



# ALASKA STATE LEGISLATURE

## SENATE RESOURCES COMMITTEE

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### Senate Bill 130: Explanation of Changes: Version W

1. Title is changed to reflect subsequent changes in the committee substitute, and to conform with legislative drafting protocol.
2. Section. 6 of the previous version A of the bill, dealing with confidentiality requirements, is removed.
3. Page 2, Line 31- Page 3, Line 25: Amends the previous Section. 7 of version A of the bill, by changing the interest rate to 7% above the Federal Reserve rate, compounded quarterly, for only 3 years. For the following 3 years of the statute of limitations, no interest would be accrued.
4. Section. 8 of the previous version A of the bill, dealing with confidentiality requirements, is removed.
5. Page 3, Line 26- Page 4, Line 28: Amends the previous Sections. 9, 10, and 11 of version A of the bill, by incorporating a new definition of outstanding liability to the state that is created in a later section.
6. Section. 12 of the previous version A of the bill, hardening the floor at 5%, is removed.
7. Page 4, Line 29- Page 5, Line 19: Adds a new Section. 10, repealing the calculation for the Cook Inlet tax cap, as well as the subsection for the tax calculation for gas produced elsewhere in the state for use in state.
8. Page 5, Line 20- Page 7, Line 4: Adds a new Section. 11, conforming to Section. 10.

9. Page 7, Lines 5-10: Adds a new Section. 12, making oil and gas produced in the Cook Inlet sedimentary basin after January 1, 2018 exempt from any production tax, and prevents an explorer or producer in the basin from acquiring credits.
10. Page 7, Line 11-Page 15, Line 1: Amends the previous Section. 13 in the A version of the bill by removing references to hardening the gross minimum floor, and conform to the new Section. 10.
11. Page 15, Line 2-23: Repeals the previous Section. 14 in the A version of the bill, dealing with interest calculations, and conforming to the new Section. 6 on interest calculations.
12. Page 15, Line 24-Page 17, Line 10: Conforms Sections. 15, 16 of the bill to the new Section. 6 on interest calculations.
13. Section. 17 of the previous version A of the bill, dealing with recalculating the per-barrel credit on a monthly rather than a yearly basis, is removed.
14. Page 17, Line 11-30: Adds a new Section. 17, reduces the Qualified Capital Expenditure Credit to 10% as of January 1, 2017.
15. Page 17, Line 31- Page 18, Line 21: Adds a new Section. 18, eliminating the Qualified Capital Expenditure Credit for the Cook Inlet sedimentary basin as of January 1, 2018.
16. Page 18, Line 22-Page 19, Line 17: Amends the prior Section. 18 of the A version of the bill, by eliminating the provision that expired net operating loss credits after 10 years, and adds new language that lowers the Net Operating Loss Credit for non-North Slope activity to 15% as of January 1, 2017. The provision that prevented the Gross Value Reduction from enhancing a Net Operating Loss remains in the Committee Substitute.
17. Page 19, Line 18-Page 20, Line 15: Adds a new Section. 20 by conforming to Section. 19 of the Committee Substitute, eliminating the Net Operating Loss Credit for the Cook Inlet sedimentary basin as of January 1, 2018.
18. Page 20, Line 16-Page 21, Line 2: Removes the language in the previous Section. 20 of the A version of the bill, related to the expiration of Net Operating Loss Credits after 10 years.
19. Page 21, Line 3-14: Conforms to renumber subsections earlier in the bill.

