

SENATE BILL NO. 275

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 3/5/26

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to natural gas and natural gas projects; relating to the Alaska Gasline**
2 **Development Corporation; relating to the powers and duties of the Legislative Budget**
3 **and Audit Committee; relating to the value of certain oil and gas; relating to an income**
4 **tax on certain natural gas-related entities; relating to the oil and gas production tax;**
5 **establishing a surcharge on gas processed in the state; and providing for an effective**
6 **date."**

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

8 *** Section 1.** AS 24.20.201(a) is amended to read:

9 (a) The Legislative Budget and Audit Committee has the power to

10 (1) organize, adopt rules for the conduct of its business, and prescribe
11 procedures for the comprehensive fiscal analysis, budget review, and post-audit
12 functions;

13 (2) hold public hearings, administer oaths, issue subpoenas, compel the

1 attendance of witnesses and production of papers, books, accounts, documents, and
 2 testimony, and have the deposition of witnesses taken in a manner prescribed by court
 3 rule or law for taking depositions in civil actions;

4 (3) require all state officials and agencies of state government to give
 5 full cooperation to the committee or its staff in assembling, generating, and furnishing
 6 requested information, including assembling, generating, or furnishing information in
 7 the form or format requested by the committee or the committee's staff;

8 (4) review revenue projections, state agency appropriation requests, the
 9 expenditure of state funds, including the relationship between state agency program
 10 accomplishments and legislative intent, and the fiscal policies and procedures of state
 11 government;

12 (5) review and approve proposed changes to agency authorized
 13 budgets as provided in AS 37.07 (Executive Budget Act);

14 (6) make recommendations concerning appropriations, their
 15 expenditure, and the fiscal policies and procedures of state government to the governor
 16 when appropriate, and to the legislature;

17 (7) prepare and distribute reports, memoranda, or other necessary
 18 materials;

19 (8) sue in the name of the legislature during the interim between
 20 sessions if authorized by majority vote of the full membership of the committee;

21 (9) make recommendations to the legislature and to agencies of the
 22 state that perform lending or investment functions concerning the structure and
 23 operating practices of the agencies;

24 (10) enter into and enforce all contracts necessary or desirable for the
 25 functions of the committee;

26 (11) provide for annual post audits of the Alaska Housing Finance
 27 Corporation, the Alaska Aerospace Corporation, [AND] the Alaska Industrial
 28 Development and Export Authority, and the Alaska Gasline Development
 29 Corporation.

30 * **Sec. 2.** AS 24.20.206 is amended to read:

31 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

1 (1) annually review the long-range operating plans of all agencies of
2 the state that perform lending or investment functions;

3 (2) review periodic reports from all agencies of the state that perform
4 lending or investment functions;

5 (3) prepare a complete report of investment programs, plans,
6 performance, and policies of all agencies of the state that perform lending or
7 investment functions and notify the legislature on or before the first day of each
8 regular session that the report is available;

9 (4) in conjunction with the finance committee of each house,
10 recommend annually to the legislature the investment policy for the general fund
11 surplus and for the income from the permanent fund;

12 (5) provide for an annual post audit and annual operational and
13 performance evaluation of the Alaska Permanent Fund Corporation investments and
14 investment programs;

15 (6) provide for an annual operational and performance evaluation of
16 the Alaska Housing Finance Corporation and the Alaska Industrial Development and
17 Export Authority; the performance evaluation must include, but is not limited to, a
18 comparison of the effect on various sectors of the economy by public and private
19 lending, the effect on resident and nonresident employment, the effect on real wages,
20 and the effect on state and local operating and capital budgets of the programs of the
21 Alaska Housing Finance Corporation and the Alaska Industrial Development and
22 Export Authority;

23 (7) provide assistance to the trustees of the trust established in
24 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415;

25 **(8) provide for an annual post audit and annual operational and**
26 **performance evaluation of the Alaska Gasline Development Corporation,**
27 **including evaluation of ownership and management interests, investments, and**
28 **projects of the corporation.**

29 * **Sec. 3.** AS 31.25.080(a) is amended to read:

30 (a) In addition to other powers granted in this chapter, the corporation may

31 (1) determine the form of ownership and the operating structure of an

1 in-state natural gas pipeline developed by the corporation and may enter into
2 agreements with other persons for joint ownership, joint operation, or both of an in-
3 state natural gas pipeline or an Alaska liquefied natural gas project;

4 (2) plan, finance, construct, develop, acquire, maintain, and operate a
5 pipeline system and other transportation mechanism, including pipelines, compressors,
6 storage facilities, and other related facilities, equipment, and works of public
7 improvement, in the state to facilitate production, transportation, and delivery of
8 natural gas or other related natural resources to the point of consumption or to the
9 point of distribution for consumption;

10 (3) lease or rent facilities, structures, and properties;

11 (4) exercise the power of eminent domain and file a declaration of
12 taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is
13 necessary for an in-state natural gas pipeline or an Alaska liquefied natural gas project;
14 the exercise of powers by the corporation under this paragraph may not exceed the
15 permissible exercise of the powers by the state;

16 (5) acquire, by purchase, lease, or gift, land, structures, real or personal
17 property, an interest in property, a right-of-way, a franchise, an easement, or other
18 interest in land, or an interest in or right to capacity in a pipeline system determined to
19 be necessary or convenient for the development, financing, construction, or operation
20 of an in-state natural gas pipeline project or an Alaska liquefied natural gas project or
21 part of an in-state natural gas pipeline project or an Alaska liquefied natural gas
22 project;

23 (6) **subject to AS 31.25.120(b)**, transfer or otherwise dispose of all or
24 part of an in-state natural gas pipeline project, an Alaska liquefied natural gas project,
25 or an interest in an asset of the corporation;

26 (7) elect to provide transportation of natural gas as a contract carrier,
27 common carrier, or otherwise;

28 (8) provide light, water, security, and other services for property of the
29 corporation;

30 (9) conduct hearings to gather and develop data consistent with the
31 purpose and powers of the corporation;

1 (10) advocate for new pipeline capacity before the Federal Energy
2 Regulatory Commission;

3 (11) make and execute agreements, contracts, and other instruments
4 necessary or convenient in the exercise of the powers and functions of the corporation
5 under this chapter, including a contract with a person, firm, corporation, governmental
6 agency, or other entity;

7 (12) sue and be sued in its own name;

8 (13) adopt an official seal;

9 (14) adopt bylaws for the regulation of its affairs and the conduct of its
10 business and adopt regulations and policies in connection with the performance of its
11 functions and duties;

12 (15) employ fiscal consultants, engineers, attorneys, appraisers, and
13 other consultants and employees that may, in the judgment of the corporation, be
14 required and fix and pay their compensation from funds available to the corporation;

15 (16) procure insurance against a loss in connection with its operation;

16 (17) borrow money as provided in this chapter to carry out its
17 corporate purposes and issue its obligations as evidence of borrowing;

18 (18) include in a borrowing the amounts necessary to pay financing
19 charges, to pay interest on the obligations, and to pay the interest, consultant, advisory,
20 and legal fees, and other expenses that are necessary or incident to the borrowing;

21 (19) receive, administer, and comply with the conditions and
22 requirements of an appropriation, gift, grant, or donation of property or money;

23 (20) do all acts and things necessary, convenient, or desirable to carry
24 out the powers expressly granted or necessarily implied in this chapter;

25 (21) invest or reinvest, subject to its contracts with noteholders and
26 bondholders, money or funds held by the corporation, including funds in the in-state
27 natural gas pipeline fund (AS 31.25.100) and the Alaska liquefied natural gas project
28 fund (AS 31.25.110), in obligations or other securities or investments in which banks
29 or trust companies in the state may legally invest funds held in reserves or sinking
30 funds or funds not required for immediate disbursement, and in certificates of deposit
31 or time deposits secured by obligations of, or guaranteed by, the state or the United

1 States;

2 (22) enter into, as it determines to be necessary or appropriate, any
3 swap or hedge, cap, or other contract providing for payments based on levels of or
4 changes in interest rates or indices or in the cost or price of any commodity, supply, or
5 expense expected to be used or incurred in connection with the acquisition,
6 construction, or operation of any facility or property owned, leased, or operated by the
7 corporation, or an option with respect to any of the foregoing;

8 (23) except as provided in (g) of this section, acquire an ownership or
9 participation interest in an Alaska liquefied natural gas project, natural gas treatment
10 facilities, natural gas pipeline facilities, liquefaction facilities, marine terminal
11 facilities related to the infrastructure of an Alaska liquefied natural gas project, or an
12 entity or joint venture that has an ownership interest in or is engaged in the planning,
13 financing, acquisition, maintenance, construction, and operation of an Alaska liquefied
14 natural gas project;

15 (24) **after complying with AS 31.25.280, if applicable, and** after
16 consultation with the commissioner of revenue and the commissioner of natural
17 resources, enter into contracts relating to an Alaska liquefied natural gas project,
18 including contracts for services related to operation, marketing, transportation, gas
19 treatment, marine terminal operation, or liquefaction.

