

29-GH2609\M
Nauman/Shutts
4/29/16

2d CS FOR HOUSE BILL NO. 247()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the powers and duties of the Alaska Oil and Gas Conservation
2 Commission; relating to the exploration incentive credits; relating to confidential
3 information status and public record status of information in the possession of the
4 Department of Revenue; relating to interest applicable to delinquent tax; relating to oil
5 and gas production tax credits; relating to tax credit certificates; relating to the
6 calculation of the production tax value of oil and gas; relating to refunds for the gas
7 storage facility tax credit, the liquefied natural gas storage facility tax credit, and the
8 qualified in-state oil refinery infrastructure expenditures tax credit; relating to the
9 purchase of tax credit certificates from the oil and gas tax credit fund; relating to lease
10 expenditures; relating to oil and gas lease expenditures and production tax credits for
11 municipal entities; requiring a bond or cash deposit with a business license application
12 for an oil or gas business; establishing a legislative working group to study the tax

1 structure for oil and gas produced south of 68 degrees North latitude; and providing for
2 an effective date."

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

4 * **Section 1.** AS 31.05.030 is amended by adding a new subsection to read:

5 (n) The commission shall determine the commencement of regular production
6 from a lease or property for purposes of AS 43.55.160(f) and (g).

7 * **Sec. 2.** AS 38.05.036(a) is amended to read:

8 (a) The department may conduct audits regarding royalty and net profits under
9 oil and gas contracts, agreements, or leases under this chapter and regarding costs
10 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and
11 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes
12 of an audit under this section,

13 (1) the department may examine the books, papers, records, or
14 memoranda of a person regarding matters related to the audit; and

15 (2) the records and premises where a business is conducted shall be
16 open at all reasonable times for inspection by the department.

17 * **Sec. 3.** AS 38.05.036(b) is amended to read:

18 (b) The Department of Revenue may obtain from the department information
19 relating to royalty and net profits payments and to exploration incentive credits under
20 this chapter [OR UNDER AS 41.09], whether or not that information is confidential.
21 The Department of Revenue may use the information in carrying out its functions and
22 responsibilities under AS 43, and shall hold that information confidential to the extent
23 required by an agreement with the department or by AS 38.05.035(a)(8) [,
24 AS 41.09.010(d),] or AS 43.05.230.

25 * **Sec. 4.** AS 38.05.036(c) is amended to read:

26 (c) The department may obtain from the Department of Revenue all
27 information obtained under AS 43 relating to royalty and net profits and to exploration
28 incentive credits. The department may use the information for purposes of carrying out
29 its responsibilities and functions under this chapter [AND AS 41.09]. Information
30 made available to the department that was obtained under AS 43 is confidential and

subject to the provisions of AS 43.05.230.

* **Sec. 5.** AS 38.05.036(f) is amended to read:

(f) Except as otherwise provided in this section or in connection with official investigations or proceedings of the department, it is unlawful for a current or former officer, employee, or agent of the state to divulge information obtained by the department as a result of an audit under this section that is required by an agreement with the department or by AS 38.05.035(a)(8) [OR AS 41.09.010(d)] to be kept confidential.

* **Sec. 6.** AS 38.05.036(g) is amended to read:

(g) Nothing in this section prohibits the publication of statistics in a manner that maintains the confidentiality of information to the extent required by an agreement with the department or by AS 38.05.035(a)(8) [OR AS 41.09.010(d)].

* **Sec. 7.** AS 40.25.100(a) is amended to read:

(a) Information in the possession of the Department of Revenue that discloses the particulars of the business or affairs of a taxpayer or other person, including information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement under AS 38.05.020(b)(12), is not a matter of public record, except as provided in **AS 43.05.230(i) - (l)** [AS 43.05.230(i) OR (k)] or for purposes of investigation and law enforcement. The information shall be kept confidential except when its production is required in an official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports and items, prohibit the publication of tax lists showing the names of taxpayers who are delinquent and relevant information that may assist in the collection of delinquent taxes, or prohibit the publication of records, proceedings, and decisions under AS 43.05.405 - 43.05.499.

* **Sec. 8.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) a delinquent tax under this title,

(A) before January 1, 2014, bears interest in each calendar quarter at the rate of five percentage points above the annual rate charged

member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater, compounded quarterly as of the last day of that quarter; [OR]

(B) on and after January 1, 2014, and before January 1, 2017, bears interest in each calendar quarter at the rate of three percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter; and

(C) on and after January 1, 2017, bears interest in each calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, compounded quarterly as of the last day of that quarter;

(2) the interest rate is 12 percent a year for

(A) delinquent fees payable under AS 05.15.095(c); and

(B) unclaimed property that is not timely paid or delivered, as allowed by AS 34.45.470(a).

* **Sec. 9.** AS 43.05.230 is amended by adding a new subsection to read:

(l) For tax credit certificates purchased by the department in the preceding calendar year under AS 43.55.028, the department shall make the following information public by April 30 of each year:

(1) the name of each person from whom the department purchased a transferable tax credit certificate; and

(2) the aggregate amount of the tax credit certificates purchased from the person in the preceding calendar year.

* **Sec. 10.** AS 43.20.046(e) is amended to read:

(e) The department may [USE AVAILABLE MONEY IN THE OIL AND GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO] make the refund applied for under (d) of this section in whole or in part if the department finds that (1) the claimant does not have an outstanding liability to the state [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and (2) after application of all available tax credits, the claimant's total tax liability under this chapter for the calendar

1 year in which the claim is made is zero. [IN THIS SUBSECTION, "UNPAID
2 DELINQUENT TAX" MEANS AN AMOUNT OF TAX FOR WHICH THE
3 DEPARTMENT HAS ISSUED AN ASSESSMENT THAT HAS NOT BEEN PAID
4 AND, IF CONTESTED, HAS NOT BEEN FINALLY RESOLVED IN THE
5 TAXPAYER'S FAVOR.]