20. Section. 22 of the previous version A of the bill, dealing with confidentiality requirements, was removed.
21. Sections. 23, 24, and 25 of the previous version A of the bill, provisions that hardened the minimum tax floor, were removed.
22. Page 21, Line 15- Page 22, Line 7: Adds a new Section. 23, lowering the Well Lease Expenditure Credit to 20% by January 1, 2017.
23. Page 22, Line 8-Page 23, Line 3: Adds a new Section. 24, conforming to Section. 23 and eliminating the Well Lease Expenditure Credit for the Cook Inlet sedimentary basin by January 1, 2018.
24. Page 23, Line 4- Page 24, Line 11: Adds a new Section. 25 that grandfatheres exploration activity that has spudded but not completed in the Frontier Basins.
25. Page 24, Line 12-Page 25-Line 5: Amends the previous Section. 26 of the A version of the bill by removing the limitation on companies to receive credits if their global revenues are in excess of \$10 billion; raises the per-company annual refund credit to \$85 million; and adds language to prevent a company from splitting into subsidiaries in order to claim more than the per-company annual refund limit.
26. Page 25, Lines 6-20: Amends the previous Section. 27 of the A version of the bill, related to Alaskan resident hire. Rather than tying the percentage of cashable credits to a company based upon the rate of Alaskan resident hire, the Department of Revenue would be required to promulgate regulations, giving priority for payment from the tax credit fund for companies whose employees, and contractors, have a resident hire rate in excess of 75%.
27. Page 25, Line 21- Page 26, Line 5: Amends the previous Section. 27 of the A version of the bill, related to a definition of an outstanding liability to the state. The current definition now defines that only the same amount of a liability to the state for oil and gas related activity can be used to reserve a credit refund.
28. Page 26, Line 8: Conforms to the elimination of the Net Operating Loss Credit in the Cook Inlet sedimentary basin; is essentially the same language, renumbered, as the previous Section. 28 of the A version of the bill.
29. The previous Section. 31 of the A version of the bill, preventing the Gross Value at the Point of Production, from going below 0, is removed.

30. Page 27, Line 31-Page 30, Line 14: Adds a new Section. 32 to conform to the elimination of the Cook Inlet tax cap calculation, and the calculation for the tax on gas produced elsewhere in state for use in-state.
31. Page 30, Line 15- Page 31, Line 34: Adds a new Section. 33, conforming to Section. 10 and 33 of the bill.
32. Page 31, Lines 5-Page 32, Line 18: Adds new Sections. 34 and 35, putting a lifespan on oil or gas qualifying for the Gross Value Reduction, to five years after the production of commercial quantities. For oil or gas that qualifies for the Gross Value Reduction that is in production as of January 1, 2017, the Gross Value Reduction expires on January 1, 2021.
33. Page 36, Lines 16-24: Adds a new Section. 39 to conform to the changes in Section. 10 of the bill.
34. Page 37, Lines 19-25: Amends the previous Section. 37 of the A version of the bill, related to the limiting of a tax credit to the municipal entity. The only changes were conforming changes to the legislative drafting manual.
35. The previous Section. 39 of the A version of the bill, the prior definition of outstanding liability to the state, is removed.
36. Page 38, Line 19-Page 39, Line 27: Adds a new Section. 44, requiring a taxpayer seeking a refundable tax credit, to post a surety bond in the amount of \$250,000. The bond would serve as financial relief to political subdivisions and local contractors in Alaska in the event the taxpayer entered into bankruptcy.
37. Page 39, Lines 28-Page 40, Line 2: Conforms the Sections. 45, 46, and 47, related to repealing statutes earlier in the bill.
38. Page 40, Line 3-6: Adds a new Section. 48, makes Sections. 7-9, 26 and 28 effective January 1, 2017.
39. Page 40, Lines 7-Page 42, Line 9: Adds new Sections. 49, 50, 51, and 52 placing transition language for the Qualified Capital Expenditure Credit and the Well Lease Expenditure Credit; the Net Operating Loss Credit; Filing of a tax credit.
40. Page 43, Line 3: Adds a new Section. 55, making Sections. 25 and 53 effective immediately.

41. Page 43, Lines 4-5: Adds a new Section. 56, making Sections. 10-16, 18, 20, 24, 32, 33, 39, 46, 51 and 52 effective January 1, 2018.
42. Page 43, Lines 6-7: Adds a new Section. 57, making Sections. 21, 22, 29-31, 36-38, 40, 41, 43, 47, 49, and 50 effective January 1, 2022.
43. Page 43, Lines 8-9: Adds a new Section. 58, providing that, except for Sections. 55-57, the Act takes effect January 1, 2017.