

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 292
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY SENATORS FRENCH, Ellis, Elton, Kookesh

Introduced: 2/17/06

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act levying a net profits tax on the production of oil, authorizing a tax credit for**
2 **qualifying exploration costs associated with the exploration for and development of oil,**
3 **providing relief from the tax when the taxpayer demonstrates that a reduction in the tax**
4 **is necessary to establish or reestablish production from an oil field or pool that would**
5 **not otherwise be economically feasible; and repealing the currently levied properties**
6 **production (severance) tax as it applies to oil; and providing for an effective date."**

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

8 * **Section 1.** AS 43.55.013(j) is amended to read:

9 (j) The department may aggregate two or more leases or properties, **or**
10 **portions of them** [(OR PORTIONS OF THEM)], for purposes of determining
11 economic limit factors under this section and applying them to [AS 43.55.011 OR]
12 AS 43.55.016, when economically interdependent [OIL OR GAS] production
13 operations are not confined to a single lease or property. The department may also

1 segregate a lease or property into two or more parts, for purposes of determining
2 economic limit factors under this section and applying them under [AS 43.55.011 OR]
3 AS 43.55.016, when two or more economically independent [OIL OR GAS]
4 production operations are being conducted on it [, OR WHEN OLD CRUDE OIL IS
5 PRODUCED FROM THE SAME LEASE OR PROPERTY AS OTHER OIL].

6 * **Sec. 2.** AS 43.55.020(a) is amended to read:

7 (a) The production tax on [OIL OR] gas shall be paid monthly. The tax is due
8 on the 20th day of each calendar month on [OIL OR] gas produced from each lease or
9 property during the preceding month. If the tax is not paid before the end of the month
10 in which it becomes due, the tax becomes delinquent.

11 * **Sec. 3.** AS 43.55.020(b) is amended to read:

12 (b) The production tax on [OIL OR] gas shall be paid by or on behalf of the
13 producer.

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

15 (d) In making settlement with the royalty owner the producer may deduct the
16 amount of the tax paid on royalty [OIL OR] gas, or may deduct royalty [OIL OR] gas
17 equivalent in value at the time the tax becomes due to the amount of the tax paid.

18 * **Sec. 5.** AS 43.55.020(e) is amended to read:

19 (e) Gas produced in excess of that needed for safety purposes, except gas used
20 in the operation of a lease or property in drilling for or producing oil or gas, or for
21 repressuring, is considered, for the purpose of **this chapter** [AS 43.55.011 -
22 43.55.150] and in the amount used, as gas produced from a lease or property. Gas
23 flared beyond the amount authorized for safety by the Alaska Oil and Gas
24 Conservation Commission under AS 31.05 is considered as gas produced, except that
25 it is subject to a penalty equal to the tax computed under AS 43.55.016 per 1,000 cubic
26 feet of gas for the month in which the gas was flared.

27 * **Sec. 6.** AS 43.55.020(f) is amended to read:

28 (f) **If, under this chapter,** oil or gas is sold under circumstances where the
29 sale price does not represent the prevailing value for oil or gas of like kind, character,
30 or quality in the field or area from which the product is produced, the department may
31 require the tax to be paid upon the basis of the value of oil or gas of the same kind,

1 quality, and character prevailing during the calendar month of production for that field
2 or area.

3 * **Sec. 7.** AS 43.55.025(a) is amended to read:

4 (a) Subject to the terms and conditions of this section, on [OIL AND] gas
5 produced on or after July 1, 2004, from an oil and gas lease, or on gas produced from a
6 gas only lease, a credit against the production tax due under this chapter is allowed for
7 exploration expenditures that qualify under (b) of this section in an amount equal to
8 one of the following:

9 (1) 20 percent of the total exploration expenditures that qualify only
10 under (b) and (c) of this section;

11 (2) 20 percent of the total exploration expenditures for work performed
12 before July 1, 2007, and that qualify only under (b) and (d) of this section;

13 (3) 40 percent of the total exploration expenditures that qualify under
14 (b), (c), and (d) of this section; or

15 (4) 40 percent of the total exploration expenditures that qualify only
16 under (b) and (e) of this section.