6 * **Sec. 11.** AS 43.20.047(e) is amended to read:

7 (e) The department may [USE MONEY AVAILABLE IN THE OIL AND
8 GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO] make a refund or
9 payment under (d) of this section in whole or in part if the department finds that (1)
10 the claimant does not have an outstanding liability to the state [FOR UNPAID
11 DELINQUENT TAXES UNDER THIS TITLE]; and (2) after application of all
12 available tax credits, the claimant's total tax liability under this chapter for the calendar
13 year in which the claim is made is zero. [IN THIS SUBSECTION, "UNPAID
14 DELINQUENT TAX" MEANS AN AMOUNT OF TAX FOR WHICH THE
15 DEPARTMENT HAS ISSUED AN ASSESSMENT THAT HAS NOT BEEN PAID
16 AND, IF CONTESTED, HAS NOT BEEN FINALLY RESOLVED IN THE
17 TAXPAYER'S FAVOR.]

18 * **Sec. 12.** AS 43.20.053(e) is amended to read:

19 (e) The department may [USE MONEY AVAILABLE IN THE OIL AND
20 GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO] make a refund or
21 payment under (d) of this section in whole or in part if the department finds that
22 (1) the claimant does not have an outstanding liability to the state
23 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and
24 (2) after application of all available tax credits, the claimant's total tax
25 liability under this chapter for the calendar year in which the claim is made is zero.

26 * **Sec. 13.** AS 43.55.011(m) is amended to read:

27 (m) Notwithstanding any contrary provision of [AS 38.05.180(i),
28 AS 41.09.010,] AS 43.55.024 [,] or 43.55.025, the department shall provide by
29 regulation a method to ensure that, for a calendar year for which a producer's tax
30 liability is limited by (j), (k), or (o) of this section, tax credits based on a lease
31 expenditure incurred before January 1, 2011, that are otherwise available under

[AS 38.05.180(i), AS 41.09.010,] AS 43.55.024 [,] or 43.55.025 and allocated to gas subject to the limitations in (j), (k), and (o) of this section are accounted for as though the credits had been applied first against a tax liability calculated without regard to the limitations under (j), (k), and (o) of this section so as to reduce the tax liability to the maximum amount provided for under (j) or (o) of this section for the production of gas or (k) of this section for the production of oil. The regulation must provide for a reasonable method to allocate tax credits to gas subject to (j) and (o) of this section. Only the amount of a tax credit remaining after the accounting provided for under this subsection may be used for a later calendar year, transferred to another person, or applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o) of this section to the extent otherwise allowed.

* **Sec. 14.** AS 43.55.023(a) is amended to read:

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

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure south of 68 degrees North latitude may [ALSO] elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of

(A) 30 percent of that expenditure incurred during calendar year 2017; or

(B) 20 percent of that expenditure incurred during calendar year 2018;

(2) [A PRODUCER OR EXPLORER MAY TAKE A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE INCURRED IN CONNECTION WITH GEOLOGICAL OR GEOPHYSICAL EXPLORATION OR IN CONNECTION WITH AN EXPLORATION WELL ONLY IF THE PRODUCER OR EXPLORER

(A) AGREES, IN WRITING, TO THE APPLICABLE PROVISIONS OF AS 43.55.025(f)(2); AND

(B) SUBMITS TO THE DEPARTMENT OF NATURAL RESOURCES ALL DATA THAT WOULD BE REQUIRED TO BE SUBMITTED UNDER AS 43.55.025(f)(2);

(3)] a credit for a qualified capital expenditure incurred after December 31, 2016, to explore for, develop, or produce oil or gas deposits located in the Cook Inlet sedimentary basin [NORTH OF 68 DEGREES NORTH LATITUDE] may be taken only if, during calendar year 2016, the producer or explorer had regular production of oil or gas in the Cook Inlet sedimentary basin [EXPENDITURE IS INCURRED BEFORE JANUARY 1, 2014].

* **Sec. 15.** AS 43.55.023(b) is amended to read:

(b) Before January 1, 2014, a producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. For lease expenditures incurred on and after January 1, 2014, and before January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 45 percent of a carried-forward annual loss. For lease expenditures incurred on and after January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 35 percent of a carried-forward annual loss. For lease expenditures incurred on or after January 1, 2014, and before January 1, 2018, to explore for, develop, or produce oil or gas deposits located south of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. A credit under this subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year under AS 43.55.160. For lease expenditures incurred on or after January 1, 2017, any reduction under AS 43.55.160(f) or (g) is added back to the calculation of production tax values for that calendar year under AS 43.55.160 for the determination of a carried-forward annual loss under this subsection. A credit

under this subsection may be taken for lease expenditures incurred after December 31, 2016,

(1) in the Cook Inlet sedimentary basin only if, during calendar year 2016, the producer or explorer had regular production of oil or gas in the Cook Inlet sedimentary basin;

(2) north of 68 degrees North latitude only if, during calendar year 2016, the producer or explorer had regular production of less than 20,000 BTU equivalent barrels a day in the state.

* **Sec. 16.** AS 43.55.023(d) is amended to read:

(d) A person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for a transferable tax credit certificate. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant a transferable tax credit certificate for the amount of the credit. A certificate issued under this subsection does not expire.

