

HOUSE BILL NO. 133

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES GARA, Kawasaki

Introduced: 2/20/17

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the oil and gas production tax, tax payments, and tax credits;**
2 **relating to adjustments to the gross value at the point of production; and providing for**
3 **an effective date."**

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

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 SHORT TITLE. This Act may be known as the Fair Share for Alaska's Oil Act.

8 * **Sec. 2.** AS 31.05.030(n) is amended to read:

9 (n) Upon request of the commissioner of revenue, the commission shall
10 determine the commencement of regular production from a lease or property for
11 purposes of AS 43.55.160(f) [AND (g)].

12 * **Sec. 3.** AS 43.55.011(e) is amended to read:

13 (e) There is levied on the producer of oil or gas a tax for all oil and gas
14 produced each calendar year from each lease or property in the state, less any oil and

1 gas the ownership or right to which is exempt from taxation or constitutes a
 2 landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as
 3 otherwise provided under (f), (j), [(k),] (o), and (p) of this section, for oil and gas
 4 produced

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

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

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

10 (2) on and after January 1, 2014, and before January 1, **2018** [2022],
 11 the tax is equal to the annual production tax value of the taxable oil and gas as
 12 calculated under AS 43.55.160(a)(1) multiplied by 35 percent;

13 (3) **on and after January 1, 2018, and before January 1, 2022, the**
 14 **tax for**

15 **(A) oil produced from leases or properties outside the Cook**
 16 **Inlet sedimentary basin that do not include land north of 68 degrees North**
 17 **latitude is equal to the annual production tax value of the oil as calculated**
 18 **under AS 43.55.160(a)(1) multiplied by 35 percent;**

19 **(B) oil produced from leases or properties in the Cook Inlet**
 20 **sedimentary basin is equal to the sum of**

21 **(i) the annual production tax value of the taxable oil**
 22 **as calculated under AS 43.55.160(a)(1) multiplied by 22.5 percent;**
 23 **and**

24 **(ii) the sum, over all the months of the calendar**
 25 **year, of the amounts determined under (g) of this section;**

26 **(C) oil produced from leases or properties that include land**
 27 **north of 68 degrees North latitude is equal to the sum of**

28 **(i) the annual production tax value of the taxable oil**
 29 **as calculated under AS 43.55.160(a)(1) multiplied by 35 percent;**
 30 **and**

31 **(ii) the sum, over all the months of the calendar**

1 year, of the amounts determined under (g) of this section;

2 (D) gas is equal to the annual production tax value of the
 3 taxable gas as calculated under AS 43.55.160(a)(1) multiplied by 35
 4 percent;

5 (4) on and after January 1, 2022, the tax for

6 (A) oil produced from leases or properties outside the Cook
 7 Inlet sedimentary basin that do not include land north of 68 degrees North
 8 latitude is equal to the annual production tax value of the taxable oil as
 9 calculated under AS 43.55.160(h)(1) [AS 43.55.160(h)] multiplied by 35
 10 percent;

11 (B) oil produced from leases or properties in the Cook Inlet
 12 sedimentary basin is equal to the sum of

13 (i) the annual production tax value of the taxable oil
 14 as calculated under AS 43.55.160(h)(1) multiplied by 22.5 percent;
 15 and

16 (ii) the sum, over all the months of the calendar
 17 year, of the amounts determined under (g) of this section;

18 (C) oil produced from leases or properties that include land
 19 north of 68 degrees North latitude is equal to the sum of

20 (i) the annual production tax value of the taxable oil
 21 as calculated under AS 43.55.160(h)(1) multiplied by 35 percent;
 22 and

23 (ii) the sum, over all the months of the calendar
 24 year, of the amounts determined under (g) of this section;

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

30 * Sec. 4. AS 43.55.011(f) is amended to read:

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

1 (1) oil and gas produced before **January 1, 2018** [JANUARY 1,
2 2022], from leases or properties that include land north of 68 degrees North latitude,
3 other than gas subject to (o) of this section, may not be less than

4 (A) 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 more than \$25;

8 (B) 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 (C) 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 (D) 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 (E) 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; [AND]

24 (2) **gas** [OIL] produced on and after **January 1, 2018, and before**
25 January 1, 2022, from leases or properties that include land north of 68 degrees North
26 latitude, **other than gas subject to (o) of this section,** may not be less than

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

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

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

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

12 (E) zero 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 \$15 or less;

16 **(3) oil produced on and after January 1, 2018, from leases or**
 17 **properties that include land north of 68 degrees North latitude, other than oil**
 18 **subject to (4) of this subsection, may not be less than the greater of**

19 **(A) the applicable percentage of gross value, as follows:**

20 **(i) 10 percent of the gross value at the point of**
 21 **production when the average price per barrel for Alaska North**
 22 **Slope crude oil for sale on the United States West Coast during the**
 23 **calendar year for which the tax is due is \$90 or more;**

24 **(ii) nine percent of the gross value at the point of**
 25 **production when the average price per barrel for Alaska North**
 26 **Slope crude oil for sale on the United States West Coast during the**
 27 **calendar year for which the tax is due is \$82 or more but less than**
 28 **\$90;**

29 **(iii) eight percent of the gross value at the point of**
 30 **production when the average price per barrel for Alaska North**
 31 **Slope crude oil for sale on the United States West Coast during the**

1 calendar year for which the tax is due is \$74 or more but less than
2 \$82;

3 (iv) seven percent of the gross value at the point of
4 production when the average price per barrel for Alaska North
5 Slope crude oil for sale on the United States West Coast during the
6 calendar year for which the tax is due is \$66 or more but less than
7 \$74;

8 (v) six percent of the gross value at the point of
9 production when the average price per barrel for Alaska North
10 Slope crude oil for sale on the United States West Coast during the
11 calendar year for which the tax is due is \$58 or more but less than
12 \$66;

13 (vi) five percent of the gross value at the point of
14 production when the average price per barrel for Alaska North
15 Slope crude oil for sale on the United States West Coast during the
16 calendar year for which the tax is due is \$50 or more but less than
17 \$58;

18 (vii) four percent of the gross value at the point of
19 production when the average price per barrel for Alaska North
20 Slope crude oil for sale on the United States West Coast during the
21 calendar year for which the tax is due is \$25 or more but less than
22 \$50;

23 (viii) three percent of the gross value at the point of
24 production when the average price per barrel for Alaska North
25 Slope crude oil for sale on the United States West Coast during the
26 calendar year for which the tax is due is less than \$25; or

27 (B) 22.5 percent of the annual production tax value of the
28 taxable oil, as calculated under AS 43.55.160(a); and