17 * **Sec. 8.** AS 43.55.025(b) is amended to read:

18 (b) To qualify for the production tax credit under (a) of this section, an
19 exploration expenditure must be incurred for work performed on or after July 1, 2003,
20 and before July 1, 2007, except that an exploration expenditure for a Cook Inlet
21 prospect must be incurred for work performed on or after July 1, 2005, and before
22 July 1, 2010, and except that an exploration expenditure, in whole or in part, south of
23 68 degrees, 15 minutes, North latitude, and not part of a Cook Inlet prospect must be
24 incurred for work performed on or after July 1, 2003, and before July 1, 2010, and

25 (1) may be for seismic or geophysical exploration costs not connected
26 with a specific well;

27 (2) if for an exploration well,

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

30 (B) may be for either a [AN OIL OR] gas discovery well or a
31 dry hole; and

1 (C) must be for goods, services, or rentals of personal property
 2 reasonably required for the surface preparation, drilling, casing, cementing,
 3 and logging of an exploration well, and, in the case of a dry hole, for the
 4 expenses required for abandonment if the well is abandoned within 18 months
 5 after the date the well was spudded;

6 (3) may not be for testing, stimulation, or completion costs;
 7 administration, supervision, engineering, or lease operating costs; geological or
 8 management costs; community relations or environmental costs; bonuses, taxes, or
 9 other payments to governments related to the well; or other costs that are generally
 10 recognized as indirect costs or financing costs; and

11 (4) may not be incurred for an exploration well or seismic exploration
 12 that is included in a plan of exploration or a plan of development for any unit on
 13 May 13, 2003.

14 * **Sec. 9.** AS 43.55.025(c) is amended to read:

15 (c) To be eligible for the 20 percent production tax credit authorized by (a)(1)
 16 of this section or the 40 percent production tax credit authorized by (a)(3) of this
 17 section, exploration expenditures must

18 (1) qualify under (b) of this section; and

19 (2) be for an exploration well, subject to the following:

20 (A) for an exploration well other than a well that is described in
 21 (B) of this paragraph, the well must be located and drilled in such a manner
 22 that the bottom hole is located not less than three miles away from the bottom
 23 hole of a preexisting suspended, completed, or abandoned [OIL OR] gas well;
 24 in this subparagraph, "preexisting" means a well that was spudded more than
 25 150 days but less than 35 years before the exploration well was spudded;

26 (B) for an exploration well that explores a Cook Inlet prospect,
 27 the well must be located at least three miles from any other well drilled for
 28 [OIL AND] gas with all distances measured as the horizontal distance between
 29 exploration targets, except that the exploration well that is located within three
 30 miles of a well drilled for [OIL AND] gas qualifies for the tax credit
 31 authorized by this subsection if the exploration well tests potential

1 hydrocarbon traps that the commissioner of natural resources determines, after
2 analyzing evidence submitted by the explorer and from other information that
3 the commissioner of natural resources determines relevant, constitute a
4 distinctly separate exploration target.

5 * **Sec. 10.** AS 43.55.025(f) is amended to read:

6 (f) For a production tax credit under this section,

7 (1) an explorer shall, in a form prescribed by the department and
8 within six months of the completion of the exploration activity, claim the credit and
9 submit information sufficient to demonstrate to the department's satisfaction that the
10 claimed exploration expenditures qualify under this section;

11 (2) an explorer shall agree, in writing,

12 (A) to notify the Department of Natural Resources, within 30
13 days after completion of seismic or geophysical data processing, completion of
14 a well, or filing of a claim for credit, whichever is the latest, for which
15 exploration costs are claimed, of the date of completion and submit a report to
16 that department describing the processing sequence and providing a list of data
17 sets available; if, under (c)(2)(B) of this section, an explorer submits a claim
18 for a credit for expenditures for an exploration well that is located within three
19 miles of a well already drilled for [OIL AND] gas, in addition to the
20 submissions required under (1) of this subsection, the explorer shall submit the
21 information necessary for the commissioner of natural resources to evaluate
22 the validity of the explorer's claim that the well is directed at a distinctly
23 separate exploration target, and the commissioner of natural resources shall,
24 upon receipt of all evidence sufficient for the commissioner to evaluate the
25 explorer's claim, make that determination within 60 days;

