determined by the commissioner of natural resources and reported to the
4 commissioner. A taxpayer that obtains a credit under this subsection may not claim a
5 tax credit under [AS 43.55.023 OR] another provision in this section for the same
6 exploration expenditure.

7 * **Sec. 24.** AS 43.55.025(o) is amended to read:

8 (o) The activity that is the basis for a credit claimed under (a)(6) and (m) of
9 this section [OR (a)(7) AND (n) OF THIS SECTION] must be for the exploration of a
10 basin and within the following areas whose central points are determined using the
11 World Geographic System of 1984 datum,

12 (1) 100 miles from 66.896128 degrees North, -162.598187 degrees
13 West;

14 (2) 150 miles from 64.839474 degrees North, -147.72094 degrees
15 West;

16 (3) 50 miles from 62.776428 degrees North, -164.495201 degrees
17 West;

18 (4) 50 miles from 62.110357 degrees North, -145.530551 degrees
19 West;

20 (5) 100 miles from 58.189868 degrees North, -157.371104 degrees
21 West;

22 (6) 100 miles from 56.005988 degrees North, -160.56083 degrees
23 West.

24 * **Sec. 25.** AS 43.55.028(a) is amended to read:

25 (a) The oil and gas tax credit fund is established as a separate fund of the state.
26 The purpose of the fund is to purchase transferable **and nontransferable** tax credit
27 certificates issued under AS 43.55.023 and production tax credit certificates issued
28 under AS 43.55.025 [AND TO PAY REFUNDS AND PAYMENTS CLAIMED
29 UNDER AS 43.20.046, 43.20.047, OR 43.20.053].

30 * **Sec. 26.** AS 43.55.028(a), as amended by sec. 25 of this Act, is amended to read:

31 (a) The oil and gas tax credit fund is established as a separate fund of the state.

1 The purpose of the fund is to purchase transferable and nontransferable tax credit
2 certificates issued under **former** AS 43.55.023 and production tax credit certificates
3 issued under AS 43.55.025.

4 * **Sec. 27.** AS 43.55.028(e) is amended to read:

5 (e) The department, on the written application of a person to whom a
6 transferable **or nontransferable** tax credit certificate has been issued under
7 AS 43.55.023(d) or former AS 43.55.023(m) or to whom a production tax credit
8 certificate has been issued under AS 43.55.025(f), may use available money in the oil
9 and gas tax credit fund to purchase, in whole or in part, the certificate. **The**
10 **department may not purchase a total of more than \$85,000,000 in tax credit**
11 **certificates from a person in a calendar year. The department may purchase a**
12 **certificate or part of a certificate only** if the department finds that

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

16 (2) the **application is not the result of the division of a single entity**
17 **into multiple entities that would reasonably be expected to apply as a single entity**
18 **if the \$85,000,000 limitation in this subsection did not exist** [APPLICANT DOES
19 NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID
20 DELINQUENT TAXES UNDER THIS TITLE];

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

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

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

29 * **Sec. 28.** AS 43.55.028(e), as amended by sec. 27 of this Act, is amended to read:

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

1 AS 43.55.023(d) or (m) [FORMER AS 43.55.023(m)] or to whom a production tax
2 credit certificate has been issued under AS 43.55.025(f), may use available money in
3 the oil and gas tax credit fund to purchase, in whole or in part, the certificate. The
4 department may not purchase a total of more than \$85,000,000 in tax credit certificates
5 from a person in a calendar year. The department may purchase a certificate or part of
6 a certificate only if the department 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 into
11 multiple entities that would reasonably be expected to apply as a single entity if the
12 \$85,000,000 limitation in this subsection did not exist;

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

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

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

21 * **Sec. 29.** AS 43.55.028(g) is amended to read:

22 (g) The department **shall** [MAY] adopt regulations to carry out the purposes
23 of this section, including standards and procedures to allocate available money among
24 applications for purchases under this chapter [AND CLAIMS FOR REFUNDS AND
25 PAYMENTS UNDER AS 43.20.046, 43.20.047, OR 43.20.053] when the total
26 amount of the applications for purchase [AND CLAIMS FOR REFUND] exceed the
27 amount of available money in the fund. The regulations adopted by the department
28 **must grant a preference to an applicant if at least 80 percent of the applicant's**
29 **workforce in the state in the previous calendar year was composed of resident**
30 **workers; in this subsection, "resident worker" has the meaning given in**
31 **AS 43.40.092(b)** [MAY NOT, WHEN ALLOCATING AVAILABLE MONEY IN

1 THE FUND UNDER THIS SECTION, DISTINGUISH AN APPLICATION FOR
 2 THE PURCHASE OF A CREDIT CERTIFICATE ISSUED UNDER FORMER
 3 AS 43.55.023(m) OR A CLAIM FOR A REFUND OR PAYMENT UNDER
 4 AS 43.20.046, 43.20.047, OR 43.20.053].

5 * **Sec. 30.** AS 43.55.028 is amended by adding a new subsection to read:

6 (j) If an applicant has an outstanding liability to the state directly related to the
 7 applicant's oil or gas exploration, development, or production that has not previously
 8 been the basis of a reduction by the department under this subsection, the department
 9 may purchase only that portion of a certificate that exceeds the outstanding liability.
 10 The department may apply the amount by which the department reduced its purchase
 11 of a certificate because of an outstanding liability to satisfy the outstanding liability,
 12 except that, if the outstanding liability is contested, the department may apply the
 13 amount to satisfy the outstanding liability only with the applicant's consent.
 14 Satisfaction of an outstanding liability under this subsection does not affect the
 15 applicant's ability to contest that liability. The department may enter into contracts or
 16 agreements with another department to which the outstanding liability is owed. In this
 17 subsection, "outstanding liability" means an amount of tax, interest, penalty, fee,
 18 rental, royalty, or other charge for which the state has issued a demand for payment
 19 that has not been paid when due and, if contested, has not been finally resolved against
 20 the state.

21 * **Sec. 31.** AS 43.55.029(a) is amended to read:

22 (a) An explorer or producer that has applied for a production tax credit under
 23 AS 43.55.023(a) or (b), [(b), OR (l) OR] 43.55.025(a), or former AS 43.55.023(l)
 24 may make a present assignment of a transferable or nontransferable [THE]
 25 production tax credit certificate expected to be issued by the department to a third-
 26 party assignee. The assignment may be made either at the time the application is filed
 27 with the department or not later than 30 days after the date of filing with the
 28 department. Once a notice of assignment in compliance with this section is filed with
 29 the department, the assignment is irrevocable and cannot be modified by the explorer
 30 or producer without the written consent of the assignee named in the assignment. If a
 31 production tax credit certificate is issued to the explorer or producer, the notice of

1 assignment remains effective and shall be filed with the department by the explorer or
2 producer together with any application for the department to purchase the certificate
3 under AS 43.55.028(e).

4 * **Sec. 32.** AS 43.55.029(a), as amended by sec. 31 of this Act, is amended to read:

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

18 * **Sec. 33.** AS 43.55.029(a), as amended by secs. 31 and 32 of this Act, is amended to read:

19 (a) An explorer or producer that has applied for a production tax credit under
20 AS 43.55.025(a) [AS 43.55.023(b), 43.55.025(a),] or former AS 43.55.023(a), (b), or
21 (l) [AS 43.55.023(a) OR (l)] may make a present assignment of a transferable or
22 nontransferable production tax credit certificate expected to be issued by the
23 department to a third-party assignee. The assignment may be made either at the time
24 the application is filed with the department or not later than 30 days after the date of
25 filing with the department. Once a notice of assignment in compliance with this
26 section is filed with the department, the assignment is irrevocable and cannot be
27 modified by the explorer or producer without the written consent of the assignee
28 named in the assignment. If a production tax credit certificate is issued to the explorer
29 or producer, the notice of assignment remains effective and shall be filed with the
30 department by the explorer or producer together with any application for the
31 department to purchase the certificate under AS 43.55.028(e).

