

AMENDMENT ^H 1

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 5, following line 30:

2 Insert a new bill section to read:

3 **** Sec. 8.** AS 43.55.011(p) is amended to read:

4 (p) For the seven years immediately following the commencement of
5 commercial production of oil or gas produced from leases or properties in the state
6 that are outside the Cook Inlet sedimentary basin and that do not include land located
7 north of 68 degrees North latitude, where that commercial production began after
8 December 31, 2012, and before January 1, 2027 [2022], the levy of tax under (e) of
9 this section for oil and gas may not exceed four percent of the gross value at the point
10 of production."
11

12 Renumber the following bill sections accordingly.

13

14 Page 28, line 26:

15 Delete "sec. 26"

16 Insert "sec. 27"

17

18 Page 28, line 27:

19 Delete "sec. 13"

20 Insert "sec. 14"

21 Delete "secs. 15 - 18"

22 Insert "secs. 16 - 19"

23

- 1 Page 29, line 7:
- 2 Delete "Sec. 30"
- 3 Insert "Sec. 31"
- 4
- 5 Page 29, line 19:
- 6 Delete "15 - 18, 23, and 31"
- 7 Insert "16 - 19, 24, and 32"
- 8
- 9 Page 32, line 20:
- 10 Delete "sec. 13"
- 11 Insert "sec. 14"
- 12 Delete "sec. 26"
- 13 Insert "sec. 27"

Extends the sunset on 4% production tax cap for first 7 years of production for new fields in Middle Earth from 2022 to 2027.

Amendment 28-GS1647L.3

When SB 23 passed there was a 2022 sunset on this provision. This 2022 date is convenient because a number of Cook Inlet tax treatments sunset then. However, a sunset in 2022 works at cross purposes with the objective of Middle Earth production and the hoped for attractiveness may now be illusory. Whether considering Yukon Flats, parts of Nenana, or the Kotzebue area basins, none of those and similar areas have much of a chance at getting into production before 2022, even with aggressive exploration, success and no setbacks. They are just too remote and expensive. A simple, flat rate tax cap as a measure was chosen to help attract new investment into these high cost and geologically risky areas which have no oil and gas infrastructure and no discoveries. A 5- year extension to 2027 will go a long way toward making this provision work as intended.

AMENDMENT [#] 2

OFFERED IN THE HOUSE

BY REPRESENTATIVE EDGMON

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 17, line 18, through page 18, line 20:

2 Delete all material and insert:

3 "(j) For each month of the calendar year for which a producer's average
4 monthly gross value at the point of production of a barrel of taxable oil and gas is less
5 than \$150, a producer may apply against the producer's tax liability for the calendar
6 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
7 each barrel of taxable oil under AS 43.55.011(e) that does not meet any of the criteria
8 in AS 43.55.160(f) and that is produced during a calendar year after December 31,
9 2013, from leases or properties north of 68 degrees North latitude. A tax credit under
10 this section may not reduce a producer's tax liability for a calendar year under
11 AS 43.55.011(e) below zero. The amount of the tax credit for a barrel of taxable oil
12 subject to this subsection is

13 (1) if the producer's average monthly gross value at the point of
14 production of a barrel of taxable oil and gas is less than or equal to \$100, \$5 for each
15 barrel of taxable oil; or

16 (2) if the producer's average monthly gross value at the point of
17 production of a barrel of taxable oil and gas is more than \$100 and less than \$150, \$5
18 for each barrel of taxable oil, reduced by one-tenth of the difference between that
19 average monthly gross value at the point of production of a barrel of oil and \$100."

~~#~~
AMENDMENT 3

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 19, following line 11:

2 Insert a new bill section to read:

3 **** Sec. 22.** AS 43.55.025(b) is amended to read:

4 (b) To qualify for the production tax credit under ~~(a)(5), (6), or (7)~~ [(a)] of this
5 section, an exploration expenditure must be incurred for work performed after
6 June 30, 2008, and before July 1, 2016, or, for work qualifying under (a)(1), (2), (3),
7 or (4) of this section, for work performed in an area outside of the Cook Inlet
8 sedimentary basin and south of 68 degrees North latitude, after June 30, 2008,
9 and before January 1, 2022, and

10 (1) may be for seismic or other geophysical exploration costs not
11 connected with a specific well;

12 (2) if for an exploration well,

13 (A) must be incurred by an explorer that holds an interest in the
14 exploration well for which the production tax credit is claimed;

15 (B) may be for either a well that encounters an oil or gas
16 deposit or a dry hole;

17 (C) must be for a well that has been completed, suspended, or
18 abandoned at the time the explorer claims the tax credit under (f) of this
19 section; and

20 (D) must be for goods, services, or rentals of personal property
21 reasonably required for the surface preparation, drilling, casing, cementing,
22 and logging of an exploration well, and, in the case of a dry hole, for the
23 expenses required for abandonment if the well is abandoned within 18 months

AMENDMENT # 4

OFFERED IN THE HOUSE

BY REPRESENTATIVE TAMMIE WILSON

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 25, lines 27 - 29:

2 Delete "nominated by the two leading nonprofit trade associations representing the oil
3 and gas industry in the state and appointed by the governor, with one member nominated by
4 each association"

5 Insert "of the public appointed by the governor who do not represent the oil and gas
6 industry ["]~~in the state~~"

7

8 Page 26, line 22:

9 Delete "may not meet more than"

10 Insert "shall meet at least"

1 after the date the well was spudded;
 2 (3) may not be for administration, supervision, engineering, or lease
 3 operating costs; geological or management costs; community relations or
 4 environmental costs; bonuses, taxes, or other payments to governments related to the
 5 well; costs, including repairs and replacements, arising from or associated with fraud,
 6 wilful misconduct, gross negligence, criminal negligence, or violation of law,
 7 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or
 8 other costs that are generally recognized as indirect costs or financing costs; and
 9 (4) may not be incurred for an exploration well or seismic exploration
 10 that is included in a plan of exploration or a plan of development for any unit before
 11 May 14, 2003."

12
 13 Page 28, line 26:

14 Delete "sec. 26"

15 Insert "sec. 27"

16
 17 Page 29, line 7:

18 Delete "sec. 30"

19 Insert "sec. 31"

20
 21 Page 29, line 11:

22 Delete "23, and 31"

23 Insert "24, and 32"

24
 25 Page 32, line 20:

26 Delete "sec. 26"

27 Insert "sec. 27"

Extends the 30% and 40% credits in AS 43.55.025(a)(1),(2),(3), or (4) set to expire in 2016 to 2022 for Middle Earth. The amendment leaves in place 2016 sunset for the 75% and 80% credits applicable only to Middle Earth.

Amendment 28-GS1647\L.2

AMENDMENT

5

Garcia + Muñoz

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

- 1 Page 24, line 11, following "section,":
- 2 Insert "for the first seven years immediately following the commencement of
- 3 production subject to tax under AS 43.55.011(e),"
- 4
- 5 Page 24, line 30, following "section,":
- 6 Insert "for the first seven years immediately following the commencement of
- 7 production subject to tax under AS 43.55.011(e),"

AMENDMENT # 6

Gava & Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 4, line 18, following "to":

2 Insert "the sum of

3 (A)"

4

5 Page 4, line 20, following "percent":

6 Insert "; and

7 (B) the sum, over all months of the calendar year, of the tax
8 amounts determined under (g) of this section"

9

10 Page 4, line 21, through page 5, line 7:

11 Delete all material and insert:

12 "* **Sec. 5.** AS 43.55.011(g) is amended to read:

13 (g) For purposes of (e) of this section, the tax amount is determined as
14 follows:

15 (1) before January 1, 2014, for [FOR] each month of the calendar
16 year for which the producer's average monthly production tax value under
17 AS 43.55.160(a)(2) of a [PER] BTU equivalent barrel of the taxable oil and gas is
18 more than \$30, the amount of tax for purposes of (e)(1)(B) and (e)(2)(B) [(e)(2)] of
19 this section is determined by multiplying the monthly production tax value of the
20 taxable oil and gas produced during the month by the tax rate calculated as follows:

21 (A) [(1)] if the producer's average monthly production tax
22 value of a [PER] BTU equivalent barrel of the taxable oil and gas for the
23 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the

1 number that represents the difference between that average monthly production
2 tax value of a [PER] BTU equivalent barrel and \$30; or

3 (B) [(2)] if the producer's average monthly production tax value
4 of a [PER] BTU equivalent barrel of the taxable oil and gas for the month is
5 more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
6 percent multiplied by the number that represents the difference between the
7 average monthly production tax value of a [PER] BTU equivalent barrel and
8 \$92.50, except that the sum determined under this paragraph may not exceed
9 50 percent;

10 (2) on or after January 1, 2014, for each month of the calendar
11 year for which the producer's average monthly production tax value under
12 AS 43.55.160(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more
13 than \$60, the difference between the monthly production tax value of a BTU
14 equivalent barrel and \$60 multiplied by the volume of oil and gas produced by
15 the producer for the month multiplied by 10 percent."
16

17 Renumber the following bill sections accordingly.

18

19 Page 9, line 15, following "(ii)":

20 Insert "the sum of the amount calculated for the month under AS 43.55.011(g)
21 and"

22

23 Page 9, line 30, following "(iii)":

24 Insert "the sum of the amount calculated for the month under AS 43.55.011(g)
25 and"

26

27 Page 10, line 12, following "(ii)":

28 Insert "the sum of the amount calculated for the month under AS 43.55.011(g)
29 and"

30

31 Page 10, line 21, following "(i)":

1 Insert "the sum of the amount calculated for the month under AS 43.55.011(g)
2 and"
3
4 Page 11, lines 10 - 28:
5 Delete all material.
6
7 Renumber the following bill sections accordingly.
8
9 Page 13, lines 11 - 29:
10 Delete all material.
11
12 Renumber the following bill sections accordingly.
13
14 Page 28, line 20:
15 Delete "AS 43.55.020(d), 43.55.023(i), and 43.55.023(p)"
16 Insert "AS 43.55.023(i) and 43.55.023(p)"
17
18 Page 28, line 26:
19 Delete "sec. 26"
20 Insert "sec. 24"
21
22 Page 28, line 27:
23 Delete "sec. 13"
24 Insert "sec. 11"
25 Delete "secs. 15 - 18"
26 Insert "secs. 13 - 16"
27
28 Page 29, line 7:
29 Delete "sec. 30"
30 Insert "sec. 28"
31

- 1 Page 29, line 11:
- 2 Delete "15 - 18, 23, and 31"
- 3 Insert "13 - 16, 21, and 29"
- 4
- 5 Page 29, line 12:
- 6 Delete "sec. 13"
- 7 Insert "sec. 11"
- 8 Delete "sec. 26"
- 9 Insert "sec. 24"

AMENDMENT #7

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Gera + Kawasaki

- 1 Page 24, line 13:
- 2 Delete "20"
- 3 Insert "15"

9

#8

AMENDMENT

Gera + Kawasaki

OFFERED IN THE HOUSE
TO: HCS CSSB 21(RES)

- 1 Page 1, line 4:
2 Delete "rate"
3 Insert "rates"
4
5 Page 2, line 2:
6 Delete "and"
7
8 Page 2, line 3, following "amendments":
9 Insert "; and providing for an effective date"
10
11 Page 2, following line 16:
12 Insert a new bill section to read:
13 **** Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:
14 (b) Each fiscal year, the legislature may appropriate to the community revenue
15 sharing fund an amount equal to 20 percent of the money received by the state
16 during the previous calendar year under AS 43.55.011(g) [AS 43.20.030(c)]. The
17 amount may not exceed
18 (1) \$60,000,000; or
19 (2) the amount that, when added to the fund balance on June 30 of the
20 previous fiscal year, equals \$180,000,000."
21
22 Renumber the following bill sections accordingly.
23

1 Page 6, following line 13:

2 Insert a new bill section to read:

3 **"* Sec. 13.** AS 43.55.011(e), as amended by sec. 12 of this Act, is repealed and reenacted to
4 read:

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

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

12 (2) the sum, over all months of the calendar year, of the tax amounts
13 determined under (q) of this section."
14

15 Renumber the following bill sections accordingly.
16

17 Page 7, following line 5:

18 Insert new bill sections to read:

19 **"* Sec. 16.** AS 43.55.011(o), as amended by sec. 15 of this Act, is amended to read:

20 (o) Notwithstanding other provisions of this section, for a calendar year before
21 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas
22 produced from a lease or property outside the Cook Inlet sedimentary basin and used
23 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not
24 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under
25 (j)(2) of this section.

26 *** Sec. 17.** AS 43.55.011 is amended by adding a new subsection to read:

27 (q) For each month of the calendar year for which the producer's average
28 monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of
29 the taxable oil and gas is more than \$30, the amount of tax for purposes of (e)(2) of
30 this section is determined by multiplying the monthly production tax value of the
31 taxable oil and gas produced during the month by the tax rate calculated as follows:

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

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

11
 12 Renumber the following bill sections accordingly.

13
 14 Page 12, following line 16:

15 Insert a new bill section to read:

16 **"* Sec. 19.** AS 43.55.020(a), as amended by sec. 18 of this Act, is repealed and reenacted to
 17 read:

18 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),
 19 (h), (i), (p), or (q) shall pay the tax as follows:

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

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

31 (i) zero; or

1 (ii) the sum of 25 percent and the tax rate calculated for
2 the month under AS 43.55.011(q) multiplied by the remainder obtained
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the
4 calendar year of production under AS 43.55.165 and 43.55.170 that are
5 deductible for the leases or properties under AS 43.55.160 from the
6 gross value at the point of production of the oil and gas produced from
7 the leases or properties during the month for which the installment
8 payment is calculated;

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

11 (i) zero;

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

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

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

26 (i) zero; or

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

1 from the lease or property from the gross value at the point of
2 production of the oil or gas, respectively, produced from the lease or
3 property during the month for which the installment payment is
4 calculated;

5 (2) an amount calculated under (1)(C) of this subsection for oil or gas
6 produced from a lease or property

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

16 (B) subject to AS 43.55.011(p) may not exceed four percent of
17 the gross value at the point of production of the oil or gas;

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

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

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

30 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
31 credits applied as allowed by law, that exceeds the total of the amounts due as

1 installment payments of estimated tax is due on March 31 of the year following the
2 calendar year of production."
3

4 Renumber the following bill sections accordingly.
5

6 Page 13, following line 4:

7 Insert a new bill section to read:

8 **"* Sec. 21.** AS 43.55.020(d), as amended by sec. 20 of this Act, is repealed and reenacted to
9 read:

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

22 (1) the numerator is the producer's total tax liability under
23 AS 43.55.011(e), (f), and (q) for the calendar year of production; and

24 (2) the denominator is the total gross value at the point of production
25 of the oil and gas taxable under AS 43.55.011(e), (f), and (q) produced by the producer
26 from all leases and properties in the state during the calendar year."
27

28 Renumber the following bill sections accordingly.
29

30 Page 15, following line 6:

31 Insert a new bill section to read:

1 ** Sec. 25. AS 43.55.023(a), as amended by sec. 24 of this Act, is amended to read:

2 (a) A producer or explorer may take a tax credit for a qualified capital
3 expenditure as follows:

4 (1) notwithstanding that a qualified capital expenditure may be a
5 deductible lease expenditure for purposes of calculating the production tax value of oil
6 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
7 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
8 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
9 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
10 expenditure; **however, not more than half of the tax credit may be applied for a**
11 **single calendar year;**

12 (2) a producer or explorer may take a credit for a qualified capital
13 expenditure incurred in connection with geological or geophysical exploration or in
14 connection with an exploration well only if the producer or explorer

15 (A) agrees, in writing, to the applicable provisions of
16 AS 43.55.025(f)(2); and

17 (B) submits to the Department of Natural Resources all data
18 that would be required to be submitted under AS 43.55.025(f)(2) [;

19 (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE
20 INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS
21 DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE
22 TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,
23 2014]."