26 (B) to provide to the Department of Natural Resources, within
27 30 days after the date of a request, specific data sets, ancillary data, and reports
28 identified in (A) of this paragraph;

29 (C) that, notwithstanding any provision of AS 38, information
30 provided under this paragraph will be held confidential by the Department of
31 Natural Resources for 10 years following the completion date, at which time

1 that department will release the information after 30 days' public notice;

2 (3) if more than one explorer holds an interest in a well or seismic
3 exploration, each explorer may claim an amount of credit that is proportional to the
4 explorer's cost incurred;

5 (4) the department may exercise the full extent of its powers as though
6 the explorer were a taxpayer under this title, in order to verify that the claimed
7 expenditures are qualified exploration expenditures under this section; and

8 (5) if the department is satisfied that the explorer's claimed
9 expenditures are qualified under this section, the department shall issue to the explorer
10 a production tax credit certificate for the amount of credit to be allowed against
11 production taxes due under this chapter; however, notwithstanding any other provision
12 of this section, the department may not issue to an explorer a production tax credit
13 certificate if the total of production tax credits submitted for Cook Inlet production,
14 based on exploration expenditures for work performed during the period described in
15 (b) of this section for that production, that have been approved by the department
16 exceeds \$20,000,000.

17 * **Sec. 11.** AS 43.55.025(k)(1) is amended to read:

18 (1) "Cook Inlet production" means [OIL OR] gas production from the
19 Cook Inlet sedimentary basin, as that term is defined by regulation adopted to
20 implement AS 38.05.180(f)(4);

21 * **Sec. 12.** AS 43.55.025(k)(3) is amended to read:

22 (3) "explorer" means a person who, in exploring for new [OIL OR] gas
23 reserves, incurs expenditures.

24 * **Sec. 13.** AS 43.55.080 is amended to read:

25 **Sec. 43.55.080. Collection and deposit of revenue.** The department shall
26 deposit in the general fund the money collected by it under AS 43.55.013 - 43.55.150
27 and 43.55.400 - 43.55.420 [AS 43.55.011 - 43.55.150].

28 * **Sec. 14.** AS 43.55.135 is amended to read:

29 **Sec. 43.55.135. Measurement.** For the purposes of this chapter
30 [AS 43.55.011 - 43.55.150], oil shall be measured in terms of a "barrel of oil" and gas
31 shall be measured in terms of a "cubic foot of gas."

1 * **Sec. 15.** AS 43.55.150(a) is amended to read:

2 (a) For the purposes of **this chapter** [AS 43.55.011 - 43.55.150], the gross
3 value shall be calculated using the reasonable costs of transportation of the oil or gas.
4 The reasonable costs of transportation shall be the actual costs, except

5 (1) when the parties to the transportation of oil or gas are affiliated;

6 (2) when the contract for the transportation of oil or gas is not an arm's
7 length transaction or is not representative of the market value of that transportation;

8 (3) when the method of transportation of oil or gas is not reasonable in
9 view of existing alternative methods of transportation.

10 * **Sec. 16.** AS 43.55.201(b) is amended to read:

11 (b) The surcharge imposed by (a) of this section

12 **(1)** is in addition to [AND SHALL BE PAID IN THE SAME
13 MANNER AS] the tax imposed by **AS 43.55.400 - 43.55.420** [AS 43.55.011 -
14 43.55.150;] and is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310;
15 **and**

16 **(2) shall be paid in the same manner as the tax imposed by**
17 **AS 43.55.400 - 43.55.420.**

18 * **Sec. 17.** AS 43.55.201(c) is amended to read:

19 (c) A producer of oil shall make reports of production in the same manner and
20 under the same penalties as required under **AS 43.55.020 - 43.55.150 and 43.55.400 -**
21 **43.55.420** [AS 43.55.011 - 43.55.150].