1 * **Sec. 34.** AS 43.55.030(a) is amended to read:

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

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

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

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

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

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

23 (6) the producer's [QUALIFIED CAPITAL EXPENDITURES, AS
24 DEFINED IN AS 43.55.023, OTHER] lease expenditures under AS 43.55.165 [,] and
25 adjustments or other payments or credits under AS 43.55.170;

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

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

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

31 * **Sec. 35.** AS 43.55.030(e) is amended to read:

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

7 (1) the explorer's or producer's [QUALIFIED CAPITAL
8 EXPENDITURES, AS DEFINED IN AS 43.55.023, OTHER] lease expenditures
9 under AS 43.55.165 [,] and adjustments or other payments or credits under
10 AS 43.55.170; and

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

14 * **Sec. 36.** AS 43.55.075(b) is amended to read:

15 (b) A decision of a regulatory agency, court, or other body with authority to
16 resolve disputes that results in a retroactive change to a lease expenditure, to an
17 adjustment to a lease expenditure, to costs of transportation, to sale price, to prevailing
18 value, or to consideration of quality differentials relating to the commingling of oils
19 has a corresponding effect, either an increase or decrease, as applicable, on the
20 production tax value of oil or gas or the amount or availability of a tax credit as
21 determined under this chapter. For purposes of this section, a change to a lease
22 expenditure includes a change in the categorization of a lease expenditure as a
23 qualified capital expenditure **for the purposes of former AS 43.55.023(a)** or as not a
24 qualified capital expenditure **for the purposes of former AS 43.55.023(a)**. The
25 producer shall

26 (1) within 60 days after the change, notify the department in writing;
27 and

28 (2) within 120 days after the change, file amended returns covering all
29 periods affected by the change, unless the department agrees otherwise or a stay is in
30 place that affects the filing or payment, regardless of the pendency of appeals of the
31 decision.

1 * **Sec. 37.** AS 43.55.160(d) is amended to read:

2 (d) Irrespective of whether a producer produces taxable oil or gas during a
3 calendar year or month, the producer is considered to have generated a positive
4 production tax value if a calculation described in (a) of this section yields a positive
5 number because the producer's adjusted lease expenditures for a calendar year under
6 AS 43.55.165 and 43.55.170 are less than zero as a result of the producer's receiving a
7 payment or credit under AS 43.55.170. An explorer that has taken a tax credit under
8 AS 43.55.023(b) or that has obtained a [TRANSFERABLE] tax credit certificate
9 under AS 43.55.023(d) for the amount of a tax credit under AS 43.55.023(b) is
10 considered a producer, subject to the tax levied under AS 43.55.011(e), to the extent
11 that the explorer generates a positive production tax value as the result of the
12 explorer's receiving a payment or credit under AS 43.55.170.

13 * **Sec. 38.** AS 43.55.160(d), as amended by sec. 37 of this Act, is amended to read:

14 (d) Irrespective of whether a producer produces taxable oil or gas during a
15 calendar year or month, the producer is considered to have generated a positive
16 production tax value if a calculation described in (a) of this section yields a positive
17 number because the producer's adjusted lease expenditures for a calendar year under
18 AS 43.55.165 and 43.55.170 are less than zero as a result of the producer's receiving a
19 payment or credit under AS 43.55.170. [AN EXPLORER THAT HAS TAKEN A
20 TAX CREDIT UNDER AS 43.55.023(b) OR THAT HAS OBTAINED A TAX
21 CREDIT CERTIFICATE UNDER AS 43.55.023(d) FOR THE AMOUNT OF A TAX
22 CREDIT UNDER AS 43.55.023(b) IS CONSIDERED A PRODUCER, SUBJECT
23 TO THE TAX LEVIED UNDER AS 43.55.011(e), TO THE EXTENT THAT THE
24 EXPLORER GENERATES A POSITIVE PRODUCTION TAX VALUE AS THE
25 RESULT OF THE EXPLORER'S RECEIVING A PAYMENT OR CREDIT UNDER
26 AS 43.55.170.]