24
25 Renumber the following bill sections accordingly.

26
27 Page 15, following line 19:

28 Insert a new bill section to read:

29 ** Sec. 27. AS 43.55.023(b), as amended by sec. 26 of this Act, is amended to read:

30 (b) A [FOR LEASE EXPENDITURES INCURRED TO EXPLORE FOR,
31 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED SOUTH OF 68

1 DEGREES NORTH LATITUDE, A] producer or explorer may elect to take a tax
2 credit in the amount of 25 percent of a carried-forward annual loss. [FOR LEASE
3 EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR,
4 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68
5 DEGREES NORTH LATITUDE, A PRODUCER OR EXPLORER MAY ELECT TO
6 TAKE A TAX CREDIT IN THE AMOUNT OF 33 PERCENT OF A CARRIED-
7 FORWARD ANNUAL LOSS.] A credit under this subsection may be applied against
8 a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward
9 annual loss is the amount of a producer's or explorer's adjusted lease expenditures
10 under AS 43.55.165 and 43.55.170 for a previous calendar year that was not
11 deductible in calculating production tax values for that calendar year under
12 AS 43.55.160."

13

14 Renumber the following bill sections accordingly.

15

16 Page 16, following line 13:

17 Insert a new bill section to read:

18 "* **Sec. 29.** AS 43.55.023(d), as amended by sec. 28 of this Act, is repealed and reenacted to
19 read:

20 (d) A person that is entitled to take a tax credit under this section that wishes
21 to transfer the unused credit to another person or obtain a cash payment under
22 AS 43.55.028 may apply to the department for transferable tax credit certificates. An
23 application under this subsection must be in a form prescribed by the department and
24 must include supporting information and documentation that the department
25 reasonably requires. The department shall grant or deny an application, or grant an
26 application as to a lesser amount than that claimed and deny it as to the excess, not
27 later than 120 days after the latest of the following: March 31 of the year following the
28 calendar year in which the qualified capital expenditure or carried-forward annual loss
29 for which the credit is claimed was incurred; the date the statement required under
30 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital
31 expenditure or carried-forward annual loss for which the credit is claimed was

1 incurred; or the date the application was received by the department. If, based on the
 2 information then available to it, the department is reasonably satisfied that the
 3 applicant is entitled to a credit, the department shall issue the applicant two
 4 transferable tax credit certificates, each for half of the amount of the credit. The credit
 5 shown on one of the two certificates is available for immediate use. The credit shown
 6 on the second of the two certificates may not be applied against a tax for a calendar
 7 year earlier than the calendar year following the calendar year in which the certificate
 8 is issued, and the certificate must contain a conspicuous statement to that effect. A
 9 certificate issued under this subsection does not expire."

10

11 Renumber the following bill sections accordingly.

12

13 Page 16, following line 29:

14

Insert a new bill section to read:

15

** Sec. 31. AS 43.55.023(g), as amended by sec. 30 of this Act, is amended to read:

16

(g) The issuance of a transferable tax credit certificate under (d) or (p) of this
 17 section or former (m) of this section or the purchase of a certificate under
 18 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to
 19 which the certificate relates or to adjust the claim if the department determines, as a
 20 result of the audit, that the applicant was not entitled to the amount of the credit for
 21 which the certificate was issued. The tax liability of the applicant under
 22 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit
 23 that exceeds that to which the applicant was entitled, or the applicant's available valid
 24 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced
 25 by that amount. If the applicant's tax liability is increased under this subsection, the
 26 increase bears interest under [AS 43.05.225(a) BEFORE JANUARY 1, 2014, OR
 27 UNDER] AS 43.05.225(b)(1) [ON AND AFTER JANUARY 1, 2014,] from the date
 28 the transferable tax credit certificate was issued. For purposes of this subsection, an
 29 applicant that is an explorer is considered a producer subject to the tax levied by
 30 AS 43.55.011(e)."

31

1 Renumber the following bill sections accordingly.

2

3 Page 17, following line 12:

4 Insert a new bill section to read:

5 **"* Sec. 33.** AS 43.55.023(n), as amended by sec. 32 of this Act, is amended to read:

6 (n) For the purposes of (l) **and (q)** of this section, a well lease expenditure
7 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

8 (1) directly related to an exploration well, a stratigraphic test well, a
9 producing well, or an injection well other than a disposal well, located in the state
10 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure
11 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal
12 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made
13 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well
14 includes an expenditure for well sidetracking, well deepening, well completion or
15 recompletion, or well workover, regardless of whether the well is or has been a
16 producing well; or

17 (2) an expense for seismic work conducted within the boundaries of a
18 production or exploration unit."
19

20 Renumber the following bill sections accordingly.

21

22 Page 17, line 13:

23 Delete "a new subsection"

24 Insert "new subsections"
25

26 Page 17, following line 18:

27 Insert a new subsection to read:

28 "(q) For a lease expenditure incurred in the state south of 68 degrees North
29 latitude after December 31, 2018, that qualifies for tax credits under (a) and (b) of this
30 section, and for a well lease expenditure incurred in the state south of 68 degrees
31 North latitude that qualifies for a tax credit under (l) of this section, the department

1 shall issue transferable tax credit certificates to the person entitled to the credit for the
 2 full amount of the credit. The transferable tax credit certificates do not expire."

3

4 Page 21, following line 26:

5 Insert a new bill section to read:

6 **"* Sec. 41.** AS 43.55.028(e), as amended by sec. 40 of this Act, is amended to read:

7 (e) The department, on the written application of a person to whom a
 8 transferable tax credit certificate has been issued under AS 43.55.023(d) or (p) or
 9 former AS 43.55.023(m) or to whom a production tax credit certificate has been issued
 10 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
 11 purchase, in whole or in part, the certificate if the department finds that

12 (1) the calendar year of the purchase is not earlier than the first
 13 calendar year for which the credit shown on the certificate would otherwise be allowed
 14 to be applied against a tax;

15 (2) the applicant does not have an outstanding liability to the state for
 16 unpaid delinquent taxes under this title;

17 (3) the applicant's total tax liability under AS 43.55.011(e), after
 18 application of all available tax credits, for the calendar year in which the application is
 19 made is zero;

20 (4) the applicant's average daily production of oil and gas taxable
 21 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
 22 the application is made was not more than 50,000 BTU equivalent barrels; and

23 (5) the purchase is consistent with this section and regulations adopted
 24 under this section."

25

26 Renumber the following bill sections accordingly.

27

28 Page 22, following line 5:

29 Insert a new bill section to read:

30 **"* Sec. 43.** AS 43.55.028(g), as amended by sec. 42 of this Act, is amended to read:

31 (g) The department may adopt regulations to carry out the purposes of this

1 section, including standards and procedures to allocate available money among
 2 applications for purchases under this chapter and claims for refunds and payments
 3 under AS 43.20.046 or 43.20.047 when the total amount of the applications for
 4 purchase and claims for refund exceed the amount of available money in the fund. The
 5 regulations adopted by the department may not, when allocating available money in
 6 the fund under this section, distinguish an application for the purchase of a credit
 7 certificate issued under AS 43.55.023(p) or former AS 43.55.023(m), or a claim for a
 8 refund or payment under AS 43.20.046 or 43.20.047."

