

HB 111 - Sectional Analysis and Explanation of Changes

Provision	Current Law	CSHB 111 (RES) ver N	CSHB 111(FIN) ver L
Intent		Section 1. Contingent on passage of a fiscal plan, a substantial portion of outstanding purchasable credits will be purchased.	Delete intent language.
GVR Sunset	AS 31.05.030(n). AOGCC determines the commencement of regular production for purposes of the gross value reduction.		Section 1. Deletes reference to 10 percent gross value reduction under AS 43.55.160(g) in accordance with sunset of the provision.
Public Information	AS 40.25.100(a). Deposition of tax information.		Section 2. Amends disclosure of tax information in accordance with new provisions allowing certain tax credit and lease expenditure information to be made public.
Interest	AS 43.05.225. The interest for oil and gas delinquent taxes is 7% above the federal discount rate for three years, after which there is no interest.	Section 2. Removes the three year limit on accrual of interest.	Section 3. Same.
Public Information	AS.43.05.230(a). Disclosure of tax returns and reports.	Section 3. Amends allowable disclosures in accordance with a new information disclosure report and DNR pre-approval.	Deleted in accordance with deletion of the disclosure report and DNR pre-approval requirement.
Public Information	AS.43.05.230(l). Disclosure of tax returns and reports.	Section 4. Allows certain tax credit information to be made public.	Section 4. Same.
Public Information	AS 43.05.230. Disclosure of tax returns and reports.		Section 5. Adds subsection (m) allowing Dept. of Revenue disclosure of otherwise publicly available production tax information; or tax credit information related to gas storage, service industries, processing facilities, refineries. Adds subsection (n) making public certain information regarding refinery tax credits.

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Public Information	AS.43.05.230. Disclosure of tax returns and reports.	Section 5. Allows certain confidential taxpayer information relating to tax credits to be disclosed to legislators in executive session in conformance with a signed confidentially agreement.	Deleted.
Tax Rate	AS 43.55.011(e). Tax rate for oil and gas is 35%. Gas rate changes to 13 percent of the gross value after January 1, 2022.		Section 6. Changes tax rate to 25% after January 1, 2018. Retains 2022 change to gas rate after 2022; amended in accordance with secondary tax bracket provision in AS 43.55.011(g).
Minimum Tax	AS 43.55.011(f). North Slope minimum tax is 4% of the gross value at ANS oil prices above \$25; the rate steps down as oil prices decline.	Section 6. Sets minimum tax at 5% at ANS oil prices of \$50 or more; at 4% at ANS prices less than \$50; removes stepped down rates.	Deleted.
Oil & Gas Production Tax	AS 43.55.011(g). Establishes the progressivity factor for production produced before January 2, 2014 under a previous tax structure.		Section 7. Establishes an additional 15% tax bracket triggered at a production tax value of \$60 (equal to approximately \$100 ANS). The additional tax only applies to the amount above that value.
Oil & Gas Production Tax	AS 43.55.011. Oil and gas production tax.	Section 7. Adds new subsections: (q) tax credit may not be used to reduce a tax obligation below the minimum floor; (q) and (s) ensures companies receive benefit from the gross value reduction; (r) prevents sliding scale per barrel credits earned in one month from being used to offset another month's tax liability in a calendar year.	Section 8. Retains (q) - adjusted in accordance with deletion of changes to the minimum tax; deletes (r), previous (s) becomes (r). Original (r) deleted due to repeal of per barrel credits.
Gas Tax Payment	AS 43.55.014. Payment in gas of tax for gas.		Section 9. Conforming amendment to new tax rate in AS 43.55.011(e).