27 * **Sec. 39.** AS 43.55.160(e) is amended to read:

28 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
29 would otherwise be deductible by a producer in a calendar year but whose deduction
30 would cause an annual production tax value calculated under (a)(1) or (h) of this
31 section of taxable oil or gas produced during the calendar year to be less than zero

1 may be used to establish a carried-forward annual loss under AS 43.55.023(b) **or**
2 **43.55.165(a)(3)**. However, the department shall provide by regulation a method to
3 ensure that, for a period for which a producer's tax liability is limited by
4 AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under AS 43.55.165
5 and 43.55.170 that would otherwise be deductible by a producer for that period but
6 whose deduction would cause a production tax value calculated under (a)(1)(C), (D),
7 (E), or (F), or (h)(3) of this section to be less than zero are accounted for as though the
8 adjusted lease expenditures had first been used as deductions in calculating the
9 production tax values of oil or gas subject to any of the limitations under
10 AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to
11 reduce the tax liability calculated without regard to the limitation to the maximum
12 amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p).
13 Only the amount of those adjusted lease expenditures remaining after the accounting
14 provided for under this subsection may be used to establish a carried-forward annual
15 loss under AS 43.55.023(b) **or 43.55.165(a)(3)**. **For lease expenditures incurred on**
16 **or after January 1, 2017, a reduction in gross value at the point of production**
17 **under (f) or (g) of this section shall be added back to the calculation of**
18 **production tax value for the determination of a carried-forward annual loss.** In
19 this subsection, "producer" includes "explorer."

20 * **Sec. 40.** AS 43.55.160(e), as amended by sec. 39 of this Act, is amended to read:

21 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
22 would otherwise be deductible by a producer in a calendar year but whose deduction
23 would cause an annual production tax value calculated under (a)(1) or (h) of this
24 section of taxable oil or gas produced during the calendar year to be less than zero
25 may be used to establish a carried-forward annual loss under **AS 43.55.165(a)(3)**
26 [AS 43.55.023(b) OR 43.55.165(a)(3)]. However, the department shall provide by
27 regulation a method to ensure that, for a period for which a producer's tax liability is
28 limited by AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under
29 AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that
30 period but whose deduction would cause a production tax value calculated under
31 (a)(1)(C), (D), (E), or (F), or (h)(3) of this section to be less than zero are accounted

1 for as though the adjusted lease expenditures had first been used as deductions in
2 calculating the production tax values of oil or gas subject to any of the limitations
3 under AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to
4 reduce the tax liability calculated without regard to the limitation to the maximum
5 amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p).
6 Only the amount of those adjusted lease expenditures remaining after the accounting
7 provided for under this subsection may be used to establish a carried-forward annual
8 loss under **AS 43.55.165(a)(3)** [AS 43.55.023(b) OR 43.55.165(a)(3)]. For lease
9 expenditures incurred on or after January 1, 2017, a reduction in gross value at the
10 point of production under (f) or (g) of this section shall be added back to the
11 calculation of production tax value for the determination of a carried-forward annual
12 loss. In this subsection, "producer" includes "explorer."

13 * **Sec. 41.** AS 43.55.160(f) is amended to read:

14 (f) On and after January 1, 2014, in the calculation of an annual production tax
15 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
16 point of production of oil or gas produced from a lease or property north of 68 degrees
17 North latitude meeting one or more of the following criteria is reduced by 20 percent:
18 (1) the oil or gas is produced from a lease or property that does not contain a lease that
19 was within a unit on January 1, 2003; (2) the oil or gas is produced from a
20 participating area established after December 31, 2011, that is within a unit formed
21 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
22 contain a reservoir that had previously been in a participating area established before
23 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
24 existing participating area by the Department of Natural Resources on and after
25 January 1, 2014, and the producer demonstrates to the department that the volume of
26 oil or gas produced is from acreage added to an existing participating area. This
27 subsection does not apply to gas produced before 2022 that is used in the state or to
28 gas produced on and after January 1, 2022. **For oil or gas first produced after
29 December 31, 2016, a reduction allowed under this subsection applies to oil or gas
30 produced from a lease or property for the first 10 years after the commencement
31 of regular production of oil or gas from that lease or property. For oil or gas first**

