

**2d CS FOR HOUSE BILL NO. 247(RLS) am**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Amended: 5/13/16

Offered: 5/12/16

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

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act amending the powers of the board of trustees of the Alaska Retirement  
2 Management Board to authorize purchase and sale of transferable tax credit certificates  
3 issued in conjunction with the production tax on oil and gas; relating to interest  
4 applicable to delinquent tax; relating to the oil and gas production tax, tax payments,  
5 and credits; relating to exploration incentive credits; relating to refunds for the gas  
6 storage facility tax credit, the liquefied natural gas storage facility tax credit, and the  
7 qualified in-state oil refinery infrastructure expenditures tax credit; relating to the  
8 confidential information status and public record status of information in the possession  
9 of the Department of Revenue; relating to oil and gas lease expenditures and production  
10 tax credits for municipal entities; requiring a bond or cash deposit with a business  
11 license application for an oil or gas business; establishing a legislative working group to  
12 study the fiscal regime and tax structure and rates for oil and gas produced south of 68

1 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 37.10.220(b) is amended to read:

4 (b) The board may

5 (1) employ outside investment advisors to review investment policies;

6 (2) enter into an agreement with the fiduciary of another state fund in  
7 order to assume the management and investment of those assets;

8 (3) contract for other services necessary to execute the board's powers  
9 and duties;

10 (4) enter into confidentiality agreements that would exempt records  
11 from AS 40.25.110 and 40.25.120 if the records contain information that could affect  
12 the value of investment by the board or that could impair the ability of the board to  
13 acquire, maintain, or dispose of investments;

14 (5) purchase, in whole or in part, transferable tax credit  
15 certificates issued under AS 43.55.023 and production tax credit certificates  
16 issued under AS 43.55.025 for 60 percent of the face value of a transferable tax  
17 credit certificate or production tax credit certificate, and sell transferable tax  
18 credit certificates and production tax credit certificates to the Department of  
19 Revenue under AS 43.55.023(r) and 43.55.025(q) for a cash refund of the full face  
20 value of the certificate; under this paragraph, the board

21 (A) may

22 (i) on the written application of a person to whom a  
23 transferable tax credit certificate has been issued under  
24 AS 43.55.023(d) or former AS 43.55.023(m) or to whom a  
25 production tax credit certificate has been issued under  
26 AS 43.55.025(f), purchase a transferable tax credit certificate or a  
27 production tax credit certificate; and

28 (ii) sell a transferable tax credit certificate or  
29 production tax credit certificate only if the commissioner of  
30 revenue determines that economic conditions are acceptable for the

1                    **state to purchase and pay for the credit; and**  
2                    **(B) shall apply the proceeds from a sale made under this**  
3                    **paragraph to defray the unfunded pension liabilities of the systems for**  
4                    **which the board has responsibility.**

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

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

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

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

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

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

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

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

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

31                    (f) Except as otherwise provided in this section or in connection with official

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

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

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

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

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

24 \* **Sec. 8.** AS 43.05.225 is amended to read:

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

26 (1) a delinquent tax under this title,

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

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

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

6 **(i) for the first four years after a tax becomes**  
 7 **delinquent, in each calendar quarter at the rate of five percentage**  
 8 **points above the annual rate charged member banks for advances**  
 9 **by the 12th Federal Reserve District as of the first day of that**  
 10 **calendar quarter, compounded quarterly as of the last day of that**  
 11 **quarter; and**

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

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

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

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

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

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

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

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

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

30 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department  
 31 may use available money in the oil and gas tax credit fund established in AS 43.55.028

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

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

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

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

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

27 [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING  
 28 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS  
 29 TITLE; AND

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

1 \* **Sec. 13.** AS 43.55.011(e) is amended to read:

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

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

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

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

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

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

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

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

23 \* **Sec. 14.** AS 43.55.011(f) is amended to read:

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

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

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

1 (B) three 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 over \$20 but not over \$25;

5 (C) two 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 \$17.50 but not over \$20;

9 (D) one 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 \$15 but not over \$17.50; or

13 (E) zero 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 \$15 or less; [AND]

17 (2) **oil and gas produced after December 31, 2016, and before**  
 18 **January 1, 2022, from leases or properties that include land north of 68 degrees**  
 19 **North latitude, other than gas subject to (o) of this section, may not be less than**

20 **(A) five percent of the gross value at the point of production**  
 21 **when the average price per barrel for Alaska North Slope crude oil for**  
 22 **sale on the United States West Coast during the calendar year for which**  
 23 **the tax is due is more than \$70;**

24 **(B) four percent of the gross value at the point of**  
 25 **production when the average price per barrel for Alaska North Slope**  
 26 **crude oil for sale on the United States West Coast during the calendar**  
 27 **year for which the tax is due is over \$25 but not over \$70;**

28 **(C) three percent of the gross value at the point of**  
 29 **production when the average price per barrel for Alaska North Slope**  
 30 **crude oil for sale on the United States West Coast during the calendar**  
 31 **year for which the tax is due is over \$20 but not over \$25;**



1                   **(D) two percent of the gross value at the point of production**  
 2                   **when the average price per barrel for Alaska North Slope crude oil for**  
 3                   **sale on the United States West Coast during the calendar year for which**  
 4                   **the tax is due is over \$17.50 but not over \$20;**

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

9                   **(F) zero percent of the gross value at the point of**  
 10                   **production when the average price per barrel for Alaska North Slope**  
 11                   **crude oil for sale on the United States West Coast during the calendar**  
 12                   **year for which the tax is due is \$15 or less; and**

13                   **(3)** oil produced on and after January 1, 2022, from leases or properties  
 14 that include land north of 68 degrees North latitude, may not be less than

15                   **(A) five percent of the gross value at the point of production**  
 16                   **when the average price per barrel for Alaska North Slope crude oil for**  
 17                   **sale on the United States West Coast during the calendar year for which**  
 18                   **the tax is due is more than \$70;**

19                   **(B)** four percent of the gross value at the point of production  
 20 when the average price per barrel for Alaska North Slope crude oil for sale on  
 21 the United States West Coast during the calendar year for which the tax is due  
 22 is **over** [MORE THAN] \$25 **but not over \$70;**

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

27                   **(D)** [(C)] two percent of the gross value at the point of  
 28 production when the average price per barrel for Alaska North Slope crude oil  
 29 for sale on the United States West Coast during the calendar year for which the  
 30 tax is due is over \$17.50 but not over \$20;

31                   **(E)** [(D)] one percent of the gross value at the point of

1 production when the average price per barrel for Alaska North Slope crude oil  
 2 for sale on the United States West Coast during the calendar year for which the  
 3 tax is due is over \$15 but not over \$17.50; or

4 **(F)** [(E)] zero percent of the gross value at the point of  
 5 production when the average price per barrel for Alaska North Slope crude oil  
 6 for sale on the United States West Coast during the calendar year for which the  
 7 tax is due is \$15 or less.

