

HOUSE BILL NO. 242

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Introduced: 4/10/97

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to unpaid, underpaid, and overpaid royalty and net profit share
2 payments due on leases of state land and to the collection and payment of
3 interest on those payments."

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

5 * Section 1. AS 38.05.135(d) is amended to read:

6 (d) If a royalty or net profit share payment to which the state is entitled under
7 AS 38.05.135 - 38.05.181 is not paid or is underpaid when it becomes due under (c)
8 of this section, the unpaid amount of the royalty or net profit share payment bears
9 interest in a calendar quarter at the rate of five percentage points above the annual rate
10 charged member banks for advances by the 12th Federal Reserve District as of the first
11 day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater,
12 compounded quarterly as of the last day of that quarter.

13 * Sec. 2. AS 38.05.135(e) is amended to read:

14 (e) If a royalty or net profit share payment to which the state is entitled

under AS 38.05.135 - 38.05.181 is overpaid, interest [INTEREST] at the rate and compounded in the manner provided in (d) of this section shall be allowed and paid on the [AN] overpayment. **The interest allowance is subject to the following:**

(1) if the state grants a credit against future payments for the overpayment, the state shall pay interest on the overpayment

(A) from the date that is the later of the date the overpayment was

(i) due; or

(ii) received;

(B) to the date that is the earlier of the date

(i) of notice to the lessee of the credit; or

(ii) on which the lessee actually takes the credit;

(2) if the state refunds the overpayment, the state shall pay interest on the overpayment

(A) from the date that is the later of the date the overpayment was

(i) due; or

(ii) received;

(B) to the date the state issues the refund [OF A ROYALTY OR NET PROFIT SHARE PAYMENT MADE UNDER AS 38.05.135 - 38.05.181].

*** Sec. 3.** AS 38.05.135 is amended by adding new subsections to read:

(f) The issuance by the state and acceptance by a lessee of a credit or refund of an overpayment under (e) of this section does not affect any right of the state or lessee to claim an adjustment and interest on the overpayment.

(g) Notwithstanding (d) and (e) of this section, interest may not be paid on

(1) an underpayment of a royalty or net profit share due under this title if the amount of interest is \$150 or less and the underpayment is paid up within 60 days after the date upon which the payment was due under (c) of this section without regard to an extension of time for filing of the necessary royalty or net profit report; or

- 1 (2) an overpayment of a royalty or net profit share due under this title
- 2 if the amount of interest is \$150 or less and the state issues a credit for or refund of
- 3 the overpayment within 60 days after receipt of the overpayment.