1 **produced before January 1, 2017, a reduction allowed under this subsection for a**
2 **lease or property expires January 1, 2026. The Alaska Oil and Gas Conservation**
3 **Commission shall determine the commencement of regular production for**
4 **purposes of this subsection.** A reduction under this subsection may not reduce the
5 gross value at the point of production below zero. In this subsection, "participating
6 area" means a reservoir or portion of a reservoir producing or contributing to
7 production as approved by the Department of Natural Resources.

8 * **Sec. 42.** AS 43.55.160(g) is amended to read:

9 (g) On and after January 1, 2014, in addition to the reduction under (f) of this
10 section, in the calculation of an annual production tax value of a producer under
11 (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or
12 gas produced from a lease or property north of 68 degrees North latitude that does not
13 contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if
14 the oil or gas is produced from a unit made up solely of leases that have a royalty
15 share of more than 12.5 percent in amount or value of the production removed or sold
16 from the lease as determined under AS 38.05.180(f). This subsection does not apply if
17 the royalty obligation for one or more of the leases in the unit has been reduced to 12.5
18 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the
19 annual production tax value is calculated. This subsection does not apply to gas
20 produced before 2022 that is used in the state or to gas produced on and after
21 January 1, 2022. **For oil or gas first produced after December 31, 2016, a**
22 **reduction allowed under this subsection applies to oil or gas produced from a**
23 **lease or property for the first 10 years after the commencement of regular**
24 **production of oil or gas from that lease or property. For oil or gas first produced**
25 **before January 1, 2017, a reduction allowed under this subsection for a lease or**
26 **property expires January 1, 2026.** A reduction under this subsection may not reduce
27 the gross value at the point of production below zero. **The Alaska Oil and Gas**
28 **Conservation Commission shall determine the commencement of regular**
29 **production for purposes of this subsection.**

30 * **Sec. 43.** AS 43.55.160 is amended by adding a new subsection to read:

31 (i) In this section, "regular production" has the meaning given in

AS 31.05.170.

* **Sec. 44.** AS 43.55.165(a) is amended to read:

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

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

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

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

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

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

(iii) the costs must be direct costs of exploring for, developing, or producing, as applicable, oil or gas deposits; [AND]

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

(3) lease expenditures incurred in a previous year that

(A) meet the requirements of AS 43.55.160(e);

(B) have not been deducted in the determination of the production tax value of oil and gas under AS 43.55.160(a) in a previous calendar year;

(C) were not the basis of a credit under this title; and

(D) were incurred to explore for, develop, or produce oil or

1 **gas deposits located north of 68 degrees North latitude.**

2 * **Sec. 45.** AS 43.55.165(f) is amended to read:

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

7 * **Sec. 46.** AS 43.55.170(c) is amended to read:

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

12 * **Sec. 47.** AS 43.55.180(a) is amended to read:

13 (a) The department shall study

14 (1) the effects of the provisions of this chapter on oil and gas
15 exploration, development, and production in the state, on investment expenditures for
16 oil and gas exploration, development, and production in the state, on the entry of new
17 producers into the oil and gas industry in the state, on state revenue, and on tax
18 administration and compliance, giving particular attention to the tax rates provided
19 under AS 43.55.011, the tax credits provided under **AS 43.55.024, 43.55.025, and**
20 **former AS 43.55.023** [AS 43.55.023 - 43.55.025], and the deductions for and
21 adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

22 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue
23 and on oil and gas exploration, development, and production on private land, and the
24 fairness of those tax rates for private landowners.