22 * **Sec. 18.** AS 43.55.300(b) is amended to read:

23 (b) The surcharge imposed by (a) of this section

24 **(1)** is in addition to [AND SHALL BE PAID IN THE SAME
25 MANNER AS] the tax imposed by **AS 43.55.400 - 43.55.420** [AS 43.55.011 -
26 43.55.150;] and is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231;
27 **and**

28 **(2) shall be paid in the same manner as the tax imposed by**
29 **AS 43.55.400 - 43.55.420.**

30 * **Sec. 19.** AS 43.55.300(c) is amended to read:

31 (c) A producer of oil shall make reports of production in the same manner and

1 under the same penalties as required under AS 43.55.020 - 43.55.150 and 43.55.400 -
 2 43.55.420 [AS 43.55.011 - 43.55.150].

3 * **Sec. 20.** AS 43.55 is amended by adding new sections to read:

4 **Article 3A. Production Profits Sharing Tax.**

5 **Sec. 43.55.400. Production profits sharing tax.** (a) There is levied on the
 6 producer of oil a tax for all oil from each lease or property in the state, less any oil the
 7 ownership or right to which is exempt from taxation.

8 (b) The tax levied under this section is equal to a percentage as determined in
 9 (c) or (d) of this section of the gross production revenues of the oil produced, based on
 10 the gross value of the oil at the point of production, net of royalties paid on the oil
 11 production under AS 38.05, and less the taxpayer's

12 (1) lease expenses; and

13 (2) capital expenses related to the lease.

14 (c) The rate of tax levied under this section, except as provided for heavy oil
 15 under (d) of this section, is 30 percent.

16 (d) The tax levied under this section on heavy oil is determined as follows:

17 (1) subject to adjustment under (2) of this subsection, when the
 18 average prevailing value of Alaska North Slope oil is

19 (A) not more than \$40 a barrel, tax is not due under this
 20 section;

21 (B) more than \$40 a barrel but not more than \$45 a barrel, the
 22 tax rate is 2.5 percent;

23 (C) more than \$45 a barrel but not more than \$50 a barrel, the
 24 tax rate is five percent;

25 (D) more than \$50 a barrel but not more than \$55 a barrel, the
 26 tax rate is 10 percent;

27 (E) more than \$55 a barrel, the tax rate is 15 percent;

28 (2) on and after July 1, 2007, the commissioner shall

29 (A) annually revise the dollar prices described in (1) of this
 30 subsection to reflect inflation, as defined by regulation adopted by the
 31 department; and

1 (B) promptly report the application of the revisions to all
2 taxpayers subject to the tax levied and collected under this section;

3 (3) in this subsection,

4 (A) "heavy oil" means oil equal to or less than 20 degrees API
5 gravity;

6 (B) "prevailing value of Alaska North Slope oil" means

7 (i) for oil, or commingled oil and natural gas liquids,
8 that are transferred by the producer in an arm's-length, third-party sale,
9 the average spot price for Alaska North Slope oil at the United States
10 West Coast during the month that is referenced in the sales contract
11 pricing provision; if more than one month is referenced in the sales
12 contract pricing provision, the month with more daily spot price reports
13 that fall within the contract price reference period must be used; in the
14 case of an equal number of spot price reports, the month closer to the
15 month of production must be used; if the sales contract does not have a
16 price reference period, the prevailing value determined under (iii) of
17 this subparagraph must be used;

18 (ii) for oil, or commingled oil and natural gas liquids,
19 that are transferred by the producer in an arm's-length, third-party
20 exchange, the average spot price for Alaska North Slope oil at the
21 United States West Coast during the same month that is applied by the
22 department to the crude received in the exchange; if the department
23 cannot determine the month in which the crude was received, the
24 prevailing value determined under (iii) of this subparagraph must be
25 used; or

26 (iii) for other oil, or commingled oil and natural gas
27 liquids, including that which is refined, used as fuel or petrochemical
28 feedstock, or otherwise consumed at a refinery or plant owned by the
29 producer, the average spot price for Alaska North Slope oil at the
30 United States West Coast during the month of delivery of that oil, or
31 commingled oil and natural gas liquids.