20 * **Sec. 4.** AS 31.25.090(f) is amended to read:

21 (f) **Except as provided in (l) of this section, the** [THE] corporation may enter
22 into confidentiality agreements necessary to acquire or provide information to carry
23 out its functions. If a state agency determines that a law or provision of a contract to
24 which the state agency is a party requires the state agency to preserve the
25 confidentiality of the information and that delivering the information to the
26 corporation would violate the confidentiality provision of that law or contract, the state
27 agency shall

28 (1) identify the applicable law or contract provision to the corporation;
29 and

30 (2) obtain the consent of the person who has the right to waive the
31 confidentiality of the information under the applicable law or contract provision before

1 the state agency transfers the information to the corporation.

2 * **Sec. 5.** AS 31.25.090(g) is amended to read:

3 (g) The portions of records containing information acquired or provided by the
4 corporation under a confidentiality agreement are not subject to AS 40.25.100 -
5 40.25.295. The corporation may enter into confidentiality agreements with a public
6 **agent** [AGENCY, AS DEFINED IN AS 40.25.220,] to allow release of confidential
7 information. The portions of the records and files of a public agency bound by a
8 confidentiality agreement that reflect, incorporate, or analyze information subject to a
9 confidentiality agreement under this subsection are not public records. Confidentiality
10 agreements entered into under this subsection are valid and binding against all parties
11 in accordance with the terms of the confidentiality agreement. **In this subsection,**
12 **"public agent" means**

13 **(1) a public agency, as defined in AS 40.25.220, or an agent or**
14 **contractor of a public agency;**

15 **(2) a member of the legislature, or an agent or contractor of a**
16 **member of the legislature or of a legislative committee.**

17 * **Sec. 6.** AS 31.25.090(h) is amended to read:

18 (h) Information and trade secrets of the corporation are confidential and not
19 subject to AS 40.25.100 - 40.25.295 if the corporation determines that disclosure
20 would cause commercial or competitive harm or damage to the corporation.
21 Information that discloses the particulars of a business or the affairs of a private
22 enterprise, investor, advisor, consultant, counsel, or manager that is developed or
23 obtained by the corporation and related to the development, financing, construction, or
24 operation of an in-state natural gas pipeline project by the corporation is confidential
25 and not subject to AS 40.25.100 - 40.25.295. **This subsection does not apply to**
26 **information required to be made public by the corporation under AS 31.25.275.**

27 The corporation may waive the confidentiality described in this subsection, except for
28 information that is confidential under another provision of state law or under a federal
29 law or regulation and except for information acquired from another person that is
30 subject to a confidentiality agreement, if the waiver is consistent with the interests of
31 the state and will facilitate the development, financing, or construction of an in-state

1 natural gas pipeline. On the date that the in-state natural gas pipeline project becomes
 2 operational, the corporation shall make available, upon request under AS 40.25.100 -
 3 40.25.295, records that were exempt from AS 40.25.100 - 40.25.295 under this
 4 subsection or (g) of this section, unless the corporation determines that

5 (1) maintaining the confidentiality of the information is necessary to
 6 protect the economic interests of the corporation or the state; or

7 (2) disclosure of the information will violate another provision of state
 8 law, a federal law or regulation, or the terms of a confidentiality agreement or other
 9 agreement to which the corporation is a party or that is binding on the corporation.

10 * **Sec. 7.** AS 31.25.090 is amended by adding new subsections to read:

11 (j) On and after the effective date of this subsection, at the request of a
 12 legislator, the corporation shall enter into a confidentiality agreement with the
 13 legislator to allow release of confidential information. Information released under (g)
 14 of this section or this subsection may be discussed by a legislative committee in
 15 executive session if each legislator attending the executive session has signed a
 16 confidentiality agreement relating to the information discussed.

17 (k) A confidentiality agreement entered into under (f) of this section may be
 18 waived, in whole or in part, with the agreement of the parties to the confidentiality
 19 agreement, to allow publication of information covered by the confidentiality
 20 agreement. Information made public under this subsection may include redactions.
 21 Information subject to a confidentiality agreement made public under this subsection
 22 may include

23 (1) a contract or agreement or a specific term of a contract or
 24 agreement;

25 (2) a pending contract or agreement or a specific term of a pending
 26 contract or agreement;

27 (3) a record, file, or other information in possession of the corporation,
 28 a subsidiary of the corporation, or an entity partnered with the corporation; or

29 (4) the confidentiality agreement or terms of the confidentiality
 30 agreement.

31 (l) The corporation may not enter into a confidentiality agreement that

1 (1) prevents the publication of information required to be published
2 under AS 31.25.275;

3 (2) makes confidential contract terms, including contract terms for in-
4 kind payments or services, that bind the corporation, or a subsidiary of the
5 corporation, to assume duties or liabilities under a contract;

6 (3) makes confidential contract terms governing the ownership or
7 management structure of a subsidiary of the corporation;

8 (4) makes confidential information related to a state ownership or
9 management interest option under AS 31.25.125; or

10 (5) prevents compliance with an administrative or court order
11 mandating disclosure.

12 * **Sec. 8.** AS 31.25.120 is amended by adding a new subsection to read:

13 (b) Unless the legislature approves the action by law, the corporation may not
14 transfer, sell, or otherwise dispose of an ownership or management interest in a
15 subsidiary of the corporation.

16 * **Sec. 9.** AS 31.25 is amended by adding a new section to read:

17 **Sec. 31.25.125. State ownership of projects.** (a) If the corporation negotiates
18 with another entity for participation by the corporation in a revenue-generating
19 project, the corporation shall negotiate an option for the state to acquire an ownership
20 or management interest in the project. The corporation shall immediately notify the
21 president of the senate, the speaker of the house of representatives, and the chairs of
22 the finance committee of each house of the legislature on each occasion that an option
23 is available for consideration by the legislature under (b)(1) of this section.

24 (b) An option negotiated under this section must

25 (1) before being agreed to, be approved by the legislature by law; and

26 (2) allow the state to exercise the option for at least 180 days after the
27 date on which the corporation determines, with reasonable assurance and considering
28 the totality of circumstances, including review of all relevant financial information,
29 that the revenue-generating project will be completed, with or without state
30 investment.

31 (c) The state may not acquire an interest in a revenue-generating project under

1 this section unless the interest is approved by the legislature by law. When making an
2 investment decision under this section, the legislature shall act as a prudent investor.

3 (d) The corporation, and any other entity participating in a revenue-generating
4 project, shall

5 (1) cooperate with and assist the legislature in determining whether to
6 acquire an interest or whether to exercise an interest acquired under this section;

7 (2) provide information requested by the legislature related to the
8 project, including

9 (A) information necessary for the legislature to act as a prudent
10 investor; and

11 (B) all financial records of or related to the revenue-generating
12 project; and

13 (3) ensure a representative of the corporation or the other entity is
14 available to testify during public hearings of legislative committees requesting
15 testimony.