9

10 Renumber the following bill sections accordingly.

11

12 Page 22, following line 18:

13 Insert a new bill section to read:

14 **"* Sec. 45.** AS 43.55.030(e), as amended by sec. 44 of this Act, is amended to read:

15 (e) An explorer or producer that incurs a lease expenditure under
 16 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar
 17 year but does not produce oil or gas from a lease or property in the state during the
 18 calendar year shall file with the department, on March 31 of the following year, a
 19 statement, under oath, in a form prescribed by the department, giving, with other
 20 information required, the following:

21 (1) the [EXPLORER'S OR] producer's qualified capital expenditures,
 22 as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and
 23 adjustments or other payments or credits under AS 43.55.170; and

24 (2) if the explorer or producer receives a payment or credit under
 25 AS 43.55.170, calculations showing whether the explorer or producer is liable for a
 26 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount."

27

28 Renumber the following bill sections accordingly.

29

30 Page 24, following line 23:

31 Insert a new bill section to read:

1 ** Sec. 47. AS 43.55.160(a), as amended by sec. 46 of this Act, is repealed and reenacted to
2 read:

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

4 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,
5 gas, or oil and gas subject to this paragraph produced during a calendar year is the
6 gross value at the point of production of the oil, gas, or oil and gas taxable under
7 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the
8 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the
9 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph
10 applies to

11 (A) oil and gas produced from leases or properties in the state
12 that include land north of 68 degrees North latitude, other than gas produced
13 before 2022 and used in the state;

14 (B) oil and gas produced from leases or properties in the state
15 outside the Cook Inlet sedimentary basin, no part of which is north of 68
16 degrees North latitude; this subparagraph does not apply to

17 (i) gas produced before 2022 and used in the state; or

18 (ii) oil and gas subject to AS 43.55.011(p);

19 (C) oil produced before 2022 from a lease or property in the
20 Cook Inlet sedimentary basin;

21 (D) gas produced before 2022 from a lease or property in the
22 Cook Inlet sedimentary basin;

23 (E) gas produced before 2022 from a lease or property in the
24 state outside the Cook Inlet sedimentary basin and used in the state;

25 (F) oil and gas subject to AS 43.55.011(p) produced from
26 leases or properties in the state;

27 (G) oil and gas produced from a lease or property no part of
28 which is north of 68 degrees North latitude, other than oil or gas described in
29 (B), (C), (D), (E), or (F) of this paragraph;

30 (2) AS 43.55.011(q), the monthly production tax value of the taxable

31 (A) oil and gas produced during a month from leases or

1 properties in the state that include land north of 68 degrees North latitude is the
2 gross value at the point of production of the oil and gas taxable under
3 AS 43.55.011(e) and produced by the producer from those leases or properties,
4 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
5 calendar year applicable to the oil and gas produced by the producer from
6 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
7 does not apply to gas subject to AS 43.55.011(o);

8 (B) oil and gas produced during a month 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 of
11 production of the oil and gas taxable under AS 43.55.011(e) and produced by
12 the producer from those leases or properties, less 1/12 of the producer's lease
13 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
14 gas produced by the producer from those leases or properties, as adjusted under
15 AS 43.55.170; this subparagraph does not apply to gas subject to
16 AS 43.55.011(o);

17 (C) oil produced during a month from a lease or property in the
18 Cook Inlet sedimentary basin is the gross value at the point of production of
19 the oil taxable under AS 43.55.011(e) and produced by the producer from that
20 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 oil produced by the
22 producer from that lease or property, as adjusted under AS 43.55.170;

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

29 (E) gas produced during a month from a lease or property
30 outside the Cook Inlet sedimentary basin and used in the state is the gross
31 value at the point of production of that gas taxable under AS 43.55.011(e) and

1 produced by the producer from that lease or property, less 1/12 of the
2 producer's lease expenditures under AS 43.55.165 for the calendar year
3 applicable to that gas produced by the producer from that lease or property, as
4 adjusted under AS 43.55.170."
5

6 Renumber the following bill sections accordingly.

7

8 Page 26, following line 2:

9 Insert a new subsection to read:

10 "(h) Notwithstanding any contrary provision of AS 43.55.150, for purposes of
11 calculating a monthly production tax value under (a)(2) of this section, the gross value
12 at the point of production of the oil and gas is calculated under regulations adopted by
13 the department that provide for using an appropriate monthly share of the producer's
14 costs of transportation for the calendar year."
15

16 Page 31, following line 11:

17 Insert a new bill section to read:

18 "* Sec. 59. AS 43.55.020(l), 43.55.024(i), 43.55.024(j), 43.55.160(f), and 43.55.160(g) are
19 repealed."
20

21 Page 31, line 17:

22 Delete "Section 13 of this Act and AS 43.55.160(a)(1)(E), as amended by sec. 32"

23 Insert "Section 15 of this Act, AS 43.55.160(a)(1)(E), as amended by sec. 46 of this
24 Act, and AS 43.55.160(f) and (g) as enacted by sec. 48"
25

26 Page 31, line 19:

27 Delete "sec. 18"

28 Insert "sec. 24"

29 Delete "secs. 20 - 23"

30 Insert "secs. 28, 30, 32, and AS 43.55.023(p) in sec. 34 of this Act"
31

1 Page 31, line 21:
 2 Delete "Section 19"
 3 Insert "Section 26"
 4
 5 Page 31, following line 22:
 6 Insert a new subsection to read:
 7 "(d) AS 43.55.160(h), enacted by sec. 48 of this Act, applies to the transportation of
 8 oil and gas produced on and after the effective date of sec. 13 of this Act."
 9
 10 Page 32, line 19:
 11 Delete "Sections 13, 20 - 23, 29, and 43"
 12 Insert "Sections 15, 28, 30, 32, 34, and 58"
 13
 14 Page 32, line 20:
 15 Delete "sec. 18"
 16 Insert "sec. 24"
 17 Delete "sec. 32"
 18 Insert "sec. 46"
 19
 20 Page 32, following line 21:
 21 Insert new bill sections to read:
 22 **** Sec. 65.** The uncodified law of the State of Alaska is amended by adding a new section to
 23 read:
 24 **CONDITIONAL EFFECT.** Sections 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 41, 43,
 25 45, 47, and 59 of this Act, AS 43.55.023(q) in sec. 34 of this Act, and AS 43.55.160(h) in sec.
 26 48 of this Act take effect only if the volume of oil production for the calendar year 2018 does
 27 not exceed the volume of oil produced for the 2013 calendar year. The commissioner of
 28 natural resources shall notify the lieutenant governor and the revisor of statutes before
 29 January 1, 2019, or as soon as practicable thereafter, if the volume of oil production for the
 30 calendar year 2018 is greater than the volume of oil produced during the 2013 calendar year.
 31 *** Sec. 66.** If secs. 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 41, 43, 45, 47, and 59 of this Act,

- 1 AS 43.55.023(q) in sec. 34 of this Act, and AS 43.55.160(h) in sec. 48 of this Act take effect
- 2 under sec. 65 of this Act, they take effect January 1, 2019."

10

AMENDMENT

#9

Cara + Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

- 1 Page 24, line 12, following "gas":
- 2 Insert "produced from an area, unit, or expanded area that did not have production
- 3 before July 1, 2013, and"
- 4
- 5 Page 24, line 30, following "gas":
- 6 Insert "produced from an area, unit, or expanded area that did not have production
- 7 before July 1, 2013, and"

11
10
AMENDMENT

Gora + Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 24, line 22, following "area.":

2 Insert "This subsection does not apply to a lease or property that is located within a
3 unit for more than 20 years before commercial production on the lease or property."
4

5 Page 24, lines 25 - 27:

6 Delete "In this subsection, "participating area" means a reservoir or portion of a
7 reservoir producing or contributing to production as approved by the Department of Natural
8 Resources."
9

10 Page 25, line 6, following "calculated.":

11 Insert "This subsection does not apply to a lease or property that is located within a
12 unit for more than 20 years before commercial production on the lease or property."
13

14 Page 25, following line 8:

15 Insert a new subsection to read:

16 "(h) In this section,

17 (1) "commercial production" means the production of oil for the
18 purpose of sale or other beneficial use, except when the sale or beneficial use is
19 incidental to the testing of an unproven well or unproven completion interval; and

20 (2) "participating area" means a reservoir or portion of a reservoir
21 producing or contributing to production as approved by the Department of Natural
22 Resources."