29 (4) heavy oil produced on and after January 1, 2018, from leases
30 or properties that include land north of 68 degrees North latitude, may not be
31 less than the greater of

1 **(A) the applicable percentage of gross value, as follows:**

2 **(i) seven percent of the gross value at the point of**
3 **production when the average price per barrel for Alaska North**
4 **Slope crude oil for sale on the United States West Coast during the**
5 **calendar year for which the tax is due is \$90 or more;**

6 **(ii) six and one-half percent of the gross value at the**
7 **point of production when the average price per barrel for Alaska**
8 **North Slope crude oil for sale on the United States West Coast**
9 **during the calendar year for which the tax is due is \$82 or more**
10 **but less than \$90;**

11 **(iii) six percent of the gross value at the point of**
12 **production when the average price per barrel for Alaska North**
13 **Slope crude oil for sale on the United States West Coast during the**
14 **calendar year for which the tax is due is \$74 or more but less than**
15 **\$82;**

16 **(iv) five and one-half percent of the gross value at**
17 **the point of production when the average price per barrel for**
18 **Alaska North Slope crude oil for sale on the United States West**
19 **Coast during the calendar year for which the tax is due is \$66 or**
20 **more but less than \$74;**

21 **(v) five percent of the gross value at the point of**
22 **production when the average price per barrel for Alaska North**
23 **Slope crude oil for sale on the United States West Coast during the**
24 **calendar year for which the tax is due is \$58 or more but less than**
25 **\$66;**

26 **(vi) four and one-half percent of the gross value at**
27 **the point of production when the average price per barrel for**
28 **Alaska North Slope crude oil for sale on the United States West**
29 **Coast during the calendar year for which the tax is due is \$50 or**
30 **more but less than \$58;**

31 **(vii) four percent of the gross value at the point of**

1 **production when the average price per barrel for Alaska North**
 2 **Slope crude oil for sale on the United States West Coast during the**
 3 **calendar year for which the tax is due is less than \$50; or**

4 **(B) 22.5 percent of the annual production tax value of the**
 5 **taxable oil, as calculated under AS 43.55.160(a).**

6 * Sec. 5. AS 43.55.011(g) is amended to read:

7 (g) **For purposes of (e) of this section, the tax amount is determined as**
 8 **follows:**

9 **(1) before January 1, 2014, for** [FOR] each month of a calendar year
 10 [BEFORE 2014] for which the producer's average monthly production tax value under
 11 AS 43.55.160(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more than
 12 \$30, the amount of tax for purposes of (e)(1)(B) of this section is determined by
 13 multiplying the monthly production tax value of the taxable oil and gas produced
 14 during the month by the tax rate calculated as follows:

15 **(A)** [(1)] if the producer's average monthly production tax
 16 value of a BTU equivalent barrel of the taxable oil and gas for the month is not
 17 more than \$92.50, the tax rate is 0.4 percent multiplied by the number that
 18 represents the difference between that average monthly production tax value of
 19 a BTU equivalent barrel and \$30; or

20 **(B)** [(2)] if the producer's average monthly production tax value
 21 of a BTU equivalent barrel of the taxable oil and gas for the month is more
 22 than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent
 23 multiplied by the number that represents the difference between the average
 24 monthly production tax value of a BTU equivalent barrel and \$92.50, except
 25 that the sum determined under this **subparagraph** [PARAGRAPH] may not
 26 exceed 50 percent;

27 **(2) on or after January 1, 2018, and before January 1, 2022, for**
 28 **each month of a calendar year for which the producer's production tax value**
 29 **under AS 43.55.160(a)(3) of a BTU equivalent barrel of the taxable oil is**

30 **(A) more than \$70, the difference between the monthly**
 31 **production tax value of a BTU equivalent barrel and \$70 multiplied by the**

1 volume of oil produced by the producer for the month multiplied by 25
 2 percent;

3 (B) more than \$60 but not more than \$70, the difference
 4 between the monthly production tax value of a BTU equivalent barrel and
 5 \$60 multiplied by the volume of oil produced by the producer for the
 6 month multiplied by 20 percent;

7 (C) more than \$50 but not more than \$60, the difference
 8 between the monthly production tax value of a BTU equivalent barrel and
 9 \$50 multiplied by the volume of oil produced by the producer for the
 10 month multiplied by 15 percent;

11 (D) more than \$40 but not more than \$50, the difference
 12 between the monthly production tax value of a BTU equivalent barrel and
 13 \$40 multiplied by the volume of oil produced by the producer for the
 14 month multiplied by 10 percent;

15 (3) on or after January 1, 2022, for each month of a calendar year
 16 for which the producer's production tax value under AS 43.55.160(h)(2) of a BTU
 17 equivalent barrel of the taxable oil is

18 (A) more than \$70, the difference between the monthly
 19 production tax value of a BTU equivalent barrel and \$70 multiplied by the
 20 volume of oil produced by the producer for the month multiplied by 25
 21 percent;

22 (B) more than \$60 but not more than \$70, the difference
 23 between the monthly production tax value of a BTU equivalent barrel and
 24 \$60 multiplied by the volume of oil produced by the producer for the
 25 month multiplied by 20 percent;

26 (C) more than \$50 but not more than \$60, the difference
 27 between the monthly production tax value of a BTU equivalent barrel and
 28 \$50 multiplied by the volume of oil produced by the producer for the
 29 month multiplied by 15 percent;

30 (D) more than \$40 but not more than \$50, the difference
 31 between the monthly production tax value of a BTU equivalent barrel and

1 **\$40 multiplied by the volume of oil produced by the producer for the**
 2 **month multiplied by 10 percent.**

3 * **Sec. 6.** AS 43.55.011 is amended by adding new subsections to read:

4 (q) The department shall

5 (1) adjust dollar amounts under (f)(3) and (4) of this section biennially
 6 for inflation from calendar year 2017 using the Consumer Price Index for all urban
 7 consumers for Anchorage compiled by the Bureau of Labor Statistics, United States
 8 Department of Labor, rounded to the nearest \$.25 increment; and

9 (2) publish the adjusted amounts on the department's Internet website.

10 (r) The amount of tax determined under (f) of this section may not be reduced
 11 by the application of a credit authorized under this chapter.

12 * **Sec. 7.** AS 43.55.014(b) is amended to read:

13 (b) A production tax levied by this section is equal to 13 percent of the gas
 14 otherwise taxable under **AS 43.55.011(e)(4)** [AS 43.55.011(e)(3)] produced from each
 15 oil and gas lease to which an effective election under (a) of this section applies, when
 16 and as that gas is produced. The producer shall pay the tax in gas by delivering that 13
 17 percent of the gas to the state at the point of production.

