

HOUSE BILL 111 – Conference Committee – Work Sheet

Provision	House	Senate
Delinquent Taxes	<p>Section 3. AS 43.05.225. Interest.</p> <ul style="list-style-type: none"> - For delinquent oil and gas production taxes, removes three-year limit on accrual of interest; retains interest at 7% above federal reserve rate. <p>Section 37. Retroactivity. Section 3 is retroactive to January 1, 2017.</p>	<p>Section 1. AS 43.05.225. Interest.</p> <ul style="list-style-type: none"> - Interest on all delinquent taxes, including the oil and gas tax, is set at 3% above federal reserve rate; removes three-year limit on interest accrual. Compounded annually. <p>NOTE: Status quo is not compounded.</p> <p>Section 34. Transition.</p> <ul style="list-style-type: none"> - Delinquent tax interest rates for calendar year 2017 are the rates in statute before the changes take effect on Jan. 1, 2018.
Carried-forward Annual Loss Credit	<p><i>Eliminates the North Slope carried-forward annual loss credit; retains the credit for Middle Earth.</i></p> <p>Section 15. AS 43.55.023(b). Tax credits for certain losses and expenditures.</p> <ul style="list-style-type: none"> - Amends .023(b) to delete the North Slope carried-forward annual loss credit. <p>Section 31. Applicability. Section 15 applies to lease expenditures on or after the effective date of the section.</p>	<p><i>Eliminates carried-forward annual loss credits statewide.</i></p> <p>Section 22. AS 43.55.160(d). Determination of production tax value.</p> <ul style="list-style-type: none"> - Conforming amendment for repeal of carried-forward annual loss credit. <p>Section 23. AS 43.55.160(e). Determination of production tax value.</p> <ul style="list-style-type: none"> - Conforming amendment for repeal of carried-forward annual loss credit. <p>Section 25. AS 43.55.165(f). Lease expenditures.</p> <ul style="list-style-type: none"> - Conforming amendment for repeal of carried-forward annual loss credit. <p>Section 28. AS 43.55.170(c). Adjustments to lease expenditures.</p> <ul style="list-style-type: none"> - Conforming amendment for repeal of carried-forward annual loss credit. <p>Section 29. Repeals AS 43.55.023(b) (carried-forward annual loss credits) effective 1/1/18.</p> <p>Section 36. Transition: Carried-forward annual losses. A carried-forward annual loss incurred before the repeal under Section 29 that qualifies for a credit may apply the credit subject to requirements existing before the repeal.</p>

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Carried-forward Annual Loss	<p><i>Allows 100% of North Slope carried-forward annual losses to carry forward to production.</i></p> <p>Section 26. AS 43.55.165. Lease expenditures. - Adds subsection (a)(3): Allows 100% of North Slope annual losses to carry forward to production.</p> <p>Section 32. Transition: Carried-forward lease expenditures. Sec. 26 applies to a lease expenditure incurred on or after the effective date of the section.</p>	<p><i>Allows 100% of North Slope and Middle Earth carried-forward annual losses to carry forward to production.</i></p> <p>Section 23. AS 43.55.160(e). Determination of production tax value. - The gross value reduction for new oil cannot make a loss larger.</p> <p>Section 24. AS 43.55.165(a). Lease expenditures. - Adds new subsection (a)(3): Allows 100% of North Slope and Middle Earth annual losses to carry forward to production.</p> <p>Section 26. AS 43.55.165(l). Lease expenditures. - Defines “carried-forward annual loss” to mean a loss established under subsection .165(a)(3).</p> <p>Section 33. Applicability: Lease expenditures. - Sec. 24 applies to a lease expenditure incurred on or after the effective date of the section.</p>
Carried-forward Annual Loss – Reduction	<p><i>Carried-forward losses get a 10% reduction starting after seven years.</i></p> <p>Section 27. AS 43.55.165. Lease expenditures. - Adds subsection (m): Reduces the 100% carried-forward lease expenditures by 10% of the full original value each year after 7 years.</p> <p>Section 32. Transition: Carried-forward lease expenditures. Sec. 27 applies to a lease expenditure incurred on or after the effective date of the section.</p>	
Carried-forward Annual Loss – Ring Fencing	<p><i>Carried-forward annual losses apply only to a field where earned (ring fencing).</i></p> <p>Section 27. AS 43.55.165. Lease expenditures. - Adds subsection (n): A carried-forward lease expenditure can only be applied to the lease or property where the expenditure was incurred.</p>	