12

AMENDMENT #11

Gara e Kawasaki

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 4, line 17:

2 Delete "(g)"

3 Insert "(g)(1) [(g)]"

4

5 Page 4, line 18, following "to":

6 Insert "the sum of

7 (A)"

8

9 Page 4, line 20, following "percent":

10 Insert "; and

11 (B) the sum, over all the months of the calendar year, of the

12 tax amounts determined under (g)(2) of this section"

13

14 Page 4, line 21, through page 5, line 7:

15 Delete all material and insert:

16 "* Sec. 5. AS 43.55.011(g) is amended to read:

17 (g) For purposes of (e) of this section, the tax amount is determined by

18 multiplying the monthly production tax value of the taxable oil and gas produced

19 during the month by the tax rate calculated as follows:

20 (1) before January 1, 2014, for [FOR] each month of the calendar

21 year for which the producer's average monthly production tax value under

22 AS 43.55.160(a)(2) of a [PER] BTU equivalent barrel of the taxable oil and gas is

23 more than \$30, [THE AMOUNT OF TAX FOR PURPOSES OF (e)(2) OF THIS

1 SECTION IS DETERMINED BY MULTIPLYING THE MONTHLY
2 PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS PRODUCED
3 DURING THE MONTH BY] the tax rate calculated as follows:

4 **(A)** [(1)] if the producer's average monthly production tax
5 value **of a** [PER] BTU equivalent barrel of the taxable oil and gas for the
6 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the
7 number that represents the difference between that average monthly production
8 tax value **of a** [PER] BTU equivalent barrel and \$30; or

9 **(B)** [(2)] if the producer's average monthly production tax value
10 **of a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is
11 more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
12 percent multiplied by the number that represents the difference between the
13 average monthly production tax value **of a** [PER] BTU equivalent barrel and
14 \$92.50, except that the sum determined under this paragraph may not exceed
15 50 percent;

16 **(2) on or after January 1, 2014, for each month of the calendar**
17 **year for which the producer's average monthly production tax value under**
18 **AS 43.55.160(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more**
19 **than \$55, the tax rate calculated by multiplying by 0.2 the number that**
20 **represents the difference between that average monthly production tax value of a**
21 **BTU equivalent barrel and \$55, except that the tax rate determined under this**
22 **paragraph may not exceed 15 percent."**

23
24 Page 9, line 15:

25 Delete "**35 percent**"

26 Insert "**the sum of 35 percent and the tax rate calculated for the month under**
27 **AS 43.55.011(g)**"

28
29 Page 9, line 30:

30 Delete "**35 percent**"

31 Insert "**the sum of 35 percent and the tax rate calculated for the month under**

- 1 AS 43.55.011(g)
2
3 Page 10, line 12:
4 Delete "35 percent"
5 Insert "the sum of 35 percent and the tax rate calculated for the month under
6 AS 43.55.011(g)"
7
8 Page 10, line 21:
9 Delete "35 percent"
10 Insert "the sum of 35 percent and the tax rate calculated for the month under
11 AS 43.55.011(g)"
12
13 Page 11, lines 10 - 28:
14 Delete all material.
15
16 Renumber the following bill sections accordingly.
17
18 Page 13, lines 11 - 29:
19 Delete all material.
20
21 Renumber the following bill sections accordingly.
22
23 Page 14, lines 22 - 26:
24 Delete "For lease expenditures incurred on and after January 1, 2014, and before
25 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of
26 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the
27 amount of 45 percent of a carried-forward annual loss."
28
29 Page 14, line 27:
30 Delete "2016"
31 Insert "2014"

- 1
- 2 Page 28, line 20:
 - 3 Delete "AS 43.55.020(d), 43.55.023(i), and 43.55.023(p)"
 - 4 Insert "AS 43.55.023(i) and 43.55.023(p)"
 - 5
- 6 Page 28, line 26:
 - 7 Delete "sec. 26"
 - 8 Insert "sec. 24"
 - 9
- 10 Page 28, line 27:
 - 11 Delete "sec. 13"
 - 12 Insert "sec. 11"
 - 13 Delete "secs. 15 - 18"
 - 14 Insert "secs. 13 - 16"
 - 15
- 16 Page 29, line 7:
 - 17 Delete "sec. 30"
 - 18 Insert "sec. 28"
 - 19
- 20 Page 29, line 11:
 - 21 Delete "15 - 18, 23, and 31"
 - 22 Insert "13 - 16, 21, and 29"
 - 23
- 24 Page 29, line 12:
 - 25 Delete "sec. 13"
 - 26 Insert "sec. 11"
 - 27 Delete "sec. 26"
 - 28 Insert "sec. 24"

13

AMENDMENT

#12

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

Gara + Kawasaki

- 1 Page 17, line 28:
- 2 Delete "\$80"
- 3 Insert "\$50"
- 4
- 5 Page 17, line 30:
- 6 Delete "\$80"
- 7 Insert "\$50"
- 8
- 9 Page 17, line 31:
- 10 Delete "\$90"
- 11 Insert "\$60"
- 12
- 13 Page 18, line 2:
- 14 Delete "\$90"
- 15 Insert "\$60"
- 16
- 17 Page 18, line 3:
- 18 Delete "\$100"
- 19 Insert "\$70"
- 20
- 21 Page 18, line 5:
- 22 Delete "\$100"
- 23 Insert "\$70"

1
2 Page 18, line 6:
3 Delete "\$110"
4 Insert "\$80"
5
6 Page 18, line 8:
7 Delete "\$110"
8 Insert "\$80"
9
10 Page 18, line 9:
11 Delete "\$120"
12 Insert "\$90"
13
14 Page 18, line 11:
15 Delete "\$120"
16 Insert "\$90"
17
18 Page 18, line 12:
19 Delete "\$130"
20 Insert "\$100"
21
22 Page 18, line 14:
23 Delete "\$130"
24 Insert "\$100"
25
26 Page 18, line 15:
27 Delete "\$140"
28 Insert "\$110"
29
30 Page 18, line 17:
31 Delete "\$140"

- 1 Insert "\$110"
- 2
- 3 Page 18, line 18:
- 4 Delete "\$150"
- 5 Insert "\$120"
- 6
- 7 Page 19, line 20:
- 8 Delete "\$150"
- 9 Insert "\$120"

14

#13

AMENDMENT

Kawasaki + Coera

OFFERED IN THE HOUSE

TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 17, line 27, through page 18, line 20:

2 Delete all material and insert:

3 "(1) if the average gross value at the point of production for the month
4 is less than \$80 a barrel,

5 (A) \$8 for each barrel of taxable oil if the volume of taxable oil
6 produced by the producer for the month exceeds the volume of taxable oil
7 produced in the corresponding month in 2012; or

8 (B) \$6 for each barrel of taxable oil if the volume of taxable oil
9 produced by the producer for the month does not exceed the volume of taxable
10 oil produced in the corresponding month in 2012;

11 (2) if the average gross value at the point of production for the month
12 is greater than or equal to \$80 a barrel, but less than \$90 a barrel,

13 (A) \$7 for each barrel of taxable oil if the volume of taxable oil
14 produced by the producer for the month exceeds the volume of taxable oil
15 produced in the corresponding month in 2012; or

16 (B) \$5 for each barrel of taxable oil if the volume of taxable oil
17 produced by the producer for the month does not exceed the volume of taxable
18 oil produced in the corresponding month in 2012;