8 \* **Sec. 15.** AS 43.55.011(f), as amended by sec. 14 of this Act, is amended to read:

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

10 (1) oil and gas produced before January 1, 2017, from leases or  
 11 properties that include land north of 68 degrees North latitude [, OTHER THAN GAS  
 12 SUBJECT TO (o) OF THIS SECTION,] may not be less than

13 (A) four 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 more than \$25;

17 (B) three 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 over \$20 but not over \$25;

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

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

29 (E) zero percent of the gross value at the point of production  
 30 when the average price per barrel for Alaska North Slope crude oil for sale on  
 31 the United States West Coast during the calendar year for which the tax is due

1 is \$15 or less;

2 (2) oil and gas produced after December 31, 2016, and before  
3 January 1, 2022, from leases or properties that include land north of 68 degrees North  
4 latitude, other than gas subject to (o) of this section, may not be less than

5 (A) five 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 more than \$70;

9 (B) four 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 \$25 but not over \$70;

13 (C) three 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 \$20 but not over \$25;

17 (D) two 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 over \$17.50 but not over \$20;

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

25 (F) zero percent of the gross value at the point of production  
26 when the average price per barrel for Alaska North Slope crude oil for sale on  
27 the United States West Coast during the calendar year for which the tax is due  
28 is \$15 or less; and

29 (3) oil produced on and after January 1, 2022, from leases or properties  
30 that include land north of 68 degrees North latitude, may not be less than

31 (A) five percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on  
 2 the United States West Coast during the calendar year for which the tax is due  
 3 is more than \$70;

4 (B) four percent of the gross value at the point of production  
 5 when the average price per barrel for Alaska North Slope crude oil for sale on  
 6 the United States West Coast during the calendar year for which the tax is due  
 7 is over \$25 but not over \$70;

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

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

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

20 (F) zero percent of the gross value at the point of production  
 21 when the average price per barrel for Alaska North Slope crude oil for sale on  
 22 the United States West Coast during the calendar year for which the tax is due  
 23 is \$15 or less.

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

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

1 the credits had been applied first against a tax liability calculated without regard to the  
 2 limitations under (j), (k), and (o) of this section so as to reduce the tax liability to the  
 3 maximum amount provided for under (j) or (o) of this section for the production of gas  
 4 or (k) of this section for the production of oil. The regulation must provide for a  
 5 reasonable method to allocate tax credits to gas subject to (j) and (o) of this section.  
 6 Only the amount of a tax credit remaining after the accounting provided for under this  
 7 subsection may be used for a later calendar year, transferred to another person, or  
 8 applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o)  
 9 of this section to the extent otherwise allowed.

10 \* **Sec. 17.** AS 43.55.020(a) is amended to read:

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

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

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

25 (i) zero; or

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

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

20 (i) zero; or

21 (ii) the sum of 25 percent and the tax rate calculated for  
22 the month under AS 43.55.011(g) multiplied by the remainder obtained  
23 by 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, respectively,  
26 produced from the lease or property from the gross value at the point of  
27 production of the oil or gas, respectively, produced from the lease or  
28 property during the month for which the installment payment is  
29 calculated;

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

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

1 the month under AS 43.55.011(g) multiplied by the remainder obtained  
2 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
3 calendar year of production under AS 43.55.165 and 43.55.170 that are  
4 deductible for the oil and gas under AS 43.55.160 from the gross value  
5 at the point of production of the oil and gas produced from the leases or  
6 properties during the month for which the installment payment is  
7 calculated, but not less than zero; or

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

11 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
12 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by  
13 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
14 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but  
15 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the  
16 amount of taxable gas produced during the month for the amount of taxable gas  
17 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or  
18 (2)(A), as applicable, the amount of taxable oil produced during the month for the  
19 amount of taxable oil produced during the calendar year;

20 (3) an installment payment of the estimated tax levied by  
21 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
22 on the last day of the following month; the amount of the installment payment is the  
23 sum of

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

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

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

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

13                   (A) for oil and gas not subject to AS 43.55.011(o) or (p)  
14 produced from leases or properties in the state outside the Cook Inlet  
15 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),  
16 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 and gas under AS 43.55.160 from the gross value  
22 at the point of production of the oil and gas produced from the leases or  
23 properties during the month for which the installment payment is  
24 calculated;

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

27                                   (i) zero;

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



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

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

12 (i) zero; or

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

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

22 (i) 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 for the oil and gas under AS 43.55.160 from the gross value  
26 at the point of production of the oil and gas produced from the leases or  
27 properties during the month for which the installment payment is  
28 calculated, but not less than zero; or

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

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

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

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

19 (i) zero;

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

24 (iii) 35 percent multiplied by the remainder obtained by  
 25 subtracting 1/12 of the producer's adjusted lease expenditures for the  
 26 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 27 deductible for the oil under AS 43.55.160(h)(1) from the gross value at  
 28 the point of production of the oil produced from those leases or  
 29 properties during the month for which the installment payment is  
 30 calculated, except that, for the purposes of this calculation, a reduction  
 31 from the gross value at the point of production may apply for oil

1 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

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

7 (i) zero; or

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

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

17 (i) 35 percent multiplied by the remainder obtained by  
18 subtracting 1/12 of the producer's adjusted lease expenditures for the  
19 calendar year of production under AS 43.55.165 and 43.55.170 that are  
20 deductible for the oil under AS 43.55.160(h)(3) from the gross value at  
21 the point of production of the oil produced from the leases or properties  
22 during the month for which the installment payment is calculated, but  
23 not less than zero; and

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

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

30 (i) zero; or

31 (ii) 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 under AS 43.55.160(h)(4) from the gross value at  
 4 the point of production of the oil produced from the leases or properties  
 5 during the month for which the installment payment is calculated;

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

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

15 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and  
 16 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point  
 17 of production is determined under AS 43.55.011(f)(1) - (3) [AS 43.55.011(f)(1) OR  
 18 (2)] but substituting the phrase "month for which the installment payment is  
 19 calculated" in AS 43.55.011(f)(1) - (3) [AS 43.55.011(f)(1) AND (2)] for the phrase  
 20 "calendar year for which the tax is due";

21 (10) after December 31, 2016, for the purposes of a calculation  
 22 under (5) or (7) of this subsection, a credit under AS 43.55.024(j) may not be  
 23 applied to reduce an installment payment to less than the applicable percentage  
 24 under AS 43.55.011(f). [" ]

25 \* **Sec. 18.** AS 43.55.020(a), as amended by sec. 17 of this Act, is amended to read:

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

28 (1) [FOR OIL AND GAS PRODUCED BEFORE JANUARY 1, 2014,  
 29 AN INSTALLMENT PAYMENT OF THE ESTIMATED TAX LEVIED BY  
 30 AS 43.55.011(e), NET OF ANY TAX CREDITS APPLIED AS ALLOWED BY  
 31 LAW, IS DUE FOR EACH MONTH OF THE CALENDAR YEAR ON THE LAST

1 DAY OF THE FOLLOWING MONTH; EXCEPT AS OTHERWISE PROVIDED  
 2 UNDER (2) OF THIS SUBSECTION, THE AMOUNT OF THE INSTALLMENT  
 3 PAYMENT IS THE SUM OF THE FOLLOWING AMOUNTS, LESS 1/12 OF THE  
 4 TAX CREDITS THAT ARE ALLOWED BY LAW TO BE APPLIED AGAINST  
 5 THE TAX LEVIED BY AS 43.55.011(e) FOR THE CALENDAR YEAR, BUT THE  
 6 AMOUNT OF THE INSTALLMENT PAYMENT MAY NOT BE LESS THAN  
 7 ZERO:

8 (A) FOR OIL AND GAS NOT SUBJECT TO AS 43.55.011(o)  
 9 OR (p) PRODUCED FROM LEASES OR PROPERTIES IN THE STATE  
 10 OUTSIDE THE COOK INLET SEDIMENTARY BASIN, OTHER THAN  
 11 LEASES OR PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATER  
 12 OF

13 (i) ZERO; OR

14 (ii) THE SUM OF 25 PERCENT AND THE TAX  
 15 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)  
 16 MULTIPLIED BY THE REMAINDER OBTAINED BY  
 17 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE  
 18 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION  
 19 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE  
 20 FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE  
 21 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL  
 22 AND GAS PRODUCED FROM THE LEASES OR PROPERTIES  
 23 DURING THE MONTH FOR WHICH THE INSTALLMENT  
 24 PAYMENT IS CALCULATED;

