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Bullock
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HOUSE CS FOR CS FOR SENATE BILL NO. 305(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to that part of the tax on the production of oil and gas that increases as**
 2 **the average production tax value of the oil and gas increases above \$30; relating to**
 3 **payments of the oil and gas production tax; relating to availability of a portion of the**
 4 **money received from the tax on oil and gas production for appropriation to the**
 5 **community revenue sharing fund; relating to the allocation of lease expenditures and**
 6 **adjustments to lease expenditures; relating to the tax on the production of gas in effect**
 7 **at the start of the first binding open season held for the project licensed under the**
 8 **Alaska Gasline Inducement Act; and providing for an effective date."**

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

10 *** Section 1.** AS 29.60.850(b) is amended to read:

11 (b) Each fiscal year, the legislature may appropriate to the community revenue
 12 sharing fund an amount equal to 20 percent of the money received by the state during

1 the previous calendar year under AS 43.55.011(g) and (p). The amount may not
2 exceed

3 (1) \$60,000,000; or

4 (2) the amount that, when added to the fund balance on June 30 of the
5 previous fiscal year, equals \$180,000,000.

6 * **Sec. 2.** AS 29.60.850(b), as amended by sec. 1 of this Act, is amended to read:

7 (b) Each fiscal year, the legislature may appropriate to the community revenue
8 sharing fund an amount equal to 20 percent of the money received by the state during
9 the previous calendar year under AS 43.55.011(g) [AND (p)]. The amount may not
10 exceed

11 (1) \$60,000,000; or

12 (2) the amount that, when added to the fund balance on June 30 of the
13 previous fiscal year, equals \$180,000,000.

14 * **Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

15 (b) Each fiscal year, the legislature may appropriate to the community revenue
16 sharing fund an amount equal to 20 percent of the money received by the state during
17 the previous calendar year under AS 43.55.011(g) and (q). The amount may not
18 exceed

19 (1) \$60,000,000; or

20 (2) the amount that, when added to the fund balance on June 30 of the
21 previous fiscal year, equals \$180,000,000.

22 * **Sec. 4.** AS 43.55.011(e) is amended to read:

23 (e) There is levied on the producer of oil or gas a tax for all oil and gas
24 produced each calendar year from each lease or property in the state, less any oil and
25 gas the ownership or right to which is exempt from taxation or constitutes a
26 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
27 this section, the tax is equal to the sum of

28 (1) the annual production tax value of the taxable oil and gas as
29 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

30 (2) the sum, over all months of the calendar year, of the tax amounts
31 determined under

1 (A) subsection (g) of this section; and

2 (B) subsection (p) of this section.

3 * **Sec. 5.** AS 43.55.011(e), as amended by sec. 4 of this Act, is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each calendar year from each lease or property in the state, less any oil and
6 gas the ownership or right to which is exempt from taxation or constitutes a
7 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
8 this section, the tax is equal to the sum of

9 (1) the annual production tax value of the taxable oil and gas as
10 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

11 (2) the sum, over all months of the calendar year, of the tax amounts
12 determined under

13 [(A) SUBSECTION] (g) of this section [; AND

14 (B) SUBSECTION (p) OF THIS SECTION].

15 * **Sec. 6.** AS 43.55.011(e) as amended by sec. 5 of this Act is amended to read:

16 (e) There is levied on the producer of oil or gas a tax for all oil and gas
17 produced each calendar year from each lease or property in the state, less any oil and
18 gas the ownership or right to which is exempt from taxation or constitutes a
19 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
20 this section, the tax is equal to the sum of

21 (1) the annual production tax value of the taxable oil and gas as
22 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

23 (2) the sum, over all months of the calendar year, of the tax amounts
24 determined under

25 (A) subsection (g) of this section; and

26 (B) subsection (q) of this section.

27 * **Sec. 7.** AS 43.55.011(g) is amended to read:

28 (g) For each month of the calendar year for which the producer's average
29 monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a
30 [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more
31 than \$30, the amount of tax for purposes of (e)(2)(A) [(e)(2)] of this section is

1 determined by multiplying the monthly production tax value of the taxable oil [AND
2 GAS] produced during the month, gas produced during the month from a lease or
3 property in the Cook Inlet sedimentary basin, and gas produced during the
4 month from a lease or property outside the Cook Inlet sedimentary basin and
5 used in the state by the tax rate calculated as follows:

6 (1) if the producer's average monthly production tax value under
7 AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil
8 and gas for the month is not more than \$92.50, the tax rate is 0.4 percent multiplied by
9 the number that represents the difference between the producer's [THAT] average
10 monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU
11 equivalent barrel of taxable oil and gas and \$30; or

12 (2) if the producer's average monthly production tax value under
13 AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil
14 and gas for the month is more than \$92.50, the tax rate is the sum of 25 percent and
15 the product of 0.1 percent multiplied by the number that represents the difference
16 between the producer's average monthly production tax value under
17 AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of taxable oil and gas
18 and \$92.50, except that the sum determined under this paragraph may not exceed 50
19 percent.

20 * **Sec. 8.** AS 43.55.011(g), as amended by sec. 7 of this Act, is amended to read:

21 (g) For each month of the calendar year for which the producer's average
22 monthly production tax value under AS 43.55.160(a)(2) [AS 43.55.160(a)(2)(A) - (E)]
23 of a BTU equivalent barrel of taxable oil and gas is more than \$30, the amount of tax
24 for purposes of (e)(2) [(e)(2)(A)] of this section is determined by multiplying the
25 monthly production tax value of the taxable oil and gas produced during the month [,
26 GAS PRODUCED DURING THE MONTH FROM A LEASE OR PROPERTY IN
27 THE COOK INLET SEDIMENTARY BASIN, AND GAS PRODUCED DURING
28 THE MONTH FROM A LEASE OR PROPERTY OUTSIDE THE COOK INLET
29 SEDIMENTARY BASIN AND USED IN THE STATE] by the tax rate calculated as
30 follows:

31 (1) if the producer's average monthly production tax value [UNDER

1 AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the
2 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
3 that represents the difference between the producer's average monthly production tax
4 value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil
5 and gas and \$30; or

6 (2) if the producer's average monthly production tax value [UNDER
7 AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the
8 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
9 percent multiplied by the number that represents the difference between the producer's
10 average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a
11 BTU equivalent barrel of taxable oil and gas and \$92.50, except that the sum
12 determined under this paragraph may not exceed 50 percent.