16 (e) The corporation shall immediately notify the president of the senate, the
17 speaker of the house of representatives, and the chairs of the finance committee of
18 each house of the legislature on each occasion that the state may exercise an option
19 negotiated under this section. The Department of Revenue shall cooperate with and
20 assist the legislature in determining whether to acquire an interest in a revenue-
21 generating project by exercising an option negotiated under this section, including by
22 identifying potential funding sources for exercising the option and potential fiscal
23 effects on the state.

24 (f) The corporation shall deposit into a separate account in the general fund
25 revenue resulting from an option negotiated under this section. The legislature may
26 appropriate the annual estimated balance in the account for any purpose.

27 (g) In this section,

28 (1) "corporation" includes a subsidiary of the corporation;

29 (2) "revenue-generating project" means a project, entity ownership,
30 legal business arrangement, partnership, joint venture, or other commercial endeavor
31 expected to generate revenue.

1 * **Sec. 10.** AS 31.25 is amended by adding a new section to article 1 to read:

2 **Sec. 31.25.145. Separate accounting.** The corporation shall deposit into a
3 separate account in the general fund revenue generated by a subsidiary of the
4 corporation. The legislature may appropriate the annual estimated balance in the
5 account for operations of the corporation or for any other purpose.

6 * **Sec. 11.** AS 31.25 is amended by adding new sections to read:

7 **Sec. 31.25.275. Required public disclosures.** (a) For each project developed
8 by the corporation or project in which the corporation has an ownership or
9 management interest, the corporation shall publish on a publicly available Internet
10 website the following information related to the owners of, investors in, lenders to,
11 and creditors of the project:

12 (1) the full legal name of each owner, investor, lender, and creditor;

13 (2) the mailing and physical address of each owner, investor, lender,
14 and creditor;

15 (3) the name of the project;

16 (4) categorization as an owner, investor, lender, or creditor;

17 (5) whether each owner, investor, lender, and creditor is a foreign
18 entity or domestic entity;

19 (6) the name, title or position, and contact information of each natural
20 person legally authorized to bind an owner, investor, lender, or creditor in matters
21 related to the project;

22 (7) the name, title or position, and contact information of each natural
23 person authorized to act as an intermediary for or communicate on behalf of an owner,
24 investor, lender, or creditor in matters related to the project;

25 (8) the physical address of the location of the primary business
26 operations for each owner, investor, lender, and creditor;

27 (9) for each owner, the percentage of ownership in the project, a
28 history of past ownership percentage, and the dates of changes to an ownership
29 percentage; the total ownership percentages published must add up to 100 percent; and

30 (10) for each investor, lender, or creditor,

31 (A) the value of initial investment, loan, or credit; this

1 subparagraph applies only to an initial investment, loan, or credit amount that
2 exceeds \$2,000,000;

3 (B) a description of the asset invested, loaned, or credited; and

4 (C) the dates of the initial and any subsequent increases or
5 changes to the amount invested, loaned, or credited.

6 (b) Except as provided in (c) of this section, for each gas purchase agreement
7 for gas transported through or processed by a project developed by the corporation or
8 project in which the corporation has an ownership or management interest, the
9 corporation shall publish on a publicly available Internet website the following
10 information related to each purchase agreement:

11 (1) the full legal name of each purchaser;

12 (2) the mailing and physical address of each purchaser;

13 (3) whether the purchaser is a foreign entity or domestic entity;

14 (4) the name, title or position, and contact information of each natural
15 person authorized to bind the purchaser in matters related to the project;

16 (5) the name, title or position, and contact information of each natural
17 person authorized to act as an intermediary for or communicate on behalf of the
18 purchaser in matters related to the project;

19 (6) the physical address of the location of the primary business
20 operations of the purchaser; and

21 (7) the state or nation expected to use the gas.

22 (c) The corporation shall redact from the Internet website required by this
23 section personally identifying information related to a gas purchase agreement made
24 for the purpose of providing gas for residential use.

25 (d) The corporation shall maintain the Internet website required by this
26 section. To comply with this subsection, the corporation shall

27 (1) update the Internet website as often as reasonably practicable, but
28 at least once each calendar quarter;

29 (2) include an entry on the Internet website for each

30 (A) owner, investor, lender, and creditor for each project
31 developed by the corporation or project in which the corporation has an

1 ownership or management interest; and

2 (B) gas purchase agreement for gas transported through or
3 processed by a project developed by the corporation or project in which the
4 corporation has an ownership or management interest;

5 (3) ensure the Internet website is searchable; at a minimum, the
6 Internet website must be searchable by the following categories:

7 (A) for information published under (a) of this section:

8 (i) legal name;

9 (ii) project name;

10 (iii) categorization as an owner, investor, lender, or
11 creditor;

12 (iv) foreign or domestic entity status;

13 (v) name of natural person authorized to bind an entity;

14 (vi) name of natural person authorized to act as an
15 intermediary; and

16 (vii) country of primary business operations; and

17 (B) for information published under (b) of this section:

18 (i) legal name;

19 (ii) foreign or domestic entity status;

20 (iii) state or nation expected to use the gas;

21 (iv) name of natural person authorized to bind the
22 entity;

23 (v) name of natural person authorized to act as an
24 intermediary; and

25 (vi) country of primary business operations; and

26 (4) list the date of each entry and the date of any change to an entry on
27 the Internet website.

28 (e) Notwithstanding AS 09.50.250, a civil action or claim for damages or costs
29 alleging violation of a confidentiality agreement may not be brought against the
30 corporation, a state agency, an officer or employee of the corporation, or the state for
31 publishing the information required under this section.

1 (f) In this section, "corporation" includes a subsidiary of the corporation.

2 **Sec. 31.25.280. Legislative approval of relationships with foreign entities.**

3 (a) Unless the legislature approves the action by law, the corporation or a subsidiary of
4 the corporation may not enter into a legal relationship with a foreign entity, either
5 indirectly through another person or entity or directly. Before a legal relationship is
6 approved under this section, the corporation shall

7 (1) notify the president of the senate, the speaker of the house of
8 representatives, and the chairs of the finance committee of each house of the
9 legislature of the corporation's or subsidiary's request to enter into the legal
10 relationship; and

11 (2) provide legislative committees the opportunity to hold public
12 hearings relating to the proposed legal relationship.

13 (b) To facilitate approval under (a) of this section, to the greatest extent
14 possible, the corporation or the subsidiary of the corporation, as applicable, shall
15 cooperate with the legislature, including by

16 (1) providing all allowable information requested by the legislature or
17 a committee of the legislature; and

18 (2) ensuring that a representative of the foreign entity is available, if
19 requested, to testify relating to the proposed legal relationship during public hearings
20 of legislative committees requesting testimony.

21 (c) In this section, "legal relationship" includes a partnership, joint venture,
22 joint ownership agreement, merger, gas purchase agreement, or other legal agreement
23 made for the purpose of investing in, obtaining monetary returns from, or obtaining an
24 ownership interest in

25 (1) a project developed by the corporation or a subsidiary of the
26 corporation;

27 (2) a project in which the corporation or a subsidiary of the corporation
28 has an ownership or management interest; or

29 (3) an entity engaged in a project described in (1) or (2) of this
30 subsection.

31 **Sec. 31.25.285. Legislative notification of ownership change.** (a) The

1 corporation shall promptly notify the president of the senate, the speaker of the house
 2 of representatives, and the chairs of the finance committee of each house of the
 3 legislature if

4 (1) an entity in a legal relationship with the corporation or a subsidiary
 5 of the corporation has a significant change in ownership structure; or

6 (2) the corporation becomes aware that an entity in a legal relationship
 7 with the corporation or a subsidiary of the corporation plans to make a significant
 8 change in ownership structure.

9 (b) In this section, "legal relationship" means a partnership, joint venture, joint
 10 ownership agreement, or other legally binding business arrangement

11 (1) of which the corporation or a subsidiary of the corporation has at
 12 least a 10 percent interest; and

13 (2) formed for the purpose of shared ownership or shared management
 14 of, or pooling of resources for, an entity in which the corporation or a subsidiary of the
 15 corporation has an ownership or management interest.