25 (B) FOR OIL AND GAS PRODUCED FROM LEASES OR  
 26 PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATEST OF

27 (i) ZERO;

28 (ii) ZERO PERCENT, ONE PERCENT, TWO  
 29 PERCENT, THREE PERCENT, OR FOUR PERCENT, AS  
 30 APPLICABLE, OF THE GROSS VALUE AT THE POINT OF  
 31 PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE

1 LEASES OR PROPERTIES DURING THE MONTH FOR WHICH  
 2 THE INSTALLMENT PAYMENT IS CALCULATED; OR

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

14 (C) FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k),  
 15 OR (o), FOR EACH LEASE OR PROPERTY, THE GREATER OF

16 (i) ZERO; OR

17 (ii) THE SUM OF 25 PERCENT AND THE TAX  
 18 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)  
 19 MULTIPLIED BY THE REMAINDER OBTAINED BY  
 20 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE  
 21 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION  
 22 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE  
 23 UNDER AS 43.55.160 FOR THE OIL OR GAS, RESPECTIVELY,  
 24 PRODUCED FROM THE LEASE OR PROPERTY FROM THE  
 25 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL  
 26 OR GAS, RESPECTIVELY, PRODUCED FROM THE LEASE OR  
 27 PROPERTY DURING THE MONTH FOR WHICH THE  
 28 INSTALLMENT PAYMENT IS CALCULATED;

29 (D) FOR OIL AND GAS SUBJECT TO AS 43.55.011(p),  
 30 THE LESSER OF

31 (i) THE SUM OF 25 PERCENT AND THE TAX

1 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)  
 2 MULTIPLIED BY THE REMAINDER OBTAINED BY  
 3 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE  
 4 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION  
 5 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE  
 6 FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE  
 7 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL  
 8 AND GAS PRODUCED FROM THE LEASES OR PROPERTIES  
 9 DURING THE MONTH FOR WHICH THE INSTALLMENT  
 10 PAYMENT IS CALCULATED, BUT NOT LESS THAN ZERO; OR

11 (ii) FOUR PERCENT OF THE GROSS VALUE AT  
 12 THE POINT OF PRODUCTION OF THE OIL AND GAS  
 13 PRODUCED FROM THE LEASES OR PROPERTIES DURING THE  
 14 MONTH, BUT NOT LESS THAN ZERO;

15 (2) AN AMOUNT CALCULATED UNDER (1)(C) OF THIS  
 16 SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY  
 17 NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE  
 18 CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2) OR 43.55.011(o), AS  
 19 APPLICABLE, FOR GAS OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS  
 20 APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR  
 21 (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS  
 22 PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS  
 23 PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN  
 24 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF  
 25 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF  
 26 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR;

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

31 (A) the applicable tax rate for oil provided under

1 AS 43.55.011(i), multiplied by the gross value at the point of production of the  
 2 oil taxable under AS 43.55.011(i) and produced from the lease or property  
 3 during the month; and

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

8 (2) [(4)] any amount of tax levied by AS 43.55.011, net of any credits  
 9 applied as allowed by law, that exceeds the total of the amounts due as installment  
 10 payments of estimated tax is due on March 31 of the year following the calendar year  
 11 of production;

12 (3) [(5)] for oil and gas produced on and after January 1, 2014, and  
 13 before January 1, 2022, an installment payment of the estimated tax levied by  
 14 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
 15 month of the calendar year on the last day of the following month; except as otherwise  
 16 provided under (7) [(6) AND (10)] of this subsection, the amount of the installment  
 17 payment is the sum of the following amounts, less 1/12 of the tax credits that are  
 18 allowed by law to be applied against the tax levied by AS 43.55.011(e) for the  
 19 calendar year, but the amount of the installment payment may not be less than zero:

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

24 (i) zero; or

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



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

3 (i) zero;

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

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

17 (C) [FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k),  
18 OR (o), FOR EACH LEASE OR PROPERTY, THE GREATER OF

19 (i) ZERO; OR

20 (ii) 35 PERCENT MULTIPLIED BY THE  
21 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE  
22 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE  
23 CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND  
24 43.55.170 THAT ARE DEDUCTIBLE UNDER AS 43.55.160 FOR  
25 THE OIL OR GAS, RESPECTIVELY, PRODUCED FROM THE  
26 LEASE OR PROPERTY FROM THE GROSS VALUE AT THE  
27 POINT OF PRODUCTION OF THE OIL OR GAS, RESPECTIVELY,  
28 PRODUCED FROM THE LEASE OR PROPERTY DURING THE  
29 MONTH FOR WHICH THE INSTALLMENT PAYMENT IS  
30 CALCULATED;

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

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

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

11 **(4)** [(6) AN AMOUNT CALCULATED UNDER (5)(C) OF THIS  
 12 SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY  
 13 NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE  
 14 CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2) OR 43.55.011(o), AS  
 15 APPLICABLE, FOR GAS OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS  
 16 APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR  
 17 (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS  
 18 PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS  
 19 PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN  
 20 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF  
 21 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF  
 22 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR;

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

31 (A) for oil produced from leases or properties that include land

1 north of 68 degrees North latitude, the greatest of

2 (i) zero;

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

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

16 (B) for oil produced before or during the last calendar year  
17 under AS 43.55.024(b) for which the producer could take a tax credit under  
18 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet  
19 sedimentary basin, no part of which is north of 68 degrees North latitude, other  
20 than leases or properties subject to AS 43.55.011(p), 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 for the oil under AS 43.55.160(h)(2) from the gross value at  
26 the point of production of the oil produced from the leases or properties  
27 during the month for which the installment payment is calculated;

28 (C) for oil and gas produced from leases or properties subject  
29 to AS 43.55.011(p), except as otherwise provided under (5) [(8)] of this  
30 subsection, the sum 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 under AS 43.55.160(h)(3) from the gross value at  
 4 the point of production of the oil produced from the leases or properties  
 5 during the month for which the installment payment is calculated, but  
 6 not less than zero; and

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

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

13 (i) zero; or

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

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

25 (5) [(8)] an amount calculated under (4)(C) [(7)(C)] of this subsection  
 26 may not exceed four percent of the gross value at the point of production of the oil and  
 27 gas produced from leases or properties subject to AS 43.55.011(p) during the month  
 28 for which the installment payment is calculated;

29 (6) [(9)] for purposes of the calculation under (3)(B)(ii) [(1)(B)(ii),  
 30 (5)(B)(ii),] and (4)(A)(ii) [(7)(A)(ii)] of this subsection, the applicable percentage of  
 31 the gross value at the point of production is determined under AS 43.55.011(f)(1) - (3)

1 but substituting the phrase "month for which the installment payment is calculated" in  
2 AS 43.55.011(f)(1) - (3) for the phrase "calendar year for which the tax is due";

3 (7) [(10)] after December 31, 2016, for the purposes of a calculation  
4 under (3) or (4) [(5) OR (7)] of this subsection, a credit under AS 43.55.024(j) may  
5 not be applied to reduce an installment payment to less than the applicable percentage  
6 under AS 43.55.011(f).

7 \* **Sec. 19.** AS 43.55.020(g) is amended to read:

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

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

19 (2) on and after January 1, 2014, an unpaid amount of an installment  
20 payment required under (a)(1), (3), or (4) [(a)(3), (5), (6), OR (7)] of this section that  
21 is not paid when due bears interest (A) at the rate provided for an underpayment under  
22 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the  
23 date the installment payment is due until March 31 following the calendar year of  
24 production, and (B) as provided for a delinquent tax under AS 43.05.225 after that  
25 March 31; interest accrued under (A) of this paragraph that remains unpaid after that  
26 March 31 is treated as an addition to tax that bears interest under (B) of this paragraph;  
27 an unpaid amount of tax due under (a)(2) [(a)(4)] of this section that is not paid when  
28 due bears interest as provided for a delinquent tax under AS 43.05.225.