* **Sec. 17.** AS 43.55.024(i) is amended to read:

(i) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under AS 43.55.011(e) that receives a reduction in the gross value at the point of production under [MEETS ONE OR MORE OF THE CRITERIA IN]

AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013. A tax credit authorized by this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below zero.

* **Sec. 18.** AS 43.55.024(j) is amended to read:

(j) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for each barrel of oil taxable under AS 43.55.011(e) that does not receive a reduction in the gross value at the point of production under [MEET ANY OF THE CRITERIA IN] AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax credit under this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The amount of the tax credit for a barrel of taxable oil subject to this subsection produced during a month of the calendar year is

(1) \$8 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;

(2) \$7 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;

(3) \$6 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;

(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;

(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;

(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;

(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;

(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;

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

* **Sec. 19.** AS 43.55.025(m) is amended to read:

(m) The persons that drill the first four exploration wells in the state and within the areas described in (o) of this section on state lands, private lands, or federal onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (o) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (o)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012, and before July 1, 2016, **except that expenditures to complete an exploration well that was spudded but not completed before July 1, 2016, are eligible for the credit under this subsection.** A person planning to drill an exploration well on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section. The written consent of the owner of the oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in (c)(1), (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall make a written determination approving or rejecting an exploration well within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving the exploration

well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (o) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

* **Sec. 20.** AS 43.55.025(m), as amended by sec. 19 of this Act, is amended to read:

(m) The persons that drill the first four exploration wells in the state and within the areas described in (o) of this section on state lands, private lands, or federal onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (o) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (o)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012, and before July 1, 2016, except that expenditures to complete an exploration well that was spudded but not completed before July 1, 2016, are eligible for the credit under this subsection. A person planning to drill an exploration well on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section. The written consent of the owner of the

oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in (c)(1), (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall make a written determination approving or rejecting an exploration well within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving the exploration well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (o) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under [AS 43.55.023 OR] another provision in this section for the same exploration expenditure.

* **Sec. 21.** AS 43.55.025(o) is amended to read:

(o) The activity that is the basis for a credit claimed under (a)(6) and (m) of this section [OR (a)(7) AND (n) OF THIS SECTION] must be for the exploration of a basin and within the following areas whose central points are determined using the World Geographic System of 1984 datum,

(1) 100 miles from 66.896128 degrees North, -162.598187 degrees West;

- 1 (2) 150 miles from 64.839474 degrees North, -147.72094 degrees
2 West;
3 (3) 50 miles from 62.776428 degrees North, -164.495201 degrees
4 West;
5 (4) 50 miles from 62.110357 degrees North, -145.530551 degrees
6 West;
7 (5) 100 miles from 58.189868 degrees North, -157.371104 degrees
8 West;
9 (6) 100 miles from 56.005988 degrees North, -160.56083 degrees
10 West.

11 * **Sec. 22.** AS 43.55.028(a) is amended to read:

12 (a) The oil and gas tax credit fund is established as a separate fund of the state.
13 The purpose of the fund is to purchase transferable tax credit certificates issued under
14 AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 [AND
15 TO PAY REFUNDS AND PAYMENTS CLAIMED UNDER AS 43.20.046,
16 43.20.047, OR 43.20.053].

17 * **Sec. 23.** AS 43.55.028(a), as amended by sec. 22 of this Act, is amended to read:

18 (a) The oil and gas tax credit fund is established as a separate fund of the state.
19 The purpose of the fund is to purchase transferable tax credit certificates issued under
20 **former** AS 43.55.023 and production tax credit certificates issued under
21 AS 43.55.025.

22 * **Sec. 24.** AS 43.55.028(e) is amended to read:

23 (e) The department, on the written application of a person to whom a
24 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
25 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under
26 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
27 purchase, in whole or in part, the certificate. **The department may not purchase a**
28 **total of more than \$85,000,000 in tax credit certificates from a person in a**
29 **calendar year. The department may purchase a certificate or part of a certificate**
30 **only** if the department finds that

- 31 (1) the calendar year of the purchase is not earlier than the first

calendar year for which the credit shown on the certificate would otherwise be allowed to be applied against a tax;

(2) the application is not the result of the division of a single entity into multiple entities that would reasonably be expected to apply as a single entity if the \$85,000,000 limitation in this subsection did not exist [APPLICANT DOES NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE];

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

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

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

* **Sec. 25.** AS 43.55.028(e), as amended by sec. 24 of this Act, is amended to read:

(e) The department, on the written application of a person to whom a transferable tax credit certificate has been issued under former AS 43.55.023(d) or (m) [FORMER AS 43.55.023(m)] or to whom a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate. The department may not purchase a total of more than \$85,000,000 in tax credit certificates from a person in a calendar year. The department may purchase a certificate or part of a certificate only if the department finds that

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

(2) the application is not the result of the division of a single entity into multiple entities that would reasonably be expected to apply as a single entity if the \$85,000,000 limitation in this subsection did not exist;

(3) the applicant's total tax liability under AS 43.55.011(e), after

application of all available tax credits, for the calendar year in which the application is made is zero;

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

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

* **Sec. 26.** AS 43.55.028(g) is amended to read:

(g) The department **shall** [MAY] adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter [AND CLAIMS FOR REFUNDS AND PAYMENTS UNDER AS 43.20.046, 43.20.047, OR 43.20.053] when the total amount of the applications for purchase [AND CLAIMS FOR REFUND] exceed the amount of available money in the fund. The regulations adopted by the department **must grant a preference to an applicant if at least 80 percent of the applicant's workforce in the state in the previous calendar year was composed of resident workers; in this subsection, "resident worker" has the meaning given in AS 43.40.092(b)** [MAY NOT, WHEN ALLOCATING AVAILABLE MONEY IN THE FUND UNDER THIS SECTION, DISTINGUISH AN APPLICATION FOR THE PURCHASE OF A CREDIT CERTIFICATE ISSUED UNDER FORMER AS 43.55.023(m) OR A CLAIM FOR A REFUND OR PAYMENT UNDER AS 43.20.046, 43.20.047, OR 43.20.053].