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

21 (A) \$6 for each barrel of taxable oil if the volume of taxable oil
22 produced by the producer for the month exceeds the volume of taxable oil
23 produced in the corresponding month in 2012; or

- 1 (B) \$4 for each barrel of taxable oil if the volume of taxable oil
2 produced by the producer for the month does not exceed the volume of taxable
3 oil produced in the corresponding month in 2012;
- 4 (4) if the average gross value at the point of production for the month
5 is greater than or equal to \$100 a barrel, but less than \$110 a barrel,
- 6 (A) \$5 for each barrel of taxable oil if the volume of taxable oil
7 produced by the producer for the month exceeds the volume of taxable oil
8 produced in the corresponding month in 2012; or
- 9 (B) \$3 for each barrel of taxable oil if the volume of taxable oil
10 produced by the producer for the month does not exceed the volume of taxable
11 oil produced in the corresponding month in 2012;
- 12 (5) if the average gross value at the point of production for the month
13 is greater than or equal to \$110 a barrel, but less than \$120 a barrel,
- 14 (A) \$4 for each barrel of taxable oil if the volume of taxable oil
15 produced by the producer for the month exceeds the volume of taxable oil
16 produced in the corresponding month in 2012; or
- 17 (B) \$2 for each barrel of taxable oil if the volume of taxable oil
18 produced by the producer for the month does not exceed the volume of taxable
19 oil produced in the corresponding month in 2012;
- 20 (6) if the average gross value at the point of production for the month
21 is greater than or equal to \$120 a barrel, but less than \$130 a barrel,
- 22 (A) \$3 for each barrel of taxable oil if the volume of taxable oil
23 produced by the producer for the month exceeds the volume of taxable oil
24 produced in the corresponding month in 2012; or
- 25 (B) \$1 for each barrel of taxable oil if the volume of taxable oil
26 produced by the producer for the month does not exceed the volume of taxable
27 oil produced in the corresponding month in 2012;
- 28 (7) if the average gross value at the point of production for the month
29 is greater than or equal to \$130 a barrel, but less than \$140 a barrel,
- 30 (A) \$2 for each barrel of taxable oil if the volume of taxable oil
31 produced by the producer for the month exceeds the volume of taxable oil

1 produced in the corresponding month in 2012; or
2 (B) zero if the volume of taxable oil produced by the producer
3 for the month does not exceed the volume of taxable oil produced in the
4 corresponding month in 2012;
5 (8) if the average gross value at the point of production for the month
6 is greater than or equal to \$140 a barrel, but less than \$150 a barrel,
7 (A) \$1 for each barrel of taxable oil if the volume of taxable oil
8 produced by the producer for the month exceeds the volume of taxable oil
9 produced in the corresponding month in 2012; or
10 (B) zero if the volume of taxable oil produced by the producer
11 for the month does not exceed the volume of taxable oil produced in the
12 corresponding month in 2012;
13 (9) zero if the average gross value at the point of production for the
14 month is greater than or equal to \$150 a barrel."

15

AMENDMENT

14

Gara + Kawasaki

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TO: HCS CSSB 21(FIN), Draft Version "L"

1 Page 1, line 1, through page 2, line 2:

2 Delete all material and insert:

3 **""An Act relating to the oil and gas production tax; relating to oil and gas production**
4 **tax credits; amending the minimum tax on oil and gas production; relating to the**
5 **determination of the production tax value of oil and gas; relating to the financing of oil**
6 **processing facilities on the North Slope by the Alaska Industrial Development and**
7 **Export Authority; and providing for an effective date.""**

8

9 Page 2, line 4, through page 29, line 13:

10 Delete all material and insert:

11 **** Section 1.** AS 43.55.011(e) is amended to read:

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

17 (1) the annual production tax value of the taxable oil and gas as
18 calculated under AS 43.55.160(a)(1), as adjusted by AS 43.55.162, multiplied by 25
19 percent; and

20 (2) the sum, over all months of the calendar year, of the tax amounts
21 determined under (g) of this section.

22 *** Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

23 (f) Except for oil and gas subject to (i) of this section and gas subject to (o) of

1 this section, the provisions of this subsection apply to oil and gas produced from each
 2 lease or property within a unit or nonunitized reservoir that has cumulatively produced
 3 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent
 4 calendar year and from which the average daily oil and gas production from the unit or
 5 nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU
 6 equivalent barrels. Notwithstanding any contrary provision of law, a producer may not
 7 apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil
 8 and gas produced from all leases or properties within the unit or nonunitized reservoir
 9 below 10 percent of the total gross value at the point of production of that oil and gas.
 10 If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this
 11 section by the total production tax value of the oil and gas taxable under (e) and (g) of
 12 this section produced from all of the producer's leases or properties within the unit or
 13 nonunitized reservoir is less than 10 percent of the total gross value at the point of
 14 production of that oil and gas, the tax levied by (e) and (g) of this section for that oil
 15 and gas is equal to 10 percent of the total gross value at the point of production of that
 16 oil and gas.

17 * **Sec. 3.** AS 43.55.011(g) is amended to read:

18 (g) For each month of the calendar year for which the producer's average
 19 monthly production tax value under AS 43.55.160(a)(2) of a [PER] BTU equivalent
 20 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of
 21 (e)(2) of this section is determined by multiplying the monthly production tax value of
 22 the taxable oil and gas produced during the month, as adjusted by AS 43.55.162, by
 23 the tax rate calculated as follows:

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

29 (2) if the producer's average monthly production tax value of a [PER]
 30 BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50,
 31 the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the

1 number that represents the difference between the average monthly production tax
 2 value of a [PER] BTU equivalent barrel and \$92.50, except that the sum determined
 3 under this paragraph may not exceed 30 [50] percent.

4 * Sec. 4. AS 43.55.020(a) is amended to read:

5 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
 6 or (p) shall pay the tax as follows:

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

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

18 (i) zero; or

19 (ii) the sum of 25 percent and the tax rate calculated for
 20 the month under AS 43.55.011(g) multiplied by the remainder obtained
 21 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 22 calendar year of production under AS 43.55.165 and 43.55.170 that are
 23 deductible for the leases or properties under AS 43.55.160 and 1/12 of
 24 the adjustment to production tax value for the calendar year under
 25 AS 43.55.162 from the gross value at the point of production of the oil
 26 and gas produced from the leases or properties during the month for
 27 which the installment payment is calculated;

28 (B) for oil and gas produced from leases or properties subject
 29 to AS 43.55.011(f), 10 percent of the gross value at the point of production
 30 of that oil and gas [THE GREATEST OF

31 (i) ZERO;

1 (ii) ZERO PERCENT, ONE PERCENT, TWO
 2 PERCENT, THREE PERCENT, OR FOUR PERCENT, AS
 3 APPLICABLE, OF THE GROSS VALUE AT THE POINT OF
 4 PRODUCTION OF THE OIL AND GAS PRODUCED FROM ALL
 5 LEASES OR PROPERTIES DURING THE MONTH FOR WHICH
 6 THE INSTALLMENT PAYMENT IS CALCULATED; OR

7 (iii) THE SUM OF 25 PERCENT AND THE TAX
 8 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)
 9 MULTIPLIED BY THE REMAINDER OBTAINED BY
 10 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
 11 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION
 12 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE
 13 FOR THOSE LEASES OR PROPERTIES UNDER AS 43.55.160
 14 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION
 15 OF THE OIL AND GAS PRODUCED FROM THOSE LEASES OR
 16 PROPERTIES DURING THE MONTH FOR WHICH THE
 17 INSTALLMENT PAYMENT IS CALCULATED];

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

20 (i) zero; or

21 (ii) the sum of 25 percent and the tax rate calculated for
 22 the month under AS 43.55.011(g) multiplied by the remainder obtained
 23 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 24 calendar year of production under AS 43.55.165 and 43.55.170 that are
 25 deductible under AS 43.55.160 and 1/12 of the adjustment to
 26 production tax value for the calendar year under AS 43.55.162 for
 27 oil or gas, as applicable [RESPECTIVELY], produced from the lease
 28 or property from the gross value at the point of production of the oil or
 29 gas, as applicable [RESPECTIVELY], produced from the lease or
 30 property during the month for which the installment payment is
 31 calculated;

1 (2) an amount calculated under (1)(C) of this subsection for oil or gas
2 produced from a lease or property

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

12 (B) subject to AS 43.55.011(p) may not exceed four percent of
13 the gross value at the point of production of the oil or gas;

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

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

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

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

30 * Sec. 5. AS 43.55.024(d) is amended to read:

31 (d) A producer may not take a tax credit under (c) of this section for any

1 calendar year after the later of

2 (1) **2022** [2016]; or

3 (2) if the producer did not have commercial oil or gas production from
4 a lease or property in the state before April 1, 2006, the ninth calendar year after the
5 calendar year during which the producer first has commercial oil or gas production
6 before May 1, 2016, from at least one lease or property in the state.