29 \* **Sec. 20.** AS 43.55.020(h) is amended to read:

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

31 (1) an overpayment of an installment payment required under (a)(1),

1 (3), or (4) [(a)(1), (2), (3), (5), (6), OR (7)] of this section bears interest at the rate  
2 provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as  
3 amended, compounded daily, from the later of the date the installment payment is due  
4 or the date the overpayment is made, until the earlier of

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

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

7 (2) except as provided under (1) of this subsection, interest with  
8 respect to an overpayment is allowed only on any net overpayment of the payments  
9 required under (a) of this section that remains after the later of March 31 following the  
10 calendar year of production or the date that the statement required under  
11 AS 43.55.030(a) is filed;

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

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

18 \* **Sec. 21.** AS 43.55.020(i) is amended to read:

19 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of  
20 this section, if the amount of a tax payment, including an installment payment, due  
21 under (a)(1) and (2) [(a)(1) - (4)] of this section is affected by the retroactive  
22 application of a regulation adopted under this chapter, the department shall determine  
23 whether the retroactive application of the regulation caused an underpayment or an  
24 overpayment of the amount due and adjust the interest due on the affected payment as  
25 follows:

26 (1) if an underpayment of the amount due occurred, the department  
27 shall waive interest that would otherwise accrue for the underpayment before the first  
28 day of the second month following the month in which the regulation became  
29 effective, if

30 (A) the department determines that the producer's  
31 underpayment resulted because the regulation was not in effect when the

1 payment was due; and

2 (B) the producer demonstrates that it made a good faith  
3 estimate of its tax obligation in light of the regulations then in effect when the  
4 payment was due and paid the estimated tax;

5 (2) if an overpayment of the amount due occurred and the department  
6 determines that the producer's overpayment resulted because the regulation was not in  
7 effect when the payment was due, the obligation for a refund for the overpayment does  
8 not begin to accrue interest earlier than the following, as applicable:

9 (A) except as otherwise provided under (B) of this paragraph,  
10 the first day of the second month following the month in which the regulation  
11 became effective;

12 (B) 90 days after an amended statement under AS 43.55.030(a)  
13 and an application to request a refund of production tax paid is filed, if the  
14 overpayment was for a period for which an amended statement under  
15 AS 43.55.030(a) was required to be filed before the regulation became  
16 effective.

17 \* **Sec. 22.** AS 43.55.023(a) is amended to read:

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

20 (1) notwithstanding that a qualified capital expenditure may be a  
21 deductible lease expenditure for purposes of calculating the production tax value of oil  
22 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
23 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
24 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
25 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
26 expenditure;

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

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

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

3 (3) a credit for a qualified capital expenditure incurred to explore for,  
4 develop, or produce oil or gas deposits located

5 (A) north of 68 degrees North latitude may be taken only if the  
6 expenditure is incurred before January 1, 2014;

7 **(B) in the Cook Inlet sedimentary basin may be taken only**  
8 **if the expenditure is incurred before July 1, 2016.**

9 \* **Sec. 23.** AS 43.55.023(a), as amended by sec. 22 of this Act, is amended to read:

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

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

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

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

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

26 (3) a credit for a qualified capital expenditure incurred to explore for,  
27 develop, or produce oil or gas deposits located

28 (A) north of 68 degrees North latitude may be taken only if the  
29 expenditure is incurred before January 1, 2014;

30 (B) in the Cook Inlet sedimentary basin may be taken only if  
31 the expenditure is incurred before July 1, 2016.



1 \* **Sec. 24.** AS 43.55.023(b) is amended to read:

2 (b) Before January 1, 2014, a producer or explorer may elect to take a tax  
 3 credit in the amount of 25 percent of a carried-forward annual loss. For lease  
 4 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to  
 5 explore for, develop, or produce oil or gas deposits located north of 68 degrees North  
 6 latitude, a producer or explorer may elect to take a tax credit in the amount of 45  
 7 percent of a carried-forward annual loss. For lease expenditures incurred **during**  
 8 **calendar year 2016** [ON AND AFTER JANUARY 1, 2016,] to explore for, develop,  
 9 or produce oil or gas deposits located north of 68 degrees North latitude, a producer or  
 10 explorer may elect to take a tax credit in the amount of 35 percent of a carried-forward  
 11 annual loss. **For lease expenditures incurred north of 68 degrees North latitude, a**  
 12 **producer may elect to take a tax credit in the amount of 32 percent of a carried-**  
 13 **forward annual loss incurred during calendar year 2017 or 2018; 29 percent of a**  
 14 **carried-forward annual loss incurred during calendar year 2019 or 2020; 26**  
 15 **percent of a carried-forward annual loss incurred during calendar year 2021 or**  
 16 **2022; and 25 percent of a carried-forward annual loss incurred after calendar**  
 17 **year 2022.** For lease expenditures incurred on or after January 1, 2014, **and before**  
 18 **January 1, 2018,** to explore for, develop, or produce oil or gas deposits located south  
 19 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in  
 20 the amount of 25 percent of a carried-forward annual loss. **For lease expenditures**  
 21 **incurred after December 31, 2017, to explore for, develop, or produce oil or gas**  
 22 **deposits located south of 68 degrees North latitude and outside of the Cook Inlet**  
 23 **sedimentary basin, a producer may elect to take a tax credit in the amount of 25**  
 24 **percent of a carried-forward annual loss. A credit under this subsection for an**  
 25 **expenditure incurred after December 31, 2016, is subject to the requirements of**  
 26 **(q) of this section.** A credit under this subsection may be applied against a tax levied  
 27 by AS 43.55.011(e). For purposes of this subsection,

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

1                    **(2) for lease expenditures incurred after December 31, 2016, any**  
 2                    **reduction under AS 43.55.160(f) or (g) is added back to the calculation of**  
 3                    **production tax values for that calendar year under AS 43.55.160 for the**  
 4                    **determination of a carried-forward annual loss.**

5                    \* **Sec. 25.** 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 cash payment under  
 8                    AS 43.55.028 may apply to the department for a transferable tax credit certificate. An  
 9                    application under this subsection must be in a form prescribed by the department and  
 10                   must include supporting information and documentation that the department  
 11                   reasonably requires. The department shall grant or deny an application, or grant an  
 12                   application as to a lesser amount than that claimed and deny it as to the excess, not  
 13                   later than 120 days after the latest of (1) March 31 of the year following the calendar  
 14                   year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward  
 15                   annual loss for which the credit is claimed was incurred; (2) the date the statement  
 16                   required under AS 43.55.030(a) or (e) was filed for the calendar year in which the  
 17                   [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which  
 18                   the credit is claimed was incurred; or (3) the date the application was received by the  
 19                   department. If, based on the information then available to it, the department is  
 20                   reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
 21                   the applicant a transferable tax credit certificate for the amount of the credit. A  
 22                   certificate issued under this subsection does not expire.