18 * **Sec. 8.** AS 43.55.020(a) is amended to read:

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

21 (1) [FOR OIL AND GAS PRODUCED BEFORE JANUARY 1, 2014,
 22 AN INSTALLMENT PAYMENT OF THE ESTIMATED TAX LEVIED BY
 23 AS 43.55.011(e), NET OF ANY TAX CREDITS APPLIED AS ALLOWED BY
 24 LAW, IS DUE FOR EACH MONTH OF THE CALENDAR YEAR ON THE LAST
 25 DAY OF THE FOLLOWING MONTH; EXCEPT AS OTHERWISE PROVIDED
 26 UNDER (2) OF THIS SUBSECTION, THE AMOUNT OF THE INSTALLMENT
 27 PAYMENT IS THE SUM OF THE FOLLOWING AMOUNTS, LESS 1/12 OF THE
 28 TAX CREDITS THAT ARE ALLOWED BY LAW TO BE APPLIED AGAINST
 29 THE TAX LEVIED BY AS 43.55.011(e) FOR THE CALENDAR YEAR, BUT THE
 30 AMOUNT OF THE INSTALLMENT PAYMENT MAY NOT BE LESS THAN
 31 ZERO:

1 (A) FOR OIL AND GAS NOT SUBJECT TO AS 43.55.011(o)
 2 OR (p) PRODUCED FROM LEASES OR PROPERTIES IN THE STATE
 3 OUTSIDE THE COOK INLET SEDIMENTARY BASIN, OTHER THAN
 4 LEASES OR PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATER
 5 OF

6 (i) ZERO; OR

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

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

20 (i) ZERO;

21 (ii) ZERO PERCENT, ONE PERCENT, TWO
 22 PERCENT, THREE PERCENT, OR FOUR PERCENT, AS
 23 APPLICABLE, OF THE GROSS VALUE AT THE POINT OF
 24 PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE
 25 LEASES OR PROPERTIES DURING THE MONTH FOR WHICH
 26 THE INSTALLMENT PAYMENT IS CALCULATED; OR

27 (iii) THE SUM OF 25 PERCENT AND THE TAX
 28 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)
 29 MULTIPLIED BY THE REMAINDER OBTAINED BY
 30 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
 31 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION

1 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE
 2 FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE
 3 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL
 4 AND GAS PRODUCED FROM THOSE LEASES OR PROPERTIES
 5 DURING THE MONTH FOR WHICH THE INSTALLMENT
 6 PAYMENT IS CALCULATED;

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

9 (i) ZERO; OR

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

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

24 (i) THE SUM OF 25 PERCENT AND THE TAX
 25 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)
 26 MULTIPLIED BY THE REMAINDER OBTAINED BY
 27 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
 28 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION
 29 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE
 30 FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE
 31 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL

1 AND GAS PRODUCED FROM THE LEASES OR PROPERTIES
 2 DURING THE MONTH FOR WHICH THE INSTALLMENT
 3 PAYMENT IS CALCULATED, BUT NOT LESS THAN ZERO; OR

4 (ii) FOUR PERCENT OF THE GROSS VALUE AT
 5 THE POINT OF PRODUCTION OF THE OIL AND GAS
 6 PRODUCED FROM THE LEASES OR PROPERTIES DURING THE
 7 MONTH, BUT NOT LESS THAN ZERO;

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

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

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

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

31 (2) [(4)] any amount of tax levied by AS 43.55.011, net of any credits

1 applied as allowed by law, that exceeds the total of the amounts due as installment
 2 payments of estimated tax is due on March 31 of the year following the calendar year
 3 of production;

4 **(3)** [(5)] for oil and gas produced on and after **January 1, 2018**
 5 [JANUARY 1, 2014], and before January 1, 2022, an installment payment of the
 6 estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by
 7 law, is due for each month of the calendar year on the last day of the following month;
 8 except as otherwise provided under **(4)** [(6)] of this subsection, the amount of the
 9 installment payment is the sum of the following amounts, less 1/12 of the tax credits
 10 that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the
 11 calendar year, but the amount of the installment payment may not be less than zero:

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

16 (i) zero; or

17 (ii) 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 and gas under AS 43.55.160 from the gross value
 21 at the point of production of the oil and gas produced from the leases or
 22 properties during the month for which the installment payment is
 23 calculated;

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

26 (i) zero;

27 (ii) **the percentages applicable under AS 43.55.011(f)**
 28 [ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE
 29 PERCENT, OR FOUR PERCENT, AS APPLICABLE,] of the gross
 30 value at the point of production **or the production tax value, as**
 31 **applicable**, of the oil and gas produced from the leases or properties

1 during the month for which the installment payment is calculated; or

2 (iii) **the sum of the amount calculated for the month**
 3 **under AS 43.55.011(g), as applicable, and** 35 percent multiplied by
 4 the remainder obtained by subtracting 1/12 of the producer's adjusted
 5 lease expenditures for the calendar year of production under
 6 AS 43.55.165 and 43.55.170 that are deductible for the oil and gas
 7 under AS 43.55.160 from the gross value at the point of production of
 8 the oil and gas produced from those leases or properties during the
 9 month for which the installment payment is calculated, except that, for
 10 the purposes of this calculation, a reduction from the gross value at the
 11 point of production may apply for oil and gas subject to
 12 AS 43.55.160(f) [OR (g)];

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

15 (i) zero; or

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

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

25 (i) 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, but not less than zero; or

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

4 **(E) for oil produced from leases or properties in the Cook**
 5 **Inlet sedimentary basin, the greater of**

6 **(i) zero; or**

7 **(ii) the sum of the amount calculated for the month**
 8 **under AS 43.55.011(g), as applicable, and 22.5 percent multiplied**
 9 **by the remainder obtained by subtracting 1/12 of the producer's**
 10 **adjusted lease expenditures for the calendar year of production**
 11 **under AS 43.55.165 and 43.55.170 that are deductible for the oil**
 12 **under AS 43.55.160 from the gross value at the point of production**
 13 **of the oil produced from those leases or properties during the**
 14 **month for which the installment payment is calculated;**

15 **(4)** [(6)] an amount calculated under **(3)(C)** [(5)(C)] of this subsection
 16 for [OIL OR] gas subject to AS 43.55.011(j) [, (k),] or (o) may not exceed the product
 17 obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or
 18 43.55.011(o), as applicable, [FOR GAS OR SET OUT IN AS 43.55.011(k) FOR
 19 OIL,] but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as
 20 applicable, the amount of taxable gas produced during the month for the amount of
 21 taxable gas produced during the calendar year [AND SUBSTITUTING IN
 22 AS 43.55.011(k) THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE
 23 MONTH FOR THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE
 24 CALENDAR YEAR];