7 * **Sec. 6.** AS 43.55 is amended by adding a new section to read:

8 **Sec. 43.55.026. Heavy oil research and development tax credit.** (a) A
9 taxpayer may apply 20 percent of the taxpayer's expenditure attributable to this state
10 for research and development related to improving methods of producing heavy oil in
11 the state for the taxable year that exceeds the base amount, but not to exceed
12 \$10,000,000, as a credit against the state tax liability imposed on the taxpayer under
13 this chapter.

14 (b) Research and development expenditures in this section are attributable to
15 this state if the research and development is being conducted in this state or the payroll
16 of employees conducting the research and development is in this state. In this
17 subsection, payroll of an employee is in this state if compensation is paid to an
18 employee in this state and reported as paid in this state in the quarterly contribution
19 report under AS 23.20 to the Department of Labor and Workforce Development.

20 (c) If the tax credit under this section exceeds the taxpayer's tax liability after
21 other tax credits are taken under this chapter for the year in which the expenditure is
22 incurred, the excess of the tax credit over the liability may be carried forward for up to
23 seven years. If an unused credit is carried forward to a tax year from an earlier year,
24 the credit arising in the earliest year is applied first against the tax liability for the year.

25 (d) A person may not claim a credit under this section for research and
26 development expenditures that were deducted in the calculation of tax liability under
27 AS 43.55.011(e).

28 (e) Each year, if three or more taxpayers claim the credit authorized under this
29 section during the immediately preceding year, the department shall report to the
30 legislature the number of taxpayers who claimed credits under this section in the prior
31 year, the total cumulative amount of credits granted to all taxpayers under this section

1 for the prior tax year, a description of the research and development projects for which
 2 the credit was granted, and the total cumulative number of employees conducting the
 3 research and development for which all taxpayers claim the credit.

4 (f) The commissioner shall establish in regulation a method for apportioning
 5 research expenditures of a producer related to heavy oil production in and outside of
 6 the state. When developing the regulations, the commissioner may consider the
 7 relative amounts of heavy oil the producer is seeking to produce in areas in and
 8 outside of the state or consider another reasonable basis on which fairly to apportion
 9 costs for research related to in-state oil production and oil produced outside of the
 10 state.

11 (g) In this section, "base amount" means the average of research and
 12 development expenditures related to improving methods of producing heavy oil and
 13 attributable to this state for the three tax years immediately preceding the taxable year
 14 for which the credit is being claimed.

15 * Sec. 7. AS 43.55.030(a) is amended to read:

16 (a) A producer that produces oil or gas from a lease or property in the state
 17 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
 18 for that oil or gas, shall file with the department on March 31 of the following year a
 19 statement, under oath, in a form prescribed by the department, giving, with other
 20 information required **by the department under a regulation adopted by the**
 21 **department**, the following:

22 (1) a description of each lease or property from which oil or gas was
 23 produced, by name, legal description, lease number, or accounting codes assigned by
 24 the department;

25 (2) the names of the producer and, if different, the person paying the
 26 tax, if any;

27 (3) the gross amount of oil and the gross amount of gas produced from
 28 each lease or property, and the percentage of the gross amount of oil and gas owned by
 29 the producer;

30 (4) the gross value at the point of production of the oil and of the gas
 31 produced from each lease or property owned by the producer and the costs of

1 transportation of the oil and gas;

2 (5) the name of the first purchaser and the price received for the oil and
3 for the gas, unless relieved from this requirement in whole or in part by the
4 department;

5 (6) the producer's qualified capital expenditures, as defined in
6 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
7 payments or credits under AS 43.55.170;

8 (7) the production tax values of the oil and gas under AS 43.55.160;

9 (8) any claims for tax credits to be applied; [AND]

10 (9) calculations showing the amounts, if any, that were or are due
11 under AS 43.55.020(a) and interest on any underpayment or overpayment; **and**

12 **(10) for each expenditure that is the basis for a credit claimed**
13 **under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed**
14 **description of the purpose of the expenditure, and a description of the lease or**
15 **property for which the expenditure was incurred; notwithstanding**
16 **AS 40.25.100(a) and AS 43.05.230(a), information submitted under this**
17 **paragraph may be disclosed to the public and shall be disclosed to the legislature**
18 **in a report submitted within 10 days after the convening of the next regular**
19 **legislative session following the date a statement is filed under this section.**

20 * **Sec. 8.** AS 43.55.030(e) is amended to read:

21 (e) An explorer or producer that incurs a lease expenditure under
22 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar
23 year but does not produce oil or gas from a lease or property in the state during the
24 calendar year shall file with the department on March 31 of the following year a
25 statement, under oath, in a form prescribed by the department, giving, with other
26 information required **by the department under a regulation adopted by the**
27 **department,** the following:

28 (1) the producer's qualified capital expenditures, as defined in
29 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
30 payments or credits under AS 43.55.170; [AND]

31 (2) if the explorer or producer receives a payment or credit under

1 AS 43.55.170, calculations showing whether the explorer or producer is liable for a
2 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount; and

3 (3) for each expenditure that is the basis for a credit claimed under
4 this chapter, a description of the expenditure, a detailed description of the
5 purpose of the expenditure, and a description of the lease or property for which
6 the expenditure was incurred; notwithstanding AS 40.25.100(a) and
7 AS 43.05.230(a), information submitted under this paragraph may be disclosed to
8 the public and shall be disclosed to the legislature in a report submitted within 10
9 days after the convening of the next regular legislative session following the date
10 a statement is filed under this section.

11 * Sec. 9. AS 43.55.160(a) is amended to read:

12 (a) Except as provided in (b) of this section, and subject to adjustment
13 under AS 43.55.162, for the purposes of

14 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,
15 gas, or oil and gas subject to this paragraph produced during a calendar year is the
16 gross value at the point of production of the oil, gas, or oil and gas taxable under
17 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the
18 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the
19 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph
20 applies to

21 (A) oil and gas produced from leases or properties in the state
22 that include land north of 68 degrees North latitude, other than gas produced
23 before 2022 and used in the state;

24 (B) oil and gas produced from leases or properties in the state
25 outside the Cook Inlet sedimentary basin, no part of which is north of 68
26 degrees North latitude; this subparagraph does not apply to gas

27 (i) produced before 2022 and used in the state; or

28 (ii) oil and gas subject to AS 43.55.011(p);

29 (C) oil produced before 2022 from a lease or property in the
30 Cook Inlet sedimentary basin;

31 (D) gas produced before 2022 from a lease or property in the

1 Cook Inlet sedimentary basin;

2 (E) gas produced before 2022 from a lease or property in the
3 state outside the Cook Inlet sedimentary basin and used in the state;

4 (F) oil and gas subject to AS 43.55.011(p) produced from
5 leases or properties in the state;

6 (G) oil and gas produced from a lease or property no part of
7 which is north of 68 degrees North latitude, other than oil or gas described in
8 (B), (C), (D), (E), or (F) of this paragraph;

9 (2) AS 43.55.011(g), the monthly production tax value of the taxable

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

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

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

1 producer from that lease or property, as adjusted under AS 43.55.170;

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

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

15 * **Sec. 10.** AS 43.55 is amended by adding a new section to read:

16 **Sec. 43.55.162. Adjustments to production tax value.** (a) The annual
17 production tax value of oil produced from a lease or property north of 68 degrees
18 North latitude by the producer is reduced, during the first seven consecutive years
19 after the start of commercial production by 20 percent of the gross value at the point of
20 production of oil produced during the calendar year. This subsection does not apply to
21 a lease or property that

22 (1) was in commercial production before January 1, 2007;

23 (2) is located within a unit area that has never had commercial
24 production; or

25 (3) is located within a unit for more than 20 years before the first
26 commercial production on the lease or property.

