



# LAWS OF ALASKA

1980

**Source**

HB 904

**Chapter No.**

61

## AN ACT

Relating to the auditing of oil and gas royalty and net profits payments and reports; and providing for an effective date.

---

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 4, 1980  
Actual Effective Date: June 5, 1980

AN ACT

Relating to the auditing of oil and gas royalty and net profits payments and reports; and providing for an effective date.

---

\* Section 1. AS 38.05.035(a)(9)(D) is amended to read:

(D) except as provided in AS 38.05.036, cost data and financial information submitted in support of applications, bonds, leases and similar items;

\* Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.036. AUDIT OF ROYALTY AND NET PROFIT PAYMENTS. (a)

The Department of Revenue shall audit reports, payments, and payments due relating to royalty and net profits under oil and gas contracts, agreements, or leases under this chapter.

(b) The Department of Revenue may inspect all reports and other information filed in support of or relating to royalty and net profits payments, whether or not that information is confidential, and shall hold that information confidential to the extent required under oil and gas agreements, contracts, or leases, or by this chapter or AS 43.05.-230.

(c) All information obtained by the Department of Revenue relating to royalty and net profits payments, including information obtained under AS 43, may be made available to the department, in the form of summaries and, when in furtherance of the department's royalty and net profits functions, relevant portions of the audits. Information made

Chapter 61

1 available to the department that was obtained under AS 43 is confidential  
2 and subject to the provisions of AS 43.05.230.

3 (d) The Department of Revenue may conduct audits under this  
4 section concurrently with audits or investigations under AS 43, and may  
5 use information obtained from the department in tax audits, investiga-  
6 tions, or proceedings under AS 43.

7 (e) In this section, "audit" means the process of obtaining suf-  
8 ficient competent evidentiary matter through inspection, observation,  
9 inquiry, and confirmation to afford a reasonable basis for ascertaining  
10 the compliance by the subject of the audit with the applicable law,  
11 regulation, lease, agreement, and contract terms; it does not include  
12 any other actions necessary to administer AS 38.05 pertaining to oil  
13 and gas royalty and net profits payments, including daily accounting  
14 functions, certification procedures associated with those accounting  
15 functions, and enforcement of payments of royalties and net profits.

16 \* Sec. 3. AS 43.05.010 is amended by adding a new paragraph to read:

17 (16) audit reports, payments, and payments due relating to  
18 royalty and net profits under oil and gas contracts, agreements, or  
19 leases under AS 38.05.

20 \* Sec. 4. AS 43.05.040(a) is amended to read:

21 (a) The department may examine the books, papers, records, or  
22 memoranda of any person to ascertain the correctness of a return filed  
23 or to determine whether a tax or a payment for oil or gas royalty or  
24 net profits shares under a contract, agreement, or lease under AS 38.05  
25 is due, or in an investigation or inspection in connection with tax  
26 matters or matters relating to oil and gas royalty or net profits under  
27 contracts, agreements, or leases under AS 38.05. The records and the  
28 premises where a business is conducted shall be open at all reasonable  
29 times for official inspection, and the department may summon any person

Chapter 61

to appear and produce books, records, papers, or memoranda bearing upon tax matters or matters relating to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05, and to give testimony or answer interrogatories under oath respecting tax matters or matters related to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05, and the department may administer oaths to persons who are so summoned.

\* Sec. 5. AS 43.05.230(a) is repealed and re-enacted to read:

(a) It is unlawful for an officer, employee, or agent of the state to divulge the amount of income or the particulars set out or disclosed in a report or return made under this title, except

(1) in connection with official investigations or proceedings of the department, whether judicial or administrative, involving taxes due under this title;

(2) in connection with official investigations or proceedings of the child support enforcement agency, whether judicial or administrative, involving child support obligations imposed or imposable under AS 25 or AS 47;

(3) as provided in AS 38.05.036 pertaining to audit functions; and

(4) as otherwise provided in this section.

\* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-  
070(c).