



# LEGAL SERVICES



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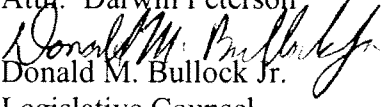
State Capitol  
Juneau, Alaska 99801-1182  
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## MEMORANDUM

April 6, 2010

**SUBJECT:** Sectional summary for CSSB 305(FIN)(title am)  
(Work Order No. 26-LS1577\W.A)

**TO:** Senator Bert Stedman  
Co-chair of the Senate Finance Committee  
Attn: Darwin Peterson

**FROM:**   
Donald M. Bullock Jr.  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Title.** The title was amended on the Senate Floor to narrow the description of the contents of the bill.

**Section 1.** Amends AS 29.60.850(b) to reference the new separate progressive tax on gas as a source of money that may be appropriated to the community revenue sharing fund. (The "community revenue sharing fund" was established in AS 29.60.850(a), "for the purpose of making community revenue sharing payments to municipalities, reserves, and communities for any public purpose.")

**Section 2.** Amends AS 43.55.011(e) to make separate references to the monthly progressive taxes on oil and gas. (The progressive tax on oil, gas produced in Cook Inlet, and gas produced elsewhere and used in the state is in AS 43.55.011(g). The progressive tax on other gas is in AS 43.55.011(p).)

**Section 3.** Amends AS 43.55.011(g) to have the tax rate determined using the production tax values of oil and the production tax values on a BTU equivalent basis of gas produced in Cook Inlet and gas produced elsewhere and used in the state. Applies the tax rate only to that oil and gas production. Makes no change in the tax rates or the range of production tax values within which the two tax rates apply.

**Section 4.** Adds a new subsection, (p), to AS 43.55.011. Provides for a progressive tax

applicable to gas production that is not included in AS 43.55.011(g) as amended in sec. 3 of the bill. Provides that the tax rate is applied to the production tax value of a BTU equivalent of gas. Uses the same tax rates and ranges of production tax values as AS 43.55.011(g) under current law.

**Section 5.** Amends AS 43.55.020(a) to describe the determination of the amount of a monthly installment payment for production taxes when the progressive tax on oil, Cook Inlet gas, and other gas used in the state, and the progressive tax applicable to other gas are determined separately.

**Section 6.** Amends AS 43.55.020(d), relating to a settlement with the royalty owner, by adding references to the progressive tax on the gas to which AS 43.55.011(p) is applicable.

**Section 7.** Amends AS 43.55.160(a), relating to the determination of the production tax value of oil and gas, by providing the means for determining the production tax value of oil and the production tax value of gas separately. Reorders the subparagraphs so that the subparagraphs related to the production tax value of gas produced outside of Cook Inlet and other gas not used in the state are at the end.

**Section 8.** Amends AS 43.55.165(h), relating to the requirement that the Department of Revenue adopt regulations for allocating lease expenditures, by requiring that the Department of Revenue consider allocating lease expenditures in proportion to the BTU equivalent barrels of oil produced and gas produced from each lease or property.

**Section 9.** Adds a new subsection, AS 43.55.170(d), which is similar to the amendment to AS 43.55.165(h) in sec. 8, but is applicable to allocating adjustments to lease expenditures. Directs the Department of Revenue to consider allocating adjustments based on the proportion of the BTU equivalents of oil and gas produced.

**Section 10.** Requires a producer that underpays an installment payment after December 31, 2009 and before the effective date because of the retroactive application of the new progressive tax section to pay the amount of the underpayment on the date the first installment payment is due after the effective date of the Act.

**Section 11.** Makes the progressive tax provisions of the bill — secs. 2 - 4 and 7 — retroactive to January 1, 2010.

**Section 12.** Makes the Act take effect immediately.