27 (b) The annual production tax value of oil or gas produced by a producer is
28 reduced during the first five consecutive years after the start of commercial production
29 by 10 percent if the oil or gas is produced from a participating area established after
30 December 31, 2012, that is within a unit formed under AS 38.05.180(p) before
31 January 1, 2003, if the participating area does not contain a reservoir that had

1 previously been in a participating area established before January 1, 2012. This
2 subsection does not apply to production from a lease or property located within a unit
3 for more than 20 years before the first commercial production on the lease or property.

4
5 (c) The annual production tax value of heavy oil produced by a producer is
6 reduced by 10 percent of the gross value at the point of production of heavy oil
7 produced, for the calendar year, from a lease or property that is located within a unit
8 area existing on January 1, 2014.

9 (d) For a calendar year after 2012, the annual production tax value of oil
10 produced by a producer that produced oil in 2012 is reduced by 10 percent of the gross
11 value at the point of production of the volume of oil produced during the calendar year
12 in excess of the total volume produced by the producer in 2012. The volume of oil
13 produced by a producer in 2012 is the average daily statewide production of the
14 producer, excluding from the calculation the days on which production is significantly
15 reduced, multiplied by the number of days in the calendar year. For the purposes of
16 this subsection, production is significantly reduced when the production volume of oil
17 for the day is less than one-half of the quotient of the total volume of oil production
18 that is produced by the producer for the year and the number of days in the calendar
19 year. A producer that increases its volume of production through the purchase, merger,
20 or other acquisition of another producer is the sum of the producer's total target
21 volume and the total target volume for the producer that is purchased, merged with, or
22 otherwise acquired; however, if the producer that is purchased, merged with, or
23 otherwise acquired did not have a target volume determined under this section, the
24 volume of the increased production that is attributable to the purchase, merger, or
25 other acquisition may not be considered for the purpose of determining whether the
26 producer that acquired the additional production has increased the volume of
27 production above its target volume.

28 (e) A reduction in production tax value provided by this section may not be
29 combined with any other reduction in production tax value provided by this section in
the same year. Oil or gas from a lease or property that produces oil or gas that results
in a production tax reduction under (a) of this section is ineligible for a production tax
reduction under (b) and (c) of this section and may not be used in the calculation of

1 production volume under (d) of this section.
2 (f) A reduction in production tax value provided by this section may not
3 reduce the production tax value of a producer below zero.

4 (g) The rate of tax under AS 43.55.011(g) shall be determined before the
5 application of the adjustment provided by this section.

6 (h) In this section,
7 (1) "commercial production" means the production of oil for the
8 purpose of sale or other beneficial use, except when the sale or beneficial use is
9 incidental to the testing of an unproved well or unproved completion interval;

10 (2) "participating area" means that part of an oil and gas lease unit to
11 which production is allocated in the manner described in a unit agreement.

12 * **Sec. 11.** AS 43.55.990 is amended by adding a new paragraph to read:
13 (14) "heavy oil" means oil with an American Petroleum Institute
14 gravity of less than 18 degrees.

15 * **Sec. 12.** AS 44.88.140(a) is amended to read:
16 (a) Except as provided in AS 29.45.030(a)(1) **and AS 44.88.168**, the real and
17 personal property of the authority and its assets, income, and receipts are declared to
18 be the property of a political subdivision of the state and, together with any project or
19 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -
20 44.88.177, and a leasehold interest created in a project or development project
21 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an
22 essential public and governmental function and purpose, and the property, assets,
23 income, receipts, project, development project, and leasehold interests shall be exempt
24 from all taxes and special assessments of the state or a political subdivision of the
25 state, including, without limitation, all boroughs, cities, municipalities, school
26 districts, public utility districts, and other taxing units. All bonds of the authority are
27 declared to be issued by a political subdivision of the state and for an essential public
28 and governmental purpose and to be a public instrumentality, and the bonds, and the
29 interest on them, the income from them and the transfer of the bonds, or interest on
30 income, and receipts pledged to pay or secure the payments of the bonds, and the
31 them, shall at all times be exempt from taxation by or under the authority of the state,

1 except for inheritance and estate taxes and taxes on transfers by or in contemplation of
 2 death. Nothing in this section affects or limits an exemption from license fees,
 3 property taxes, or excise, income, or any other taxes, provided under any other law,
 4 nor does it create a tax exemption with respect to the interest of any business
 5 enterprise or other person, other than the authority, in any property, assets, income,
 6 receipts, project, development project, or lease whether or not financed under this
 7 chapter. By January 10 of each year, the authority shall submit to the governor a report
 8 describing the nature and extent of the tax exemption of the property, assets, income,
 9 receipts, project, development project, and leasehold interests of the authority under
 10 this section. The authority shall notify the legislature that the report is available.

11 * **Sec. 13.** AS 44.88 is amended by adding a new section to read:

12 **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas
 13 infrastructure fund is established in the authority. The oil and gas infrastructure fund
 14 consists of money appropriated to the authority for deposit in the fund, and money
 15 deposited in the fund by the authority. The fund is not an account in the revolving loan
 16 fund established in AS 44.88.060, and the authority shall account for the fund
 17 separately from the revolving fund. Money in the fund may be used to finance the
 18 construction and improvement of an oil or gas processing facility on the North Slope
 19 and flow lines and other surface infrastructure for the facility.

20 (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the
 21 state may levy a tax or special assessment on an oil or gas processing facility, flow
 22 lines, and other surface infrastructure for the facility financed by the oil and gas
 23 infrastructure fund.

24 (c) In this section, "North Slope" means that area of the state lying north of 68
 25 degrees North latitude.

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

28 **LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING**
 29 **FACILITY.** (a) The Alaska Industrial Development and Export Authority may issue bonds to
 30 finance the construction and improvement of an oil or gas processing facility on the Alaska
 31 North Slope and flow lines and other surface infrastructure for the facility. The processing

1 facility, flow lines, and other surface infrastructure for the facility shall be used to secure
2 bonds issued under this section. The principal amount of the bonds provided by the authority
3 for the facility, flow lines, and other surface infrastructure may not exceed \$200,000,000 and
4 may include the costs of funding reserves and other costs of issuing the bonds that the
5 authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas
6 processing facility, flow lines, and other surface infrastructure for the facility constructed or
7 financed by the oil and gas infrastructure fund are subject to taxes and special assessments of
8 the state or a political subdivision of the state.

9 (b) This section constitutes the legislative approval required by AS 44.88.095(g) and
10 44.88.690.

11 (c) The prohibition on the issuance of bonds in an amount exceeding \$400,000,000
12 under AS 44.88.095 does not apply to bonds issued under this section, and the principal
13 amount of bonds issued under this section may not be considered in determining whether the
14 limit in AS 44.88.095 has been reached.

15 * **Sec. 15.** This Act takes effect January 1, 2014."