13 * **Sec. 9.** AS 43.55.011(g), as amended by sec. 8 of this Act, is amended to read:

14 (g) For each month of the calendar year for which the producer's average
15 monthly production tax value under AS 43.55.160(a)(2)(A) - (E) [AS 43.55.160(a)(2)]
16 of a BTU equivalent barrel of taxable oil and gas is more than \$30, the amount of tax
17 for purposes of (e)(2)(A) [(e)(2)] of this section is determined by multiplying the
18 monthly production tax value of the taxable oil [AND GAS] produced during the
19 month, gas produced during the month from a lease or property in the Cook Inlet
20 sedimentary basin, and gas produced during the month from a lease or property
21 outside the Cook Inlet sedimentary basin and used in the state by the tax rate
22 calculated as follows:

23 (1) if the producer's average monthly production tax value under
24 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas for the
25 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
26 that represents the difference between the producer's average monthly production tax
27 value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil
28 and gas and \$30; or

29 (2) if the producer's average monthly production tax value under
30 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas for the
31 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1

1 percent multiplied by the number that represents the difference between the producer's
2 average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU
3 equivalent barrel of taxable oil and gas and \$92.50, except that the sum determined
4 under this paragraph may not exceed 50 percent.

5 * **Sec. 10.** AS 43.55.011 is amended by adding a new subsection to read:

6 (p) For each month of the calendar year for which the producer's average
7 monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
8 equivalent barrel of taxable gas is more than \$30, the amount of tax on the production
9 of gas for purposes of (e)(2)(B) of this section is determined by multiplying the
10 monthly production tax value of the taxable gas produced during the month other than
11 gas produced from a lease or property in the Cook Inlet sedimentary basin or gas
12 produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate
13 calculated as follows:

14 (1) if the producer's average monthly production tax value under
15 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
16 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
17 that represents the difference between the producer's average monthly production tax
18 value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and \$30;
19 or

20 (2) if the producer's average monthly production tax value under
21 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
22 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
23 percent multiplied by the number that represents the difference between the producer's
24 average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
25 equivalent barrel of gas and \$92.50, except that the sum determined under this
26 paragraph may not exceed 50 percent.

27 * **Sec. 11.** AS 43.55.011 is amended by adding a new subsection to read:

28 (q) For each month of the calendar year for which the producer's average
29 monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
30 equivalent barrel of taxable gas is more than \$30, the amount of tax on the production
31 of gas for purposes of (e)(2)(B) of this section is determined by multiplying the

1 monthly production tax value of the taxable gas produced during the month other than
2 gas produced from a lease or property in the Cook Inlet sedimentary basin or gas
3 produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate
4 calculated as follows:

5 (1) if the producer's average monthly production tax value under
6 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
7 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
8 that represents the difference between the producer's average monthly production tax
9 value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and \$30;
10 or

11 (2) if the producer's average monthly production tax value under
12 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
13 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
14 percent multiplied by the number that represents the difference between the producer's
15 average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
16 equivalent barrel of gas and \$92.50, except that the sum determined under this
17 paragraph may not exceed 50 percent.

18 * **Sec. 12.** AS 43.55.020(a) is amended to read:

19 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
20 **and (p)** shall pay the tax as follows:

21 (1) an installment payment of the estimated tax levied by
22 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
23 month of the calendar year on the last day of the following month; except as otherwise
24 provided under (2) of this subsection, the amount of the installment payment is the
25 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
26 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
27 of the installment payment may not be less than zero:

28 (A) for oil and gas produced from leases or properties in the
29 state outside the Cook Inlet sedimentary basin but not subject to
30 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
31 greater of

1 (i) zero; or

2 (ii) **an amount equal to** the sum of 25 percent and the
3 tax rate calculated for the month under AS 43.55.011(g) multiplied by
4 the remainder obtained by subtracting 1/12 of the producer's adjusted
5 lease expenditures for the calendar year of production **applicable to**
6 **the oil produced by the producer from those leases and properties**
7 under AS 43.55.165 and 43.55.170 that are deductible for the leases or
8 properties under AS 43.55.160, from the gross value at the point of
9 production of the oil [AND GAS] produced from the leases or
10 properties during the month for which the installment payment is
11 calculated **added to the sum of 25 percent and the tax rate**
12 **calculated for the month under AS 43.55.011(p) multiplied by the**
13 **remainder obtained by subtracting 1/12 of the producer's adjusted**
14 **lease expenditures for the calendar year of production applicable**
15 **to the gas produced by the producer from those leases and**
16 **properties under AS 43.55.165 and 43.55.170 that are deductible**
17 **for the leases or properties under AS 43.55.160 from the gross**
18 **value at the point of production of the gas produced from the leases**
19 **or properties during the month for which the installment payment**
20 **is calculated;**

21 (B) for oil and gas produced from leases or properties subject
22 to AS 43.55.011(f), the greatest of

23 (i) zero;

24 (ii) zero percent, one percent, two percent, three
25 percent, or four percent, as applicable, of the gross value at the point of
26 production of the oil and gas produced from all leases or properties
27 during the month for which the installment payment is calculated; or

28 (iii) **an amount equal to** the sum of 25 percent and the
29 tax rate calculated for the month under AS 43.55.011(g) multiplied by
30 the remainder obtained by subtracting 1/12 of the producer's adjusted
31 lease expenditures for the calendar year of production **applicable to**

1 **the oil produced by the producer from those leases and properties**
2 under AS 43.55.165 and 43.55.170 that are deductible for those leases
3 or properties under AS 43.55.160, from the gross value at the point of
4 production of the oil [AND GAS] produced from those leases or
5 properties during the month for which the installment payment is
6 calculated **added to the sum of 25 percent and the tax rate**
7 **calculated for the month under AS 43.55.011(p) multiplied by the**
8 **remainder obtained by subtracting 1/12 of the producer's adjusted**
9 **lease expenditures for the calendar year of production applicable**
10 **to the gas produced by the producer from those leases and**
11 **properties under AS 43.55.165 and 43.55.170 that are deductible**
12 **for those leases or properties under AS 43.55.160 from the gross**
13 **value at the point of production of the gas produced from those**
14 **leases or properties during the month for which the installment**
15 **payment is calculated;**

16 (C) for oil and gas produced from each lease or property
17 subject to AS 43.55.011(j), (k), or (o), the greater of

18 (i) zero; or

19 (ii) **an amount equal to** the sum of 25 percent and the
20 tax rate calculated for the month under AS 43.55.011(g) multiplied by
21 the remainder obtained by subtracting 1/12 of the producer's adjusted
22 lease expenditures for the calendar year of production **applicable to**
23 **the oil produced by the producer from those leases and properties**
24 under AS 43.55.165 and 43.55.170 that are deductible under
25 AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the
26 lease or property, from the gross value at the point of production of the
27 oil [OR GAS, RESPECTIVELY,] produced from the lease or property
28 during the month for which the installment payment is calculated
29 **added to the sum of 25 percent and the tax rate calculated for the**
30 **month under AS 43.55.011(g) multiplied by the remainder obtained**
31 **by subtracting 1/12 of the producer's adjusted lease expenditures**