* **Sec. 27.** AS 43.55.028 is amended by adding a new subsection to read:

(j) If an applicant has an outstanding liability to the state directly related to the applicant's oil or gas exploration, development, or production that has not previously been the basis of a reduction by the department under this subsection, the department may purchase only that portion of a certificate that exceeds the outstanding liability. The department may apply the amount by which the department reduced its purchase of a certificate because of an outstanding liability to satisfy the outstanding liability, except that, if the outstanding liability is contested through an appeal or adjudicatory proceeding already established by law, the department may apply the amount to satisfy

the outstanding liability only with the applicant's consent. Satisfaction of an outstanding liability under this subsection does not affect the applicant's ability to contest that liability. The department may enter into contracts or agreements with another department to which the outstanding liability is owed.

* **Sec. 28.** AS 43.55.029(a) is amended to read:

(a) An explorer or producer that has applied for a production tax credit under AS 43.55.023(a) or (b), [(b), OR (l) OR] 43.55.025(a), or former AS 43.55.023(l) may make a present assignment of the production tax credit certificate expected to be issued by the department to a third-party assignee. The assignment may be made either at the time the application is filed with the department or not later than 30 days after the date of filing with the department. Once a notice of assignment in compliance with this section is filed with the department, the assignment is irrevocable and cannot be modified by the explorer or producer without the written consent of the assignee named in the assignment. If a production tax credit certificate is issued to the explorer or producer, the notice of assignment remains effective and shall be filed with the department by the explorer or producer together with any application for the department to purchase the certificate under AS 43.55.028(e).

* **Sec. 29.** AS 43.55.029(a), as amended by sec. 28 of this Act, is amended to read:

(a) An explorer or producer that has applied for a production tax credit under AS 43.55.023(b) [AS 43.55.023(a) OR (b)], 43.55.025(a), or former AS 43.55.023(a) or (l) [AS 43.55.023(l)] may make a present assignment of the production tax credit certificate expected to be issued by the department to a third-party assignee. The assignment may be made either at the time the application is filed with the department or not later than 30 days after the date of filing with the department. Once a notice of assignment in compliance with this section is filed with the department, the assignment is irrevocable and cannot be modified by the explorer or producer without the written consent of the assignee named in the assignment. If a production tax credit certificate is issued to the explorer or producer, the notice of assignment remains effective and shall be filed with the department by the explorer or producer together with any application for the department to purchase the certificate under AS 43.55.028(e).

1 * **Sec. 30.** AS 43.55.029(a), as amended by secs. 28 and 29 of this Act, is amended to read:

2 (a) An explorer or producer that has applied for a production tax credit under
3 **AS 43.55.025(a)** [AS 43.55.023(b), 43.55.025(a),] or former **AS 43.55.023(a), (b), or**
4 **(L)** [AS 43.55.023(a) OR (L)] may make a present assignment of the production tax
5 credit certificate expected to be issued by the department to a third-party assignee. The
6 assignment may be made either at the time the application is filed with the department
7 or not later than 30 days after the date of filing with the department. Once a notice of
8 assignment in compliance with this section is filed with the department, the
9 assignment is irrevocable and cannot be modified by the explorer or producer without
10 the written consent of the assignee named in the assignment. If a production tax credit
11 certificate is issued to the explorer or producer, the notice of assignment remains
12 effective and shall be filed with the department by the explorer or producer together
13 with any application for the department to purchase the certificate under
14 AS 43.55.028(e).

15 * **Sec. 31.** 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, the following:

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

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

26 (3) the gross amount of oil and the gross amount of gas produced from
27 each lease or property, separately identifying the gross amount of gas produced from
28 each oil and gas lease to which an effective election under AS 43.55.014(a) applies,
29 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of
30 the gross amount of oil and gas owned by the producer;

31 (4) the gross value at the point of production of the oil and of the gas

produced from each lease or property owned by the producer and the costs of transportation of the oil and gas;

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

(6) the producer's [QUALIFIED CAPITAL EXPENDITURES, AS DEFINED IN AS 43.55.023, OTHER] lease expenditures under AS 43.55.165 [,] and adjustments or other payments or credits under AS 43.55.170;

(7) the production tax values of the oil and gas under AS 43.55.160(a) or of the oil under AS 43.55.160(h), as applicable;

(8) any claims for tax credits to be applied; and

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

* **Sec. 32.** AS 43.55.030(e) is amended to read:

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

(1) the explorer's or producer's [QUALIFIED CAPITAL EXPENDITURES, AS DEFINED IN AS 43.55.023, OTHER] lease expenditures under AS 43.55.165 [,] and adjustments or other payments or credits under AS 43.55.170; and

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

* **Sec. 33.** AS 43.55.075(b) is amended to read:

(b) A decision of a regulatory agency, court, or other body with authority to resolve disputes that results in a retroactive change to a lease expenditure, to an adjustment to a lease expenditure, to costs of transportation, to sale price, to prevailing

value, or to consideration of quality differentials relating to the commingling of oils has a corresponding effect, either an increase or decrease, as applicable, on the production tax value of oil or gas or the amount or availability of a tax credit as determined under this chapter. For purposes of this section, a change to a lease expenditure includes a change in the categorization of a lease expenditure as a qualified capital expenditure **for the purposes of former AS 43.55.023(a)** or as not a qualified capital expenditure **for the purposes of former AS 43.55.023(a)**. The producer shall

(1) within 60 days after the change, notify the department in writing; and

(2) within 120 days after the change, file amended returns covering all periods affected by the change, unless the department agrees otherwise or a stay is in place that affects the filing or payment, regardless of the pendency of appeals of the decision.