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Tax Payment	AS 43.55.020(a). Payment of tax.	Section 8. Conforming amendments.	Section 10. Conforming amendment to the new tax rate and the repeal of AS 43.55.160(g) (10% GVR).
Tax Payment	AS 43.55.020(g). Payment of tax.		Section 11. Conforming to new tax rate.
Tax Payment	AS 43.55.020(h). Payment of tax.		Section 12. Conforming to new tax rate.
Tax Payment	AS 43.55.020(k). Payment of tax.		Section 13. Conforming to new tax rate.
Tax Payment	AS 43.55.020(l). Payment of tax.		Section 14. Conforming to new tax rate.
Net Operating Loss	AS 43.55.023(b). Sets North Slope net operating loss credit at 35%.	Section 9. Eliminates net operating loss credits for the North Slope.	Section 15. Same; amended in accordance with repeal of AS 43.55.160(g).
Net Operating Loss	AS 43.55.023(c). Net operating loss credits may not be used to reduce tax liability below zero.	Section 10. Amended to reflect that no credit maybe used to reduce tax payments below the minimum floor.	Section 16. Same.
Net Operating Loss	AS 43.55.023(d). Establishes transferable tax credit certificates subject to purchase by the state for credits under this section.	Section 11. Removes the ability for taxpayers to apply for purchase of net operating loss credits.	Deleted.
Non-transferable Tax Credits	AS 43.55.024(g). Nontransferable tax credits may not be used to reduce tax liability below zero.	Section 12. Amended in accordance with hardening the minimum floor.	Deleted.
Per Barrel Credit for "New" Oil	AS 43.55.024(i). The \$5 per barrel credit for new oil may not be used to reduce tax liability below zero.	Section 13. Amended in accordance with hardening the minimum floor.	Section 17. Same.

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Sliding Scale Per Barrel Credit	AS 43.55.024(j). Sliding scale per barrel credit for North Slope oil; \$0 per barrel when the gross value price is \$150 or more to \$8 when the price is under \$80.	Section 14. Amends the per barrel credit to \$8 when gross value is less than \$60; \$7 at \$60 to less than \$70; \$6 at \$70 to less than \$80; \$5 at \$80 to less than \$90; \$4 at \$90 to less than \$100; \$3 at \$100 to less than \$110; and zero when gross value is \$110 and above.	Deleted - per barrel credit is repealed.
Dry Hole Credit	AS 43.55.025(g). Establishes transferable exploration credits .	Section 15. Establishes that the new dry hole credit is not transferable.	Deleted - dry hole credit is deleted.
Exploration Credit	AS 43.55.025(i). Exploration credits may not be used to reduce tax liability below zero.	Section 16. Amended in accordance with hardening the minimum floor.	Section 18. Same.
Dry Hole Credit		Section 17. Adds a new subsection AS 43.55.025(q): An explorer is eligible for a 15% purchasable tax credit of exploration expenditures incurred for drilling that results in a dry hole based on meeting certain conditions.	Deleted - dry hole credit is deleted.
Oil & Gas Tax Credit Fund	AS 43.55.028(a). Established an oil and gas tax credit fund for cash purchases of tax credit certificates.	Section 18. Amends the tax credit fund in accordance with the removal of the ability for taxpayers to apply for a cash payment for net operating loss credits.	Deleted - no change to current statute.
Oil & Gas Tax Credit Fund	AS 43.55.028(e). Sets a \$70 million per company limit on cash payments for tax credits; limited to companies with not more than 50,000 barrels production.	Section 19. Reduces the limit on cash payment of tax credits to \$35 million per company; limits to companies with not more than 15,000 barrels per day production.	Deleted - no change to current statute.

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Tax Credit Information	AS 43.55.030. Filing of statements.	Sections 20 - 22. Requires taxpayer to report information to DOR related to tax credits, including description of the expenditure, detailed description of expenditure purpose; description of lease or property where incurred.	Sections 19 - 20. Adds language to include information for both tax credits and carried forward lease expenditures; removes requirement to report detailed description of the purpose of the expenditure.
Gross Value at the Point of Production	AS 43.55.150. Determination of gross value at the point of production.	Section 23. Adds a new section to AS 43.55.150 to ensure that the gross value at the point of production does not go below zero.	Section 21. Same.
Production Tax Value	AS 43.55.160(a). Determination of production tax value; calculation.		Section 22. Conforming amendment to new tax rate.
Production Tax Value	AS 43.55.160(e). Determination of production tax value; carried-forward annual loss.	Section 24. Conforming amendment.	Section 23. Conforming amendment in accordance with net operating loss carry forward provision in Section 26.
Production Tax Value	AS 43.55.160(f). Determination of production tax value; 20% gross value reduction.		Section 24. Conforming amendment to new tax rate.
Production Tax Value	AS 43.55.160(h). Determination of production tax value; net value factors for oil after 2022.		Section 25. Conforming amendment to the new tax and the calculation of the second bracket.
Net Operating Loss Carry Forward	AS 43.55.165(a). Lease expenditures.	Section 25. Allows 50% of net operating losses to carry forward to production when operating losses can be applied against the producer's tax liability.	Section 26. Adds AS 43.55.165(a)(3): Allows 100% of net operating losses to carry forward to production.