25 **(5)** [(7)] for oil and gas produced on or after January 1, 2022, an
 26 installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax
 27 credits applied as allowed by law, is due for each month of the calendar year on the
 28 last day of the following month; except as otherwise provided under **(8)** [(10)] of this
 29 subsection, the amount of the installment payment is the sum of the following
 30 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
 31 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment

1 payment may not be less than zero:

2 (A) for oil produced from leases or properties subject to
3 AS 43.55.011(f), the greatest of

4 (i) zero;

5 (ii) **the percentages applicable under AS 43.55.011(f)**
6 [ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE
7 PERCENT, OR FOUR PERCENT, AS APPLICABLE,] of the gross
8 value at the point of production **or the production tax value, as**
9 **applicable**, of the oil produced from the leases or properties during the
10 month for which the installment payment is calculated; or

11 (iii) **the sum of the amount calculated for the month**
12 **under AS 43.55.011(g), as applicable, and** 35 percent multiplied by
13 the remainder obtained by subtracting 1/12 of the producer's adjusted
14 lease expenditures for the calendar year of production under
15 AS 43.55.165 and 43.55.170 that are deductible for the oil under
16 **AS 43.55.160(h)(1)(A)** [AS 43.55.160(h)(1)] from the gross value at
17 the point of production of the oil produced from those leases or
18 properties during the month for which the installment payment is
19 calculated, except that, for the purposes of this calculation, a reduction
20 from the gross value at the point of production may apply for oil
21 subject to AS 43.55.160(f) [OR 43.55.160(f) AND (g)];

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

27 (i) zero; or

28 (ii) 35 percent multiplied by the remainder obtained by
29 subtracting 1/12 of the producer's adjusted lease expenditures for the
30 calendar year of production under AS 43.55.165 and 43.55.170 that are
31 deductible for the oil under **AS 43.55.160(h)(1)(B)**

1 [AS 43.55.160(h)(2)] from the gross value at the point of production of
 2 the oil produced from the leases or properties during the month for
 3 which the installment payment is calculated;

4 (C) for oil and gas produced from leases or properties subject
 5 to AS 43.55.011(p), except as otherwise provided under (6) [(8)] of this
 6 subsection, the sum of

7 (i) 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)(C)
 11 [AS 43.55.160(h)(3)] from the gross value at the point of production of
 12 the oil produced from the leases or properties during the month for
 13 which the installment payment is calculated, but not less than zero; and

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

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

20 (i) zero; or

21 (ii) 35 percent multiplied by the remainder obtained by
 22 subtracting 1/12 of the producer's adjusted lease expenditures for the
 23 calendar year of production under AS 43.55.165 and 43.55.170 that are
 24 deductible for the oil under AS 43.55.160(h)(1)(D)
 25 [AS 43.55.160(h)(4)] from the gross value at the point of production of
 26 the oil produced from the leases or properties during the month for
 27 which the installment payment is calculated;

28 (E) for gas produced from each lease or property in the state
 29 outside the Cook Inlet sedimentary basin, other than a lease or property subject
 30 to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of
 31 production of the gas produced from the lease or property during the month for

1 which the installment payment is calculated, but not less than zero;

2 (F) for oil **produced from leases or properties in the Cook**
 3 **Inlet sedimentary basin** [SUBJECT TO AS 43.55.011(k)], for each lease or
 4 property, the greater of

5 (i) zero; or

6 (ii) **the sum of the amount calculated for the month**
 7 **under AS 43.55.011(g), as applicable, and 22.5** [35] percent
 8 multiplied by the remainder obtained by subtracting 1/12 of the
 9 producer's adjusted lease expenditures for the calendar year of
 10 production under AS 43.55.165 and 43.55.170 that are deductible under
 11 AS 43.55.160 for the oil produced from the lease or property from the
 12 gross value at the point of production of the oil produced from the lease
 13 or property during the month for which the installment payment is
 14 calculated;

15 (G) for gas subject to AS 43.55.011(j) or (o), for each lease or
 16 property, the greater of

17 (i) zero; or

18 (ii) 13 percent of the gross value at the point of
 19 production of the gas produced from the lease or property during the
 20 month for which the installment payment is calculated;

21 **(6)** [(8)] an amount calculated under **(5)(C)** [(7)(C)] of this subsection
 22 may not exceed four percent of the gross value at the point of production of the oil and
 23 gas produced from leases or properties subject to AS 43.55.011(p) during the month
 24 for which the installment payment is calculated;

25 **(7)** [(9)] for purposes of the calculation under **(3)(B)(ii) and (5)(A)(ii)**
 26 [(1)(B)(ii), (5)(B)(ii), AND (7)(A)(ii)] of this subsection, the applicable percentage of
 27 the gross value at the point of production **or the production tax value** is determined
 28 under **AS 43.55.011(f)** [AS 43.55.011(f)(1) OR (2)] but substituting the phrase "month
 29 for which the installment payment is calculated" in **AS 43.55.011(f)**
 30 [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for which the tax is due";

31 **(8)** [(10)] an amount calculated under **(5)(G)** [(7)(F) OR (G)] of this

1 subsection for [OIL OR] gas subject to AS 43.55.011(j) [, (k),] or (o) may not exceed
 2 the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or
 3 (2) or 43.55.011(o), as applicable, [FOR GAS, OR SET OUT IN AS 43.55.011(k)
 4 FOR OIL,] but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as
 5 applicable, the amount of taxable gas produced during the month for the amount of
 6 taxable gas produced during the calendar year;

7 **(9) for purposes of the calculation under (3)(B)(ii) or (5)(A)(ii) of**
 8 **this subsection, a credit under this chapter may not be applied to reduce an**
 9 **installment payment to less than the applicable percentages under**
 10 **AS 43.55.011(f)** [AND SUBSTITUTING IN AS 43.55.011(k) THE AMOUNT OF
 11 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF
 12 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR].