1 for the calendar year of production applicable to the gas produced
2 by the producer from the lease or property under AS 43.55.165 and
3 43.55.170 that are deductible under AS 43.55.160 for gas produced
4 from the lease or property, from the gross value at the point of
5 production of the gas produced from the lease or property during
6 the month for which the installment payment is calculated;

7 (2) an amount calculated under (1)(C) of this subsection for oil or gas
8 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not
9 exceed the product obtained by carrying out the calculation set out in
10 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
11 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
12 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
13 gas produced during the month for the amount of taxable gas produced during the
14 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
15 amount of taxable oil produced during the month for the amount of taxable oil
16 produced during the calendar year;

17 (3) an installment payment of the estimated tax levied by
18 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
19 on the last day of the following month; the amount of the installment payment is the
20 sum of

21 (A) the applicable tax rate for oil provided under
22 AS 43.55.011(i), multiplied by the gross value at the point of production of the
23 oil taxable under AS 43.55.011(i) and produced from the lease or property
24 during the month; and

25 (B) the applicable tax rate for gas provided under
26 AS 43.55.011(i), multiplied by the gross value at the point of production of the
27 gas taxable under AS 43.55.011(i) and produced from the lease or property
28 during the month;

29 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
30 credits applied as allowed by law, that exceeds the total of the amounts due as
31 installment payments of estimated tax is due on March 31 of the year following the

1 calendar year of production.

2 * **Sec. 13.** AS 43.55.020(a), as amended by sec. 12 of this Act, is amended to read:

3 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
4 [AND (p)] shall pay the tax as follows:

5 (1) an installment payment of the estimated tax levied by
6 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
7 month of the calendar year on the last day of the following month; except as otherwise
8 provided under (2) of this subsection, the amount of the installment payment is the
9 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
10 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
11 of the installment payment may not be less than zero:

12 (A) for oil and gas produced from leases or properties in the
13 state outside the Cook Inlet sedimentary basin but not subject to
14 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
15 greater of

16 (i) zero; or

17 (ii) [AN AMOUNT EQUAL TO] the sum of 25 percent
18 and the tax rate calculated for the month under AS 43.55.011(g)
19 multiplied by the remainder obtained by subtracting 1/12 of the
20 producer's adjusted lease expenditures for the calendar year of
21 production [APPLICABLE TO THE OIL PRODUCED BY THE
22 PRODUCER FROM THOSE LEASES AND PROPERTIES] under
23 AS 43.55.165 and 43.55.170 that are deductible for the leases or
24 properties under AS 43.55.160 [,] from the gross value at the point of
25 production of the oil and gas produced from the leases or properties
26 during the month for which the installment payment is calculated
27 [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE
28 CALCULATED FOR THE MONTH UNDER AS 43.55.011(p)
29 MULTIPLIED BY THE REMAINDER OBTAINED BY
30 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
31 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION

1 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER
2 FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165
3 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE LEASES OR
4 PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE
5 AT THE POINT OF PRODUCTION OF THE GAS PRODUCED
6 FROM THE LEASES OR PROPERTIES DURING THE MONTH
7 FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

8 (B) for oil and gas produced from leases or properties subject
9 to AS 43.55.011(f), the greatest of

10 (i) zero;

11 (ii) zero percent, one percent, two percent, three
12 percent, or four percent, as applicable, of the gross value at the point of
13 production of the oil and gas produced from all leases or properties
14 during the month for which the installment payment is calculated; or

15 (iii) [AN AMOUNT EQUAL TO] the sum of 25
16 percent and the tax rate calculated for the month under AS 43.55.011(g)
17 multiplied by the remainder obtained by subtracting 1/12 of the
18 producer's adjusted lease expenditures for the calendar year of
19 production [APPLICABLE TO THE OIL PRODUCED BY THE
20 PRODUCER FROM THOSE LEASES AND PROPERTIES] under
21 AS 43.55.165 and 43.55.170 that are deductible for those leases or
22 properties under AS 43.55.160 [,] from the gross value at the point of
23 production of the oil and gas produced from those leases or properties
24 during the month for which the installment payment is calculated
25 [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE
26 CALCULATED FOR THE MONTH UNDER AS 43.55.011(p)
27 MULTIPLIED BY THE REMAINDER OBTAINED BY
28 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
29 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION
30 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER
31 FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165

1 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THOSE LEASES
2 OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS
3 VALUE AT THE POINT OF PRODUCTION OF THE GAS
4 PRODUCED FROM THOSE LEASES OR PROPERTIES DURING
5 THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS
6 CALCULATED];

7 (C) for oil and gas produced from each lease or property
8 subject to AS 43.55.011(j), (k), or (o), the greater of

9 (i) zero; or

10 (ii) [AN AMOUNT EQUAL TO] the sum of 25 percent
11 and the tax rate calculated for the month under AS 43.55.011(g)
12 multiplied by the remainder obtained by subtracting 1/12 of the
13 producer's adjusted lease expenditures for the calendar year of
14 production [APPLICABLE TO THE OIL PRODUCED BY THE
15 PRODUCER FROM THOSE LEASES AND PROPERTIES] under
16 AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160
17 for oil or gas, respectively, produced from the lease or property [,]
18 from the gross value at the point of production of the oil or gas,
19 respectively, produced from the lease or property during the month for
20 which the installment payment is calculated [ADDED TO THE SUM
21 OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE
22 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE
23 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE
24 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE
25 CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE
26 GAS PRODUCED BY THE PRODUCER FROM THE LEASE OR
27 PROPERTY UNDER AS 43.55.165 AND 43.55.170 THAT ARE
28 DEDUCTIBLE UNDER AS 43.55.160 FOR GAS PRODUCED
29 FROM THE LEASE OR PROPERTY, FROM THE GROSS VALUE
30 AT THE POINT OF PRODUCTION OF THE GAS PRODUCED
31 FROM THE LEASE OR PROPERTY DURING THE MONTH FOR

1 WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

2 (2) an amount calculated under (1)(C) of this subsection for oil or gas
3 produced **before 2022** from a lease or property subject to AS 43.55.011(j), (k), or (o)
4 may not exceed the product obtained by carrying out the calculation set out in
5 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
6 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
7 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
8 gas produced during the month for the amount of taxable gas produced during the
9 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
10 amount of taxable oil produced during the month for the amount of taxable oil
11 produced during the calendar year;

12 (3) an installment payment of the estimated tax levied by
13 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
14 on the last day of the following month; the amount of the installment payment is the
15 sum of

16 (A) the applicable tax rate for oil provided under
17 AS 43.55.011(i), multiplied by the gross value at the point of production of the
18 oil taxable under AS 43.55.011(i) and produced from the lease or property
19 during the month; and

20 (B) the applicable tax rate for gas provided under
21 AS 43.55.011(i), multiplied by the gross value at the point of production of the
22 gas taxable under AS 43.55.011(i) and produced from the lease or property
23 during the month;

24 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
25 credits applied as allowed by law, that exceeds the total of the amounts due as
26 installment payments of estimated tax is due on March 31 of the year following the
27 calendar year of production.

