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REPRESENTATIVE PAUL SEATON Rep.Paul.Seaton@akleg.gov SECTIONAL ANALYSIS

House Bill 191 Version H

HB 191 Short Version Sectional Analysis Version: 29-LS0849\H

An Act relating to the oil and gas corporate income tax; and providing for an effective date.

*Please note that a sectional analysis of a bill or resolution should not be considered an authoritative interpretation of the measure itself.
The legislation is the best statement of its contents.*

NOTE: Oil & Gas Corporate Income Tax, also known as Separate Accounting, will be a new section added to statute: AS 43.21. This is noted in Section 5 of this sectional analysis. AS 43.20 *Oil and Gas Producers and Pipelines*, also known as Worldwide Apportionment, is repealed in Section 7.

Section 1: *Page 1: Lines 4-8*

Amends language by removing reference to AS 43.20.144, which is repealed in Section 7 of this bill, and inserts the same definition of barrel in reference to oil.

Section 2: *Pages 1-2: Lines 9-1*

Amends language in AS 41.09.010(b), *Exploration Incentive Credit*, by allowing for the credit to be used against AS 43.21, *Oil and Gas Corporate Income Tax* (separate accounting).

Section 3: *Page 2: Lines 2-5*

Adds new subsection under AS 43.20.011, *Tax on Corporations*, stating that any corporation engaged in the production or transportation of crude oil or natural gas shall be taxed under AS 43.21, *Oil and Gas Corporate Income Tax* (separate accounting).

Section 4: *Page 2: Lines 6-12*

Amends language in AS 43.20.145(f), *Affiliated Groups*, to replace AS 43.20.144 (worldwide apportionment) with AS 43.21 (separate accounting). AS 43.20.144 dealt with more than oil and gas companies, clarifying language was included in (f). AS 43.21 is only for oil and gas production and transportation companies, the clarifying language is unnecessary and was deleted.

Section 5: *Pages 2-10: Lines 13-18*

Re-incorporates former Separate Accounting methodology that was approved by the Supreme Court in the 1982 with the addition of Articles 1, 2, and 3 to AS 43.21, *Oil and Gas Corporate Income Tax*.

Section 6: *Page 10-11: Lines 22-11*

Amends section 43.82.210(a), *Contract terms relating to payment in lieu of one or more taxes*, by updating periodic payments made on tax and to include reference to AS 43.21, *Oil and Gas Corporate Income Tax*, in the statute.

Section 7: *Page 11: Line 11*

The worldwide apportionment method, AS 43.20.144, is repealed.

Section 8: *Page 11: Lines 12-15*

Adds new section to the uncodified law of the State of Alaska for Applicability by adding an effective date of January 1, 2016.

Section 9: *Page 11: Lines 16-27*

Adds new section to the uncodified law of the State of Alaska on Regulations allowing Department of Revenue to adopt regulations necessary to implement the separate accounting method (Oil and Gas Corporate Income Tax). This includes a transition period in order to avoid double taxation, along with the ability to adopt regulations to provide a five-year transition period for depreciation.

Section 10: *Page 11: Line 28*

States that Section 9 will take place immediately.

Section 11: *Page 11: Line 29*

States that Sections 1-8 will take effect January 1, 2016.

For more detailed information go to:

<http://www.akleg.gov/basis/Bill/Detail/29?Root=HB%20191>