23                   \* **Sec. 26.** AS 43.55.023(e) is amended to read:

24                   (e) A person to which a transferable tax credit certificate is issued under (d) of  
 25                   this section may transfer the certificate to another person, and a transferee may further  
 26                   transfer the certificate. Subject to the limitations set out in **former (a) of this section**  
 27                   **and (b) - (d)** [(a) - (d)] of this section, and notwithstanding any action the department  
 28                   may take with respect to the applicant under (g) of this section, the owner of a  
 29                   certificate may apply the credit or a portion of the credit shown on the certificate only  
 30                   against a tax levied by AS 43.55.011(e). However, a credit shown on a transferable tax  
 31                   credit certificate may not be applied to reduce a transferee's total tax liability under

1 AS 43.55.011(e) for oil and gas produced during a calendar year to less than 80  
 2 percent of the tax that would otherwise be due without applying that credit. Any  
 3 portion of a credit not used under this subsection may be applied in a later period.

4 \* **Sec. 27.** AS 43.55.023(l) is amended to read:

5 (l) A producer or explorer may apply for a tax credit for a well lease  
 6 expenditure incurred in the state [SOUTH OF 68 DEGREES NORTH LATITUDE]  
 7 after June 30, 2010, as follows:

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

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

18 (B) 20 percent of that expenditure incurred inside the Cook  
 19 Inlet sedimentary basin after December 31, 2016, and before January 1,  
 20 2018;

21 (C) 30 percent of that expenditure incurred outside the  
 22 Cook Inlet sedimentary basin and south of 68 degrees North latitude after  
 23 December 31, 2016 [; A TAX CREDIT UNDER THIS PARAGRAPH MAY  
 24 BE APPLIED FOR A SINGLE CALENDAR YEAR];

25 (2) a producer or explorer may take a credit for a well lease  
 26 expenditure incurred

27 (A) in the state south of 68 degrees North latitude in connection  
 28 with geological or geophysical exploration or in connection with an  
 29 exploration well only if the producer or explorer

30 (i) [(A)] agrees, in writing, to the applicable provisions  
 31 of AS 43.55.025(f)(2); and

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

4                                   (B) in the Cook Inlet sedimentary basin only if the  
5                                   producer or explorer produced oil or gas in the Cook Inlet sedimentary  
6                                   basin before January 1, 2017.

7 \* **Sec. 28.** AS 43.55.023 is amended by adding new subsections to read:

8                                   (q) For a calendar year after December 31, 2016, to qualify for a credit under  
9 (b) of this section,

10                                   (1) the producer incurring the expenditure may not have an average  
11 daily production of more than 15,000 BTU equivalent barrels a day in the state during  
12 the calendar year in which the expenditure is incurred;

13                                   (2) the expenditure must be incurred for a lease

14                                   (A) from which the state receives a royalty under AS 38.05 or  
15 federal law and in a unit under a unit plan of development approved by the  
16 commissioner of natural resources as consistent with AS 38.05.180 or by the  
17 applicable federal agency; and

18                                   (B) in which the producer has a working interest; and

19                                   (3) if the unit is in the Cook Inlet sedimentary basin, the producer  
20 incurring the expenditure must have produced oil or gas in the Cook Inlet sedimentary  
21 basin before January 1, 2017.

22                                   (r) Notwithstanding the limitation on the use of a transferable tax credit  
23 certificate by a transferee in (e) of this section, and subject to appropriation, the  
24 department shall issue a cash refund to the Alaska Retirement Management Board for  
25 a transferable tax credit certificate originally issued to a person under (d) of this  
26 section and purchased by the Alaska Retirement Management Board under  
27 AS 37.10.220(b) within five years after the board's purchase of the certificate. The  
28 refund shall be made from funds appropriated from the general fund to the department  
29 for that purpose.

30 \* **Sec. 29.** AS 43.55.024(i) is amended to read:

31                                   (i) A producer may apply against the producer's tax liability for the calendar

1 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under  
 2 AS 43.55.011(e) that **receives a reduction in the gross value at the point of**  
 3 **production under** [MEETS ONE OR MORE OF THE CRITERIA IN]  
 4 AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31,  
 5 2013. A tax credit authorized by this subsection may not reduce a producer's tax  
 6 liability for a calendar year under AS 43.55.011(e) below zero.

7 \* **Sec. 30.** AS 43.55.024(j) is amended to read:

8 (j) A producer may apply against the producer's tax liability for the calendar  
 9 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for  
 10 each barrel of oil taxable under AS 43.55.011(e) that does not **receive a reduction in**  
 11 **the gross value at the point of production under** [MEET ANY OF THE CRITERIA  
 12 IN] AS 43.55.160(f) or (g) and that is produced during a calendar year after  
 13 December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax  
 14 credit under 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). The  
 16 amount of the tax credit for a barrel of taxable oil subject to this subsection produced  
 17 during a month of the calendar year is

18 (1) \$8 for each barrel of taxable oil if the average gross value at the  
 19 point of production for the month is less than \$80 a barrel;

20 (2) \$7 for each barrel of taxable oil if the average gross value at the  
 21 point of production for the month is greater than or equal to \$80 a barrel, but less than  
 22 \$90 a barrel;

23 (3) \$6 for each barrel of taxable oil if the average gross value at the  
 24 point of production for the month is greater than or equal to \$90 a barrel, but less than  
 25 \$100 a barrel;

26 (4) \$5 for each barrel of taxable oil if the average gross value at the  
 27 point of production for the month is greater than or equal to \$100 a barrel, but less  
 28 than \$110 a barrel;

29 (5) \$4 for each barrel of taxable oil if the average gross value at the  
 30 point of production for the month is greater than or equal to \$110 a barrel, but less  
 31 than \$120 a barrel;

1 (6) \$3 for each barrel of taxable oil if the average gross value at the  
2 point of production for the month is greater than or equal to \$120 a barrel, but less  
3 than \$130 a barrel;

4 (7) \$2 for each barrel of taxable oil if the average gross value at the  
5 point of production for the month is greater than or equal to \$130 a barrel, but less  
6 than \$140 a barrel;

7 (8) \$1 for each barrel of taxable oil if the average gross value at the  
8 point of production for the month is greater than or equal to \$140 a barrel, but less  
9 than \$150 a barrel;

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

12 \* **Sec. 31.** AS 43.55.025(m) is amended to read:

13 (m) The persons that drill the first four exploration wells in the state and  
14 within the areas described in (o) of this section on state lands, private lands, or federal  
15 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a  
16 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)  
17 of this section. A credit under this subsection may not be taken for more than two  
18 exploration wells in a single area described in (o)(1) - (6) of this section.  
19 **Notwithstanding (b) of this section, exploration** [EXPLORATION] expenditures  
20 eligible for the credit in this subsection must be incurred for work performed after  
21 June 1, 2012, and before **July 1, 2017, except that expenditures to complete an**  
22 **exploration well that was spudded but not completed before July 1, 2017, are**  
23 **eligible for the credit under this subsection** [JULY 1, 2016]. A person planning to  
24 drill an exploration well on private land and to apply for a credit under this subsection  
25 shall obtain written consent from the owner of the oil and gas interest for the full  
26 public release of all well data after the expiration of the confidentiality period  
27 applicable to information collected under (f) of this section. The written consent of the  
28 owner of the oil and gas interest must be submitted to the commissioner of natural  
29 resources before approval of the proposed exploration well. In addition to the  
30 requirements in (c)(1), (c)(2)(A), and (c)(2)(C) of this section and submission of the  
31 written consent of the owner of the oil and gas interest, a person planning to drill an

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

21 \* **Sec. 32.** AS 43.55.025 is amended by adding a new subsection to read:

22 (q) Notwithstanding the limitation on the use of a production tax credit  
23 certificate by a transferee in (f) of this section, and subject to appropriation, the  
24 department shall issue a cash refund to the Alaska Retirement Management Board for  
25 a production tax credit certificate originally issued to an explorer under (f) of this  
26 section and purchased by the Alaska Retirement Management Board under  
27 AS 37.10.220(b) within five years of the board's purchase of the certificate. The  
28 refund shall be made from funds appropriated from the general fund to the department  
29 for that purpose.