28 * **Sec. 14.** AS 43.55.020(a), as amended by sec. 13 of this Act, is amended to read:

29 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
30 **and (g)** shall pay the tax as follows:

31 (1) an installment payment of the estimated tax levied by

1 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
2 month of the calendar year on the last day of the following month; except as otherwise
3 provided under (2) of this subsection, the amount of the installment payment is the
4 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
5 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
6 of the installment payment may not be less than zero:

7 (A) for oil and gas produced from leases or properties in the
8 state outside the Cook Inlet sedimentary basin but not subject to
9 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
10 greater of

11 (i) zero; or

12 (ii) **an amount equal to** the sum of 25 percent and the
13 tax rate calculated for the month under AS 43.55.011(g) multiplied by
14 the remainder obtained by subtracting 1/12 of the producer's adjusted
15 lease expenditures for the calendar year of production **applicable to**
16 **the oil produced by the producer from those leases and properties**
17 under AS 43.55.165 and 43.55.170 that are deductible for the leases or
18 properties under AS 43.55.160, from the gross value at the point of
19 production of the oil [AND GAS] produced from the leases or
20 properties during the month for which the installment payment is
21 calculated **added to the sum of 25 percent and the tax rate**
22 **calculated for the month under AS 43.55.011(q) multiplied by the**
23 **remainder obtained by subtracting 1/12 of the producer's adjusted**
24 **lease expenditures for the calendar year of production applicable**
25 **to the gas produced by the producer from those leases and**
26 **properties under AS 43.55.165 and 43.55.170 that are deductible**
27 **for the leases or properties under AS 43.55.160 from the gross**
28 **value at the point of production of the gas produced from the leases**
29 **or properties during the month for which the installment payment**
30 **is calculated;**

31 (B) for oil and gas produced from leases or properties subject

1 to AS 43.55.011(f), the greatest of

2 (i) zero;

3 (ii) zero percent, one percent, two percent, three
4 percent, or four percent, as applicable, of the gross value at the point of
5 production of the oil and gas produced from all leases or properties
6 during the month for which the installment payment is calculated; or

7 (iii) an amount equal to the sum of 25 percent and the
8 tax rate calculated for the month under AS 43.55.011(g) multiplied by
9 the remainder obtained by subtracting 1/12 of the producer's adjusted
10 lease expenditures for the calendar year of production applicable to
11 the oil produced by the producer from those leases and properties
12 under AS 43.55.165 and 43.55.170 that are deductible for those leases
13 or properties under AS 43.55.160, from the gross value at the point of
14 production of the oil [AND GAS] produced from those leases or
15 properties during the month for which the installment payment is
16 calculated **added to the sum of 25 percent and the tax rate**
17 **calculated for the month under AS 43.55.011(q) multiplied by the**
18 **remainder obtained by subtracting 1/12 of the producer's adjusted**
19 **lease expenditures for the calendar year of production applicable**
20 **to the gas produced by the producer from those leases and**
21 **properties under AS 43.55.165 and 43.55.170 that are deductible**
22 **for those leases or properties under AS 43.55.160 from the gross**
23 **value at the point of production of the gas produced from those**
24 **leases or properties during the month for which the installment**
25 **payment is calculated;**

26 (C) for oil and gas produced from each lease or property
27 subject to AS 43.55.011(j), (k), or (o), the greater of

28 (i) zero; or

29 (ii) an amount equal to the sum of 25 percent and the
30 tax rate calculated for the month under AS 43.55.011(g) multiplied by
31 the remainder obtained by subtracting 1/12 of the producer's adjusted

1 lease expenditures for the calendar year of production **applicable to**
2 **the oil produced by the producer from those leases and properties**
3 under AS 43.55.165 and 43.55.170 that are deductible under
4 AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the
5 lease or property, from the gross value at the point of production of the
6 oil [OR GAS, RESPECTIVELY,] produced from the lease or property
7 during the month for which the installment payment is calculated
8 **added to the sum of 25 percent and the tax rate calculated for the**
9 **month under AS 43.55.011(g) multiplied by the remainder obtained**
10 **by subtracting 1/12 of the producer's adjusted lease expenditures**
11 **for the calendar year of production applicable to the gas produced**
12 **by the producer from the lease or property under AS 43.55.165 and**
13 **43.55.170 that are deductible under AS 43.55.160 for gas produced**
14 **from the lease or property, from the gross value at the point of**
15 **production of the gas produced from the lease or property during**
16 **the month for which the installment payment is calculated;**

17 (2) an amount calculated under (1)(C) of this subsection for oil or gas
18 produced before 2022 from a lease or property subject to AS 43.55.011(j), (k), or (o)
19 may not exceed the product obtained by carrying out the calculation set out in
20 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
21 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
22 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
23 gas produced during the month for the amount of taxable gas produced during the
24 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
25 amount of taxable oil produced during the month for the amount of taxable oil
26 produced during the calendar year;

27 (3) an installment payment of the estimated tax levied by
28 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
29 on the last day of the following month; the amount of the installment payment is the
30 sum of

31 (A) the applicable tax rate for oil provided under

1 AS 43.55.011(i), multiplied by the gross value at the point of production of the
2 oil taxable under AS 43.55.011(i) and produced from the lease or property
3 during the month; and

4 (B) the applicable tax rate for gas provided under
5 AS 43.55.011(i), multiplied by the gross value at the point of production of the
6 gas taxable under AS 43.55.011(i) and produced from the lease or property
7 during the month;

8 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
9 credits applied as allowed by law, that exceeds the total of the amounts due as
10 installment payments of estimated tax is due on March 31 of the year following the
11 calendar year of production.