* **Sec. 34.** AS 43.55.160(d) is amended to read:

(d) Irrespective of whether a producer produces taxable oil or gas during a calendar year or month, the producer is considered to have generated a positive production tax value if a calculation described in (a) of this section yields a positive number because the producer's adjusted lease expenditures for a calendar year under AS 43.55.165 and 43.55.170 are less than zero as a result of the producer's receiving a payment or credit under AS 43.55.170. [AN EXPLORER THAT HAS TAKEN A TAX CREDIT UNDER AS 43.55.023(b) OR THAT HAS OBTAINED A TRANSFERABLE TAX CREDIT CERTIFICATE UNDER AS 43.55.023(d) FOR THE AMOUNT OF A TAX CREDIT UNDER AS 43.55.023(b) IS CONSIDERED A PRODUCER, SUBJECT TO THE TAX LEVIED UNDER AS 43.55.011(e), TO THE EXTENT THAT THE EXPLORER GENERATES A POSITIVE PRODUCTION TAX VALUE AS THE RESULT OF THE EXPLORER'S RECEIVING A PAYMENT OR CREDIT UNDER AS 43.55.170.]

* **Sec. 35.** AS 43.55.160(e) is amended to read:

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction

1 would cause an annual production tax value calculated under (a)(1) or (h) of this
2 section of taxable oil or gas produced during the calendar year to be less than zero
3 may be used to establish a carried-forward annual loss under AS 43.55.023(b) or
4 43.55.165(a)(3). However, the department shall provide by regulation a method to
5 ensure that, for a period for which a producer's tax liability is limited by
6 AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under AS 43.55.165
7 and 43.55.170 that would otherwise be deductible by a producer for that period but
8 whose deduction would cause a production tax value calculated under (a)(1)(C), (D),
9 (E), or (F), or (h)(3) of this section to be less than zero are accounted for as though the
10 adjusted lease expenditures had first been used as deductions in calculating the
11 production tax values of oil or gas subject to any of the limitations under
12 AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to
13 reduce the tax liability calculated without regard to the limitation to the maximum
14 amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p).
15 Only the amount of those adjusted lease expenditures remaining after the accounting
16 provided for under this subsection may be used to establish a carried-forward annual
17 loss under AS 43.55.023(b) or 43.55.165(a)(3). For lease expenditures incurred on
18 or after January 1, 2017, a reduction in gross value at the point of production
19 under (f) or (g) of this section shall be added back to the calculation of
20 production tax value for the determination of a carried-forward annual loss. In
21 this subsection, "producer" includes "explorer."

22 * **Sec. 36.** AS 43.55.160(e), as amended by sec. 35 of this Act, is amended to read:

23 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
24 would otherwise be deductible by a producer in a calendar year but whose deduction
25 would cause an annual production tax value calculated under (a)(1) or (h) of this
26 section of taxable oil or gas produced during the calendar year to be less than zero
27 may be used to establish a carried-forward annual loss under AS 43.55.165(a)(3)
28 [AS 43.55.023(b) OR 43.55.165(a)(3)]. However, the department shall provide by
29 regulation a method to ensure that, for a period for which a producer's tax liability is
30 limited by AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under
31 AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that

period but whose deduction would cause a production tax value calculated under (a)(1)(C), (D), (E), or (F), or (h)(3) of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under **AS 43.55.165(a)(3)** [AS 43.55.023(b) OR 43.55.165(a)(3)]. For lease expenditures incurred on or after January 1, 2017, a reduction in gross value at the point of production under (f) or (g) of this section shall be added back to the calculation of production tax value for the determination of a carried-forward annual loss. In this subsection, "producer" includes "explorer."

* **Sec. 37.** AS 43.55.160(f) is amended to read:

(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or gas produced from a lease or property north of 68 degrees North latitude meeting one or more of the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. **For oil or gas first produced after December 31, 2016, a reduction allowed under this subsection applies to oil or gas**

1 produced from a lease or property for the first 10 years after the commencement
2 of regular production of oil or gas from that lease or property. For oil or gas first
3 produced before January 1, 2017, a reduction allowed under this subsection for a
4 lease or property expires January 1, 2026. The Alaska Oil and Gas Conservation
5 Commission shall determine the commencement of regular production for
6 purposes of this subsection. A reduction under this subsection may not reduce the
7 gross value at the point of production below zero. In this subsection, "participating
8 area" means a reservoir or portion of a reservoir producing or contributing to
9 production as approved by the Department of Natural Resources.