16 * **Sec. 12.** AS 31.25.390 is amended by adding new paragraphs to read:

17 (8) "foreign entity" means

18 (A) an entity whose primary operations are not physically
 19 located in the United States and that is not managed primarily by citizens of
 20 the United States; or

21 (B) a natural person who is not a citizen of the United States;

22 (9) "subsidiary of the corporation" includes a subsidiary partially
 23 owned by the corporation.

24 * **Sec. 13.** AS 38.05.180 is amended by adding a new subsection to read:

25 (mm) Before taking oil or gas royalties in value, the commissioner shall
 26 determine that the value taken is based on the value of oil or gas of the same kind,
 27 quality, and character prevailing for that field, unit, or area during the calendar month
 28 the oil or gas is produced. The commissioner may take royalties on oil or gas that is
 29 produced but not sold and may take royalties on gas that is produced and stored in a
 30 gas storage facility. The commissioner may not, when making a value determination
 31 under this subsection, base a value for oil or gas on oil or gas sold at no cost or at a

1 cost substantially lower than that of other oil or gas of the same kind, quality, and
 2 character. After determining the value of oil or gas under this subsection, the
 3 commissioner shall

4 (1) prepare a written report evidencing the determination of value;

5 (2) publish on the department's Internet website

6 (A) the determined value;

7 (B) a summary of the reasoning for the determination; and

8 (C) notice that the written determination required under (1) of
 9 this subsection is available as a public record under AS 40.25.100 - 40.25.295
 10 (Alaska Public Records Act); and

11 (3) maintain the publication required under (2) of this subsection on
 12 the department's Internet website for at least 10 years.

13 * **Sec. 14.** AS 43.05.230(a) is amended to read:

14 (a) It is unlawful for a current or former officer, employee, or agent of the
 15 state to divulge the amount of income or the particulars set out or disclosed in a report
 16 or return made under this title, except

17 (1) in connection with official investigations or proceedings of the
 18 department, whether judicial or administrative, involving taxes due under this title;

19 (2) in connection with official investigations or proceedings of the
 20 child support enforcement agency, whether judicial or administrative, involving child
 21 support obligations imposed or imposable under AS 25 or AS 47;

22 (3) as provided in AS 38.05.036 pertaining to audit functions of the
 23 Department of Natural Resources;

24 (4) as provided in AS 43.05.405 - 43.05.499; [AND]

25 (5) as otherwise provided in this section or AS 43.55.890; **and**

26 **(6) in connection with publication of a determination as required**
 27 **by AS 43.55.020(o).**

28 * **Sec. 15.** AS 43.05.230(k) is amended to read:

29 (k) The name of each person **required to pay taxes in kind** [THAT THE
 30 DEPARTMENT HAS ALLOWED TO MAKE AN ELECTION] under
 31 AS 43.55.014(a) and the amount of gas produced from each lease or property **for**

1 **which taxes are paid in kind** [TO WHICH AN EFFECTIVE ELECTION] under
 2 AS 43.55.014 [APPLIES] is public information.

3 * **Sec. 16.** AS 43.20 is amended by adding a new section to read:

4 **Sec. 43.20.019. Tax on income of certain natural gas-related pass-through**
 5 **entities.** (a) If a qualified entity has taxable income over \$5,000,000 in a tax year, the
 6 qualified entity shall pay a tax of 9.4 percent on the taxable income over \$5,000,000.

7 (b) For the purpose of calculating taxable income under this section,

8 (1) taxable income of a qualified entity is determined under
 9 AS 43.20.144 as if the qualified entity were taxable as a C corporation, as defined by
 10 26 U.S.C. 1361(a)(2) (Internal Revenue Code), as that section read on January 1,
 11 2026;

12 (2) notwithstanding AS 43.20.021 and 43.20.036, the qualified entity
 13 may not apply as a credit or deduction against tax liability a credit or deduction
 14 allowed as to federal taxes under 26 U.S.C. (Internal Revenue Code), except that the
 15 qualified entity may take a credit or deduction allowed for a C corporation under (1) of
 16 this subsection.

17 (c) The tax under this section does not apply to a corporation subject to tax
 18 under AS 43.20.011 or to an entity that is part of a unitary business with a corporation
 19 subject to tax under AS 43.20.011.

20 (d) For the purpose of determining the tax due under this section, the
 21 department shall

22 (1) aggregate the taxable income of two or more taxpayers if the
 23 department determines that, without the provisions of this section, the taxable income
 24 would reasonably be expected to be attributed to a single entity;

25 (2) except as provided in (c) of this section, include in the calculation
 26 of taxable income of the qualified entity income that is attributable to an entity that is
 27 part of a unitary business with the qualified entity paying tax under this section; and

28 (3) adopt regulations to prevent evasion of taxes imposed under this
 29 section.

30 (e) When providing a tax return under AS 43.20.030, a qualified entity shall
 31 provide the information necessary, as directed by the department, for the department

1 to determine the income of the qualified entity as if the qualified entity were taxable
2 under AS 43.20.011.

3 (f) For the purpose of calculating income under this section, a qualified entity
4 may deduct from income a payment to the shareholder, owner, member, or partner of
5 the qualified entity if

6 (1) the shareholder, owner, member, or partner is a taxpayer under this
7 chapter;

8 (2) the payment does not include a transfer of property; and

9 (3) the payment is included in the shareholder's, owner's, member's, or
10 partner's income for the purposes of this chapter.

11 (g) In this section,

12 (1) "carbon capture" and "carbon storage" have the meanings given in
13 AS 43.55.165(e)(23);

14 (2) "natural gas pipeline" means a natural gas pipeline that transports
15 natural gas from north of 68 degrees North latitude to a location outside of the lease or
16 property where the natural gas is produced for the direct purpose of sale and delivery
17 of the natural gas to a commercial market;

18 (3) "natural gas pipeline carrier" means an entity that

19 (A) owns, operates, manages, or controls a natural gas pipeline;

20 (B) transports natural gas in a natural gas pipeline as a common
21 carrier or contract carrier; or

22 (C) holds an ownership, investment, or similar interest in a
23 natural gas pipeline, but does not include a natural person;

24 (4) "producer" means an owner of an operating right, operating
25 interest, or working interest in a mineral interest in oil or gas in the state;

26 (5) "qualified entity" means a sole proprietorship, partnership, limited
27 liability company, or entity that has elected to file federal returns under 26 U.S.C.
28 1361 - 1379 (Internal Revenue Code) that is

29 (A) a natural gas pipeline carrier in the state;

30 (B) a producer engaged in the transportation of natural gas by a
31 natural gas pipeline in the state;

1 (C) a producer supplying natural gas to a natural gas pipeline
 2 carrier in the state or supplying gas to an intermediary for transportation by a
 3 natural gas pipeline in the state;

4 (D) an entity engaged in gas treatment, carbon capture, or
 5 carbon storage activities in the state related to natural gas transported by a
 6 natural gas pipeline in the state or an owner of or investor in an entity engaged
 7 in gas treatment, carbon capture, or carbon storage activities in the state related
 8 to natural gas transported by a natural gas pipeline in the state;

9 (E) an entity engaged in liquefied natural gas processing of
 10 natural gas transported by a natural gas pipeline in the state or an owner of or
 11 investor in an entity engaged in liquefied natural gas processing of natural gas
 12 transported by a natural gas pipeline in the state; or

13 (F) an entity engaged in the sale of gas transported by a natural
 14 gas pipeline in the state;

15 (6) "taxable income" means income

16 (A) from the transportation, supplying, or sale of gas that is
 17 transported by a natural gas pipeline in the state;

18 (B) from gas treatment, carbon capture, or carbon storage
 19 activities related to gas that is transported by a natural gas pipeline in the state;

20 (C) from liquefied natural gas processing of gas that is
 21 transported by a natural gas pipeline in the state; and

22 (D) as included under (d)(2) of this section, attributable to an
 23 entity that is part of a unitary business with a qualified entity paying tax under
 24 this section.