12 * **Sec. 15.** AS 43.55.020(d) is amended to read:

13 (d) In making settlement with the royalty owner for oil and gas that is taxable
14 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
15 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
16 time the tax becomes due to the amount of the tax paid. If the total deductions of
17 installment payments of estimated tax for a calendar year exceed the actual tax for that
18 calendar year, the producer shall, before April 1 of the following year, refund the
19 excess to the royalty owner. Unless otherwise agreed between the producer and the
20 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on
21 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
22 right to which constitutes a landowner's royalty interest, is considered to be the gross
23 value at the point of production of the taxable royalty oil and gas produced during the
24 calendar year multiplied by a figure that is a quotient, in which

25 (1) the numerator is the producer's total tax liability under
26 AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

27 (2) the denominator is the total gross value at the point of production
28 of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the
29 producer from all leases and properties in the state during the calendar year.

30 * **Sec. 16.** AS 43.55.020(d), as amended by sec. 15 of this Act, is amended to read:

31 (d) In making settlement with the royalty owner for oil and gas that is taxable

1 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
2 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
3 time the tax becomes due to the amount of the tax paid. If the total deductions of
4 installment payments of estimated tax for a calendar year exceed the actual tax for that
5 calendar year, the producer shall, before April 1 of the following year, refund the
6 excess to the royalty owner. Unless otherwise agreed between the producer and the
7 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) [AND (p)] on
8 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
9 right to which constitutes a landowner's royalty interest, is considered to be the gross
10 value at the point of production of the taxable royalty oil and gas produced during the
11 calendar year multiplied by a figure that is a quotient, in which

12 (1) the numerator is the producer's total tax liability under
13 AS 43.55.011(e) - (g) [AND (p)] for the calendar year of production; and

14 (2) the denominator is the total gross value at the point of production
15 of the oil and gas taxable under AS 43.55.011(e) - (g) [AND (p)] produced by the
16 producer from all leases and properties in the state during the calendar year.

17 * **Sec. 17.** AS 43.55.020(d), as amended by sec. 16 of this Act, is amended to read:

18 (d) In making settlement with the royalty owner for oil and gas that is taxable
19 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
20 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
21 time the tax becomes due to the amount of the tax paid. If the total deductions of
22 installment payments of estimated tax for a calendar year exceed the actual tax for that
23 calendar year, the producer shall, before April 1 of the following year, refund the
24 excess to the royalty owner. Unless otherwise agreed between the producer and the
25 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (q)** on
26 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
27 right to which constitutes a landowner's royalty interest, is considered to be the gross
28 value at the point of production of the taxable royalty oil and gas produced during the
29 calendar year multiplied by a figure that is a quotient, in which

30 (1) the numerator is the producer's total tax liability under
31 AS 43.55.011(e) - (g) **and (q)** for the calendar year of production; and

1 (2) the denominator is the total gross value at the point of production
2 of the oil and gas taxable under AS 43.55.011(e) - (g) and (g) produced by the
3 producer from all leases and properties in the state during the calendar year.

4 * **Sec. 18.** AS 43.55.160(a) is amended to read:

5 (a) Except as provided in (b) of this section, for the purposes of

6 (1) AS 43.55.011(e), the annual production tax value of the taxable

7 (A) oil [AND GAS] produced during a calendar year from
8 leases or properties in the state that include land north of 68 degrees North
9 latitude is the gross value at the point of production of the oil [AND GAS]
10 taxable under AS 43.55.011(e) and produced by the producer from those leases
11 or properties, less the producer's lease expenditures under AS 43.55.165 for the
12 calendar year applicable to the oil [AND GAS] produced by the producer from
13 those leases or properties, as adjusted under AS 43.55.170; [THIS
14 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
15 AS 43.55.011(o);]

16 (B) oil [AND GAS] produced during a calendar year from
17 leases or properties in the state outside the Cook Inlet sedimentary basin, no
18 part of which is north of 68 degrees North latitude, is the gross value at the
19 point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and
20 produced by the producer from those leases or properties, less the producer's
21 lease expenditures under AS 43.55.165 for the calendar year applicable to the
22 oil [AND GAS] produced by the producer from those leases or properties, as
23 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
24 TO GAS SUBJECT TO AS 43.55.011(o);]

25 (C) oil produced during a calendar year from a lease or
26 property in the Cook Inlet sedimentary basin is the gross value at the point of
27 production of the oil taxable under AS 43.55.011(e) and produced by the
28 producer from that lease or property, less the producer's lease expenditures
29 under AS 43.55.165 for the calendar year applicable to the oil produced by the
30 producer from that lease or property, as adjusted under AS 43.55.170;

31 (D) gas produced during a calendar year from a lease or

1 property in the Cook Inlet sedimentary basin is the gross value at the point of
2 production of the gas taxable under AS 43.55.011(e) and produced by the
3 producer from that lease or property, less the producer's lease expenditures
4 under AS 43.55.165 for the calendar year applicable to the gas produced by the
5 producer from that lease or property, as adjusted under AS 43.55.170;

6 (E) gas produced during a calendar year from a lease or
7 property outside the Cook Inlet sedimentary basin and used in the state is the
8 gross value at the point of production of that gas taxable under
9 AS 43.55.011(e) and produced by the producer from that lease or property, less
10 the producer's lease expenditures under AS 43.55.165 for the calendar year
11 applicable to that gas produced by the producer from that lease or property, as
12 adjusted under AS 43.55.170;

13 **(F) gas produced during a calendar year from leases or**
14 **properties in the state that include land north of 68 degrees North latitude**
15 **is the gross value at the point of production of the gas taxable under**
16 **AS 43.55.011(e) and produced by the producer from those leases or**
17 **properties, less the producer's lease expenditures under AS 43.55.165 for**
18 **the calendar year applicable to the gas produced by the producer from**
19 **those leases or properties, as adjusted under AS 43.55.170; this**
20 **subparagraph does not apply to gas used in the state;**

21 **(G) gas produced during a calendar year from leases or**
22 **properties in the state outside the Cook Inlet sedimentary basin, no part of**
23 **which is north of 68 degrees North latitude, is the gross value at the point**
24 **of production of the gas taxable under AS 43.55.011(e) and produced by**
25 **the producer from those leases or properties, less the producer's lease**
26 **expenditures under AS 43.55.165 for the calendar year applicable to the**
27 **gas produced by the producer from those leases or properties, as adjusted**
28 **under AS 43.55.170; this subparagraph does not apply to gas used in the**
29 **state;**

30 (2) AS 43.55.011(g) **and (p)**, the monthly production tax value of the
31 taxable