30 \* **Sec. 33.** AS 43.55.028(a) 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 tax credit certificates issued under  
 2 AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to  
 3 pay refunds and payments claimed under AS 43.20.046, 43.20.047, or 43.20.053. **The**  
 4 **fund may not be used to purchase a transferable tax credit certificate or**  
 5 **production tax credit certificate from the Alaska Retirement Management Board**  
 6 **that the board purchased under AS 37.10.220(b) or to pay a refund under**  
 7 **AS 43.55.023(r) or 43.55.025(q).**

8 \* **Sec. 34.** AS 43.55.028(e) is amended to read:

9 (e) The department, on the written application of a person to whom a  
 10 transferable tax credit certificate has been issued under AS 43.55.023(d) or former  
 11 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under  
 12 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
 13 purchase, in whole or in part, the certificate. **The department may not purchase a**  
 14 **total of more than \$70,000,000 in tax credit certificates from a person in a**  
 15 **calendar year. The department may only purchase a certificate or part of a**  
 16 **certificate** if the department finds that

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

20 (2) the **application is not the result of the division of a single entity**  
 21 **into multiple entities that would reasonably be expected to apply as a single entity**  
 22 **if the \$70,000,000 limitation in this subsection did not exist** [APPLICANT DOES  
 23 NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID  
 24 DELINQUENT TAXES UNDER THIS TITLE];

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

28 (4) the applicant's average daily production of oil and gas taxable  
 29 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
 30 the application is made was not more than **15,000** [50,000] BTU equivalent barrels;  
 31 and



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

3 \* **Sec. 35.** AS 43.55.028(g) is amended to read:

4 (g) The department **shall** [MAY] adopt regulations to carry out the purposes  
5 of this section, including standards and procedures to allocate available money among  
6 applications for purchases under this chapter and claims for refunds and payments  
7 under AS 43.20.046, 43.20.047, or 43.20.053 when the total amount of the  
8 applications for purchase and claims for refund exceed the amount of available money  
9 in the fund. The regulations adopted by the department, **when allocating available**  
10 **money in the fund under this section,**

11 (1) may not [, WHEN ALLOCATING AVAILABLE MONEY IN  
12 THE FUND UNDER THIS SECTION,] distinguish an application for the purchase of  
13 a credit certificate issued under former AS 43.55.023(m) or a claim for a refund or  
14 payment under AS 43.20.046, 43.20.047, or 43.20.053;

15 (2) **must grant a preference, between two applicants, to the**  
16 **applicant with a higher percentage of resident workers in the applicant's**  
17 **workforce, including workers employed by the applicant's direct contractors, in**  
18 **the state in the previous calendar year; in this paragraph, "resident worker" has**  
19 **the meaning given in AS 43.40.092(b).**

20 \* **Sec. 36.** AS 43.55.028 is amended by adding a new subsection to read:

21 (j) If an applicant or claimant has an outstanding liability to the state directly  
22 related to the applicant's or claimant's oil or gas exploration, development, or  
23 production and the department has not previously reduced the amount paid to that  
24 applicant or claimant for a certificate or refund because of that outstanding liability,  
25 the department may purchase only that portion of a certificate or pay only that portion  
26 of a refund that exceeds the outstanding liability. The department may apply the  
27 amount by which the department reduced its purchase of a certificate or payment for a  
28 refund because of an outstanding liability to satisfy the outstanding liability.  
29 Satisfaction of an outstanding liability under this subsection does not affect the  
30 applicant's ability to contest that liability. The department may enter into contracts or  
31 agreements with another department to which the outstanding liability is owed. In this

1 subsection, "outstanding liability" means an amount of tax, interest, penalty, fee,  
 2 rental, royalty, or other charge for which the state has issued a demand for payment  
 3 that has not been paid when due and, if contested, has not been finally resolved against  
 4 the state.

5 \* **Sec. 37.** AS 43.55.029(a) is amended to read:

6 (a) An explorer or producer that has applied for a production tax credit under  
 7 AS 43.55.023(a) or [,] (b), [OR (l) OR] 43.55.025(a), **or former AS 43.55.023(l)** may  
 8 make a present assignment of the production tax credit certificate expected to be  
 9 issued by the department to a third-party assignee. The assignment may be made either  
 10 at the time the application is filed with the department or not later than 30 days after  
 11 the date of filing with the department. Once a notice of assignment in compliance with  
 12 this 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. 38.** AS 43.55.029(a), as amended by sec. 37 of this Act, is amended to read:

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

1 \* **Sec. 39.** 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 DEFINED IN  
24 AS 43.55.023,] other lease expenditures under AS 43.55.165, and adjustments or other  
25 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. 40.** 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 expenditures, [AS  
 8 DEFINED IN AS 43.55.023,] other lease expenditures under AS 43.55.165, and  
 9 adjustments or other payments or credits under AS 43.55.170; and

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

13 \* **Sec. 41.** AS 43.55.150 is amended by adding a new subsection to read:

14 (d) For purposes of calculating the tax under this chapter, the gross value at  
 15 the point of production may not be less than zero.

16 \* **Sec. 42.** AS 43.55.160(a) is amended to read:

17 (a) For oil and gas produced before January 1, 2022, except as provided in (b),  
 18 (f), and (g) of this section, for the purposes of

19 (1) AS 43.55.011(e)(1) and (2), the annual production tax value of  
 20 taxable oil, gas, or oil and gas produced during a calendar year in a category for which  
 21 a separate annual production tax value is required to be calculated under this  
 22 paragraph is the gross value at the point of production of that oil, gas, or oil and gas  
 23 taxable under AS 43.55.011(e), less the producer's lease expenditures under  
 24 AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas in that  
 25 category produced by the producer during the calendar year, as adjusted under  
 26 AS 43.55.170; a separate annual production tax value shall be calculated for

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

30 (B) oil and gas produced from leases or properties in the state  
 31 outside the Cook Inlet sedimentary basin, no part of which is north of 68

1 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)  
2 and (b); this subparagraph does not apply to

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

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

5 (C) [OIL PRODUCED BEFORE 2022 FROM EACH LEASE  
6 OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN;

7 (D) GAS PRODUCED BEFORE 2022 FROM EACH LEASE  
8 OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN;

9 (E) GAS PRODUCED BEFORE 2022 FROM EACH LEASE  
10 OR PROPERTY IN THE STATE OUTSIDE THE COOK INLET  
11 SEDIMENTARY BASIN AND USED IN THE STATE, OTHER THAN GAS  
12 SUBJECT TO AS 43.55.011(p);

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

15 ~~(D)~~ [(G)] oil and gas produced from leases or properties in the  
16 state no part of which is north of 68 degrees North latitude, other than oil or  
17 gas described in (B) or [,] (C) [, (D), (E), OR (F)] of this paragraph;

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

20 (A) oil and gas produced during a month from leases or  
21 properties in the state that include land north of 68 degrees North latitude is the  
22 gross value at the point of production of the oil and gas taxable under  
23 AS 43.55.011(e) and produced by the producer from those leases or properties,  
24 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
25 calendar year applicable to the oil and gas produced by the producer from  
26 those leases or properties, as adjusted under AS 43.55.170; [THIS  
27 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO  
28 AS 43.55.011(o);]

29 (B) oil and gas produced during a month from leases or  
30 properties in the state outside the Cook Inlet sedimentary basin, no part of  
31 which is north of 68 degrees North latitude, is the gross value at the point of

1 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
 2 the producer from those leases or properties, less 1/12 of the producer's lease  
 3 expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
 4 gas produced by the producer from those leases or properties, as adjusted under  
 5 AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS  
 6 SUBJECT TO AS 43.55.011(o);]

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

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

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

26 \* **Sec. 43.** AS 43.55.160(e) is amended to read:

27 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
 28 would otherwise be deductible by a producer in a calendar year but whose deduction  
 29 would cause an annual production tax value calculated under (a)(1) or (h) of this  
 30 section of taxable oil or gas produced during the calendar year to be less than zero  
 31 may be used to establish a carried-forward annual loss under AS 43.55.023(b).