25 * **Sec. 17.** AS 43.20.030(a) is amended to read:

26 (a) If a **taxpayer** [CORPORATION], or a partnership that has a **taxpayer**
 27 [CORPORATION] as a partner, is required to make a return under the provisions of
 28 the Internal Revenue Code, **the taxpayer** [IT] shall file with the department, within 30
 29 days after the federal return is required to be filed, a return setting out

30 (1) the amount of tax due under this chapter, less credits claimed
 31 against the tax; and

1 (2) other information for the purpose of carrying out the provisions of
2 this chapter that the department requires.

3 * **Sec. 18.** AS 43.20.031(i) is amended to read:

4 (i) A **taxpayer that** [CORPORATION WHICH] is a member of a group of
5 unitary corporations **or entities that** [WHICH] collectively has income from business
6 activity taxable both inside and outside the state, or income from other sources both
7 inside and outside the state, shall determine its income from sources in this state by
8 use of the combined method of accounting.

9 * **Sec. 19.** AS 43.20.144(d) is amended to read:

10 (d) The sales factor of a taxpayer subject to this section is a fraction,

11 (1) the numerator of which is the sum of the following for the tax
12 period:

13 (A) the tariffs allowed and received by or for the taxpayer for
14 transporting oil or gas by pipeline in this state, regardless of whether the tariffs
15 are paid by third parties or by entities within the taxpayer's consolidated
16 business; and

17 (B) the total sales of the taxpayer in this state, determined in
18 accordance with AS 43.19 (Multistate Tax Compact), but excluding

19 (i) those sales already included in the tariffs described
20 in (A) of this paragraph;

21 (ii) constructive sales or deemed sales of natural gas
22 delivered to the state as payment of tax under [AN ELECTION MADE
23 BY THE TAXPAYER UNDER] AS 43.55.014;

24 (iii) fees, allowed and received, that are paid between
25 entities within the consolidated business of the taxpayer for
26 transporting the taxpayer's natural gas; and

27 (2) the denominator of which is the sum of the following for the tax
28 period:

29 (A) the tariffs allowed and received by or for the taxpayer's
30 consolidated business for transporting oil or gas by pipeline everywhere,
31 regardless of whether the tariffs are paid by third parties or by entities within

1 the taxpayer's consolidated business; and

2 (B) the total sales of the taxpayer's consolidated business
3 everywhere, determined in accordance with AS 43.19 (Multistate Tax
4 Compact), but excluding

5 (i) those sales already included in the tariffs described
6 in (A) of this paragraph;

7 (ii) constructive sales or deemed sales of natural gas
8 delivered to the state as payment of tax under [AN ELECTION MADE
9 BY THE TAXPAYER UNDER] AS 43.55.014 or delivered in another
10 tax jurisdiction under a law comparable to AS 43.55.014;

11 (iii) fees, allowed and received, that are paid between
12 entities within the consolidated business of the taxpayer for
13 transporting the taxpayer's natural gas.

14 * **Sec. 20.** AS 43.20.144(f) is amended to read:

15 (f) The extraction factor of a taxpayer subject to this section is a fraction,

16 (1) the numerator of which is the sum of the following for the tax
17 period:

18 (A) the number of barrels of the taxpayer's oil (net of royalty to
19 an unrelated party) produced from or allocated to leases or properties of the
20 taxpayer in this state; and

21 (B) one-sixth of the number of Mcf of the taxpayer's gas,
22 excluding reinjected gas but including gas **paid as tax in kind** [SUBJECT TO
23 AN ELECTION] under AS 43.55.014, (net of royalty to an unrelated party)
24 produced from or allocated to leases or properties of the taxpayer in this state;
25 and

26 (2) the denominator of which is the sum of the following for the tax
27 period:

28 (A) the number of barrels of oil of the taxpayer's consolidated
29 business (net of royalty to an unrelated party) produced from or allocated to
30 leases or properties of the taxpayer's consolidated business everywhere; and

31 (B) one-sixth of the number of Mcf of gas, excluding reinjected

1 gas but including gas **paid as tax in kind** [SUBJECT TO AN ELECTION]
 2 under AS 43.55.014, of the taxpayer's consolidated business (net of royalty to
 3 an unrelated party) produced from or allocated to leases or properties of the
 4 taxpayer's consolidated business everywhere.

5 * **Sec. 21.** AS 43.55.014(a) is amended to read:

6 (a) **If the commissioner makes a written determination, as described in**
 7 **this subsection, that it is in the best interest of the state, a producer shall, at the**
 8 **times and under the circumstances prescribed by the commissioner,** [FOR GAS
 9 PRODUCED ON AND AFTER JANUARY 1, 2022, OTHER THAN GAS
 10 DESCRIBED IN (e) OF THIS SECTION, THE DEPARTMENT SHALL ALLOW A
 11 PRODUCER TO MAKE AN ELECTION, UNDER REGULATIONS ADOPTED BY
 12 THE DEPARTMENT, TO] pay in gas the [PRODUCTION] tax levied by this section
 13 in lieu of the tax otherwise levied for the gas by AS 43.55.011(e). **The determination**
 14 **must include a comparison of the payment of the tax in gas to the payment of the**
 15 **tax in money and must include relevant and specific information regarding the**
 16 **particular producer and the determination. The commissioner shall submit a**
 17 **determination made under this subsection to the legislature at the first**
 18 **opportunity during a current session or, if the legislature is not in session, at the**
 19 **next regular session. The legislature may, within 60 days after receiving the**
 20 **determination or before adjournment of the session, whichever is sooner, revoke**
 21 **the determination by concurrent resolution. Except as provided in this section,**
 22 **the department may not allow a producer to pay a tax under this section or**
 23 **AS 43.55.011(e) in gas. This** [AN ELECTION UNDER THIS] subsection applies
 24 only to gas produced from

25 (1) oil and gas leases modified under AS 38.05.180(hh) **and under**
 26 **which the state takes** [FROM WHICH THE COMMISSIONER OF NATURAL
 27 RESOURCES HAS DETERMINED TO TAKE] royalty gas in kind under
 28 AS 38.05.182; **and**

29 (2) **deposits located in the state north of 68 degrees North latitude**
 30 **or located in leases or properties in the state that include land north of 68 degrees**
 31 **North latitude.**

1 * **Sec. 22.** AS 43.55.014(b) is amended to read:

2 (b) A production tax levied by this section is equal to 13 percent of the gas
3 otherwise taxable under AS 43.55.011(e)(3) produced from each oil and gas lease
4 **subject to a requirement to pay the tax in kind under** [TO WHICH AN
5 EFFECTIVE ELECTION UNDER] (a) of this section [APPLIES], when and as that
6 gas is produced. The producer shall pay the tax in gas by delivering that 13 percent of
7 the gas to the state at the point of production.

8 * **Sec. 23.** AS 43.55.014(d) is amended to read:

9 (d) An assessment under AS 43.05.245 against a producer for an
10 underpayment of a tax levied by this section may be made in terms of an amount of
11 gas or an amount of money, as determined under regulations adopted by the
12 department. If the assessment is made in terms of money, the amount for a month of
13 production for an oil and gas lease subject to **a requirement to pay the tax in kind**
14 [AN EFFECTIVE ELECTION] under (a) of this section is the product of the number
15 of units of gas by which the producer's delivery to the state was less than the amount
16 required by (b) of this section, multiplied by the average gross value at the point of
17 production for each unit of the gas produced by the producer from the lease during the
18 month other than gas that was not subject to tax or gas that was delivered to the state
19 under (b) of this section. The department may allow a credit or refund under
20 AS 43.05.275 for an overpayment of a tax levied by this section that may be issued in
21 the form of gas or money, as determined under regulations adopted by the department.
22 If the credit or refund is allowed in terms of money, the amount of the credit or refund
23 for a month of production for an oil and gas lease subject to **a requirement to pay the**
24 **tax in kind** [AN EFFECTIVE ELECTION] under (a) of this section is the product of
25 the number of units of gas by which the producer's delivery to the state was more than
26 the amount required under (b) of this section, multiplied by the average gross value at
27 the point of production for each unit of the gas produced by the producer from the
28 lease during the month other than gas that was not subject to tax or gas that was
29 delivered to the state under (b) of this section. Interest that is determined as a
30 percentage of the amount of a tax underpayment or overpayment and a penalty that is
31 a percentage of the amount of a tax underpayment are calculated as a percentage of the

1 amount of money determined in this subsection. An amount of gas that was less than
 2 the amount required to be delivered to the state under (b) of this section or an amount
 3 of gas that was more than the amount required to be delivered to the state under (b) of
 4 this section that is adjusted as provided by a gas balancing agreement to which the
 5 state is a party under AS 38.05.020(b)(11) is not subject to assessment under
 6 AS 43.05.245 or a credit or refund under AS 43.05.275. In this subsection, "unit"
 7 means a unit of measurement for gas identified by the department under regulations
 8 adopted by the department and may be expressed as 1,000 cubic feet, 1,000,000
 9 British thermal units, or another appropriate unit of measurement specified by the
 10 department under regulations adopted by the department.