1 (A) oil [AND GAS] produced during a month from leases or
2 properties in the state that include land north of 68 degrees North latitude is the
3 gross value at the point of production of the oil [AND GAS] taxable under
4 AS 43.55.011(e) and produced by the producer from those leases or properties,
5 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
6 calendar year applicable to the oil [AND GAS] produced by the producer from
7 those leases or properties, as adjusted under AS 43.55.170; [THIS
8 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
9 AS 43.55.011(o);]

10 (B) oil [AND GAS] produced during a month from leases or
11 properties in the state outside the Cook Inlet sedimentary basin, no part of
12 which is north of 68 degrees North latitude, is the gross value at the point of
13 production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced
14 by the producer from those leases or properties, less 1/12 of the producer's
15 lease expenditures under AS 43.55.165 for the calendar year applicable to the
16 oil [AND GAS] produced by the producer from those leases or properties, as
17 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
18 TO GAS SUBJECT TO AS 43.55.011(o);]

19 (C) oil produced during a month from a lease or property in the
20 Cook Inlet sedimentary basin is the gross value at the point of production of
21 the oil taxable under AS 43.55.011(e) and produced by the producer from that
22 lease or property, less 1/12 of the producer's lease expenditures under
23 AS 43.55.165 for the calendar year applicable to the oil produced by the
24 producer from that lease or property, as adjusted under AS 43.55.170;

25 (D) gas produced during a month from a lease or property in
26 the Cook Inlet sedimentary basin is the gross value at the point of production
27 of the gas taxable under AS 43.55.011(e) and produced by the producer from
28 that lease or property, less 1/12 of the producer's lease expenditures under
29 AS 43.55.165 for the calendar year applicable to the gas produced by the
30 producer from that lease or property, as adjusted under AS 43.55.170;

31 (E) gas produced during a month from a lease or property

1 outside the Cook Inlet sedimentary basin and used in the state is the gross
2 value at the point of production of that gas taxable under AS 43.55.011(e) and
3 produced by the producer from that lease or property, less 1/12 of the
4 producer's lease expenditures under AS 43.55.165 for the calendar year
5 applicable to that gas produced by the producer from that lease or property, as
6 adjusted under AS 43.55.170;

7 **(F) gas produced during a month from leases or properties**
8 **in the state that include land north of 68 degrees North latitude is the**
9 **gross value at the point of production of the gas taxable under**
10 **AS 43.55.011(e) and produced by the producer from those leases or**
11 **properties, less 1/12 of the producer's lease expenditures under**
12 **AS 43.55.165 for the calendar year applicable to the gas produced by the**
13 **producer from those leases or properties, as adjusted under AS 43.55.170;**
14 **this subparagraph does not apply to gas used in the state;**

15 **(G) gas produced during a month from leases or properties**
16 **in the state outside the Cook Inlet sedimentary basin, no part of which is**
17 **north of 68 degrees North latitude, is the gross value at the point of**
18 **production of the gas taxable under AS 43.55.011(e) and produced by the**
19 **producer from those leases or properties, less 1/12 of the producer's lease**
20 **expenditures under AS 43.55.165 for the calendar year applicable to the**
21 **gas produced by the producer from those leases or properties, as adjusted**
22 **under AS 43.55.170; this subparagraph does not apply to gas used in the**
23 **state.**

24 * Sec. 19. AS 43.55.160(a), as amended by sec. 18 of this Act, is amended to read:

25 (a) Except as provided in (b) of this section, for the purposes of

26 (1) AS 43.55.011(e), the annual production tax value of the taxable

27 (A) oil **and gas** produced during a calendar year from leases or
28 properties in the state that include land north of 68 degrees North latitude is the
29 gross value at the point of production of the oil **and gas** taxable under
30 AS 43.55.011(e) and produced by the producer from those leases or properties,
31 less the producer's lease expenditures under AS 43.55.165 for the calendar year

1 applicable to the oil and gas produced by the producer from those leases or
2 properties, as adjusted under AS 43.55.170; this subparagraph does not
3 apply to gas subject to AS 43.55.011(o);

4 (B) oil and gas produced during a calendar year from leases or
5 properties in the state outside the Cook Inlet sedimentary basin, no part of
6 which is north of 68 degrees North latitude, is the gross value at the point of
7 production of the oil and gas taxable under AS 43.55.011(e) and produced by
8 the producer from those leases or properties, less the producer's lease
9 expenditures under AS 43.55.165 for the calendar year applicable to the oil
10 and gas produced by the producer from those leases or properties, as adjusted
11 under AS 43.55.170; this subparagraph does not apply to gas subject to
12 AS 43.55.011(o);

13 (C) oil produced during a calendar year from a lease or
14 property in the Cook Inlet sedimentary basin is the gross value at the point of
15 production of the oil taxable under AS 43.55.011(e) and produced by the
16 producer from that lease or property, less the producer's lease expenditures
17 under AS 43.55.165 for the calendar year applicable to the oil produced by the
18 producer from that lease or property, as adjusted under AS 43.55.170;

19 (D) gas produced during a calendar year from a lease or
20 property in the Cook Inlet sedimentary basin is the gross value at the point of
21 production of the gas taxable under AS 43.55.011(e) and produced by the
22 producer from that lease or property, less the producer's lease expenditures
23 under AS 43.55.165 for the calendar year applicable to the gas produced by the
24 producer from that lease or property, as adjusted under AS 43.55.170;

25 (E) gas produced during a calendar year from a lease or
26 property outside the Cook Inlet sedimentary basin and used in the state is the
27 gross value at the point of production of that gas taxable under
28 AS 43.55.011(e) and produced by the producer from that lease or property, less
29 the producer's lease expenditures under AS 43.55.165 for the calendar year
30 applicable to that gas produced by the producer from that lease or property, as
31 adjusted under AS 43.55.170;

1 [(F) GAS PRODUCED DURING A CALENDAR YEAR
2 FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE
3 LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS
4 VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE
5 UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM
6 THOSE LEASES OR PROPERTIES, LESS THE PRODUCER'S LEASE
7 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
8 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM
9 THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;
10 THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE
11 STATE;

12 (G) GAS PRODUCED DURING A CALENDAR YEAR
13 FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK
14 INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
15 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
16 OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e)
17 AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
18 PROPERTIES, LESS THE PRODUCER'S LEASE EXPENDITURES
19 UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO
20 THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
21 PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS
22 SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;]

23 (2) AS 43.55.011(g) [AND (p)], the monthly production tax value of
24 the taxable

25 (A) oil and gas produced during a month from leases or
26 properties in the state that include land north of 68 degrees North latitude is the
27 gross value at the point of production of the oil and gas taxable under
28 AS 43.55.011(e) and produced by the producer from those leases or properties,
29 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
30 calendar year applicable to the oil and gas produced by the producer from
31 those leases or properties, as adjusted under AS 43.55.170; this subparagraph

