Alaska Department of
NATURAL RESOURCES

Summary of Changes/Sectional

CSHB 287(RLS)am
Commissioner's Office
April 2014

Amendments to bill sections related to royalty share of oil production (AS 38.05.180)

New section 1 amends AS 38.05.180(cc) to include the DNR commissioner's ability to accept payment on a federal lease for the state's royalty share of oil production. Current law is limited to gas production.

New section 2 adds new subsections (hh) under AS 38.05.180 to allow the DNR commissioner to enter into an agreement with the lessee to use or accept as a price for the royalty oil an amount not less than the contract price between the lessee and an in-state refiner. The price would not exceed the amount that would otherwise be due under the lease. Before entering into an agreement, the commissioner must make a written finding that the agreement is in the state's best interest; the in-state refiner meets certain criteria; and the contract price or prospective royalty receipts are balanced by employment opportunities or other tangible benefits to the state. The subsection defines how contract or purchase parties are affiliated through influence, interest, or action.

Subsection (ii) defines "in-state refiner", "price established in the contract between lessee and an in-state refiner", and "state's royalty share of oil production".

Amendments to bill sections related to the Alaska Net Income Tax Act (AS 43.20)

New section 3 adds a new section AS 43.20.053, which adds a new corporate income tax credit for a taxpayer that owns an in-state refinery or hydrocarbon processing facility and incurs "qualified infrastructure expenditures". The credit may not exceed the lesser of 40% of total qualifying expenditures or $10 million per tax year and sunsets in 5 years. The taxpayer is required to apply the credit against any corporate income taxes owed to the state, and any unused portion can be refunded by the state.

New subsection (b) clarifies the credit may not be applied to an expenditure for the installation, modification, adjustment, or other alteration of tangible personal property primarily used for the manufacture or transport of liquefied natural gas, compressed natural gas, or to convert natural gas to liquids.

New subsection (h) defines "processed hydrocarbon products", "qualified infrastructure expenditure", "refined petroleum products" and "unpaid delinquent tax".

New section 4 amends AS 43.55.028(a) to include the qualified infrastructure expenditures as a credit that can be paid from the oil and gas tax credit fund.

New section 5 amends AS 43.55.028(g) to allow the Department of Revenue to adopt regulations to carry out purposes of this section for refunds and payments under the qualified infrastructure expenditure.

Bill sections related to Uncodified law

Section 6 (previously Section 1) provides legislative approval of an amendment of a royalty oil contract between the State of Alaska and Tesoro Corporation and Tesoro Refining & Marketing Company LLC, attached as Exhibit 1 to the final best interest finding and determination executed January 9, 2014.

Section 7 provides an effective date of January 1, 2015 for Sections 1-5.

Section 8 provides an immediate effective date for Section 6 related to the Tesoro royalty oil contract.