11 * **Sec. 24.** AS 43.55.020(f) is repealed and reenacted to read:

12 (f) The department, based on the value determined under (n) of this section,

13 (1) may require tax to be paid on oil or gas that is produced, but not
 14 sold;

15 (2) may require tax to be paid on gas that is produced and stored in a
 16 gas storage facility;

17 (3) shall require tax to be paid on oil or gas that is produced and sold at
 18 no cost or under circumstances where the sale price does not represent the prevailing
 19 value for oil or gas of like kind, quality, or character for the field, unit, or area from
 20 which the product is produced;

21 (4) shall publish information related to the value of the oil or gas as
 22 required under (o) of this section.

23 * **Sec. 25.** AS 43.55.020 is amended by adding new subsections to read:

24 (n) When making a value determination for purposes of the payment of tax
 25 under (f) of this section, the department

26 (1) shall base the value for oil or gas on the value of oil or gas of the
 27 same kind, quality, and character prevailing for that field, unit, or area during the
 28 calendar month of production or sale; and

29 (2) may not base a value for oil or gas on oil or gas sold at no cost or at
 30 a cost substantially lower than that of other oil or gas of the same kind, quality, and
 31 character.

1 (o) After determining the value of oil or gas for purposes of (f) of this section,
2 the department shall

3 (1) prepare a written report evidencing the determination of value;

4 (2) publish on the department's Internet website

5 (A) the determined value;

6 (B) a summary of the reasoning for the determination; and

7 (C) notice that the written determination required under (1) of
8 this subsection is available as a public record under AS 40.25.100 - 40.25.295
9 (Alaska Public Records Act); and

10 (3) maintain the publication required under (2) of this subsection on
11 the department's Internet website for at least 10 years.

12 * **Sec. 26.** AS 43.55.023(c) is amended to read:

13 (c) A credit or portion of a credit under this section

14 (1) may not be used to reduce a person's tax liability under
15 AS 43.55.011(e) for any calendar year below zero;

16 (2) may, if not used under this subsection, be applied in a later
17 calendar year;

18 (3) may, regardless of when the credit was earned, be used to satisfy a
19 tax, interest, penalty, fee, or other charge that

20 (A) is related to the tax due under this chapter for a prior year,
21 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or
22 43.55.320 or the tax levied by AS 43.55.011(i) or 43.55.014; and

23 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution
24 of the State of Alaska, been subject to an administrative proceeding or
25 litigation.

26 * **Sec. 27.** AS 43.55.023(e) is amended to read:

27 (e) A person to which a transferable tax credit certificate is issued under (d) of
28 this section may transfer the certificate to another person, and a transferee may further
29 transfer the certificate. Subject to the limitations set out in (a) - (d) of this section, and
30 notwithstanding any action the department may take with respect to the applicant
31 under (g) of this section, the owner of a certificate may apply the credit or a portion of

1 the credit shown on the certificate

2 (1) against a tax levied by AS 43.55.011(e); however, a credit shown
3 on a transferable tax credit certificate may not be applied under this paragraph to
4 reduce a transferee's total tax liability under AS 43.55.011(e) for oil and gas produced
5 during a calendar year to less than 80 percent of the tax that would otherwise be due
6 without applying that credit; any portion of a credit not used under this paragraph may
7 be applied in a later period; or

8 (2) regardless of when the credit was earned, to satisfy a tax, interest,
9 penalty, fee, or other charge that

10 (A) is related to the tax due under this chapter, except for a
11 surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or 43.55.320 or
12 the tax levied by AS 43.55.011(i) or 43.55.014;

13 (B) is for a calendar year before the year in which the
14 certificate is applied; and

15 (C) has not, for the purpose of art. IX, sec. 17(a), Constitution
16 of the State of Alaska, been subject to an administrative proceeding or
17 litigation.

18 * **Sec. 28.** AS 43.55.025(h) is amended to read:

19 (h) A producer that purchases a production tax credit certificate may apply the
20 credits against its production tax levied by AS 43.55.011(e). Regardless of the price
21 the producer paid for the certificate, the producer may receive a credit against its
22 production tax liability for the full amount of the credit, but for not more than the
23 amount for which the certificate is issued. A production tax credit or a portion of a
24 production tax credit or a production tax credit certificate or a portion of a production
25 tax credit certificate allowed under this section

26 (1) may not be applied more than once;

27 (2) may be applied in a later calendar year;

28 (3) may, regardless of when the credit was earned, be applied to satisfy
29 a tax, interest, penalty, fee, or other charge that

30 (A) is related to the tax due under this chapter for a prior year,
31 except for a surcharge under AS 43.55.201 - 43.55.299, [OR] 43.55.300, or

1 **43.55.320** or the tax levied by AS 43.55.011(i) or 43.55.014; and

2 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution
3 of the State of Alaska, been subject to an administrative proceeding or
4 litigation.

5 * **Sec. 29.** AS 43.55.030(a) is amended to read:

6 (a) A producer that produces oil or gas from a lease or property in the state
7 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
8 for that oil or gas, shall file with the department on March 31 of the following year a
9 statement, under oath, in a form prescribed by the department, giving, with other
10 information required, the following:

11 (1) a description of each lease or property from which oil or gas was
12 produced, by name, legal description, lease number, or accounting codes assigned by
13 the department;

14 (2) the names of the producer and, if different, the person paying the
15 tax, if any;

16 (3) the gross amount of oil and the gross amount of gas produced from
17 each lease or property, separately identifying the gross amount of gas produced from
18 each oil and gas lease **for which tax is paid in kind** [TO WHICH AN EFFECTIVE
19 ELECTION] under AS 43.55.014(a) [APPLIES], the amount of gas delivered to the
20 state under AS 43.55.014(b), and the percentage of the gross amount of oil and gas
21 owned by the producer;

22 (4) the gross value at the point of production of the oil and of the gas
23 produced from each lease or property owned by the producer and the costs of
24 transportation of the oil and gas;

25 (5) the name of the first purchaser and the price received for the oil and
26 for the gas, unless relieved from this requirement in whole or in part by the
27 department;

28 (6) the producer's qualified capital expenditures, as defined in
29 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
30 payments or credits under AS 43.55.170;

31 (7) the production tax values of the oil and gas under AS 43.55.160(a)

1 or of the oil under AS 43.55.160(h), as applicable;

2 (8) any claims for tax credits to be applied; and

3 (9) calculations showing the amounts, if any, that were or are due
4 under AS 43.55.020(a) and interest on any underpayment or overpayment.

