

LEGAL SERVICES

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MEMORANDUM

January 31, 2011

SUBJECT: Sectional Summary for HB 110 (HB 110; Work Order No. 27-GH1007\A)

TO: Representative Eric Feige
Co-Chair of the House Resources Committee
Attn: Linda Hay

FROM: 
Donald M. Bullock Jr.
Legislative Counsel

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. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Amends AS 05.15.095(c) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to delinquent fees related to games of chance and skill.

Section 2. Amends AS 34.45.470(a) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to the late payment or delivery of property under the Uniform Unclaimed Property Act.

Section 3. Amends AS 43.05.225(1) to reduce the rate of interest applicable to a delinquent tax levied under AS 43 from five to three percentage points above the identified 12 Federal Reserve District rate. Makes the minimum interest rate applicable to delinquent taxes levied under AS 43, 11 percent.

Section 4. Amends AS 43.20.046(i) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to an increased tax liability resulting from the audit of a gas storage facility tax credit.

Section 5. Amends AS 43.50.570 to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to a late payment for the purchase of cigarette tax stamps.

Section 6. Amends AS 43.55.011(e) to provide two different tax rates; one rate is applicable to oil and gas produced from a lease or property containing land that was or

had previously been within a unit or in commercial production before January 1, 2011, and the other rate applicable to other oil and gas. Deletes the 25 percent tax rate and makes the tax rates in AS 43.55.011(g), as repealed and reenacted by sec. 8 of the bill, applicable to the two categories of production.

Section 7. Amends AS 43.55.011(f) by reducing the minimum dollar amount in each range of gross values at the point of production for the purposes of establishing the minimum tax on oil and gas produced north of 68 degrees North latitude. Makes the four percent rate applicable when the gross value at the point of production (GVPP) is more than \$20 (currently \$25), the three percent rate applicable when the GVPP is over \$17.50 but not over \$20 (currently \$20 and \$25, respectively), the two percent rate applicable when the GVPP is over \$15 but not over \$17.50 (currently \$17.50 and \$20, respectively), the one percent rate applicable when the GVPP is over \$12.50 but not over \$15 (currently \$15 and \$17.50, respectively), and a zero percent when the GVPP is \$12.50 or less (currently, \$15 or less).

Section 8. Repeals and reenacts AS 43.55.011(g) to provide for the application of different tax rates to different incremental ranges of production tax value. AS 43.55.011(g)(1) applies to the production described in AS 43.55.011(e)(1), that would be amended by sec. 6 of the bill; and AS 43.55.011(g)(2) applies to the production described in AS 43.55.011(e)(2), that would be amended by sec. 6 of the bill. Provides lower tax rates (15 percent to 40 percent) for production described in AS 43.55.011(e)(2), as amended by sec. 6 of the bill, compared to the tax rates (25 percent to 50 percent) for production described in AS 43.55.011(e)(1), as amended by sec. 6 of the bill.

Section 9. Repeals and reenacts AS 43.55.020(a) to provide for monthly installment payments of the production tax based on the amendments to AS 43.55.011(e) in sec. 6 of the bill and the new tax rates enacted by sec. 8 of the bill.

Section 10. Amends AS 43.55.020(g) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to an unpaid production tax payment after March 31 following the calendar year of production.

Section 11. Amends AS 43.55.023(a) to eliminate the limitation that not more than half of the tax credit for a qualified capital expenditure may be applied for a single calendar year.

Section 12. Amends AS 43.55.023(d) to authorize the issuance of a single tax credit certificate that may be used to transfer the credit or to obtain a cash payment and makes the credit certificate available for immediate use. Adds "well lease expenditure" to "qualified capital expenditure" and "carried-forward annual loss" for the purpose of determining when the Department of Revenue is required to grant or deny an application for a tax credit certificate in whole or in part.

Section 13. Amends AS 43.55.023(g) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to an increase in tax liability following an audit of a tax credit claim. Note: This section takes effect July 1, 2011, and the amendment to AS 43.55.023(g) in sec. 14 of the bill takes effect January 1, 2012 under secs. 30 and 27 of the bill, respectively.

Section 14. Amends AS 43.55.023(g) as amended by sec. 13 of the bill, to refer to the "former" AS 43.55.023(m) because AS 43.55.023(m) would be repealed by sec. 24 of the bill. Note: this section and sec. 24 take effect January 1, 2012, under sec. 27 of the bill.

Section 15. Amends AS 43.55.023(l) to make the tax credit applicable for a well lease expenditure applicable anywhere in the state (no longer just south of 68 degrees North latitude) after December 31, 2011. Conforms the timing for applying the credit to conform to the amendment to AS 43.55.023(d) in sec. 12 of the bill.

Section 16. Amends AS 43.55.023(n) to conform to the amendment to AS 43.55.023(l) in sec. 15 of the bill (allowing a credit for a well lease expenditure anywhere in the state), and to conform to the repeal of AS 43.55.023(m) by sec. 24 of the bill.

Section 17. Amends AS 43.55.028(e) to conform to the repeal of AS 43.55.023(m) by sec. 24 of the bill.

Section 18. Amends AS 43.55.028(g) to conform to the repeal of AS 43.55.023(m) by sec. 24 of the bill.

Section 19. Amends AS 43.55.075(a) to reduce the period for making an assessment of a tax imposed under AS 43.55 from six years to four after the return was filed.

Section 20. Repeals and reenacts AS 43.55.160(a) to conform to the amendment to AS 43.55.011(e) in sec. 6 of the bill, and to address the period in which the tax limitations in AS 43.55.011(j), (k), and (o) are applicable.

Section 21. Amends AS 43.56.160 to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to delinquent oil and gas exploration, production, and pipeline transportation property taxes.

Section 22. Amends AS 43.77.020(d) to specifically identify the paragraph in AS 43.05.225 that provides the penalty rate (based on the interest rate) applicable to delinquent quarterly fishery resource landing taxes.

Section 23. Amends AS 43.90.430 to specifically identify the paragraph in AS 43.05.225 that provides the interest rates on payments due to the state under AS 43.90 (Alaska Gasline Inducement Act).

Section 24. Repeals AS 43.55.023(m). Takes effect January 1, 2012, under sec. 27 of the bill.

Section 25. Makes secs. 11, 12, 15, and 16 of the bill apply to expenditures incurred after December 31, 2011. Makes secs. 6 - 9 and 20 apply to oil and gas produced after December 31, 2012. Makes sec. 19 apply to any tax liability for the production of oil and gas after December 31, 2013.

Section 26. Authorizes the Department of Revenue to adopt regulations and provides that the regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the provision being implemented by the regulation.

Section 27. Makes secs. 11, 12, 14 - 18, 24, and 25(a) take effect January 1, 2012.

Section 28. Makes secs. 6 - 9, 20, and 25(b) take effect January 1, 2013.

Section 29. Makes secs. 19 and 25(c) take effect January 1, 2014.

Section 30. Makes secs. not included in secs. 27 - 29 take effect July 1, 2011.