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Net Operating Loss Carry Forward	AS 43.55.165. Lease expenditures.	Section 26. (m) Provides a seven year uplift of seven percentage points above the federal reserve rate. (n) Directs DNR to develop regulations to establish a pre-approval review process for lease expenditures that will generate a carry forward annual loss.	Deleted.
Net Operating Loss Carry Forward	AS 43.55.165. Lease expenditures.		Section 27. (m) Reduces the 100% carry forward lease expenditures by 10% of the full original value, each year after seven years. (n) Ring-fence provision. A carried forward lease expenditure can only be applied to the lease or property where the expenditure was incurred.
Competitive Review Board	AS 43.98.050. Competetive Review Board; duties.		Section 28. Conforming amendment to the repeal of AS 43.55.160(g).
Repeals		Section 27. Repeals AS 43.55.028(g)(3) (split cash payments); and adds the repeal of AS 43.55.029 (assignment of tax credits to third-party assignee).	Section 29. Repeals AS 43.55.024(j)(sliding scale per barrel credit); AS 43.55.029 (assignment of tax credits to third-party assignee); AS 43.55.160(g) (10% gross value reduction for higher royalty fields).
Cook Inlet Working Group		Section 28. Establishes a legislative working group to analyze the Cook Inlet fiscal regime.	Section 30. Same.

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Applicability		Section 29. Provisions relating to the minimum tax, migrating credit, net operating loss credit, and repeal of 3rd party assignments apply on or after January 1, 2018.	Section 31. Provisions relating to the minimum tax floor, net operating loss credit, and repeal of 3rd party assignments apply on or after January 1, 2018.
Transition: Carried-forward Losses		Section 30. DOR may purchase tax credit certificates issued for credits earned before January 1, 2018; the new NOL carry forward provisions apply to lease expenditures incurred on or after January 1, 2018.	Deleted.
Transition: Carried-forward Lease Expenditures			Section 32. The net-loss carry forward provisions apply to lease expenditures incurred on or after January 1, 2018.
Transition: Tax Credit Assignments		Section 31. The department may continue to apply and enforce tax credit assignments to third-parties for credits applied for before January 1, 2018.	Section 33. Same.
Transition: Payment of Tax; Filing		Section 32. Taxpayers shall pay the tax as provided in current law for a tax or installment payment for production before January 1, 2018.	Section 34. Same.
Transition: Gross Value Reduction			Section 35. A taxpayer who produces oil or gas before January 1, 2018 qualifies for an extra 10 percent gross value reduction as provided in current law for the oil and gas produced before that date.

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Transition: Retroactivity of Regulations			Section 36. Allows for retroactivity of regulations to carry out this act.
Retroactivity		Section 33. The change to delinquent interest in sec. 2 is retroactive to January 1, 2017.	Section 37. Same except refers to section 3 of this Act.
Effective Dates		Section 34. The intent language, delinquent interest provision, Cook Inlet Working Group, and retroactivity of delinquent interest are effective immediately.	Section 38. The working group, retroactivity of regulations and delinquent interest rate are effectively immediately.
Effective Dates			Section 39. New language relating to carried-forward operating losses takes effect on January 1, 2018.
Effective Dates		Section 35. All other sections take effect January 1, 2018.	Section 40. All other sections take effect January 1, 2018.