5 * **Sec. 30.** AS 43.55.160(h) is amended to read:

6 (h) For oil produced on and after January 1, 2022, except as provided in (b),
7 (f), and (g) of this section, for the purposes of AS 43.55.011(e)(3), the annual
8 production tax value of oil taxable under AS 43.55.011(e) produced by a producer
9 during a calendar year

10 (1) from leases or properties in the state that include land north of 68
11 degrees North latitude is the gross value at the point of production of that oil, less the
12 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
13 explore for, develop, or produce oil and gas deposits located in the state north of 68
14 degrees North latitude or located in leases or properties in the state that include land
15 north of 68 degrees North latitude, as adjusted under AS 43.55.170; **for oil produced**
16 **on and after January 1, 2026, lease expenditures deductible under this paragraph**
17 **may not include costs incurred to explore for, develop, or produce gas deposits**
18 **located in the state north of 68 degrees North latitude or located in leases or**
19 **properties in the state that include land north of 68 degrees North latitude;**

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

31 (3) from leases or properties subject to AS 43.55.011(p) is the gross

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

7 (4) from leases or properties in the state no part of which is north of 68
 8 degrees North latitude, other than leases or properties subject to (2) or (3) of this
 9 subsection, is the gross value at the point of production of that oil less the producer's
 10 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 11 develop, or produce oil and gas deposits located in the state south of 68 degrees North
 12 latitude, other than oil and gas deposits located in a lease or property in the state that
 13 includes land north of 68 degrees North latitude, and excluding lease expenditures that
 14 are deductible under (2) or (3) of this subsection or would be deductible under (2) or
 15 (3) of this subsection if not prohibited by (b) of this section, as adjusted under
 16 AS 43.55.170; a separate annual production tax value shall be calculated for

17 (A) oil produced from each lease or property in the Cook Inlet
 18 sedimentary basin;

19 (B) oil produced from each lease or property outside the Cook
 20 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude,
 21 other than leases or properties subject to (3) of this subsection.

22 * **Sec. 31.** AS 43.55.165(a) is amended to read:

23 (a) For purposes of this chapter, a producer's lease expenditures for a calendar
 24 year are

25 (1) costs, other than items listed in (e) of this section, that are

26 (A) **except as provided in (t) of this section,** incurred by the
 27 producer during the calendar year after March 31, 2006, to explore for,
 28 develop, or produce oil or gas deposits located within the producer's leases or
 29 properties in the state or, in the case of land in which the producer does not
 30 own an operating right, operating interest, or working interest, to explore for
 31 oil or gas deposits within other land in the state; and

1 (B) allowed by the department by regulation, based on the
 2 department's determination that the costs satisfy the following three
 3 requirements:

4 (i) the costs must be incurred upstream of the point of
 5 production of oil and gas;

6 (ii) the costs must be ordinary and necessary costs of
 7 exploring for, developing, or producing, as applicable, oil or gas
 8 deposits; and

9 (iii) the costs must be direct costs of exploring for,
 10 developing, or producing, as applicable, oil or gas deposits;

11 (2) a reasonable allowance for that calendar year, as determined under
 12 regulations adopted by the department, for overhead expenses that are directly related
 13 to exploring for, developing, or producing, as applicable, the oil or gas deposits; and

14 (3) lease expenditures incurred in a previous calendar year, subject to
 15 (l) - (r) of this section, that

16 (A) met the requirements of AS 43.55.160(e) in the year in
 17 which the lease expenditures were incurred;

18 (B) have not been deducted in the determination of the
 19 production tax value of oil and gas under AS 43.55.160(a) or (h) in a previous
 20 calendar year;

21 (C) were not the basis of a credit under this title; and

22 (D) were incurred to explore for, develop, or produce an oil or
 23 gas deposit located in the state outside the Cook Inlet sedimentary basin.

24 * **Sec. 32.** AS 43.55.165(e) is amended to read:

25 (e) For purposes of this section, lease expenditures do not include

26 (1) depreciation, depletion, or amortization;

27 (2) oil or gas royalty payments, production payments, lease profit
 28 shares, or other payments or distributions of a share of oil or gas production, profit, or
 29 revenue, except that a producer's lease expenditures applicable to oil and gas produced
 30 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net
 31 profit paid to the state under that lease;

- 1 (3) taxes based on or measured by net income;
- 2 (4) interest or other financing charges or costs of raising equity or debt
3 capital;
- 4 (5) acquisition costs for a lease or property or exploration license;
- 5 (6) costs arising from fraud, wilful misconduct, gross negligence,
6 violation of law, or failure to comply with an obligation under a lease, permit, or
7 license issued by the state or federal government;
- 8 (7) fines or penalties imposed by law;
- 9 (8) costs of arbitration, litigation, or other dispute resolution activities
10 that involve the state or concern the rights or obligations among owners of interests in,
11 or rights to production from, one or more leases or properties or a unit;
- 12 (9) costs incurred in organizing a partnership, joint venture, or other
13 business entity or arrangement;
- 14 (10) amounts paid to indemnify the state; the exclusion provided by
15 this paragraph does not apply to the costs of obtaining insurance or a surety bond from
16 a third-party insurer or surety;
- 17 (11) surcharges levied under AS 43.55.201, [OR] 43.55.300, **or**
18 **43.55.320**;
- 19 (12) an expenditure otherwise deductible under (b) of this section that
20 is a result of an internal transfer, a transaction with an affiliate, or a transaction
21 between related parties, or is otherwise not an arm's length transaction, unless the
22 producer establishes to the satisfaction of the department that the amount of the
23 expenditure does not exceed the fair market value of the expenditure;
- 24 (13) an expenditure incurred to purchase an interest in any corporation,
25 partnership, limited liability company, business trust, or any other business entity,
26 whether or not the transaction is treated as an asset sale for federal income tax
27 purposes;
- 28 (14) a tax levied under AS 43.55.011 or 43.55.014;
- 29 (15) costs incurred for dismantlement, removal, surrender, or
30 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
31 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in

1 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
2 excluded under this paragraph if the dismantlement, removal, surrender, or
3 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
4 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

5 (16) costs incurred for containment, control, cleanup, or removal in
6 connection with any unpermitted release of oil or a hazardous substance and any
7 liability for damages imposed on the producer or explorer for that unpermitted release;
8 this paragraph does not apply to the cost of developing and maintaining an oil
9 discharge prevention and contingency plan under AS 46.04.030;

10 (17) costs incurred to satisfy a work commitment under an exploration
11 license under AS 38.05.132;

12 (18) that portion of expenditures, that would otherwise be qualified
13 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that
14 are less than the product of \$0.30 multiplied by the total taxable production from each
15 lease or property, in BTU equivalent barrels, during that calendar year, except that,
16 when a portion of a calendar year is subject to this provision, the expenditures and
17 volumes shall be prorated within that calendar year;

18 (19) costs incurred for repair, replacement, or deferred maintenance of
19 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is
20 undertaken in response to a failure, problem, or event that results in an unscheduled
21 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for
22 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or
23 equipment, other than a well, that is undertaken in response to, or is otherwise
24 associated with, an unpermitted release of a hazardous substance or of gas; however,
25 costs under this paragraph that would otherwise constitute lease expenditures under (a)
26 and (b) of this section may be treated as lease expenditures if the department
27 determines that the repair or replacement is solely necessitated by an act of war, by an
28 unanticipated grave natural disaster or other natural phenomenon of an exceptional,
29 inevitable, and irresistible character, the effects of which could not have been
30 prevented or avoided by the exercise of due care or foresight, or by an intentional or
31 negligent act or omission of a third party, other than a party or its agents in privity of

1 contract with, or employed by, the producer or an operator acting for the producer, but
2 only if the producer or operator, as applicable, exercised due care in operating and
3 maintaining the facility, pipeline, structure, or equipment, and took reasonable
4 precautions against the act or omission of the third party and against the consequences
5 of the act or omission; in this paragraph,

6 (A) "costs incurred for repair, replacement, or deferred
7 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
8 to dismantle and remove the facility, pipeline, structure, or equipment that is
9 being replaced;

10 (B) "hazardous substance" has the meaning given in
11 AS 46.03.826;

12 (C) "replacement" includes renovation or improvement;

