

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

1 Page 1, following "tax;":

2 Insert "providing for a tax credit applicable to the oil and gas production tax
3 based on the capital cost of developing new oil and gas production;"

4

5 Page 1, following line 2:

6 Insert a new bill section to read:

7 "*** Section 1.** AS 43.20.043(g) is amended to read:

8 (g) A taxpayer that obtains a credit for a qualified capital investment or cost
9 incurred for qualified services under this section may not also claim a tax credit or
10 royalty modification for the same qualified capital investment or cost incurred for
11 qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR]
12 43.55.025, or 43.55.026. However, a taxpayer may elect not to obtain a credit under
13 this section in order to qualify for a credit provided under AS 38.05.180(i),
14 AS 41.09.010, AS 43.55.023, [OR] 43.55.025, or 43.55.026."

15

16 Page 1, line 3:

17 Delete "Section 1"

18 Insert "Sec. 2"

19

20 Page 2, line 6:

21 Delete all material and insert:

22 "*** Sec. 3.** AS 43.55 is amended by adding a new section to read:

23 **Sec. 43.55.026. Development cost credit.** (a) This section applies to a credit

1 for a qualified development expenditure incurred before 2018 and before the start of
2 sustained production that is taxable under AS 43.55.011(e). The qualified development
3 expenditure must be incurred for development outside of the Cook Inlet sedimentary
4 basin and outside of the Point Thomson unit established under AS 38.05.180(p) as the
5 area of the Point Thomson unit existed on December 31, 2010. The qualified
6 development expenditure must be for the development of a

7 (1) lease or property that, as of December 31, 2010, contains land that
8 is not or previously had not been within a unit or is not or had not previously been
9 involved directly in sustained production; or

10 (2) pool that, as of December 31, 2010, is not directly involved in or
11 had not previously been involved directly in sustained production.

12 (b) The total amount of the credits under this section is equal to 100 percent of
13 the qualified development expenditures that are incurred after the completion of the
14 first well drilled that discovers a pool capable of commercial production from the lease
15 or property and before the start of sustained production, less the amount of credits
16 taken under AS 43.55.023(a) and (b). In consultation with the Alaska Oil and Gas
17 Conservation Commission, the department shall determine the date

18 (1) on which the first well drilled discovered a pool capable of
19 production; and

20 (2) of the start of sustained production from the pool, lease, or
21 property.

22 (c) A credit under this section may be applied against the tax levied by
23 AS 43.55.011(e) for the pool, lease, or property that is the basis for the credit until the
24 credit for qualified development expenditures has been fully applied.

25 (d) A qualified development expenditure that is taken as a credit under this
26 section may not be used as an expenditure for which a credit may be taken under
27 AS 43.20.043. A credit under AS 43.55.023 may not be taken against the tax levied by
28 AS 43.55.011(e) for the pool, lease, or property that is the basis for a credit during the
29 same month in which a credit is taken under this section.

30 (e) A credit or portion of a credit under this section is not transferable and may
31 not be used to reduce a person's tax liability under AS 43.55.011(e) to below zero for

1 any calendar year.

2 (f) The department shall adopt regulations describing the procedures for
3 determining the amount of the credit, record keeping, verification of the accuracy of
4 the credit claimed, allocating expenditures to a pool eligible for a credit under (a)(2) of
5 this section, and other regulations necessary to administer this section.

6 (g) If a pool, lease, or property for which a credit may be taken under this
7 section subsequently becomes a part of a unit, or a pool that is in a unit first begins
8 sustained production after December 31, 2010, the credit may be applied only against
9 the tax levied by AS 43.55.011(e) for the production of oil and gas attributable to the
10 pool, lease, or property that qualified for the credit. For the purpose of applying the
11 credit, the tax shall be allocated to the pool, lease, or property that qualified for the
12 credit in proportion to the volume of production from that pool lease or property
13 within the unit.

14 (h) In this section,

15 (1) "pool" has the meaning given in AS 31.05.170;

16 (2) "qualified development expenditure" means an expenditure, other
17 than an expenditure for exploring for new oil or gas reserves, that may be recognized
18 as a qualified capital expenditure as defined in AS 43.55.023;

19 (3) "sustained production" has the meaning given in AS 43.55.025(l).

20 * Sec. 4. AS 43.55.180(a) is amended to read:

21 (a) The department shall study

22 (1) the effects of the provisions of this chapter on oil and gas
23 exploration, development, and production in the state, on investment expenditures for
24 oil and gas exploration, development, and production in the state, on the entry of new
25 producers into the oil and gas industry in the state, on state revenue, and on tax
26 administration and compliance, giving particular attention to the tax rates provided
27 under AS 43.55.011, the tax credits provided under AS 43.55.023 - 43.55.026
28 [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease
29 expenditures provided under AS 43.55.160 - 43.55.170; and

30 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue
31 and on oil and gas exploration, development, and production on private land, and the

1 fairness of those tax rates for private landowners.

2 *** Sec. 5.** Section 2 of this Act takes effect January 1, 2013.

3 *** Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect immediately under
4 AS 01.10.070(c)."