1 **does not apply to gas subject to AS 43.55.011(o);**

2 (B) oil **and gas** produced during a month from leases or
3 properties in the state outside the Cook Inlet sedimentary basin, no part of
4 which is north of 68 degrees North latitude, is the gross value at the point of
5 production of the oil **and gas** taxable under AS 43.55.011(e) and produced by
6 the producer from those leases or properties, less 1/12 of the producer's lease
7 expenditures under AS 43.55.165 for the calendar year applicable to the oil
8 **and gas** produced by the producer from those leases or properties, as adjusted
9 under AS 43.55.170; **this subparagraph does not apply to gas subject to**
10 **AS 43.55.011(o);**

11 (C) oil produced during a month from a lease or property in the
12 Cook Inlet sedimentary basin is the gross value at the point of production of
13 the oil taxable under AS 43.55.011(e) and produced by the producer from that
14 lease or property, less 1/12 of the producer's lease expenditures under
15 AS 43.55.165 for the calendar year applicable to the oil produced by the
16 producer from that lease or property, as adjusted under AS 43.55.170;

17 (D) gas produced during a month from a lease or property in
18 the Cook Inlet sedimentary basin is the gross value at the point of production
19 of the gas taxable under AS 43.55.011(e) and produced by the producer from
20 that lease or property, less 1/12 of the producer's lease expenditures under
21 AS 43.55.165 for the calendar year applicable to the gas produced by the
22 producer from that lease or property, as adjusted under AS 43.55.170;

23 (E) gas produced during a month from a lease or property
24 outside the Cook Inlet sedimentary basin and used in the state is the gross
25 value at the point of production of that gas taxable under AS 43.55.011(e) and
26 produced by the producer from that lease or property, less 1/12 of the
27 producer's lease expenditures under AS 43.55.165 for the calendar year
28 applicable to that gas produced by the producer from that lease or property, as
29 adjusted under AS 43.55.170 [;

30 (F) GAS PRODUCED DURING A MONTH FROM LEASES
31 OR PROPERTIES IN THE STATE THAT INCLUDE LAND NORTH OF 68

1 DEGREES NORTH LATITUDE IS THE GROSS VALUE AT THE POINT
2 OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e)
3 AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
4 PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE
5 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
6 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM
7 THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;
8 THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE
9 STATE;

10 (G) GAS PRODUCED DURING A MONTH FROM LEASES
11 OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET
12 SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
13 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
14 OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e)
15 AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
16 PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE
17 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
18 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM
19 THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;
20 THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE
21 STATE].

22 * **Sec. 20.** AS 43.55.160(a), as amended by sec. 19 of this Act, is amended to read:

23 (a) Except as provided in (b) of this section, for the purposes of

24 (1) AS 43.55.011(e), the annual production tax value of the taxable

25 (A) oil [AND GAS] produced during a calendar year from
26 leases or properties in the state that include land north of 68 degrees North
27 latitude is the gross value at the point of production of the oil [AND GAS]
28 taxable under AS 43.55.011(e) and produced by the producer from those leases
29 or properties, less the producer's lease expenditures under AS 43.55.165 for the
30 calendar year applicable to the oil [AND GAS] produced by the producer from
31 those leases or properties, as adjusted under AS 43.55.170; [THIS

1 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
2 AS 43.55.011(o);]

3 (B) oil [AND GAS] produced during a calendar year from
4 leases or properties in the state outside the Cook Inlet sedimentary basin, no
5 part of which is north of 68 degrees North latitude, is the gross value at the
6 point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and
7 produced by the producer from those leases or properties, less the producer's
8 lease expenditures under AS 43.55.165 for the calendar year applicable to the
9 oil [AND GAS] produced by the producer from those leases or properties, as
10 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
11 TO GAS SUBJECT TO AS 43.55.011(o);]

12 (C) oil produced during a calendar year from a lease or
13 property in the Cook Inlet sedimentary basin is the gross value at the point of
14 production of the oil taxable under AS 43.55.011(e) and produced by the
15 producer from that lease or property, less the producer's lease expenditures
16 under AS 43.55.165 for the calendar year applicable to the oil produced by the
17 producer from that lease or property, as adjusted under AS 43.55.170;

18 (D) gas produced during a calendar year from a lease or
19 property in the Cook Inlet sedimentary basin is the gross value at the point of
20 production of the gas taxable under AS 43.55.011(e) and produced by the
21 producer from that lease or property, less the producer's lease expenditures
22 under AS 43.55.165 for the calendar year applicable to the gas produced by the
23 producer from that lease or property, as adjusted under AS 43.55.170;

24 (E) gas produced during a calendar year from a lease or
25 property outside the Cook Inlet sedimentary basin and used in the state is the
26 gross value at the point of production of that gas taxable under
27 AS 43.55.011(e) and produced by the producer from that lease or property, less
28 the producer's lease expenditures under AS 43.55.165 for the calendar year
29 applicable to that gas produced by the producer from that lease or property, as
30 adjusted under AS 43.55.170;

31 (F) gas produced during a calendar year from leases or

1 properties in the state that include land north of 68 degrees North latitude
2 is the gross value at the point of production of the gas taxable under
3 AS 43.55.011(e) and produced by the producer from those leases or
4 properties, less the producer's lease expenditures under AS 43.55.165 for
5 the calendar year applicable to the gas produced by the producer from
6 those leases or properties, as adjusted under AS 43.55.170; this
7 subparagraph does not apply to gas used in the state;

8 (G) gas produced during a calendar year from leases or
9 properties in the state outside the Cook Inlet sedimentary basin, no part of
10 which is north of 68 degrees North latitude, is the gross value at the point
11 of production of the gas taxable under AS 43.55.011(e) and produced by
12 the producer from those leases or properties, less the producer's lease
13 expenditures under AS 43.55.165 for the calendar year applicable to the
14 gas produced by the producer from those leases or properties, as adjusted
15 under AS 43.55.170; this subparagraph does not apply to gas used in the
16 state;

17 (2) AS 43.55.011(g) and (q), the monthly production tax value of the
18 taxable

19 (A) oil [AND GAS] produced during a month from leases or
20 properties in the state that include land north of 68 degrees North latitude is the
21 gross value at the point of production of the oil [AND GAS] taxable under
22 AS 43.55.011(e) and produced by the producer from those leases or properties,
23 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
24 calendar year applicable to the oil [AND GAS] produced by the producer from
25 those leases or properties, as adjusted under AS 43.55.170; [THIS
26 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
27 AS 43.55.011(o);]