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

16 \* **Sec. 44.** AS 43.55.160(f) is amended to read:

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

1 lease or property after December 31, 2016, a reduction allowed under this  
 2 subsection applies from the date of commencement of regular production of oil  
 3 and gas in commercial quantities from that lease or property and expires after  
 4 three years, consecutive or nonconsecutive, in which the average annual price per  
 5 barrel for Alaska North Slope crude oil for sale on the United States West Coast  
 6 is more than \$70 or after seven years, whichever occurs first. For oil and gas first  
 7 produced from a lease or property before January 1, 2017, a reduction allowed  
 8 under this subsection expires on the earlier of January 1, 2023, or January 1  
 9 following three years, consecutive or nonconsecutive, in which the average annual  
 10 price per barrel for Alaska North Slope crude oil for sale on the United States  
 11 West Coast is more than \$70. A reduction under this subsection may not reduce the  
 12 gross value at the point of production below zero. In this subsection, "participating  
 13 area" means a reservoir or portion of a reservoir producing or contributing to  
 14 production as approved by the Department of Natural Resources.

15 \* **Sec. 45.** AS 43.55.160(g) is amended to read:

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



1        **produced before January 1, 2017, the reduction under this subsection for a lease**  
 2        **or property shall expire January 1, 2021.** A reduction under this subsection may not  
 3        reduce the gross value at the point of production below zero.

4        \* **Sec. 46.** AS 43.55.165(a) is amended to read:

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

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

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

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

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

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

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

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

27        \* **Sec. 47.** AS 43.55.165(e) is amended to read:

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

29                        (1) depreciation, depletion, or amortization;

30                        (2) oil or gas royalty payments, production payments, lease profit  
 31        shares, or other payments or distributions of a share of oil or gas production, profit, or

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

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

5 (4) interest or other financing charges or costs of raising equity or debt  
 6 capital;

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

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

11 (7) fines or penalties imposed by law;

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

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

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

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

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

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

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

31 (15) costs incurred for dismantlement, removal, surrender, or

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

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

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

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

20 (19) costs incurred for repair, replacement, or deferred maintenance of  
21 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
22 undertaken in response to a failure, problem, or event that results in an unscheduled  
23 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
24 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
25 equipment, other than a well, that is undertaken in response to, or is otherwise  
26 associated with, an unpermitted release of a hazardous substance or of gas; however,  
27 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
28 and (b) of this section may be treated as lease expenditures if the department  
29 determines that the repair or replacement is solely necessitated by an act of war, by an  
30 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
31 inevitable, and irresistible character, the effects of which could not have been

1 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
 2 negligent act or omission of a third party, other than a party or its agents in privity of  
 3 contract with, or employed by, the producer or an operator acting for the producer, but  
 4 only if the producer or operator, as applicable, exercised due care in operating and  
 5 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
 6 precautions against the act or omission of the third party and against the consequences  
 7 of the act or omission; in this paragraph,

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

12 (B) "hazardous substance" has the meaning given in  
 13 AS 46.03.826;

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

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

25 (21) costs of lobbying, public relations, public relations advertising, or  
 26 policy advocacy.

27 \* **Sec. 48.** AS 43.55.165(f) is amended to read:

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

1        **January 1, 2017, to explore for an oil or gas deposit located within land in which**  
 2        **an explorer does not own a working interest, the term "producer" in this section**  
 3        **includes "explorer."**

4        \* **Sec. 49.** AS 43.55.165(f), as amended by sec. 48 of this Act, is amended to read:

5                (f) [FOR PURPOSES OF AS 43.55.023(a) AND ONLY AS TO  
 6        EXPENDITURES INCURRED TO EXPLORE FOR AN OIL OR GAS DEPOSIT  
 7        LOCATED WITHIN LAND IN WHICH AN EXPLORER DOES NOT OWN A  
 8        WORKING INTEREST, THE TERM "PRODUCER" IN THIS SECTION  
 9        INCLUDES "EXPLORER."] For purposes of AS 43.55.023(b), for expenditures  
 10        incurred before January 1, 2017, to explore for an oil or gas deposit located within  
 11        land in which an explorer does not own a working interest, the term "producer" in this  
 12        section includes "explorer."

13        \* **Sec. 50.** AS 43.55.165(h) is amended to read:

14                (h) The department shall adopt regulations that provide for reasonable  
 15        methods of allocating costs between oil and gas [, BETWEEN GAS SUBJECT TO  
 16        AS 43.55.011(o) AND OTHER GAS,] and between leases or properties in those  
 17        circumstances where an allocation of costs is required to determine lease expenditures  
 18        that are costs of exploring for, developing, or producing oil deposits or costs of  
 19        exploring for, developing, or producing gas deposits, or that are costs of exploring for,  
 20        developing, or producing oil or gas deposits located within different leases or  
 21        properties.

22        \* **Sec. 51.** AS 43.55.170(c) is amended to read:

23                (c) For purposes of AS 43.55.023(a) [AND (b)] and only as to expenditures  
 24        incurred to explore for an oil or gas deposit located within land in which an explorer  
 25        does not own a working interest, the term "producer" in this section includes  
 26        "explorer." **For purposes of AS 43.55.023(b), for expenditures incurred before**  
 27        **January 1, 2017, to explore for an oil or gas deposit located within land in which**  
 28        **an explorer does not own a working interest, the term "producer" in this section**  
 29        **includes "explorer."**

30        \* **Sec. 52.** AS 43.55.170(c), as amended by sec. 51 of this Act, is amended to read:

31                (c) [FOR PURPOSES OF AS 43.55.023(a) AND ONLY AS TO

1 EXPENDITURES INCURRED TO EXPLORE FOR AN OIL OR GAS DEPOSIT  
 2 LOCATED WITHIN LAND IN WHICH AN EXPLORER DOES NOT OWN A  
 3 WORKING INTEREST, THE TERM "PRODUCER" IN THIS SECTION  
 4 INCLUDES "EXPLORER.]" For purposes of AS 43.55.023(b), for expenditures  
 5 incurred before January 1, 2017, to explore for an oil or gas deposit located within  
 6 land in which an explorer does not own a working interest, the term "producer" in this  
 7 section includes "explorer."

8 \* **Sec. 53.** 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. 54.** 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. 55.** 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. 56.** AS 43.70 is amended by adding new sections to read:

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

30                   At the time of applying for a license under this chapter, an applicant engaged in the  
 31                   business of oil or gas exploration, development, or production shall file a surety bond

1 in the amount of \$250,000 running to the state, conditioned upon the applicant's  
2 promise to pay all

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

4 (2) unsecured creditors furnishing labor or material or renting or  
5 supplying equipment to the applicant.

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

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

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

23 (1) material, equipment, and supplies delivered in the state by an  
24 unsecured creditor;

25 (2) labor, including employee benefits provided by an unsecured  
26 creditor;

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

28 (4) repair of public facilities;

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

30 (b) If a judgment is entered against a cash deposit, the commissioner, upon  
31 receipt of a certified copy of a final judgment, shall pay the judgment from the amount



1 of the deposit in accordance with the priorities set out in (a) of this section.

