

SENATE BILL NO. 192

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY SENATOR STEDMAN

Introduced: 2/21/14

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the minimum production tax on oil and gas; and relating to the tax**
2 **credit applicable to each barrel of certain oil produced north of 68 degrees North**
3 **latitude."**

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

5 * **Section 1.** AS 43.55.011(f) is amended to read:

6 (f) The levy of tax under this section for oil and gas produced north of 68
7 degrees North latitude, other than oil and gas production subject to (i) of this section
8 and gas subject to (o) of this section, may not be less than

9 (1) four percent of the gross value at the point of production **for oil**
10 **and gas produced before January 1, 2015, and 15 percent of the gross value at the**
11 **point of production for oil and gas produced after December 31, 2014,** when the
12 average price per barrel for Alaska North Slope crude oil for sale on the United States
13 West Coast during the calendar year for which the tax is due is more than \$25;

14 (2) three percent of the gross value at the point of production when the

1 average price per barrel for Alaska North Slope crude oil for sale on the United States
 2 West Coast during the calendar year for which the tax is due is over \$20 but not over
 3 \$25;

4 (3) two percent of the gross value at the point of production when the
 5 average price per barrel for Alaska North Slope crude oil for sale on the United States
 6 West Coast during the calendar year for which the tax is due is over \$17.50 but not
 7 over \$20;

8 (4) one percent of the gross value at the point of production when the
 9 average price per barrel for Alaska North Slope crude oil for sale on the United States
 10 West Coast during the calendar year for which the tax is due is over \$15 but not over
 11 \$17.50; or

12 (5) zero percent of the gross value at the point of production when the
 13 average price per barrel for Alaska North Slope crude oil for sale on the United States
 14 West Coast during the calendar year for which the tax is due is \$15 or less.

15 * **Sec. 2.** AS 43.55.020(a) is amended to read:

16 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
 17 the tax as follows:

18 (1) before January 1, 2014, an installment payment of the estimated tax
 19 levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for
 20 each month of the calendar year on the last day of the following month; except as
 21 otherwise provided under (2) of this subsection, the amount of the installment payment
 22 is the sum of the following amounts, less 1/12 of the tax credits that are allowed by
 23 law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but
 24 the amount of the installment payment may not be less than zero:

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

29 (i) zero; or

30 (ii) the sum of 25 percent and the tax rate calculated for
 31 the month under AS 43.55.011(g) multiplied by the remainder obtained

1 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 2 calendar year of production under AS 43.55.165 and 43.55.170 that are
 3 deductible for the oil and gas under AS 43.55.160 from the gross value
 4 at the point of production of the oil and gas produced from the leases or
 5 properties during the month for which the installment payment is
 6 calculated;

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

9 (i) zero;

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

14 (iii) the sum of 25 percent and the tax rate calculated for
 15 the month under AS 43.55.011(g) multiplied by the remainder obtained
 16 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 17 calendar year of production under AS 43.55.165 and 43.55.170 that are
 18 deductible for the oil and gas under AS 43.55.160 from the gross value
 19 at the point of production of the oil and gas produced from those leases
 20 or properties during the month for which the installment payment is
 21 calculated;

22 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
 23 each lease or property, the greater of

24 (i) zero; or

25 (ii) the sum of 25 percent and the tax rate calculated for
 26 the month under AS 43.55.011(g) multiplied by the remainder obtained
 27 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 28 calendar year of production under AS 43.55.165 and 43.55.170 that are
 29 deductible under AS 43.55.160 for the oil or gas, respectively,
 30 produced from the lease or property from the gross value at the point of
 31 production of the oil or gas, respectively, produced from the lease or

property during the month for which the installment payment is calculated;

(D) for oil and gas subject to AS 43.55.011(p), the lesser of

(i) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

(ii) four percent of the gross value at the point of production of the oil and gas produced from the leases or properties during the month, but not less than zero;

(2) an amount calculated under (1)(C) of this subsection for oil or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

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

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

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

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

(5) on and after January 1, 2014, an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (6) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

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

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

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

(i) zero;

(ii) zero percent, one percent, two percent, three

percent, [OR] four percent, or 15 percent, as applicable, of the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated; or

(iii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil and gas subject to AS 43.55.160(f) or (g);

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

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for the oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(D) for oil and gas subject to AS 43.55.011(p), the lesser of

(i) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is

1 calculated, but not less than zero; or

2 (ii) four percent of the gross value at the point of
3 production of the oil and gas produced from the leases or properties
4 during the month, but not less than zero;

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

14 * **Sec. 3.** AS 43.55.024(j) is amended to read:

15 (j) A producer may apply against the producer's tax liability for the calendar
16 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
17 each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria
18 in AS 43.55.160(f) or (g) and that is produced during a calendar year [AFTER
19 DECEMBER 31, 2013,] from leases or properties north of 68 degrees North latitude.
20 A tax credit under this subsection may not reduce a producer's tax liability for a
21 calendar year under AS 43.55.011(e) below the amount calculated under
22 AS 43.55.011(f). The amount of the tax credit for a barrel of taxable oil subject to this
23 subsection produced during a month of

24 (1) the calendar year **2014** is

25 (A) [(1)] \$8 for each barrel of taxable oil if the average gross
26 value at the point of production for the month is less than \$80 a barrel;

27 (B) [(2)] \$7 for each barrel of taxable oil if the average gross
28 value at the point of production for the month is greater than or equal to \$80 a
29 barrel, but less than \$90 a barrel;

30 (C) [(3)] \$6 for each barrel of taxable oil if the average gross
31 value at the point of production for the month is greater than or equal to \$90 a

barrel, but less than \$100 a barrel;

(D) [(4)] \$5 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$100 a barrel, but less than \$110 a barrel;

(E) [(5)] \$4 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$110 a barrel, but less than \$120 a barrel;

(F) [(6)] \$3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$120 a barrel, but less than \$130 a barrel;

(G) [(7)] \$2 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$130 a barrel, but less than \$140 a barrel;

(H) [(8)] \$1 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$140 a barrel, but less than \$150 a barrel;

(I) [(9)] zero if the average gross value at the point of production for the month is greater than or equal to \$150 a barrel;

(2) a calendar year after 2014 is

(A) \$4 for each barrel of taxable oil if the average gross value at the point of production for the month is less than \$80 a barrel;

(B) \$3.50 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$80 a barrel, but less than \$90 a barrel;

(C) \$3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$90 a barrel, but less than \$100 a barrel;

(D) \$2.50 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$100 a barrel, but less than \$110 a barrel;

(E) \$2 for each barrel of taxable oil if the average gross

1 value at the point of production for the month is greater than or equal to
2 \$110 a barrel, but less than \$120 a barrel;

3 (F) \$1.50 for each barrel of taxable oil if the average gross
4 value at the point of production for the month is greater than or equal to
5 \$120 a barrel, but less than \$130 a barrel;

6 (G) \$1 for each barrel of taxable oil if the average gross
7 value at the point of production for the month is greater than or equal to
8 \$130 a barrel, but less than \$140 a barrel;

9 (H) \$0.50 for each barrel of taxable oil if the average gross
10 value at the point of production for the month is greater than or equal to
11 \$140 a barrel, but less than \$150 a barrel;

12 (I) zero if the average gross value at the point of production
13 for the month is greater than or equal to \$150 a barrel.