28 (B) oil [AND GAS] produced during a month from leases or
29 properties in the state outside the Cook Inlet sedimentary basin, no part of
30 which is north of 68 degrees North latitude, is the gross value at the point of
31 production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced

1 by the producer from those leases or properties, less 1/12 of the producer's
2 lease expenditures under AS 43.55.165 for the calendar year applicable to the
3 oil [AND GAS] produced by the producer from those leases or properties, as
4 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
5 TO GAS SUBJECT TO AS 43.55.011(o);]

6 (C) oil produced during a month from a lease or property in the
7 Cook Inlet sedimentary basin is the gross value at the point of production of
8 the oil taxable under AS 43.55.011(e) and produced by the producer from that
9 lease or property, less 1/12 of the producer's lease expenditures under
10 AS 43.55.165 for the calendar year applicable to the oil produced by the
11 producer from that lease or property, as adjusted under AS 43.55.170;

12 (D) gas produced during a month from a lease or property in
13 the Cook Inlet sedimentary basin is the gross value at the point of production
14 of the gas taxable under AS 43.55.011(e) and produced by the producer from
15 that lease or property, less 1/12 of the producer's lease expenditures under
16 AS 43.55.165 for the calendar year applicable to the gas produced by the
17 producer from that lease or property, as adjusted under AS 43.55.170;

18 (E) gas produced during a month from a lease or property
19 outside the Cook Inlet sedimentary basin and used in the state is the gross
20 value at the point of production of that gas taxable under AS 43.55.011(e) and
21 produced by the producer from that lease or property, less 1/12 of the
22 producer's lease expenditures under AS 43.55.165 for the calendar year
23 applicable to that gas produced by the producer from that lease or property, as
24 adjusted under AS 43.55.170;

25 **(F) gas produced during a month from leases or properties**
26 **in the state that include land north of 68 degrees North latitude is the**
27 **gross value at the point of production of the gas taxable under**
28 **AS 43.55.011(e) and produced by the producer from those leases or**
29 **properties, less 1/12 of the producer's lease expenditures under**
30 **AS 43.55.165 for the calendar year applicable to the gas produced by the**
31 **producer from those leases or properties, as adjusted under AS 43.55.170;**

1 this subparagraph does not apply to gas used in the state;

2 (G) gas produced during a month from leases or properties
3 in the state outside the Cook Inlet sedimentary basin, no part of which is
4 north of 68 degrees North latitude, is the gross value at the point of
5 production of the gas taxable under AS 43.55.011(e) and produced by the
6 producer from those leases or properties, less 1/12 of the producer's lease
7 expenditures under AS 43.55.165 for the calendar year applicable to the
8 gas produced by the producer from those leases or properties, as adjusted
9 under AS 43.55.170; this subparagraph does not apply to gas used in the
10 state.

11 * Sec. 21. AS 43.55.165(h) is amended to read:

12 (h) The department shall adopt regulations that provide for reasonable
13 methods of allocating costs between oil and gas, between gas subject to
14 AS 43.55.011(o) and other gas, and between leases or properties in those
15 circumstances where an allocation of costs is required to determine lease expenditures
16 that are costs of exploring for, developing, or producing oil deposits or costs of
17 exploring for, developing, or producing gas deposits, or that are costs of exploring for,
18 developing, or producing oil or gas deposits located within different leases or
19 properties. When determining a reasonable method of allocating lease
20 expenditures between the production of oil and the production of gas, the
21 department shall consider allocating lease expenditures in proportion to the BTU
22 equivalent barrels of oil produced and gas produced from each lease or property.

23 * Sec. 22. AS 43.55.170 is amended by adding a new subsection to read:

24 (d) The department shall adopt regulations that provide for reasonable
25 methods of allocating the adjustments to a producer's lease expenditures in (a) of this
26 section and the payments and credits described in (b) of this section between oil and
27 gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or
28 properties in those circumstances where an allocation of costs is required to determine
29 lease expenditures that are costs of exploring for, developing, or producing oil
30 deposits, or costs of exploring for, developing, or producing gas deposits, or that are
31 costs of exploring for, developing, or producing oil or gas deposits located within

1 different leases or properties. When determining a reasonable method of allocating the
2 adjustments to a producer's lease expenditures between the production of oil and the
3 production of gas, the department shall consider allocating the adjustments in
4 proportion to the lease expenditures allocated to the production of oil and the
5 production of gas under regulations adopted by the department under
6 AS 43.55.165(h).

7 * **Sec. 23.** AS 43.55.011(p) is repealed.

8 * **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 TRANSITION; REGULATIONS; PAYMENT OF TAX; FILING OF REPORTS. If
11 secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, the Department of Revenue shall adopt
12 regulations providing for the payment of tax and the filing of reports required for the period in
13 which secs. 1, 4, 7, 10, 12, 15, and 18 of this Act are in effect.

14 * **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 CONDITIONAL EFFECT OF SECS. 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, AND
17 23 OF THIS ACT; NOTICE. (a) Sections 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, and 23 of
18 this Act take effect only if secs. 21 and 22 of this Act take effect before April 29, 2010.

19 (b) The commissioner of revenue shall notify the revisor of statutes of the date of the
20 start of the first binding open season for the project licensed under AS 43.90 (Alaska Gasline
21 Inducement Act).

22 * **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 CONDITIONAL EFFECT OF SECS. 3, 6, 9, 11, 14, 17, AND 20 OF THIS ACT;
25 NOTICE. (a) Sections 3, 6, 9, 11, 14, 17, and 20 of this Act take effect only if more than
26 1,500,000,000 cubic feet of natural gas a day that is produced in the state is tendered for
27 shipment through a natural gas pipeline project in the state to a market in Canada or the 48
28 contiguous states, or to a gas liquefaction facility in the state for shipment in a liquefied state
29 by marine transportation to a market outside of the state.

30 (b) The commissioner of revenue shall notify the revisor of statutes of the date that
31 natural gas was first tendered for shipment under the circumstances described in (a) of this

1 section.

2 * **Sec. 27.** If secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, they take effect April 29,
3 2010.

4 * **Sec. 28.** If secs. 2, 5, 8, 13, 16, 19, and 23 of this Act take effect, they take effect on the
5 first day immediately following the date on which the open season starts for the project
6 licensed under AS 43.90.

7 * **Sec. 29.** If secs. 3, 6, 9, 11, 14, 17, and 20 take effect, they take effect on the first day of
8 the month immediately following the date on which the condition in sec. 26(a) of this Act is
9 met.

10 * **Sec. 30.** Except as provided in secs. 27 - 29 of this Act, this Act takes effect immediately
11 under AS 01.10.070(c).