10 * **Sec. 38.** AS 43.55.160(g) is amended to read:

11 (g) On and after January 1, 2014, in addition to the reduction under (f) of this
12 section, in the calculation of an annual production tax value of a producer under
13 (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or
14 gas produced from a lease or property north of 68 degrees North latitude that does not
15 contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if
16 the oil or gas is produced from a unit made up solely of leases that have a royalty
17 share of more than 12.5 percent in amount or value of the production removed or sold
18 from the lease as determined under AS 38.05.180(f). This subsection does not apply if
19 the royalty obligation for one or more of the leases in the unit has been reduced to 12.5
20 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the
21 annual production tax value is calculated. This subsection does not apply to gas
22 produced before 2022 that is used in the state or to gas produced on and after
23 January 1, 2022. For oil or gas first produced after December 31, 2016, a
24 reduction allowed under this subsection applies to oil or gas produced from a
25 lease or property for the first 10 years after the commencement of regular
26 production of oil or gas from that lease or property. For oil or gas first produced
27 before January 1, 2017, a reduction allowed under this subsection for a lease or
28 property expires January 1, 2026. A reduction under this subsection may not reduce
29 the gross value at the point of production below zero. The Alaska Oil and Gas
30 Conservation Commission shall determine the commencement of regular
31 production for purposes of this subsection.

* **Sec. 39.** AS 43.55.165(a) is amended to read:

(a) **For the** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION, FOR] purposes of this chapter, a producer's lease expenditures for a calendar year are

(1) costs, other than items listed in (e) of this section, that are

(A) incurred by the producer during the calendar year after March 31, 2006, to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties in the state or, in the case of land in which the producer does not own an operating right, operating interest, or working interest, to explore for oil or gas deposits within other land in the state; and

(B) allowed by the department by regulation, based on the department's determination that the costs satisfy the following three requirements:

(i) the costs must be incurred upstream of the point of production of oil and gas;

(ii) the costs must be ordinary and necessary costs of exploring for, developing, or producing, as applicable, oil or gas deposits; and

(iii) the costs must be direct costs of exploring for, developing, or producing, as applicable, oil or gas deposits; [AND]

(2) a reasonable allowance for that calendar year, as determined under regulations adopted by the department, for overhead expenses that are directly related to exploring for, developing, or producing, as applicable, the oil or gas deposits; **and**

(3) lease expenditures incurred in a previous year that

(A) met the requirements of AS 43.55.160(e) in the year in which the lease expenditures were incurred;

(B) have not been deducted in the determination of the production tax value of oil and gas under AS 43.55.160(a) in a previous calendar year;

(C) were not the basis of a credit under this title; and

(D) were incurred to explore for, develop, or produce oil or

gas deposits located north of 68 degrees North latitude.

* **Sec. 40.** AS 43.55.165(f) is amended to read:

(f) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as to expenditures incurred to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."

* **Sec. 41.** AS 43.55.170(c) is amended to read:

(c) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as to expenditures incurred to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."

* **Sec. 42.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under **AS 43.55.024, 43.55.025, and former AS 43.55.023** [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.

* **Sec. 43.** AS 43.55.895(b) is amended to read:

(b) A municipal entity subject to taxation because of this section

(1) is eligible for [ALL] tax credits proportionate to its production taxable under AS 43.55.011(e); and

(2) shall allocate its lease expenditures in proportion to its production taxable under AS 43.55.011(e) [UNDER THIS CHAPTER TO THE SAME EXTENT AS ANY OTHER PRODUCER].

* **Sec. 44.** AS 43.55.900 is amended by adding a new paragraph to read:

(26) "regular production" has the meaning given in AS 31.05.170.

* **Sec. 45.** AS 43.70 is amended by adding new sections to read:

Sec. 43.70.025. Bond or cash deposit required for an oil or gas business. (a)

At the time of applying for a license under this chapter, an applicant engaged in the business of oil or gas exploration, development, or production shall file a surety bond in the amount of \$250,000 running to the state, conditioned upon the applicant's promise to pay all

(1) taxes and contributions due the state and political subdivisions; and

(2) persons furnishing labor or material or renting or supplying equipment to the applicant.

(b) In lieu of the surety bond required under this section, the applicant may file with the commissioner a cash deposit or other negotiable security acceptable to the commissioner in the amount of \$250,000.

(c) The bond required by this section remains in effect until cancelled by action of the surety, the principal, or if the commissioner finds that the business is producing oil or gas in commercial quantities, by the commissioner.

Sec. 43.70.028. Claims against an oil or gas business. (a) A person having a claim against a person required to file a surety bond under AS 43.70.025 because of the failure to pay a liability described in AS 43.70.025(a) may bring suit upon the bond. A copy of the complaint shall be served by registered or certified mail on the commissioner at the time suit is filed, and the commissioner shall maintain a record, available for public inspection, of all suits commenced. This service on the commissioner shall constitute service on the surety, and the commissioner shall transmit the complaint or a copy of it to the surety within 72 hours after it is received. The surety on the bond is not liable in an aggregate amount in excess of that named in the bond, but if claims pending at any one time exceed the amount of the bond, the claims shall be satisfied from the bond in the following order:

(1) material, equipment, and supplies delivered in the state;

(2) labor, including employee benefits;

(3) taxes and other amounts due to the city and borough, in that order;

(4) repair of public facilities;

(5) taxes and other amounts due to the state.

(b) If a judgment is entered against a cash deposit, the commissioner, upon receipt of a certified copy of a final judgment, shall pay the judgment from the amount of the deposit in accordance with the priorities set out in (a) of this section.

(c) An action described in (a) of this section may not be commenced on the bond more than three years after the bond's cancellation.

*** Sec. 46.** AS 43.99.950 is amended by adding a new paragraph to read:

(3) "outstanding liability to the state" means an amount of tax, interest, penalty, fee, rental, royalty, or other charge for which the state has issued a demand for payment that has not been paid when due and, if contested, has not been finally resolved against the state.