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

4 \* **Sec. 57.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090; and  
5 AS 43.20.053(j)(4) are repealed January 1, 2017.

6 \* **Sec. 58.** AS 43.55.011(j), 43.55.011(k), 43.55.011(m), 43.55.011(o), 43.55.023(l), and  
7 43.55.023(n) are repealed January 1, 2019.

8 \* **Sec. 59.** AS 43.55.023(a), 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(j), and  
9 43.55.165(k) are repealed January 1, 2022.

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

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

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

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

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

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

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

30 (6) the applicability of the recommended tax structure to gas currently subject  
31 to AS 43.55.011(o).

1 (b) The recommended changes under (a) of this section may not include refundable or  
2 deductible tax credits or carried-forward lease expenditures.

3 (c) The working group consists of

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

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

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

15 (e) The working group may be supported by legislative consultants under contract  
16 through the Legislative Budget and Audit Committee.

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

19 APPLICABILITY. AS 43.20.046(e), as amended by sec. 10 of this Act,  
20 AS 43.20.047(e), as amended by sec. 11 of this Act, AS 43.20.053(e), as amended by sec. 12  
21 of this Act, AS 43.55.028(e), as amended by sec. 34 of this Act, AS 43.55.028(j), added by  
22 sec. 36 of this Act, and regulations related to a tax credit certificate purchase preference for  
23 applicants with a workforce of resident workers, adopted under AS 43.55.028(g), as amended  
24 by sec. 35 of this Act, apply to a purchase applied for on or after the effective date of secs. 10  
25 - 12 and 34 - 36 of this Act.

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

28 TRANSITION: WELL LEASE EXPENDITURES. (a) Notwithstanding the repeal of  
29 AS 43.55.023(l) and (n) by sec. 58 of this Act, and the amendment to AS 43.55.029(a) by sec.  
30 37 of this Act, a taxpayer who incurs a well lease expenditure before the repeal of  
31 AS 43.55.023(l) and (n) by sec. 58 of this Act that qualifies for a well lease expenditure credit

1 under AS 43.55.023(l) may apply for a credit or transferable tax credit certificate under  
2 AS 43.55.023 and assign the tax credit under AS 43.55.029, as those sections read on the day  
3 before the repeal of AS 43.55.023(l) and (n) by sec. 58 of this Act.

4 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(l),  
5 as that section read on the day before the repeal of AS 43.55.023(l) by sec. 58 of this Act, for  
6 well lease expenditures incurred before the repeal of AS 43.55.023(l) by sec. 58 of this Act.

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

9 TRANSITION: QUALIFIED CAPITAL EXPENDITURES. (a) Notwithstanding the  
10 repeal of AS 43.55.023(a) and (o) by sec. 59 of this Act, and the amendments to  
11 AS 45.55.023(d) by sec. 25 of this Act, AS 43.55.029(a) by sec. 38 of this Act,  
12 AS 43.55.030(a) and (e) by secs. 39 and 40 of this Act, AS 43.55.165(f) by sec. 49 of this Act,  
13 and AS 43.55.170(c) by sec. 52 of this Act, a taxpayer who incurs a qualified capital  
14 expenditure before the repeal of AS 43.55.023(a) and (o) by sec. 59 of this Act that qualifies  
15 for a qualified capital expenditure credit under AS 43.55.023(a) may apply for a credit or tax  
16 credit certificate under AS 43.55.023(d) and, as applicable, assign the tax credit under  
17 AS 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a) by sec.  
18 59 of this Act.

19 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(a)  
20 and (o) and 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a)  
21 by sec. 59 of this Act, for qualified capital expenditures incurred before the repeal of  
22 AS 43.55.023(a) by sec. 59 of this Act.

23 \* **Sec. 64.** The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER  
26 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 46 of this  
27 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 59 of this Act, AS 43.55.165(j) and (k)  
28 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010  
29 under AS 43.55.165, as that section read on the day before the repeal of AS 43.55.165(j) and  
30 (k) by sec. 59 of this Act.

31 \* **Sec. 65.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITION: PAYMENT OF TAX; FILING. (a) Notwithstanding the amendments  
3 to AS 43.55.020 by secs. 18 - 21 of this Act,

4 (1) a person subject to tax under AS 43.55 that is required to make one or more  
5 installment payments of estimated tax or other payments of tax under AS 43.55.020 for  
6 production before the effective date of secs. 18 - 21 of this Act shall pay the tax under  
7 AS 43.55.020, as that section read on the day before the effective date of secs. 18 - 21 of this  
8 Act;

9 (2) an unpaid amount of an installment payment required under AS 43.55.020  
10 for production before the effective date of secs. 18 - 21 of this Act that is not paid when due  
11 bears interest under AS 43.55.020, as that section read on the day before the effective date of  
12 secs. 18 - 21 of this Act;

13 (3) an overpayment of an installment payment required under AS 43.55.020 for  
14 production before the effective date of secs. 18 - 21 of this Act bears interest under  
15 AS 43.55.020, as that section read on the day before the effective date of secs. 18 - 21 of this  
16 Act.

17 (b) The Department of Revenue may continue to apply and enforce AS 43.55.020, as  
18 that section read on the day before the effective date of secs. 18 - 21 of this Act, for a tax or  
19 installment payment for production before the effective date of secs. 18 - 21 of this Act.

20 \* **Sec. 66.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 TRANSITION: PRODUCTION TAX AND CARRIED-FORWARD ANNUAL  
23 LOSSES. Notwithstanding the repeal of AS 43.55.011(j), (k), (m), and (o) by sec. 58 of this  
24 Act, and the amendments to AS 43.55.011(e) and (f) by secs. 13 and 15 of this Act,  
25 43.55.160(a) and (e) by secs. 42 and 43 of this Act, and 43.55.165(h) by sec. 50 of this Act,

26 (1) for oil and gas produced before the repeal of AS 43.55.011(j), (k), (m), and  
27 (o) by sec. 58 of this Act, the production tax and production tax value of that oil and gas shall  
28 be determined under AS 43.55.011 and 43.55.160, as those sections read on the day before the  
29 repeal of AS 43.55.011(j), (k), (m), and (o) by sec. 58 of this Act;

30 (2) in determining lease expenditures incurred before the effective date of sec.  
31 50 of this Act, the Department of Revenue shall continue to apply regulations that were

1 adopted under AS 43.55.165(h) that were in effect on the day before the effective date of sec.  
2 50 of this Act; and

3 (3) a lease expenditure incurred before the effective date of sec. 43 of this Act  
4 may be used to establish a carried-forward annual loss under AS 43.55.160(e), as that  
5 subsection read on the day before the effective date of sec. 43 of this Act.

6 \* **Sec. 67.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

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

15 \* **Sec. 68.** The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 **TRANSITION: RETROACTIVITY OF REGULATIONS.** Notwithstanding any  
18 contrary provision of AS 44.62.240,

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

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

30 \* **Sec. 69.** Sections 31, 60, 67, and 68 of this Act take effect immediately under  
31 AS 01.10.070(c).

1     \* **Sec. 70.** Section 22 of this Act takes effect July 1, 2016.

2     \* **Sec. 71.** Sections 13, 15, 18 - 21, 37, 42, 43, 50, 58, 62, 65, and 66 of this Act take effect  
3     January 1, 2019.

4     \* **Sec. 72.** Sections 25, 26, 38 - 40, 46, 47, 49, 52, 53, 55, 59, 63, and 64 of this Act take  
5     effect January 1, 2022.

6     \* **Sec. 73.** Except as provided in secs. 69 - 72 of this Act, this Act takes effect January 1,  
7     2017.