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Carried-forward Annual Loss – Application		<p><i>A taxpayer may choose whether to apply all of a carried-forward annual loss or carry any unused portion forward (prevents “waste” of carried-forward annual losses).</i></p> <p>Section 27. AS 43.55.165. Lease expenditures. - Adds subsection (m): After application of lease expenditures, a taxpayer may choose whether to apply all or a portion of a carried –forward annual loss, or carry any unused portion forward.</p> <p>Section 33. Applicability: Lease expenditures. - Sec. 27 applies to a lease expenditure incurred on or after the effective date of the section.</p>
Minimum Tax	<p><i>Hardens minimum floor for all production tax credits except the small producer credit; ensures companies continue to benefit from the gross value reduction.</i></p> <p>Section 8. AS 43.55.011. Oil and gas production tax. - Adds subsections (q) and (r): Provides that the application of any tax credit issued under the oil and gas production tax may not be used to reduce the minimum tax, with the exception of the small producer credit and oil subject to the gross value reduction.</p> <p>Section 16. AS 43.55.023(c) (qualified capital expenditure, carried-forward annual loss, and well lease expenditure credits may not be used to reduce a tax liability below zero). - Amended in accordance with hardening of the minimum tax.</p> <p>Section 17. AS 43.55.024(i) (\$5 per barrel credit for new oil may not be used to reduce tax liability below zero). - Amended in accordance with hardening of the minimum tax.</p> <p>Section 18. AS 43.55.025(i) (exploration credits may not be used to reduce tax liability below zero). - Amended in accordance with hardening of the minimum tax.</p> <p>Section 31. Applicability.</p>	<p><i>Hardens minimum floor for carried-forward annual losses.</i></p> <p>Section 27. AS 43.55165. Lease expenditures. - Adds subsection (n): A producer subject to the minimum tax may apply the amount carried forward that would reduce a tax liability to the equal amount under the minimum tax, and not to zero. Excess carry-forward is carried forward.</p> <p>[Maintains current law that allows “new” oil \$5 per barrel credit to go below the floor to zero].</p>

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	<p>- Additional limitations on the use of tax credits apply to credits used on or after the effective date of the sections.</p>	
<p>Purchasable Tax Credits</p>	<p><i>Middle Earth tax credits continue to be purchasable (carried-forward annual loss, qualified capital expenditure, well lease expenditure, and exploration credits).</i></p>	<p><i>Eliminates purchase of all credits for expenditures under AS 43.55 incurred after January 1, 2018.</i></p> <p>Section 5. AS 43.55.023(d) (establishes a transferable tax credit certificate). - Cash payments are available only for work performed before January 1, 2018.</p> <p>Section 6. AS 43.55.023(d). Conforming amendment in accordance with elimination of purchasable credits.</p> <p>Section 8. AS 43.55.023(g) (auditing of transferable tax credit certificates). - Deletes reference to purchase of credit certificates.</p>
<p>Purchasable Tax Credits – Use of Credits</p>		<p><i>Adds new ways for taxpayers to use purchasable tax credits to reduce tax liabilities.</i></p> <p>Section 4. AS 43.55.023(c) (tax credits). - A taxpayer may use a qualified capital expenditure, carried-forward annual loss, or well lease expenditure credit to satisfy a tax, interest, penalty, fee, or other charge related to the production tax due for a prior year and not subject to an administrative proceeding or litigation; protects the oil and gas tax surcharge and private royalty.</p> <p>Section 7. AS 43.55.023(e) (transfer of tax credit certificates). - A tax credit transferee may use a credit to satisfy a tax, interest, penalty, fee, or other charge related to the production tax due for a prior year and not subject to an administrative proceeding or litigation; protects the oil and gas tax surcharge and private royalty.</p> <p>Section 14. AS 43.55.025(h) (exploration credits). - A producer that purchases a production tax credit certificate may use the credit to satisfy a tax, interest, penalty, fee, or other charge related to the production tax due for a prior year and not subject to an administrative proceeding or litigation; protects the oil and gas tax surcharge and private royalty.</p> <p>Section 32. Applicability: Tax credit and credit certificate carryback. - Allowance to apply tax credits under Sections 4, 7 and 14 applies regardless of when the credit was earned or the certificate issued.</p>