25 * **Sec. 48.** AS 43.55.895(b) is amended to read:

26 (b) A municipal entity subject to taxation because of this section

27 **(1) is eligible for [ALL] tax credits proportionate to its production**
28 **taxable under AS 43.55.011(e); and**

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

1 * **Sec. 49.** AS 43.70 is amended by adding new sections to read:

2 **Sec. 43.70.025. Bond or cash deposit required for an oil or gas business.** (a)

3 At the time of applying for a license under this chapter, an applicant engaged in the
4 business of oil or gas exploration, development, or production shall file a surety bond
5 in the amount of \$250,000 running to the state, conditioned upon the applicant's
6 promise to pay all

7 (1) taxes and contributions due the state and political subdivisions; and

8 (2) persons furnishing labor or material or renting or supplying
9 equipment to the applicant.

10 (b) In lieu of the surety bond required under this section, the applicant may
11 file with the commissioner a cash deposit or other negotiable security acceptable to the
12 commissioner in the amount of \$250,000.

13 (c) The bond required by this section remains in effect until cancelled by
14 action of the surety, the principal, or if the commissioner finds that the business is
15 producing oil or gas in commercial quantities, by the commissioner.

16 **Sec. 43.70.028. Claims against an oil or gas business.** (a) A person having a
17 claim against a person required to file a surety bond under AS 43.70.025 because of
18 the failure to pay a liability described in AS 43.70.025(a) may bring suit upon the
19 bond. A copy of the complaint shall be served by registered or certified mail on the
20 commissioner at the time suit is filed, and the commissioner shall maintain a record,
21 available for public inspection, of all suits commenced. This service on the
22 commissioner shall constitute service on the surety, and the commissioner shall
23 transmit the complaint or a copy of it to the surety within 72 hours after it is received.
24 The surety on the bond is not liable in an aggregate amount in excess of that named in
25 the bond, but if claims pending at any one time exceed the amount of the bond, the
26 claims shall be satisfied from the bond in the following order:

27 (1) material, equipment, and supplies delivered in the state;

28 (2) labor, including employee benefits;

29 (3) taxes and other amounts due to the city and borough, in that order;

30 (4) repair of public facilities;

31 (5) taxes and other amounts due to the state.

1 (b) If a judgment is entered against a cash deposit, the commissioner, upon
2 receipt of a certified copy of a final judgment, shall pay the judgment from the amount
3 of the deposit in accordance with the priorities set out in (a) of this section.

4 (c) An action described in (a) of this section may not be commenced on the
5 bond more than three years after the bond's cancellation.

6 * **Sec. 50.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;
7 AS 43.20.053(j)(4); AS 43.55.023(l), 43.55.023(n), 43.55.025(a)(5), 43.55.025(a)(7),
8 43.55.025(l), 43.55.025(n), 43.55.165(j), and 43.55.165(k) are repealed January 1, 2017.

9 * **Sec. 51.** AS 43.55.023(a), 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(e)(18),
10 and 43.55.890(6) are repealed January 1, 2019.

11 * **Sec. 52.** AS 43.55.023, 43.55.165(f), and 43.55.170(c) are repealed January 1, 2020.

12 * **Sec. 53.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 **LEGISLATIVE WORKING GROUP.** (a) A legislative working group is established
15 to analyze the Cook Inlet fiscal regime for oil and gas, review the state's tax structure and
16 rates on oil and gas produced south of 68 degrees North latitude, recommend changes to the
17 legislature for consideration during the First Regular Session of the Thirtieth Alaska State
18 Legislature, and develop terms for a comprehensive fiscal regime to take effect January 1,
19 2019, including,

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

22 (2) incentives other than direct monetary support from the state for the
23 exploration, development, and production of oil and gas south of 68 degrees North latitude;

24 (3) consideration of the competitiveness of the area south of 68 degrees North
25 latitude to attract new oil and gas development;

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

29 (5) alternative means of state support for the exploration, development, and
30 production of oil and gas in the Cook Inlet sedimentary basin, including loan guarantees or
31 other financial support through the Alaska Industrial Development and Export Authority, or

1 other state corporation or entity.

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 may be supported by legislative consultants under contract
15 through the Legislative Budget and Audit Committee.

