## **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:
- \* 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)].
- \* **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
- 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	<u>and</u>
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	<u>and</u>
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	<u>latitude</u> 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	<u>and</u>
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	<u>and</u>
23	(ii) the sum, over all the months of the calendar
24	year, of the amounts determined under (g) of this section;
25	<b>(D)</b> [(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	* <b>Sec. 4.</b> 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 <b>January 1, 2018</b> [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 <u>:</u>
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	<u>\$90;</u>
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	<u>\$82;</u>
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	<u>\$74;</u>
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	<u>\$66;</u>
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	<u>\$58;</u>
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	<u>\$50;</u>
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	<u>\$82;</u>
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	<u>\$66;</u>
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	<u>follows:</u>
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 <b>subparagraph</b> [PARAGRAPH] may not
26	exceed 50 percent <u>:</u>
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 tay value of a RTU equivalent barral 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	hetween the monthly production tax value of a RTU equivalent harrel 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 43.33.011(0)
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 43.33.103 AND 43.33.170 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 instanment 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

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

1	(A) at the rate provided for an underpayment under 20 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	* <b>Sec. 10.</b> 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).

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	* <b>Sec. 12.</b> AS 43.55.020(k) is amended to read:

\* **Sec. 11.** AS 43.55.020(i) 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. 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:

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(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	(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	* <b>Sec. 15.</b> 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;

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point of production for the month is greater than or equal to \$80 a barrel, but less than

(2) \$7 for each barrel of taxable oil if the average gross value at the

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) <b>AS 43.55.011(e)(1) - (3)</b> [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,

2018,	the mo	nthly pro	oduction	tax v	value o	of the	taxable
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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	<u>under AS 43.55.170</u> .

\* **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 (h)(1)(C) [(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:

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(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1)(A) or (h)(1)(A) [(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. 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. 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. Except as otherwise provided under this subsection [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 <b>five</b> [SEVEN] years, whichever occurs first. For
heavy oil [AND GAS] first produced from a lease or property on and after
January 1, 2018 [BEFORE JANUARY 1, 2017], a reduction allowed under this
subsection expires on [THE EARLIER OF JANUARY 1, 2023, OR] January 1
following $\underline{\text{five}}$ [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:

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- (h) For oil produced on and after January 1, 2022, except as provided in (b) and [,] (f) [, AND (g)] of this section, for the purposes of
- (1) AS 43.55.011(e)(4) [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
  - (A) [(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;
  - before or during the last calendar year under **(B)** [(2)] 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

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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;

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	<u>taxable</u>
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	* <b>Sec. 23.</b> 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 <b>former AS 43.55.160(g)</b> [(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.

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