13 * **Sec. 9.** AS 43.55.020(g) is amended to read:

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

15 (1) [BEFORE JANUARY 1, 2014, AN UNPAID AMOUNT OF AN
 16 INSTALLMENT PAYMENT REQUIRED UNDER (a)(1) - (3) OF THIS SECTION
 17 THAT IS NOT PAID WHEN DUE BEARS INTEREST (A) AT THE RATE
 18 PROVIDED FOR AN UNDERPAYMENT UNDER 26 U.S.C. 6621 (INTERNAL
 19 REVENUE CODE), AS AMENDED, COMPOUNDED DAILY, FROM THE DATE
 20 THE INSTALLMENT PAYMENT IS DUE UNTIL MARCH 31 FOLLOWING THE
 21 CALENDAR YEAR OF PRODUCTION, AND (B) AS PROVIDED FOR A
 22 DELINQUENT TAX UNDER AS 43.05.225 AFTER THAT MARCH 31;
 23 INTEREST ACCRUED UNDER (A) OF THIS PARAGRAPH THAT REMAINS
 24 UNPAID AFTER THAT MARCH 31 IS TREATED AS AN ADDITION TO TAX
 25 THAT BEARS INTEREST UNDER (B) OF THIS PARAGRAPH; AN UNPAID
 26 AMOUNT OF TAX DUE UNDER (a)(4) OF THIS SECTION THAT IS NOT PAID
 27 WHEN DUE BEARS INTEREST AS PROVIDED FOR A DELINQUENT TAX
 28 UNDER AS 43.05.225;

29 (2)] on and after January 1, 2014, an unpaid amount of an installment
 30 payment required under **(a)(1), (3), (4), or (5)** [(a)(3), (5), (6), OR (7)] of this section
 31 that is not paid when due bears interest

1 (A) at the rate provided for an underpayment under 26 U.S.C.
 2 6621 (Internal Revenue Code), as amended, compounded daily, from the date
 3 the installment payment is due until March 31 following the calendar year of
 4 production; [,] and

5 (B) as provided for a delinquent tax under AS 43.05.225 after
 6 that March 31; interest accrued under (A) of this paragraph that remains unpaid
 7 after that March 31 is treated as an addition to tax that bears interest under (B)
 8 of this paragraph;

9 (2) an unpaid amount of tax due under (a)(2) [(a)(4)] of this section
 10 that is not paid when due bears interest as provided for a delinquent tax under
 11 AS 43.05.225.

12 * **Sec. 10.** AS 43.55.020(h) is amended to read:

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

14 (1) an overpayment of an installment payment required under (a)(1),
 15 (3), (4), or (5) [(a)(1), (2), (3), (5), (6), OR (7)] of this section bears interest at the rate
 16 provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as
 17 amended, compounded daily, from the later of the date the installment payment is due
 18 or the date the overpayment is made, until the earlier of

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

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

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

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

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

1 * **Sec. 11.** AS 43.55.020(i) is amended to read:

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

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

13 (A) the department determines that the producer's
14 underpayment resulted because the regulation was not in effect when the
15 payment was due; and

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

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

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

26 (B) 90 days after an amended statement under AS 43.55.030(a)
27 and an application to request a refund of production tax paid is filed, if the
28 overpayment was for a period for which an amended statement under
29 AS 43.55.030(a) was required to be filed before the regulation became
30 effective.

31 * **Sec. 12.** AS 43.55.020(k) is amended to read:

1 (k) For oil and gas produced on and after January 1, 2014, and before
2 January 1, 2022, in making settlement with the royalty owner for oil and gas that is
3 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on
4 taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in
5 value at the time the tax becomes due to the amount of the tax paid. If the total
6 deductions of installment payments of estimated tax for a calendar year exceed the
7 actual tax for that calendar year, the producer shall, before April 1 of the following
8 year, refund the excess to the royalty owner. Unless otherwise agreed between the
9 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on
10 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
11 right to which constitutes a landowner's royalty interest, is considered to be the gross
12 value at the point of production of the taxable royalty oil and gas produced during the
13 calendar year multiplied by a figure that is a quotient, in which

14 (1) the numerator is the producer's total tax liability under
15 AS 43.55.011(e) [AS 43.55.011(e)(2)] for the calendar year of production; and

16 (2) the denominator is the total gross value at the point of production
17 of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all
18 leases and properties in the state during the calendar year.

19 * **Sec. 13.** AS 43.55.020(*l*) is amended to read:

20 (*l*) For oil and gas produced on and after January 1, 2022, in making
21 settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011,
22 the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or
23 may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes
24 due to the amount of the tax paid. If the total deductions of installment payments of
25 estimated tax for a calendar year exceed the actual tax for that calendar year, the
26 producer shall, before April 1 of the following year, refund the excess to the royalty
27 owner. In making settlement with the royalty owner for gas that is taxable under
28 AS 43.55.014, the producer may deduct the amount of the gas paid as in-kind tax on
29 taxable royalty gas or may deduct the gross value at the point of production of the gas
30 paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the
31 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on

1 taxable royalty oil for a calendar year, other than oil the ownership or right to which
 2 constitutes a landowner's royalty interest, is considered to be the gross value at the
 3 point of production of the taxable royalty oil produced during the calendar year
 4 multiplied by a figure that is a quotient, in which

5 (1) the numerator is the producer's total tax liability under
 6 AS 43.55.011(e)(4)(A) - (C) [AS 43.55.011(e)(3)(A)] for the calendar year of
 7 production; and

8 (2) the denominator is the total gross value at the point of production
 9 of the oil taxable under AS 43.55.011(e) produced by the producer from all leases and
 10 properties in the state during the calendar year.

11 * **Sec. 14.** AS 43.55.023(b) is amended to read:

12 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
 13 credit in the amount of 25 percent of a carried-forward annual loss. For lease
 14 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
 15 explore for, develop, or produce oil or gas deposits located north of 68 degrees North
 16 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
 17 percent of a carried-forward annual loss. For lease expenditures incurred on and after
 18 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north
 19 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in
 20 the amount of 35 percent of a carried-forward annual loss. For lease expenditures
 21 incurred on or after January 1, 2014, and before January 1, 2017, to explore for,
 22 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
 23 producer or explorer may elect to take a tax credit in the amount of 25 percent of a
 24 carried-forward annual loss. For lease expenditures incurred on or after January 1,
 25 2017, to explore for, develop, or produce oil or gas deposits located south of 68
 26 degrees North latitude, a producer or explorer may elect to take a tax credit in the
 27 amount of 15 percent of a carried-forward annual loss, except that a credit for lease
 28 expenditures incurred to explore for, develop, or produce oil or gas deposits located in
 29 the Cook Inlet sedimentary basin may only be taken if the expenditure is incurred
 30 before January 1, 2018. A credit under this subsection may be applied against a tax
 31 levied by AS 43.55.011(e). For purposes of this subsection,

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

5 (2) for lease expenditures incurred on or after January 1, 2017, any
 6 reduction under AS 43.55.160(f) [OR (g)] is added back to the calculation of
 7 production tax values for that calendar year under AS 43.55.160 for the determination
 8 of a carried-forward annual loss.