13 (20) costs incurred to construct, acquire, or operate a refinery or crude
14 oil topping plant, regardless of whether the products of the refinery or topping plant
15 are used in oil or gas exploration, development, or production operations; however, if
16 a producer owns a refinery or crude oil topping plant that is located on or near the
17 premises of the producer's lease or property in the state and that processes the
18 producer's oil produced from that lease or property into a product that the producer
19 uses in the operation of the lease or property in drilling for or producing oil or gas, the
20 producer's lease expenditures include the amount calculated by subtracting from the
21 fair market value of the product used the prevailing value, as determined under
22 AS 43.55.020(f), of the oil that is processed;

23 (21) costs of lobbying, public relations, public relations advertising, or
24 policy advocacy;

25 (22) costs incurred as part of a capital expenditure or other action taken
26 for a carbon management purpose under AS 38.05.081 or a carbon offset project under
27 AS 38.95.400 - 38.95.499;

28 (23) costs incurred for carbon capture or carbon storage, including fees
29 incurred under AS 41.06.160, surcharges incurred under AS 41.06.175, or costs
30 associated with obtaining, operating, or maintaining a license or lease under
31 AS 38.05.700 - 38.05.795; in this paragraph,

1 (A) "carbon capture" means the process of capturing carbon
 2 dioxide from a chemical, mechanical, or industrial process, or directly from the
 3 ambient atmosphere, and reducing the carbon dioxide to a concentrated form,
 4 including a supercritical fluid; "carbon capture" does not include gas
 5 processing or gas treatment;

6 (B) "carbon storage" means the long-term geologic storage of
 7 carbon dioxide in a carbon storage facility permitted under AS 41.06.120 or a
 8 Class VI injection well, as defined in 40 C.F.R. 146.5(f).

9 * **Sec. 33.** AS 43.55.165 is amended by adding a new subsection to read:

10 (t) For oil produced on and after January 1, 2026, lease expenditures under
 11 this section do not include costs incurred to explore for, develop, or produce gas
 12 deposits located in the state north of 68 degrees North latitude or located in leases or
 13 properties in the state that include land north of 68 degrees North latitude.

14 * **Sec. 34.** AS 43.55.201(b) is amended to read:

15 (b) The surcharge imposed by (a) of this section is in addition to the tax
 16 imposed by AS 43.55.011 and is due on the last day of the month on oil produced
 17 from each lease or property during the preceding month. The surcharge is in addition
 18 to the surcharge imposed by AS 43.55.300 - 43.55.310 **and 43.55.320.**

19 * **Sec. 35.** AS 43.55 is amended by adding a new section to article 3 to read:

20 **Sec. 43.55.320. Surcharge on liquefied natural gas.** (a) Every processor of
 21 liquefied natural gas shall pay a surcharge of \$.15 for each Mcf of natural gas
 22 processed in the state. In this subsection,

23 (1) "Mcf" means the quantity of gas contained in 1,000 cubic feet of
 24 space, measured at a temperature of 60 degrees Fahrenheit and an absolute pressure of
 25 14.65 pounds per square inch;

26 (2) "processor of liquefied natural gas" means a person that processes
 27 natural gas by cooling it for the purpose of converting the natural gas to a liquid state
 28 for transportation or storage.

29 (b) The surcharge imposed by (a) of this section

30 (1) applies only to a processor with the capacity to process more than
 31 50 MMcf of natural gas per day; in this paragraph, "MMcf" means the quantity of gas

1 contained in 1,000,000 cubic feet of space, measured in the same manner as gas
2 described in (a) of this section;

3 (2) is in addition to the tax imposed by AS 43.55.011 and the
4 surcharges imposed by AS 43.55.201 and 43.55.300.

5 (c) A tax credit authorized under this chapter may not be applied to reduce a
6 processor's liability for the surcharge.

7 (d) The surcharge is due on the last day of the month on gas processed during
8 the preceding month. The surcharge shall be paid at the same time and in the same
9 manner as the surcharge imposed under AS 43.55.201.

10 (e) The department may aggregate the quantity of gas processed by two or
11 more processors if the department determines that, without the provisions of this
12 section, the gas processed would reasonably be expected to be attributed to a single
13 entity.

14 * **Sec. 36.** AS 43.55.900(24) is amended to read:

15 (24) "surcharge" means

16 (A) when used in AS 43.55.201 - 43.55.299, the surcharge
17 levied by AS 43.55.201;

18 (B) when used in AS 43.55.300 and 43.55.310 [AS 43.55.300 -
19 43.55.310], the surcharge levied by AS 43.55.300;

20 (C) when used in AS 43.55.320, the surcharge levied by
21 AS 43.55.320;

22 * **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 **APPLICABILITY.** (a) AS 31.25.080(a)(6), as amended by sec. 3 of this Act, applies
25 to a transfer or disposition occurring on or after the effective date of sec. 3 of this Act.

26 (b) AS 31.25.080(a)(24), as amended by sec. 3 of this Act, applies to a contract
27 entered into on or after the effective date of sec. 3 of this Act.

28 (c) AS 31.25.090(l), added by sec. 7 of this Act, applies to an agreement entered into
29 on or after the effective date of sec. 7 of this Act.

30 (d) AS 31.25.145, added by sec. 10 of this Act, applies to revenue generated on and
31 after the effective date of sec. 10 of this Act.

1 (e) AS 31.25.280, added by sec. 11 of this Act, applies to a relationship with a foreign
2 entity entered into on or after the effective date of sec. 11 of this Act. In this subsection, "legal
3 relationship" has the meaning given in AS 31.25.280(c).

4 (f) AS 31.25.285, added by sec. 11 of this Act, applies to a legal relationship entered
5 into on an after the effective date of sec. 11 of this Act. In this subsection, "legal relationship"
6 has the meaning given in AS 31.25.285(b).

7 (g) AS 43.20.019, added by sec. 16 of this Act, applies to a qualified entity with
8 taxable income over \$5,000,000 for a tax year beginning on or after January 1, 2027. In this
9 subsection, "qualified entity" has the meaning given in AS 43.20.019(g).

10 (h) AS 43.55.014(a), as amended by sec. 21 of this Act, applies to gas produced on
11 and after the effective date of sec. 21 of this Act. An election made under AS 43.55.014(a)
12 before the effective date of sec. 21 of this Act, if part of a contractual agreement, is not made
13 void by sec. 21 of this Act.

14 (i) AS 43.55.020(f), as repealed and reenacted by sec. 24 of this Act, and
15 AS 43.55.020(n), added by sec. 25 of this Act, apply to oil and gas produced on and after the
16 effective date of secs. 24 and 25 of this Act.

17 * **Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION. (a) The Alaska Gasline Development Corporation shall, by January 1,
20 2027, first publish the information required under AS 31.25.275, added by sec. 11 of this Act.
21 The first publication required under AS 31.25.275 must include information about each

22 (1) owner, investor, lender, and creditor since July 1, 2024, for each project
23 developed by the corporation or project in which the corporation has an ownership or
24 management interest; and

25 (2) gas purchase agreement entered into since July 1, 2024, for gas transported
26 through or processed by a project developed by the corporation or project in which the
27 corporation has an ownership or management interest.

28 (b) Within 30 days after the effective date of sec. 9 of this Act, the corporation shall
29 notify the president of the senate, the speaker of the house of representatives, and the chairs of
30 the finance committee of each house of the legislature of any existing options to invest in a
31 revenue-generating project, as required under AS 31.25.125.

1 * **Sec. 39.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 **RETROACTIVITY.** (a) Sections 30, 31, and 33 of this Act are retroactive to
4 January 1, 2026.

5 (b) If secs. 15, 19 - 23, and 29 of this Act take effect after July 1, 2026, secs. 15, 19 -
6 23, and 29 of this Act are retroactive to July 1, 2026.

7 * **Sec. 40.** Sections 15, 19 - 23, and 29 of this Act take effect July 1, 2026.

8 * **Sec. 41.** Sections 16 - 18, 26 - 28, 32, and 34 - 36 of this Act take effect January 1, 2027.

9 * **Sec. 42.** Except as provided in secs. 40 and 41 of this Act, this Act takes effect
10 immediately under AS 01.10.070(c).