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Sectional Analysis
SB 107
Version A

An Act relating to the oil and gas production tax; relating to credits against the oil and gas production tax; relating to payments of the oil and gas production tax; relating to lease expenditures and adjustments to lease expenditures; making public certain information related to the oil and gas production tax; relating to the Department of Revenue; and providing for an effective date

Sec. 1 Conforms with change to confidentiality statute in Sec. 2.

Sec. 2 Makes production tax information public, if submitted under new section AS 43.55.011(q), the tax on major oil fields added by sec. 5 of bill.

Sec. 3 Amends the main production tax statute, AS 43.55.011(e), to conform with the new progressive bracket in .011(q) and the new minimum tax in .011(s).

Sec. 4 Amends the current minimum tax, AS 43.55.011(f), clarify that this statute does not apply to production from major oil fields which is instead subject to the new minimum tax for major fields.

Sec. 5 Adds four new subsections to AS 43.55.011

(q) adds a separate 35% tax on production tax value for "major oil fields";
(r) adds a new progressive "bracket" or "additional tax" of 15% of Production Tax Value (PTV). For each month when the average PTV for a month exceeds $50, the additional tax should apply to only that portion of PTV greater than $50;
(s) adds a new minimum tax tied to the sales price of Alaska North Slope crude, that steps up from 10% below $50 / bbl to 15% at and above $70;
(t) tax credits may not reduce tax liability below the minimum tax calculation in (s).

Sec. 6 Amends AS 43.55.019(a), the education tax credit, to change the reference to the tax against which the credit is changed from the specific AS 43.55.011(e) (the 35% base rate) to the broader AS 43.55.011 (the base tax, the progressive tax, and the minimum tax).

Multiple sections elsewhere in the bill make similar conforming changes, modifying various references from .011(e) to .011.

Sec. 7 Amends AS 43.55.019(e), the education tax credit, conforming with the change that the credit cannot reduce all parts of the production tax below zero.

Sec. 8 Amends AS 43.55.020(a), which is a long section (12 pages of the bill) that describes how the taxes are paid, including monthly installment tax payments and the annual "true-up." In addition to multiple conforming changes referencing new sections and subsections amended elsewhere, Sec. 8 adds two new subsections and makes major changes to a third:

(a)(7) describes installment payments after the 1/1/21 effective date of the bill and before the changes to the North Slope tax on gas that is scheduled to take effect in 2022, incorporating references to the new minimum tax and new progressive bracket in .011(q), (r) and (s).

(a)(8) is conforming language tied to (a)(7), related to the monthly calculation of the "tax caps" for Cook Inlet oil, Cook Inlet gas, and gas used in state.

(a)(9) amends the current statute that describes installment tax payments after 2022, when gas reverts to a 13% gross tax, to add separate descriptions of the new taxes on major oil fields.

Sec. 9 Amends AS 43.55.020(g), dealing with interest payments on underpaid installment payments, to conform with other changes of the bill.

Sec. 10 Amends AS 43.55.020(h), dealing with interest payments on overpaid installment payments, to conform with other changes of the bill.

Sec. 11 Amends AS 43.55.020(k), deduction of taxes on certain royalty oil and gas before 2022, to conform with other changes of the bill.

Sec. 12 Amends AS 43.55.020(l), deduction of taxes on certain royalty oil and gas beginning in 2022, to conform with other changes of the bill.

Sec. 13 Amends AS 43.55.023(a), the qualified capital expenditure credit, to clarify that the credit can be used against all parts of AS 43.55.011.

Sec. 14 Amends AS 43.55.023(c), which currently prevents tax credits from being used to reduce taxes below zero. As amended, no credit can reduce the new tax on major oil fields below the minimum tax.

Sec. 15 Amends AS 43.55.024(c), the small producer credit, to clarify that the credit can be used against all parts of AS 43.55.011.

Sec. 16 Amends AS 43.55.024(e), the small producer credit, to clarify that the credit cannot be increased by artificially dividing a company into multiple parts for use against all subsections of AS 43.55.011.

Sec. 17 Amends AS 43.55.024(g) to prevent small producer credits from being used to reduce tax liability below the new minimum tax for major oil fields.

Sec. 18 Amends AS 43.55.024(i) to restrict the $5 per taxable barrel credit from being used to offset production taxes due from a major oil field eligible for the Gross Value Reduction.

Sec. 19 Amends AS 43.55.024(j) to restrict the $0 - $8 sliding-scale per taxable barrel credit from being used to offset production taxes due from a major oil field.