9 * **Sec. 15.** AS 43.55.024(i) is amended to read:

10 (i) A producer may apply against the producer's tax liability for the calendar
 11 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
 12 AS 43.55.011(e) that receives a reduction in the gross value at the point of production
 13 under AS 43.55.160(f) [OR (g)] and that is produced during a calendar year after
 14 December 31, 2013. [A TAX CREDIT AUTHORIZED BY THIS SUBSECTION
 15 MAY NOT REDUCE A PRODUCER'S TAX LIABILITY FOR A CALENDAR
 16 YEAR UNDER AS 43.55.011(e) BELOW ZERO.]

17 * **Sec. 16.** AS 43.55.024(j) is amended to read:

18 (j) A producer may apply against the producer's tax liability for the calendar
 19 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
 20 each barrel of oil taxable under AS 43.55.011(e) that does not receive a reduction in
 21 the gross value at the point of production under AS 43.55.160(f) [OR (g)] and that is
 22 produced during a calendar year after December 31, 2013, from leases or properties
 23 north of 68 degrees North latitude. [A TAX CREDIT UNDER THIS SUBSECTION
 24 MAY NOT REDUCE A PRODUCER'S TAX LIABILITY FOR A CALENDAR
 25 YEAR UNDER AS 43.55.011(e) BELOW THE AMOUNT CALCULATED UNDER
 26 AS 43.55.011(f).] The amount of the tax credit for a barrel of taxable oil subject to this
 27 subsection produced during a month of the calendar year is

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

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

1 \$90 a barrel;

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

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

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

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

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

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

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

22 * **Sec. 17.** AS 43.55.160(a) is amended to read:

23 (a) For oil and gas produced before January 1, 2022, except as provided in (b)
24 **and** [,] (f) [, AND (g)] of this section, for the purposes of

25 (1) **AS 43.55.011(e)(1) - (3)** [AS 43.55.011(e)(1) AND (2)], the annual
26 production tax value of taxable oil, gas, or oil and gas produced during a calendar year
27 in a category for which a separate annual production tax value is required to be
28 calculated under this paragraph is the gross value at the point of production of that oil,
29 gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease
30 expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil
31 and gas in that category produced by the producer during the calendar year, as

1 adjusted under AS 43.55.170; a separate annual production tax value shall be
2 calculated for

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

6 (B) oil and gas produced from leases or properties in the state
7 outside the Cook Inlet sedimentary basin, no part of which is north of 68
8 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)
9 and (b); this subparagraph does not apply to

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

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

12 (C) oil produced before 2022 from each lease or property in the
13 Cook Inlet sedimentary basin;

14 (D) gas produced before 2022 from each lease or property in
15 the Cook Inlet sedimentary basin;

16 (E) gas produced before 2022 from each lease or property in
17 the state outside the Cook Inlet sedimentary basin and used in the state, other
18 than gas subject to AS 43.55.011(p);

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

21 (G) oil and gas produced from leases or properties in the state
22 no part of which is north of 68 degrees North latitude, other than oil or gas
23 described in (B), (C), (D), (E), or (F) of this paragraph;

24 (2) AS 43.55.011(g)(1) [AS 43.55.011(g)], for oil and gas produced
25 before January 1, 2014, the monthly production tax value of the taxable

26 (A) oil and gas produced during a month from leases or
27 properties in the state that include land north of 68 degrees North latitude is the
28 gross value at the point of production of the oil and gas taxable under
29 AS 43.55.011(e) and produced by the producer from those leases or properties,
30 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
31 calendar year applicable to the oil and gas produced by the producer from

1 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
2 does not apply to gas subject to AS 43.55.011(o);

3 (B) oil and gas produced during a month from leases or
4 properties in the state outside the Cook Inlet sedimentary basin, no part of
5 which is north of 68 degrees North latitude, is the gross value at the point of
6 production of the oil and gas taxable under AS 43.55.011(e) and produced by
7 the producer from those leases or properties, less 1/12 of the producer's lease
8 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
9 gas produced by the producer from those leases or properties, as adjusted under
10 AS 43.55.170; this subparagraph does not apply to gas subject to
11 AS 43.55.011(o);

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

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

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

31 **(3) AS 43.55.011(g)(2), for oil produced on or after January 1,**

1 **2018, the monthly production tax value of the taxable**

2 **(A) oil produced during a month from leases or properties**
 3 **in the state that include land north of 68 degrees North latitude is the**
 4 **gross value at the point of production of the oil taxable under**
 5 **AS 43.55.011(e) and produced by the producer from those leases or**
 6 **properties, less 1/12 of the producer's lease expenditures under**
 7 **AS 43.55.165 for the calendar year applicable to the oil produced by the**
 8 **producer from those leases or properties, as adjusted under AS 43.55.170;**

9 **(B) oil produced during a month from leases or properties**
 10 **in the Cook Inlet sedimentary basin is the gross value at the point of**
 11 **production of the oil taxable under AS 43.55.011(e) and produced by the**
 12 **producer from those leases or properties, less 1/12 of the producer's lease**
 13 **expenditures under AS 43.55.165 for the calendar year applicable to the**
 14 **oil produced by the producer from those leases or properties, as adjusted**
 15 **under AS 43.55.170.**

16 * **Sec. 18.** AS 43.55.160(c) is amended to read:

17 (c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of
 18 calculating a monthly production tax value under (a)(2) **or (3)** of this section, the gross
 19 value at the point of production of the **oil or** oil and gas is calculated under regulations
 20 adopted by the department that provide for using an appropriate monthly share of the
 21 producer's costs of transportation for the calendar year.

22 * **Sec. 19.** AS 43.55.160(e) is amended to read:

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

1 cause a production tax value calculated under (a)(1)(C), (D), (E), or (F), or **(h)(1)(C)**
 2 **[(h)(3)]** of this section to be less than zero are accounted for as though the adjusted
 3 lease expenditures had first been used as deductions in calculating the production tax
 4 values of oil or gas subject to any of the limitations under AS 43.55.011(j), **[(k),]** (o),
 5 or (p) that have positive production tax values so as to reduce the tax liability
 6 calculated without regard to the limitation to the maximum amount provided for under
 7 the applicable provision of AS 43.55.011(j), **[(k),]** (o), or (p). Only the amount of
 8 those adjusted lease expenditures remaining after the accounting provided for under
 9 this subsection may be used to establish a carried-forward annual loss under
 10 AS 43.55.023(b). In this subsection, "producer" includes "explorer."