1 (e) For purposes of computation of payment of the tax under this section, a
2 deduction for pipeline expenses is not allowed.

3 (f) Tax is not due under this section from a field that produces less than 1,000
4 barrels of daily production. For purposes of determining daily production under this
5 subsection,

6 (1) the department may

7 (A) aggregate two or more leases or properties, or portions of
8 them, when economically interdependent oil production operations are not
9 confined to a single lease or property within a field or involve two or more
10 pools; or

11 (B) segregate a lease or property that involves more than one
12 pool within a field when two or more economically independent oil production
13 operations are being conducted on it;

14 (2) "field" means a general area that is underlain or appears to be
15 underlain by at least one pool, and includes the underground reservoir containing oil;
16 in this paragraph,

17 (A) "pool" means an underground reservoir containing oil; each
18 zone of a general structure that is completely separated from any other zone in
19 the structure is covered by the term "pool";

20 (B) the words "field" and "pool" mean the same thing when
21 only one underground reservoir is involved, but "field," unlike "pool," may
22 relate to two or more pools.

23 (g) A taxpayer may apply for and obtain a reduction of the tax due under this
24 section if the commissioner determines that the application meets the requirements of
25 AS 38.05.180(j)(1)(A), (j)(1)(B), or (j)(1)(C). When the commissioner receives an
26 application under this subsection, the commissioner

27 (1) may not approve a tax reduction

28 (A) unless the applicant makes a clear and convincing showing
29 that the tax reduction meets the requirements of this subsection and is in the
30 best interests of the state;

31 (B) without including an explicit condition that the tax

1 reduction is not assignable without the prior written approval, which may not
2 be unreasonably withheld, by the commissioner; the commissioner shall, in the
3 preliminary and final findings and determinations, set out the conditions under
4 which the tax reduction may be assigned;

5 (2) shall require the applicant to submit, with the application for the
6 tax reduction, financial and technical data that demonstrate that the requirements of
7 this subsection are met; the commissioner

8 (A) may require disclosure of only the financial and technical
9 data related to development, production, and transportation of oil and gas or
10 gas only from the field or pool that are reasonably available to the applicant;
11 and

12 (B) shall keep the data confidential under AS 38.05.035(a)(9)
13 at the request of the applicant; the confidential data may be disclosed by the
14 commissioner to legislators and to the legislative auditor and as directed by the
15 chair or vice-chair of the Legislative Budget and Audit Committee to the
16 director of the division of legislative finance, the permanent employees of their
17 respective divisions who are responsible for evaluating a tax reduction, and to
18 agents or contractors of the legislative auditor or the legislative finance director
19 who are engaged under contract to evaluate the tax reduction, if they sign an
20 appropriate confidentiality agreement;

21 (3) may require the applicant for the tax reduction under this
22 subsection to pay for the services of an independent contractor, selected by the
23 applicant from a list of qualified consultants compiled by the commissioner, to
24 evaluate hydrocarbon development, production, transportation, and economics and to
25 assist the commissioner in evaluating the application and financial and technical data;
26 if, under this paragraph, the commissioner requires payment for the services of an
27 independent contractor, the total cost of the services to be paid for by the applicant
28 may not exceed \$150,000 for each application, and the commissioner shall determine
29 the relevant scope of the work to be performed by the contractor; selection of an
30 independent contractor under this paragraph is not subject to AS 36.30;

31 (4) shall make and publish a preliminary findings and determination on

1 the tax reduction application, give reasonable public notice of the preliminary findings
 2 and determination, and invite public comment on the preliminary findings and
 3 determination during a 30-day period for receipt of public comment;

