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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>**year, of the amounts determined under (g) of this section;**</u>

<u>**(D) gas is equal to the annual production tax value of the taxable gas as calculated under AS 43.55.160(a)(1) multiplied by 35 percent;**</u>

<u>**(4)**</u> on and after January 1, 2022, the tax for

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

<u>**(B) oil produced from leases or properties in the Cook Inlet sedimentary basin is equal to the sum of**</u>

<u>**(i) the annual production tax value of the taxable oil as calculated under AS 43.55.160(h)(1) multiplied by 22.5 percent; and**</u>

<u>**(ii) the sum, over all the months of the calendar year, of the amounts determined under (g) of this section;**</u>

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

<u>**(i) the annual production tax value of the taxable oil as calculated under AS 43.55.160(h)(1) multiplied by 35 percent; and**</u>

<u>**(ii) the sum, over all the months of the calendar year, of the amounts determined under (g) of this section;**</u>

<u>**(D)**</u> [(B)] gas is equal to 13 percent of the gross value at the point of production of the taxable gas; if the gross value at the point of production of gas produced from a lease or property is less than zero, that gross value at the point of production is considered zero for purposes of this subparagraph.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

__$40 multiplied by the volume of oil produced by the producer for the month multiplied by 10 percent__.

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

(q) The department shall

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

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

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

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

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

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

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

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

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

(i) ZERO; OR

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

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

(i) ZERO;

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

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

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

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

(i) ZERO; OR

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

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

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

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

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

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

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

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

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

<u>**(2)**</u> [(4)] any amount of tax levied by AS 43.55.011, net of any credits

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

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

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

(i) zero; or

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

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

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

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

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

(i) zero; or

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

(E) for gas produced from each lease or property in the state outside the Cook Inlet sedimentary basin, other than a lease or property subject to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated, but not less than zero;

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

(i) zero; or

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

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

(i) zero; or

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

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

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

(8) [(10)] an amount calculated under **(5)(G)** [(7)(F) OR (G)] of this subsection for [OIL OR] gas subject to AS 43.55.011(j) [, (k),] or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, [FOR GAS, OR SET OUT IN AS 43.55.011(k) FOR OIL,] but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year**;**

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

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

(g) Notwithstanding any contrary provision of AS 43.05.225,

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

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

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

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

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

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

(h) Notwithstanding any contrary provision of AS 43.05.280,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*l*) For oil and gas produced on and after January 1, 2022, in making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. In making settlement with the royalty owner for gas that is taxable under AS 43.55.014, the producer may deduct the amount of the gas paid as in-kind tax on taxable royalty gas or may deduct the gross value at the point of production of the gas paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on taxable royalty oil for a calendar year, other than oil the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil produced during the calendar year multiplied by a figure that is a quotient, in which

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

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

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

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

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

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

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

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

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

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

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

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

$90 a barrel;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

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

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

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

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

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

2018, the monthly production tax value of the taxable

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

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

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

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

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

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

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

(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1)(A) or **<u>(h)(1)(A)</u>** [(h)(1)] of this section, the gross value at the point of production of oil or gas produced from a lease or property north of 68 degrees North latitude meeting one or more of the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. **<u>This subsection does not apply to oil produced from a field that produces an average of more than 50,000 barrels a day during a calendar year.</u>** This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. **<u>Except as otherwise provided under this subsection</u>** [FOR OIL AND GAS FIRST PRODUCED FROM A LEASE OR PROPERTY AFTER DECEMBER 31, 2016], a reduction allowed under this subsection applies from the date of commencement of regular production of oil and gas from that lease or property and expires after three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than $70 or after **<u>five</u>** [SEVEN] years, whichever occurs first. For **<u>heavy</u>** oil [AND GAS] first produced from a lease or property **<u>on and after January 1, 2018</u>** [BEFORE JANUARY 1, 2017], a reduction allowed under this subsection expires on [THE EARLIER OF JANUARY 1, 2023, OR] January 1 following **<u>five</u>** [THREE] years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than $70. The Alaska Oil and Gas Conservation Commission shall determine the commencement of regular production of oil and gas for purposes of this subsection. A reduction under this subsection may not reduce the gross value at the point of production below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources.

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

(h) For oil produced on and after January 1, 2022, except as provided in (b) **<u>and</u>** [,] (f) [, AND (g)] of this section, for the purposes of

<u>(1) AS 43.55.011(e)(4)</u> [AS 43.55.011(e)(3)], the annual production tax value of oil taxable under AS 43.55.011(e) produced by a producer during a calendar year

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

<u>(B)</u> [(2)] before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in the state outside the Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil and gas deposits located in a lease or property that includes land north of 68 degrees North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from which commercial production has not begun, as adjusted under AS 43.55.170;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) January 15, 2017, regarding

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

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

(iii) a reduction in the gross value at the point of production for oil and gas produced south of 68 degrees North latitude that is similar to the reduction in gross value at the point of production in AS 43.55.160(f) and **<u>former AS 43.55.160(g)</u>** [(g)];

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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