11 * **Sec. 20.** AS 43.55.160(f) is amended to read:

12 (f) On and after January 1, 2014, in the calculation of an annual production tax
 13 value of a producer under (a)(1)(A) or **(h)(1)(A)** **[(h)(1)]** of this section, the gross
 14 value at the point of production of oil or gas produced from a lease or property north
 15 of 68 degrees North latitude meeting one or more of the following criteria is reduced
 16 by 20 percent: (1) the oil or gas is produced from a lease or property that does not
 17 contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced
 18 from a participating area established after December 31, 2011, that is within a unit
 19 formed under AS 38.05.180(p) before January 1, 2003, if the participating area does
 20 not contain a reservoir that had previously been in a participating area established
 21 before December 31, 2011; (3) the oil or gas is produced from acreage that was added
 22 to an existing participating area by the Department of Natural Resources on and after
 23 January 1, 2014, and the producer demonstrates to the department that the volume of
 24 oil or gas produced is from acreage added to an existing participating area. **This**
 25 **subsection does not apply to oil produced from a field that produces an average**
 26 **of more than 50,000 barrels a day during a calendar year.** This subsection does not
 27 apply to gas produced before 2022 that is used in the state or to gas produced on and
 28 after January 1, 2022. **Except as otherwise provided under this subsection** [FOR
 29 OIL AND GAS FIRST PRODUCED FROM A LEASE OR PROPERTY AFTER
 30 DECEMBER 31, 2016], a reduction allowed under this subsection applies from the
 31 date of commencement of regular production of oil and gas from that lease or property

1 and expires after three years, consecutive or nonconsecutive, in which the average
 2 annual price per barrel for Alaska North Slope crude oil for sale on the United States
 3 West Coast is more than \$70 or after **five** [SEVEN] years, whichever occurs first. For
 4 **heavy** oil [AND GAS] first produced from a lease or property **on and after**
 5 **January 1, 2018** [BEFORE JANUARY 1, 2017], a reduction allowed under this
 6 subsection expires on [THE EARLIER OF JANUARY 1, 2023, OR] January 1
 7 following **five** [THREE] years, consecutive or nonconsecutive, in which the average
 8 annual price per barrel for Alaska North Slope crude oil for sale on the United States
 9 West Coast is more than \$70. The Alaska Oil and Gas Conservation Commission shall
 10 determine the commencement of regular production of oil and gas for purposes of this
 11 subsection. A reduction under this subsection may not reduce the gross value at the
 12 point of production below zero. In this subsection, "participating area" means a
 13 reservoir or portion of a reservoir producing or contributing to production as approved
 14 by the Department of Natural Resources.

15 * **Sec. 21.** AS 43.55.160(h) is amended to read:

16 (h) For oil produced on and after January 1, 2022, except as provided in (b)
 17 **and** [,] (f) [, AND (g)] of this section, for the purposes of
 18 **(1) AS 43.55.011(e)(4)** [AS 43.55.011(e)(3)], the annual production
 19 tax value of oil taxable under AS 43.55.011(e) produced by a producer during a
 20 calendar year

21 **(A)** [(1)] from leases or properties in the state that include land
 22 north of 68 degrees North latitude is the gross value at the point of production
 23 of that oil, less the producer's lease expenditures under AS 43.55.165 for the
 24 calendar year incurred to explore for, develop, or produce oil and gas deposits
 25 located in the state north of 68 degrees North latitude or located in leases or
 26 properties in the state that include land north of 68 degrees North latitude, as
 27 adjusted under AS 43.55.170;

28 **(B)** [(2)] before or during the last calendar year under
 29 AS 43.55.024(b) for which the producer could take a tax credit under
 30 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
 31 sedimentary basin, no part of which is north of 68 degrees North latitude, other

1 than leases or properties subject to AS 43.55.011(p), is the gross value at the
 2 point of production of that oil, less the producer's lease expenditures under
 3 AS 43.55.165 for the calendar year incurred to explore for, develop, or produce
 4 oil and gas deposits located in the state outside the Cook Inlet sedimentary
 5 basin and south of 68 degrees North latitude, other than oil and gas deposits
 6 located in a lease or property that includes land north of 68 degrees North
 7 latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from
 8 which commercial production has not begun, as adjusted under AS 43.55.170;

9 (C) [(3)] from leases or properties subject to AS 43.55.011(p)
 10 is the gross value at the point of production of that oil, less the producer's lease
 11 expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 12 develop, or produce oil and gas deposits located in leases or properties subject
 13 to AS 43.55.011(p) or, before January 1, 2027, located in leases or properties
 14 in the state outside the Cook Inlet sedimentary basin, no part of which is north
 15 of 68 degrees North latitude from which commercial production has not begun,
 16 as adjusted under AS 43.55.170;

17 (D) [(4)] from leases or properties in the state no part of which
 18 is north of 68 degrees North latitude, other than leases or properties subject to
 19 **(B) or (C) of this paragraph** [(2) OR (3) OF THIS SUBSECTION], is the
 20 gross value at the point of production of that oil less the producer's lease
 21 expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 22 develop, or produce oil and gas deposits located in the state south of 68
 23 degrees North latitude, other than oil and gas deposits located in a lease or
 24 property in the state that includes land north of 68 degrees North latitude, and
 25 excluding lease expenditures that are deductible under **(B) or (C) of this**
 26 **paragraph** [(2) OR (3) OF THIS SUBSECTION] or would be deductible
 27 under **(B) or (C) of this paragraph** [(2) OR (3) OF THIS SUBSECTION] if
 28 not prohibited by (b) of this section, as adjusted under AS 43.55.170; a
 29 separate annual production tax value shall be calculated for

30 (i) [(A)] oil produced from each lease or property in the
 31 Cook Inlet sedimentary basin;

1 (ii) [(B)] oil produced from each lease or property
 2 outside the Cook Inlet sedimentary basin, no part of which is north of
 3 68 degrees North latitude, other than leases or properties subject to (C)
 4 of this paragraph;

5 (2) AS 43.55.011(g)(3), the monthly production tax value of the
 6 taxable

7 (A) oil produced during a month from leases or properties
 8 in the state that include land north of 68 degrees North latitude is the
 9 gross value at the point of production of the oil taxable under
 10 AS 43.55.011(e) and produced by the producer from those leases or
 11 properties, less 1/12 of the producer's lease expenditures under
 12 AS 43.55.165 for the calendar year applicable to the oil produced by the
 13 producer from those leases or properties, as adjusted under AS 43.55.170;

14 (B) oil produced during a month from leases or properties
 15 in the Cook Inlet sedimentary basin is the gross value at the point of
 16 production of the oil taxable under AS 43.55.011(e) and produced by the
 17 producer from those leases or properties, less 1/12 of the producer's lease
 18 expenditures under AS 43.55.165 for the calendar year applicable to the
 19 oil and gas produced by the producer from those leases or properties, as
 20 adjusted under AS 43.55.170 [(3) OF THIS SUBSECTION].