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Purchasable Tax Credits – Oil and Gas Tax Credit Fund		<p><i>Amends the oil and gas credit fund; and provides for a conditional repeal of the fund.</i></p> <p>Section 18. AS 43.55.028(a) (establishes fund). - Conforming amendment in accordance with eliminating the purchase of all tax credits for credits earned on or after January 1, 2018.</p> <p>Section 20. AS 43.55.028(e) (use of fund). - Conforming amendment in accordance with eliminating the purchase of all tax credits for credits earned on or after January 1, 2018.</p> <p>Section 30. Repeals the oil and gas tax credit fund – subject to Sec. 39 conditions.</p> <p>Section 37. Transition: Tax credit fund. When finally repealed, the balance of the oil and gas credit fund lapses into the general fund.</p> <p>Section 39. Conditional effect. The tax credit fund is repealed when there are no outstanding tax credit purchase applications and it has been at least one year since an application for a payment under AS 43.55.028 is submitted.</p>
Purchasable Tax Credits – Gas Storage, LNG Storage, Refinery Credits		<p><i>Repeals cash payments for the gas storage facility, LNG storage facility, and in-state refinery credits.</i></p> <p>Section 3. AS 43.20.047(h). LNG storage facility credit. - Conforming amendment in accordance with repeal of cash payments.</p> <p>Sections 30. Repeals cash payments for the gas storage facility, LNG storage facility, and in-state oil refinery credits once the oil and gas tax credit fund is repealed as per Secs. 39 and 42.</p>
Purchasable Tax Credits – 3rd Party Assignments	<p><i>Repeals the 3rd party assignment of credits.</i></p> <p>Section 29. Repeals AS 43.55.029: assignment of purchasable tax credits to 3rd parties such as banks and investment companies.</p> <p>Section 31. Applicability. The repeal of AS 43.55.029 applies to a credit applied for on or after the effective date of Section 29.</p> <p>Section 33. Transition. Assignment of tax credit certificates. - Notwithstanding the repeal of AS 43.55.029, DOR may apply the provision for a credit applied for before the effective date of Sec. 29.</p>	<p><i>Repeals the 3rd party assignment of credits once all purchasable credits are purchased.</i></p> <p>Section 21. AS 43.55.029(a) (allowing credit assignment). - Conforming amendment in accordance with elimination of carry-forward annual loss credits.</p> <p>Section 30. Repeals AS 43.55.029 once the oil and gas tax credit fund is repealed per Secs. 39 and 42.</p>