16 * **Sec. 54.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 **APPLICABILITY.** (a) Sections 27 and 30 of this Act, and regulations related to a tax
19 credit certificate purchase preference for applicants with a workforce of resident workers,
20 adopted under AS 43.55.028(g), as amended by sec. 29 of this Act, apply to a purchase
21 applied for on or after the effective dates of secs. 27, 29, and 30 of this Act.

22 (b) AS 43.55.023(a)(2), as amended by sec. 15 of this Act, applies to a qualified
23 capital expenditure incurred in the Cook Inlet sedimentary basin after December 31, 2016.

24 (c) AS 43.55.023(b)(1) and (2), added by sec. 16 of this Act, apply to a carried-
25 forward annual loss for expenditures incurred in the Cook Inlet sedimentary basin or north of
26 68 degrees North latitude after December 31, 2016.

27 (d) AS 43.55.165(a), as amended by sec. 44 of this Act, applies to lease expenditures
28 calculated for a calendar year after December 31, 2016.

29 * **Sec. 55.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 **TRANSITION: WELL LEASE EXPENDITURES.** (a) Notwithstanding the repeal of

1 AS 43.55.023(l) and (n) by sec. 50 of this Act, and the amendment of AS 43.55.029(a) by sec.
2 31 of this Act, a taxpayer who incurs a well lease expenditure before the repeal of
3 AS 43.55.023(l) and (n) by sec. 50 of this Act that qualifies for a well lease expenditure credit
4 under AS 43.55.023(l) may apply for a credit or transferable tax credit certificate under
5 AS 43.55.023 and assign the tax credit under AS 43.55.029, as those sections read on the day
6 before the repeal of AS 43.55.023(l) and (n) by sec. 50 of this Act.

7 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(l),
8 as that section read on the day before the repeal of AS 43.55.023(l) by sec. 50 of this Act, for
9 well lease expenditures incurred before the repeal of AS 43.55.023(l) by sec. 50 of this Act.

10 * **Sec. 56.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **TRANSITION: AS 43.55.023 CREDIT CERTIFICATES.** Notwithstanding
13 AS 43.55.023(d), as amended by sec. 17 of this Act, and as otherwise provided by law, a
14 taxpayer who incurs a qualified capital expenditure eligible for a credit under AS 43.55.023(a)
15 or a carried-forward annual loss eligible for a credit under AS 43.55.023(b) before the
16 effective date of sec. 17 of this Act may apply for a transferable tax credit certificate under
17 AS 43.55.023(d), as that section read on the day before the effective date of sec. 17 of this
18 Act. Transferable tax credit certificates issued under AS 43.55.023(d) for expenditures
19 incurred before the effective date of sec. 17 of this Act remain transferable.

20 * **Sec. 57.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 **TRANSITION: QUALIFIED CAPITAL EXPENDITURES.** (a) Notwithstanding the
23 repeal of AS 43.55.023(a) and (o) by sec. 51 of this Act, and the amendments to
24 AS 43.55.029(a), 43.55.030(a) and (e), 43.55.075(b), 43.55.165(f), and 43.55.170(c) by secs.
25 32, 34 - 36, 45, and 46 of this Act, a taxpayer who incurs a qualified capital expenditure
26 before the repeal of AS 43.55.023(a) and (o) by sec. 51 of this Act that qualifies for a
27 qualified capital expenditure credit under AS 43.55.023(a) may apply for a credit or tax credit
28 certificate under AS 43.55.023(d) and, as applicable, assign the tax credit under
29 AS 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a) by sec.
30 51 of this Act.

31 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(a)

1 and (o) and 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a)
2 by sec. 51 of this Act, for qualified capital expenditures incurred before the repeal of
3 AS 43.55.023(a) by sec. 51 of this Act.

