Alaska State Legislature
House Resources Committee

Representative Andy Josephson
State Capitol, Room 102
Juneau, AK 99801
Phone: (907) 465-4939

Representative Geran Tarr
State Capitol, Room 126
Juneau, AK 99801
Phone: (907) 465-3424

Representative Geran Tarr, Co-Chair
Representative Andy Josephson, Co-Chair

SECTIONAL ANALYSIS

CSHB 111(FIN) am: OIL AND GAS PRODUCTION TAX; PAYMENT; CREDITS

Ver 30-LS0450\L

Section 1. Deletes reference to 10 percent gross value reduction under AS 43.55.160(g) in accordance with the repeal of the provision.

Section 2. Amends disclosure of tax information in accordance with new provisions allowing certain tax credit and lease expenditure information to be made public.

Section 3. Amends AS 43.05.225 regarding interest on delinquent oil and gas production tax payments to remove a three year limit on accrual of interest. Since 2014, the interest rate for delinquent taxes was set three points above the Federal discount rate. HB 247 added a new section increasing the rate for oil and gas to seven points above the Federal discount rate compounded. The higher rate applies only for the first three years after the tax becomes delinquent after which there is no interest. The amendment repeals the three year limit because zero interest discourages companies from settling tax disputes with the state.

Section 4. Amends AS 43.05.230(l) (disclosure of tax returns) to allow the Department of Revenue (DOR) to make public (1) the aggregate amount of oil and gas production tax credits issued to a person in the preceding calendar year and (2) expenditure descriptions added by sections 19 and 20 of the bill.

Section 5. Adds a new subsection (m) to AS 43.05.230 allowing DOR disclosure of otherwise publicly available production tax information; or tax credit information related to gas storage, service industries, processing facilities, refineries. Adds subsection (n) making public certain information regarding refinery tax credits.

Section 6. Changes the tax rate from 35 percent to 25 percent after January 1, 2018. Retains 2022 change to gas rate after 2022; amended in accordance with secondary tax bracket provision in AS 43.55.011(g).

Section 7. Amends AS 43.55.011(g) to establish an additional 15 percent tax bracket triggered at a production tax value of $60 (equal to approximately $100 ANS). The additional tax only applies to the amount above that value.

Section 8. Adds new subsections (q) and (r) to AS 43.55.011 to provide that the application of any tax credit issued under the oil and gas production tax may not be used to reduce the minimum tax, with the exception of oil subject to the gross value reduction to ensure companies receive benefit from the gross value reduction.

Section 9. Conforming amendment in accordance with the new tax rate in AS 43.55.011(e).

Section 10. Conforming amendment in accordance with the new tax rate and the repeal of AS 43.55.160(g) (10 percent gross value reduction).

Section 11. Conforming amendment in accordance with the new tax rate.

Section 12. Conforming amendment in accordance with the new tax rate.

Section 13. Conforming amendment in accordance with the new tax rate.

Section 14. Conforming amendment in accordance with the new tax rate.

Section 15. Eliminates the North Slope carried-forward annual loss (net operating loss) credit.

Section 16. Amends AS 43.55.023(c) (NOL credits) in accordance with the hardening of the minimum floor.

Section 17. Amends AS 43.55.024(i) (new oil $5 per barrel credit) in accordance with the hardening of the minimum floor.

Section 18. Amends AS 43.55.025(i) (exploration credits) in accordance with the hardening of the minimum floor.

Sections 19. Amends AS 43.55.030(a) (filing of statements) to require an oil and gas producer to submit to DOR information required under regulation and, for each expenditure that is the basis of a lease expenditure carried forward or a credit under AS 43.55.023 or AS 43.55.025, a description of the expenditure and a description of the lease or property for which the expenditure was incurred.

Section 20. Amends AS 43.55.030(e) to require an oil and gas producer to submit to DOR information required under regulation and, for each expenditure that is the basis of a lease expenditure carried forward or a credit under this chapter, a description of the expenditure and a description of the lease or property for which the expenditure was incurred.

Section 21. Adds a new section to AS 43.55.150 (determination of gross value) to ensure that the gross value at the point of production does not go below zero. The gross value is determined by subtracting tariffs and transportation costs from the West Coast sale price per barrel. The gross value at the point of production is used in various calculations throughout the production tax statute.

Section 22. Conforming amendment in accordance with the new tax rate in AS 43.55.011(e).

Section 23. Conforming amendment in accordance with net operating loss carry forward provision in Section 26.

Section 24. Conforming amendment in accordance with the new tax rate in AS 43.55.011(e).

Section 25. Conforming amendment in accordance with the new tax rate and the calculation of the second bracket in AS 43.55.011(g).

Section 26. Adds AS 43.55.165(a)(3) to allows 100 percent of net operating losses to carry forward to production.

Section 27. Adds to AS 43.55.165 (lease expenditures) new subsections (m) that reduces the 100 percent carry forward lease expenditures by 10 percent of the full original value each year after seven years; and (n) a ring-fence provision where a carried forward lease expenditure can only be applied to the lease or property where the expenditure was incurred.

Section 28. Conforming amendment in accordance with the repeal of AS 43.55.160(g) (10 percent gross value reduction for high royalty fields).

Section 29. Repeals AS 43.55.024(j) (sliding scale per barrel credit); AS 43.55.029 (assignment of tax credits to third-party assignee); AS 43.55.160(g) (10 percent gross value reduction for higher royalty fields).

Section 30. Establishes a legislative working group to analyze the Cook Inlet oil and gas fiscal regime.

Section 31. Provisions relating to the minimum tax floor, net operating loss credit, and repeal of third party assignments apply on or after January 1, 2018.

Section 32. The net-loss carry forward provisions apply to lease expenditures incurred on or after January 1, 2018.

Section 33. Transition: assignment of tax credit certificates**.** The department may continue to apply and enforce tax credit assignments to third-parties for credits applied for before January 1, 2018.

Section 34. Transition: payment of tax; filing. Taxpayers shall pay the tax as provided in current law for a tax or installment payment for production before January 1, 2018.

Section 35. A taxpayer who produces oil or gas before January 1, 2018, qualifies for an extra 10 percent gross value reduction as provided in current law for the oil and gas produced before that date.

Section 36. Allows for retroactivity of regulations to carry out this act.

Section 37. The change to delinquent interest in sec. 3 is retroactive to January 1, 2017.

Section 38. The working group, retroactivity of regulations and delinquent interest rate are effectively immediately.

Section 39. New language relating to carried-forward operating losses takes effect on January 1, 2018.

Section 40. All other sections take effect January 1, 2018.