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Exploration Credits (Middle Earth)		<p><i>Exploration credits under AS 43.55.025 may be applied against the corporate income tax of the company that incurred the credit.</i></p> <p>Section 2. AS 43.20.044. Exploration incentive credit. - Adds subsection (a)(2): allows the alternative exploration credit in AS 43.55.025 to apply the credit against the taxpayer’s corporate income tax for work performed on or after July 1, 2016.</p> <p>Section 9. AS 43.55.025(a) (exploration credit). - Conforming amendment in accordance with allowing the credit to apply against corporate income tax.</p> <p>Section 12. AS 43.55.025(f) (exploration credit applications and information). - Conforming amendment in accordance with allowing the credit to apply against corporate income tax.</p> <p>Section 13. AS 43.55.025(g) (exploration credit transfer). - A credit that is transferred, conveyed, or sold may not be applied against the corporate income tax.</p> <p>Section 15. AS 43.55.025(i) (exploration credit may not reduce tax liability below zero). - Adds subsection (2): Application of the credit may not reduce the corporate income tax below zero.</p> <p>Section 31. Applicability. Tax credits under AS 43.55.025 applied against corporate income tax apply to a tax credit for work performed on or after July 1, 2016.</p>
Exploration Credits – Repeal of Seismic Exploration Credit		<p><i>Eliminates the 40% exploration credit for seismic activities outside production or exploration units.</i></p> <p>Section 10. AS 43.55.025(a) (exploration credits). - Conforming amendment in accordance with sunset of the seismic exploration credit.</p> <p>Section 11. AS 43.55.025(b) (qualifications for exploration credits). - Establishes January 1, 2018 sunset for the 40% seismic exploration credit in AS 43.55.025(a)(4).</p>

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		<p>Section 16. AS 43.55.025(k) (exploration credits). - Conforming amendment in accordance with sunset of the seismic exploration credit.</p>
<p>Exploration Credits – Conditional Tax Credit Certificate</p>		<p><i>DOR shall issue an explorer a conditional tax credit certificate upon submission of an application</i></p> <p>Section 17. AS 43.55.025. Exploration credits. - Adds subsection (q): For exploration credits eligible for purchase, DOR shall issue an explorer a conditional tax credit certificate upon submission of an application – this holds a taxpayer’s place in line for purchase while DNR certifies information submissions.</p> <p>Section 19. AS 43.55.028(e) (use of oil and gas tax credit fund). - Allows DOR to accept a conditional tax credit certificate but not purchase the credit.</p>
<p>Sliding Scale Per-barrel Credit</p>	<p><i>Repeals sliding scale per-barrel credit.</i></p> <p>Section 29. Repeals AS 43.55.024(j): non-transferable sliding scale per barrel tax credit.</p>	
<p>Sliding Scale Per-barrel Credit Repeal – Tax Rate</p>	<p><i>Lowers the oil and gas production tax rate from 35% to 25% to adjust for the repeal of the sliding scale credit.</i></p> <p>Section 6. AS 43.55.011(e) (levy of tax). - Adds subsection (e)(3): Sets the tax rate on and oil and gas at 25% on after January 1, 2018 to January 1, 2022; oil remains at 25% after 2022, gas will go to a gross tax.</p> <p>Section 9. AS 43.55.014(b) (taxable gas). - Conforming amendment in accordance with the new tax rate.</p> <p>Sections 10 to 14. AS 43.55.020. Payment of tax. - Conforming amendments in accordance with the new tax rate.</p> <p>Section 22. AS 43.55.160(a). Determination of production tax value. - Conforming amendments in accordance with the new tax rate.</p>	