4 * **Sec. 58.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 TRANSITION: CARRIED-FORWARD ANNUAL LOSS. (a) Notwithstanding the
7 repeal of AS 43.55.023(b), 43.55.165(f), and 43.55.170(c) by sec. 52 of this Act, and the
8 amendments of AS 43.55.029(a) by sec. 33 of this Act, AS 43.55.160(d) by sec. 38 of this
9 Act, and AS 43.55.160(e) by sec. 40 of this Act, a taxpayer who incurs a carried-forward
10 annual loss before the repeal of AS 43.55.023(b) by sec. 52 of this Act that qualifies for a
11 carried-forward annual loss credit under AS 43.55.023(b) may apply for a credit or tax credit
12 certificate under AS 43.55.023(d) and assign the tax credit under AS 43.55.029, subject to the
13 requirements of AS 43.55.160(d) and (e), as those sections read on the day before the repeal
14 of AS 43.55.023(b) by sec. 52 of this Act.

15 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(b),
16 as that section read on the day before the repeal of AS 43.55.023(b) by sec. 52 of this Act, for
17 a carried-forward annual loss incurred before the repeal of AS 43.55.023(b) by sec. 52 of this
18 Act.

19 * **Sec. 59.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 TRANSITION: AS 43.55.023 CREDITS. Notwithstanding the repeal of
22 AS 43.55.023, 43.55.165(f), and 43.55.170(c) by sec. 52 of this Act, and the amendments to
23 AS 43.55.025(m), 43.55.028(a) and (e), 43.55.029(a), 43.55.160(d), and 43.55.180(a) by secs.
24 23, 26, 28, 33, 38, and 47 of this Act, the Department of Revenue may continue to apply and
25 enforce AS 43.55.023, as that section read on the day before the repeal of AS 43.55.023 by
26 sec. 52 of this Act, for a credit earned before the repeal of AS 43.55.023 by sec. 52 of this
27 Act.

28 * **Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER
31 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 44 of this

1 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 50 of this Act, AS 43.55.165(j) and (k)
2 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010
3 under AS 43.55.165, as that section read on the day before the repeal of AS 43.55.165(j) and
4 (k) by sec. 50 of this Act.

5 * **Sec. 61.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 TRANSITION: EXPLORATION EXPENDITURES AND SEISMIC
8 EXPLORATION EXPENDITURES. (a) Notwithstanding the repeal of AS 43.55.025(a)(5),
9 (a)(7), (l), and (n) by sec. 50 of this Act, a taxpayer who incurs an exploration expenditure or
10 seismic exploration expenditure before the repeal of AS 43.55.025(a)(5), (a)(7), (l), and (n) by
11 sec. 50 of this Act that qualifies for an exploration or seismic exploration expenditure credit
12 under AS 43.55.025(a)(5) or (a)(7) may apply for a credit or production tax credit certificate
13 under AS 43.55.025 and assign the tax credit under AS 43.55.029, as those sections read on
14 the day before the repeal of AS 43.55.025(a)(5), (a)(7), (l), and (n) by sec. 50 of this Act.

15 (b) The Department of Revenue may continue to apply and enforce
16 AS 43.55.025(a)(5), (a)(7), (l), and (n), as those sections read on the day before the repeal of
17 AS 43.55.025(a)(5), (a)(7), (l), and (n) by of sec. 50 of this Act, for exploration expenditures
18 and seismic exploration expenditures incurred before the repeal of AS 43.55.025(a)(5), (a)(7),
19 (l), and (n) by sec. 50 of this Act.

20 * **Sec. 62.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

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

29 * **Sec. 63.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any

1 contrary provision of AS 44.62.240,

2 (1) if the Department of Revenue expressly designates in a regulation that the
3 regulation applies retroactively, a regulation adopted by the Department of Revenue to
4 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
5 the effective date of the law implemented by the regulation;

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

13 * **Sec. 64.** Sections 22, 53, and 62 of this Act take effect immediately under
14 AS 01.10.070(c).

15 * **Sec. 65.** Sections 32, 34 - 36, 45, 46, and 57 of this Act take effect January 1, 2019.

16 * **Sec. 66.** Sections 23, 26, 28, 33, 38, 40, 47, 58, and 59 of this Act take effect January 1,
17 2020.

18 * **Sec. 67.** Except as provided in secs. 64 - 66 of this Act, this Act takes effect January 1,
19 2017.