*** Sec. 47.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090; AS 43.20.053(j)(4); AS 43.55.023(l), 43.55.023(n), 43.55.025(a)(5), 43.55.025(a)(7), 43.55.025(l), 43.55.025(n), 43.55.165(j), and 43.55.165(k) are repealed January 1, 2017.

*** Sec. 48.** AS 43.55.023(a), 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(e)(18), and 43.55.890(6) are repealed January 1, 2019.

*** Sec. 49.** AS 43.55.023, 43.55.165(f), and 43.55.170(c) are repealed January 1, 2020.

*** Sec. 50.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE WORKING GROUP. (a) A legislative working group is established to analyze the Cook Inlet fiscal regime for oil and gas, review the state's tax structure and rates on oil and gas produced south of 68 degrees North latitude, recommend changes to the legislature for consideration during the First Regular Session of the Thirtieth Alaska State Legislature, and develop terms for a comprehensive fiscal regime to take effect January 1, 2019, including,

(1) a tax structure that accounts for the unique circumstances for each oil and gas producing area south of 68 degrees North latitude;

(2) incentives other than direct monetary support from the state for the exploration, development, and production of oil and gas south of 68 degrees North latitude;

(3) consideration of the competitiveness of the area south of 68 degrees North

latitude to attract new oil and gas development;

(4) consideration of the unique market considerations of the Cook Inlet sedimentary basin and the need to support energy supply security for communities in Southcentral Alaska;

(5) alternative means of state support for the exploration, development, and production of oil and gas in the Cook Inlet sedimentary basin, including loan guarantees or other financial support through the Alaska Industrial Development and Export Authority, or other state corporation or entity.

(b) The working group consists of

(1) two co-chairs, one of whom is a member of the house appointed by the speaker of the house of representatives, and one of whom is a member of the senate appointed by the president of the senate; and

(2) members appointed by the co-chairs; members must be legislators and must include members of the majority and minority caucuses.

(c) The co-chairs of the working group may form an advisory group to the working group, composed of members who are not legislators and who have expertise and skills to assist in the review and development of a new plan for the tax structure and rates on oil and gas produced south of 68 degrees North latitude. The members of an advisory group may include commissioners or employees of state departments, members of the oil and gas industry or trade associations, and economists.

(d) The working group may be supported by legislative consultants under contract through the Legislative Budget and Audit Committee.

* **Sec. 51.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) Sections 24 and 27 of this Act, and regulations related to a tax credit certificate purchase preference for applicants with a workforce of resident workers, adopted under AS 43.55.028(g), as amended by sec. 26 of this Act, apply to a purchase applied for on or after the effective dates of secs. 24, 26, and 27 of this Act.

(b) AS 43.55.165(a), as amended by sec. 39 of this Act, applies to lease expenditures calculated for a calendar year after December 31, 2016.

* **Sec. 52.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITION: WELL LEASE EXPENDITURES. (a) Notwithstanding the repeal of
3 AS 43.55.023(l) and (n) by sec. 47 of this Act, and the amendment of AS 43.55.029(a) by sec.
4 28 of this Act, a taxpayer who incurs a well lease expenditure before the repeal of
5 AS 43.55.023(l) and (n) by sec. 47 of this Act that qualifies for a well lease expenditure credit
6 under AS 43.55.023(l) may apply for a credit or transferable tax credit certificate under
7 AS 43.55.023 and assign the tax credit under AS 43.55.029, as those sections read on the day
8 before the repeal of AS 43.55.023(l) and (n) by sec. 47 of this Act.

9 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(l),
10 as that section read on the day before the repeal of AS 43.55.023(l) by sec. 47 of this Act, for
11 well lease expenditures incurred before the repeal of AS 43.55.023(l) by sec. 47 of this Act.

12 * **Sec. 53.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 TRANSITION: QUALIFIED CAPITAL EXPENDITURES. (a) Notwithstanding the
15 repeal of AS 43.55.023(a) and (o) by sec. 48 of this Act, and the amendments to
16 AS 45.55.023(d) by sec. 16 of this Act, AS 43.55.029(a) by sec. 29 of this Act,
17 AS 43.55.030(a) and (e) by secs. 31 and 32 of this Act, AS 43.55.075(b) by sec. 33 of this
18 Act, AS 43.55.165(f) by sec. 40 of this Act, and AS 43.55.170(c) by sec. 41 of this Act, a
19 taxpayer who incurs a qualified capital expenditure before the repeal of AS 43.55.023(a) and
20 (o) by sec. 48 of this Act that qualifies for a qualified capital expenditure credit under
21 AS 43.55.023(a) may apply for a credit or tax credit certificate under AS 43.55.023(d) and, as
22 applicable, assign the tax credit under AS 43.55.029, as those sections read on the day before
23 the repeal of AS 43.55.023(a) by sec. 48 of this Act.

24 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(a)
25 and (o) and 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a)
26 by sec. 48 of this Act, for qualified capital expenditures incurred before the repeal of
27 AS 43.55.023(a) by sec. 48 of this Act.