Sec. 20 Amends AS 43.55.025(a), the exploration credit, to clarify that the credit can be used against all parts of AS 43.55.011.

Sec. 21 Amends AS 43.55.025(a), issuing exploration credits, to clarify that the credit can be used against all parts of AS 43.55.011.

Sec. 22 Amends AS 43.55.025(h) to prevent a purchased exploration credit from being used to reduce liability below the new minimum tax on major oil fields.

Sec. 23 Amends AS 43.55.025(i), use of exploration credits, to clarify that the credit can be used against all parts of AS 43.55.011.

Sec. 24 Amends AS 43.55.028(e), purchase of tax credit certificates, to clarify that the credit can be used against all parts of AS 43.55.011.

Sec. 25 Amends AS 43.55.030(a), information provided in tax filing, to require separate information for each major oil field. Also requires separate calculation of oil and gas Production Tax Values.

Sec. 26 Amends AS 43.55.075(b), related to the requirement to file amended taxes after a legal decision that changes a tax calculation. The amendment conforms with the new concept of allocating lease expenditures between oil and gas.

Sec. 27 Amends AS 43.55.150, related to allowable transportation deductions in calculation of the "Gross Value at the Point of Production." Adds a new subsection to require separate calculation for oil, for gas, and for major oil fields.

Sec. 28 Amends AS 43.55.160(a), determination of production tax value, to change the applicability of this subsection from production before January 1, 2022 to production before January 1, 2021. This conforms with new Sec. 35, which covers production after the effective date of the bill.

Sec. 29 Amends AS 43.55.160(c), allocation of transportation costs by month, to conform with the new progressivity calculation which is referenced in Sec. 35.

Sec. 30 Amends AS 43.55.160(d), tax due on adjusted lease expenditures, to conform with amendments in Sec. 34 and new subsections added in Sec. 35.

Sec. 31 Amends AS 43.55.160(e), carried forward annual losses, to conform with new subsections added in Sec. 35.

Sec. 32 Amends AS 43.55.160(f), gross value reduction, to conform with new subsections added in Sec. 35 and add references to a major oil field.

Sec. 33 Amends AS 43.55.160(g), gross value reduction on high royalty leases, to conform with new subsections added in Sec. 35 and add references to a major oil field.

Sec. 34 Amends AS 43.55.160(h), production tax value by segment after 2022, to establish a separate calculation of "Production Tax Value" for each major oil field.

Sec. 35 Adds two new subsections to AS 43.55.160.

(i) Calculates Production Tax Value by segment for just the year 2021 and adds a new segment for major oil fields. This is necessary because in 2022 the gross tax on gas takes effect, so there is this one-year period with both the new taxes added by the bill and the net tax on gas.

(j) Establishes a process for the monthly calculation of production tax value for major oil fields.

Sec. 36 Amends AS 43.55.165(a), lease expenditures, to add a reference to major oil fields.

Sec. 37 Amends AS 43.55.165(h), allocation of lease expenditures, to add references to major oil fields and to production subject to the new taxes in Sec. 5.

Sec. 38 Amends AS 43.55.165(m), limitation on use of carried-forward losses below the minimum tax, to add reference to the new minimum tax in AS 43.55.011(s).

Sec. 39 Amends AS 43.55.165(n), use of carried-forward losses, to conform with the new subsections added in AS 43.55.160 by Sec. 35.

Sec. 40 Amends AS 43.55.165(o), carried-forward losses, to add a reference to major oil fields.

Sec. 41 Amends AS 43.55.165(r), allocation of exploration lease expenditures, to add a reference to major oil fields.

Sec. 42 Amends AS 43.55.170, adjustments to lease expenditures, to provide for allocating adjustments between major fields and other production.

Sec. 43 Amends AS 43.55.895, credits against taxation on municipal entities, to clarify that the portion of earned credits equal to the portion of its taxable production can be used against all parts of AS 43.55.011.

Sec. 44 Adds a new definition in AS 43.55.900 for "major oil field." A major oil field is a field that produced an average of at least 40,000 bbl / day in the previous calendar year, and in excess of 400 million cumulative barrels over the life of the field.

Sec. 45 Establishes that retroactive effect of the Act in Sec. 46 does not result in interest payments to the state.

Sec. 46 Provides for retroactive effect of the Act of January 1, 2021.

Sec. 47 Provides for an immediate effective date.