21 * **Sec. 22.** AS 43.55.900 is amended by adding a new paragraph to read:

22 (27) "heavy oil" means oil with an API gravity of less than 18 degrees.

23 * **Sec. 23.** AS 43.98.050 is amended to read:

24 **Sec. 43.98.050. Duties.** The duties of the board include the following:

25 (1) establish and maintain a salient collection of information related to
 26 oil and gas exploration, development, and production in the state and related to tax
 27 structures, rates, and credits in other regions with oil and gas resources;

28 (2) review historical, current, and potential levels of investment in the
 29 state's oil and gas sector;

30 (3) identify factors that affect investment in oil and gas exploration,
 31 development, and production in the state, including tax structure, rates, and credits;

1 royalty requirements; infrastructure; workforce availability; and regulatory
2 requirements;

3 (4) review the competitive position of the state to attract and maintain
4 investment in the oil and gas sector in the state as compared to the competitive
5 position of other regions with oil and gas resources;

6 (5) in order to facilitate the work of the board, establish procedures to
7 accept and keep confidential information that is beneficial to the work of the board,
8 including the creation of a secure data room and confidentiality agreements to be
9 signed by individuals having access to confidential information;

10 (6) make written findings and recommendations to the Alaska State
11 Legislature before

12 (A) January 31, 2015, or as soon thereafter as practicable,
13 regarding

14 (i) changes to the state's regulatory environment and
15 permitting structure that would be conducive to encouraging increased
16 investment while protecting the interests of the people of the state and
17 the environment;

18 (ii) the status of the oil and gas industry labor pool in
19 the state and the effectiveness of workforce development efforts by the
20 state;

21 (iii) the status of the oil-and-gas-related infrastructure
22 of the state, including a description of infrastructure deficiencies; and

23 (iv) the competitiveness of the state's fiscal oil and gas
24 tax regime when compared to other regions of the world;

25 (B) January 15, 2017, regarding

26 (i) the state's tax structure and rates on oil and gas
27 produced south of 68 degrees North latitude;

28 (ii) a tax structure that takes into account the unique
29 economic circumstances for each oil and gas producing area south of
30 68 degrees North latitude;

31 (iii) a reduction in the gross value at the point of

1 production for oil and gas produced south of 68 degrees North latitude
 2 that is similar to the reduction in gross value at the point of production
 3 in AS 43.55.160(f) and **former AS 43.55.160(g)** [(g)];

4 (iv) other incentives for oil and gas production south of
 5 68 degrees North latitude;

6 (C) January 31, 2021, or as soon thereafter as practicable,
 7 regarding

8 (i) changes to the state's fiscal regime that would be
 9 conducive to increased and ongoing long-term investment in and
 10 development of the state's oil and gas resources;

11 (ii) alternative means for increasing the state's ability to
 12 attract and maintain investment in and development of the state's oil
 13 and gas resources; and

14 (iii) a review of the current effectiveness and future
 15 value of any provisions of the state's oil and gas tax laws that are
 16 expiring in the next five years.

17 * **Sec. 24.** AS 43.55.011(k) and 43.55.160(g) are repealed.

18 * **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to
 19 read:

20 APPLICABILITY. The limitations on the use of tax credits in AS 43.55.011(r), added
 21 by sec. 6 of this Act, and the adjustment to the calculation of a tax payment under
 22 AS 43.55.020(a)(9), added by sec. 8 of this Act, apply to credits applied to reduce a tax
 23 liability for a tax year starting on or after the effective date of secs. 6 and 8 of this Act.

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

26 TRANSITION: REDUCTIONS IN THE GROSS VALUE AT THE POINT OF
 27 PRODUCTION. Notwithstanding AS 43.55.160(f), as amended by sec. 20 of this Act, and the
 28 repeal of AS 43.55.160(g) by sec. 24 of this Act, the gross value at the point of production
 29 may be reduced under AS 43.55.160(f) or (g) or 43.55.160(f) and (g), as those subsections
 30 read on the day before the effective date of secs. 20 and 24 of this Act, for oil or gas produced
 31 before the effective date of secs. 20 and 24 of this Act.

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

3 TRANSITION: PAYMENT OF TAX; FILING. (a) Notwithstanding the amendments
4 to AS 43.55.020 by secs. 8 - 13 of this Act,

5 (1) a person subject to tax under AS 43.55 that is required to make one or
6 more installment payments of estimated tax or other payments of tax under AS 43.55.020 for
7 production before the effective date of secs. 8 - 13 of this Act shall pay the tax under
8 AS 43.55.020, as that section read on the day before the effective date of secs. 8 - 13 of this
9 Act;

10 (2) an unpaid amount of an installment payment required under AS 43.55.020
11 for production before the effective date of secs. 8 - 13 of this Act that is not paid when due
12 bears interest under AS 43.55.020, as that section read on the day before the effective date of
13 secs. 8 - 13 of this Act;

14 (3) an overpayment of an installment payment required under AS 43.55.020
15 for production before the effective date of secs. 8 - 13 of this Act bears interest under
16 AS 43.55.020, as that section read on the day before the effective date of secs. 8 - 13 of this
17 Act.

18 (b) The Department of Revenue may continue to apply and enforce AS 43.55.020, as
19 that section read on the day before the effective date of secs. 8 - 13 of this Act, for a tax or
20 installment payment for production before the effective date of secs. 8 - 13 of this Act.

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

23 TRANSITION: PRODUCTION TAX. Notwithstanding the repeal of AS 43.55.011(k)
24 by sec. 24 of this Act and the amendments to AS 43.55.011(e) and (f) by secs. 3 and 4 of this
25 Act and 43.55.160 by secs. 17 - 21 of this Act, for oil and gas produced before the repeal of
26 AS 43.55.011(k) by sec. 24 of this Act, the production tax and production tax value of that oil
27 and gas shall be determined under AS 43.55.011 and 43.55.160, as those sections read on the
28 day before the repeal of AS 43.55.011(k) by sec. 24 of this Act and the amendments to
29 AS 43.55.011 by secs. 3 and 4 of this Act and AS 43.55.160 by secs. 17 - 21 of this Act.

30 * **Sec. 29.** This Act takes effect January 1, 2018.