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	<p>Section 34. Transition: Payment of tax; filing. Transition provisions for sections 10 to 14.</p>	
<p>Sliding Scale Per-barrel Credit – Supplemental Tax</p>	<p><i>Adds 15% bracketed supplemental tax to replace the reverse progressivity of the sliding scale credit with more standard progressivity.</i></p> <p>Section 7. AS 43.55.011(g) (progressivity). - Adds subsections (e)(2) and (3): 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.</p> <p>Sections 23-25. AS 43.55.160. Determination of production tax value. - Conforming amendments in accordance with the new tax bracket.</p>	
<p>Taxpayer Information</p>	<p>Section 2. AS 40.25.100(a). Disposition of tax information. - Amends disclosure of tax information in accordance with new provisions allowing certain tax credit and lease expenditure information to be made public.</p> <p>Section 4. AS 43.05.230(l). Disclosure of tax returns and reports. - Amends subsection (l)(1): DOR shall make public the aggregate amount of tax credit certificates issued to a person in addition to current law that requires information related only to purchased tax credit certificates. - Adds subsection (l)(2): Unless otherwise prohibited by law, DOR shall make public tax credit and lease expenditure information submitted under new AS 43.55.030(a)(10) and (e)(3) in Sections 19 and 20.</p> <p>Section 5. AS 43.05.230. Disclosure of tax returns and reports. - Adds subsection (m): Allows DOR disclosure of otherwise publicly available oil and gas production tax information; or tax credit information related to gas storage, service industry, processing facilities, or refinery credits. - Adds subsection (n): Makes public certain information regarding refinery tax credits.</p> <p>Section 19. AS 43.55.030(a). Filing. - Adds subsection (a)(10): For expenditures that are the basis of a carried-forward annual loss (AS 43.55.165(a)(3)); or qualified capital</p>	<p>Section 30. AS 43.55.230(l). Disclosure of purchasable tax credit information - Repealed once the oil and gas tax credit fund under AS 43.55.028 is repealed as specified in Section 39.</p> <p>Section 35. Transition for repeal of AS 43.55.230(l).</p> <p>Section 39. The repeal of AS 43.55.230(l) becomes effective when there are no outstanding tax credit purchase applications and it has been at least one year since an application for a payment under AS 43.55.028 (tax credit fund).</p>

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	<p>expenditure or well lease expenditure credits (AS 43.55.023); or exploration credits (AS 43.55.025), a producer with production shall provide a description of the expenditure and the lease or property for which the lease expenditure was incurred.</p> <p>Section 20. AS 43.55.030(e). Filing of statements. - Adds subsection (e)(3): For expenditures that are the basis of a carried-forward annual loss (AS 43.55.165(a)(3)) or a credit claimed under this chapter (AS 43.55), an explorer or producer who does not have production in a calendar year shall provide a description of the expenditure and the lease or property for which the lease expenditure was incurred.</p>	
Gross Value Reduction	<p><i>Repeals the additional 10% gross value reduction for higher value royalty fields.</i></p> <p>Section 1. AS 31.95.030(n) (AOGCC determination of commencement of commercial production. - Deletes reference to 10% gross value reduction in accordance with repeal of the provision.</p> <p>Section 10. AS 43.44.020(a). Payment of tax. - Conforming amendment.</p> <p>Section 28. AS 43.98.050. Competitive Review Board. - Conforming amendment.</p> <p>Section 29. Repeals AS 43.55.160(g): 10% gross value reduction for higher royalty fields.</p> <p>Section 35. Transition: Gross value reduction. Transition for repeal of AS 43.55.160(g).</p>	
Gross Value at Point of Production	<p><i>Gross value at the point of production may not go below zero.</i></p> <p>Section 21. AS 43.55.150. Determination of gross value at the point of production. - Adds subsection (d): Ensures the gross value at the point of production does not go below zero.</p>	

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Legislative Working Group	<p><i>Establishes a Cook Inlet legislative working group.</i></p> <p>Section 30. Uncodified law. - Establishes a lworking group to analyze the Cook Inlet oil and gas fiscal regime.</p>	
Regulations	<p>Section 36. Transition. Retroactivity of regulations. Regulations may apply retroactively to the effective date of the law implemented by the regulation.</p>	<p>Section 38. Transition. Retroactivity of regulations. Regulations may apply retroactively to the effective date of the law implemented by the regulation.</p>
Effective Dates	<p>Effective dates failed.</p>	<p>Section 40. Sections 2, 4, 7, 9, 12-15, 17, 19, 31, 32, 38, and 39 take effect immediately.</p> <p>Section 41. Section 24 takes effect on the effective date of sec. 29, ch. 4, 4SSLA 2016.</p> <p>Section 42. If, under sec. 39, the repeal of the tax credit fund takes effect, the related sections take effect on the later of January 1, 2022; or January 1 of the calendar year following the year of notice under Sec. 39.</p> <p>Section 43. Except as provided in sections 40-42, the Act takes effect January 1, 2018.</p>