28 * **Sec. 54.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 TRANSITION: CARRIED-FORWARD ANNUAL LOSS. (a) Notwithstanding the
31 repeal of AS 43.55.023(b), 43.55.165(f), and 43.55.170(c) by sec. 49 of this Act, and the

1 amendments of AS 43.55.029(a) by sec. 30 of this Act, AS 43.55.160(d) by sec. 34 of this
2 Act, and AS 43.55.160(e) by sec. 36 of this Act, a taxpayer who incurs a carried-forward
3 annual loss before the repeal of AS 43.55.023(b) by sec. 49 of this Act that qualifies for a
4 carried-forward annual loss credit under AS 43.55.023(b) may apply for a credit or tax credit
5 certificate under AS 43.55.023(d) and assign the tax credit under AS 43.55.029, subject to the
6 requirements of AS 43.55.160(d) and (e), as those sections read on the day before the repeal
7 of AS 43.55.023(b) by sec. 49 of this Act.

8 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023(b),
9 as that section read on the day before the repeal of AS 43.55.023(b) by sec. 49 of this Act, for
10 a carried-forward annual loss incurred before the repeal of AS 43.55.023(b) by sec. 49 of this
11 Act.

12 * **Sec. 55.** The uncoded law of the State of Alaska is amended by adding a new section to
13 read:

14 TRANSITION: AS 43.55.023 CREDITS. Notwithstanding the repeal of
15 AS 43.55.023, 43.55.165(f), and 43.55.170(c) by sec. 49 of this Act, and the amendments to
16 AS 43.55.025(m) by sec. 20 of this Act, AS 43.55.028(a) and (e) by secs. 23 and 25 of this
17 Act, AS 43.55.029(a) by sec. 30 of this Act, AS 43.55.160(d) by sec. 34 of this Act, and
18 AS 43.55.180(a) by sec. 42 of this Act, the Department of Revenue may continue to apply and
19 enforce AS 43.55.023, as that section read on the day before the repeal of AS 43.55.023 by
20 sec. 49 of this Act, for a credit earned before the repeal of AS 43.55.023 by sec. 49 of this
21 Act.

22 * **Sec. 56.** The uncoded law of the State of Alaska is amended by adding a new section to
23 read:

24 TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER
25 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 39 of this
26 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 47 of this Act, AS 43.55.165(j) and (k)
27 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010
28 under AS 43.55.165, as that section read on the day before the repeal of AS 43.55.165(j) and
29 (k) by sec. 47 of this Act.

30 * **Sec. 57.** The uncoded law of the State of Alaska is amended by adding a new section to
31 read:

1 TRANSITION: EXPLORATION EXPENDITURES AND SEISMIC
2 EXPLORATION EXPENDITURES. (a) Notwithstanding the repeal of AS 43.55.025(a)(5),
3 (a)(7), (l), and (n) by sec. 47 of this Act, a taxpayer who incurs an exploration expenditure or
4 seismic exploration expenditure before the repeal of AS 43.55.025(a)(5), (a)(7), (l), and (n) by
5 sec. 47 of this Act that qualifies for an exploration or seismic exploration expenditure credit
6 under AS 43.55.025(a)(5) or (a)(7) may apply for a credit or production tax credit certificate
7 under AS 43.55.025 and assign the tax credit under AS 43.55.029, as those sections read on
8 the day before the repeal of AS 43.55.025(a)(5), (a)(7), (l), and (n) by sec. 47 of this Act.

9 (b) The Department of Revenue may continue to apply and enforce
10 AS 43.55.025(a)(5), (a)(7), (l), and (n), as those sections read on the day before the repeal of
11 AS 43.55.025(a)(5), (a)(7), (l), and (n) by sec. 47 of this Act, for exploration expenditures and
12 seismic exploration expenditures incurred before the repeal of AS 43.55.025(a)(5), (a)(7), (l),
13 and (n) by sec. 47 of this Act.

14 * **Sec. 58.** The uncoded law of the State of Alaska is amended by adding a new section to
15 read:

16 TRANSITION: REGULATIONS. The Department of Revenue, the Department of
17 Natural Resources, the Department of Commerce, Community, and Economic Development,
18 and the Alaska Oil and Gas Conservation Commission may adopt regulations necessary to
19 implement the changes made by this Act. The regulations take effect under AS 44.62
20 (Administrative Procedure Act), but not before the effective date of the law implemented by
21 the regulation. The Department of Revenue shall adopt regulations governing the use of tax
22 credits under AS 43.55 for a calendar year for which the applicable tax credit provisions of
23 AS 43.55 differ as between parts of the year as a result of this Act.

24 * **Sec. 59.** The uncoded law of the State of Alaska is amended by adding a new section to
25 read:

26 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
27 contrary provision of AS 44.62.240,

28 (1) if the Department of Revenue expressly designates in a regulation that the
29 regulation applies retroactively, a regulation adopted by the Department of Revenue to
30 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
31 the effective date of the law implemented by the regulation;

1 (2) if the Department of Natural Resources expressly designates in the
2 regulation that the regulation applies retroactively, a regulation adopted by the Department of
3 Natural Resources to implement, interpret, make specific, or otherwise carry out the statutory
4 amendments in this Act affecting the administration of oil and gas leases issued under
5 AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation relates to the treatment of oil
6 and gas production taxes in determining net profits under those leases, may apply
7 retroactively to the effective date of the law implemented by the regulation.

8 * **Sec. 60.** Sections 19, 50, 58, and 59 of this Act take effect immediately under
9 AS 01.10.070(c).

10 * **Sec. 61.** Sections 16, 29, 31 - 33, 40, 41, 48, and 53 of this Act take effect January 1,
11 2019.

12 * **Sec. 62.** Sections 20, 23, 25, 30, 34, 36, 42, 49, 54, and 55 of this Act take effect
13 January 1, 2020.

14 * **Sec. 63.** Except as provided in secs. 60 - 62 of this Act, this Act takes effect January 1,
15 2017.