4 (5) shall offer to appear before the Legislative Budget and Audit
 5 Committee, on a day that is not earlier than 10 days and not later than 20 days after
 6 giving public notice under (4) of this subsection, to provide the committee a review of
 7 the commissioner's preliminary findings and determination on the tax reduction
 8 application and administrative process; if the Legislative Budget and Audit Committee
 9 accepts the commissioner's offer, the committee shall give notice of the committee's
 10 meeting to all members of the legislature;

11 (6) shall make copies of the preliminary findings and determination
 12 available to

13 (A) the presiding officer of each house of the legislature;

14 (B) the chairs of the legislature's standing committees on
 15 resources; and

16 (C) the chairs of the legislature's special committees on oil and
 17 gas, if any; and

18 (7) shall, within 30 days after the close of the public comment period
 19 under (4) of this subsection,

20 (A) prepare a summary of the public response to the
 21 commissioner's preliminary findings and determination;

22 (B) make a final findings and determination; the
 23 commissioner's final findings and determination prepared under this
 24 subparagraph regarding a tax reduction is final and not appealable to the court;

25 (C) transmit a copy of the final findings and determination to
 26 the taxpayer; and

27 (D) make copies of the final findings and determination
 28 available to each person who submitted comment under (4) of this subsection
 29 and who has filed a request for the copies.

30 **Sec. 43.55.410. Payment of tax.** A taxpayer shall pay the tax due under
 31 AS 43.55.400 quarterly. The tax is due on the 20th day of each calendar month on oil

1 produced from each lease or property subject to the tax levied by AS 43.55.400 during
 2 the preceding calendar quarter. If the tax is not paid before the end of the month in
 3 which it becomes due, the tax becomes delinquent. For purposes of this section,
 4 "calendar quarter" means each of the three-month periods ending March 31, June 30,
 5 September 30, and December 31.

6 **Sec. 43.55.420. Tax credit for new investments.** (a) Subject to the terms and
 7 conditions of this section, on oil subject to tax under AS 43.55.400 produced on or
 8 after the effective date of this Act, from a lease or property, a credit against the
 9 production tax due under AS 43.55.400 is allowed for 15 percent of the total
 10 exploration expenditures that qualify under (c) of this section.

11 (b) The tax credit authorized under this section may not exceed one-half of the
 12 taxpayer's tax liability under AS 43.55.400.

13 (c) To qualify for the tax credit under (a) of this section, an exploration
 14 expenditure

15 (1) must be incurred

16 (A) for seismic or geophysical exploration costs that are
 17 incurred generally and that are not connected with a specific well;

18 (B) if for an exploration well,

19 (i) by a taxpayer that holds an interest in the exploration
 20 well for which the production tax credit is claimed;

21 (ii) for either a discovery well or a dry hole; and

22 (iii) for goods, services, or rentals of personal property
 23 reasonably required for the surface preparation, drilling, casing,
 24 cementing, and logging of an exploration well, and, in the case of a dry
 25 hole, for the expenses required for abandonment if the well is
 26 abandoned within 18 months after the date the well was spudded; and

27 (2) may not be incurred for testing, stimulation, or completion costs;
 28 administration, supervision, engineering, or lease operating costs; geological or
 29 management costs; community relations or environmental costs; bonuses, taxes, or
 30 other payments to governments related to the well; or other costs that are generally
 31 recognized as indirect costs or financing costs.

1 (d) To claim and obtain a tax credit under this section,

2 (1) a taxpayer shall, in a form prescribed by the department and within
3 six months of the completion of the exploration activity, claim the credit and submit
4 information sufficient to demonstrate to the department's satisfaction that the claimed
5 exploration expenditures qualify under this section;

6 (2) a taxpayer shall agree, in writing,

7 (A) to notify the Department of Natural Resources, within 30
8 days after completion of seismic or geophysical data processing, completion of
9 a well, or filing of a claim for credit, whichever is the latest, for which
10 exploration costs are claimed, of the date of completion, and submit a report to
11 that department describing the processing sequence and providing a list of data
12 sets available; the commissioner of natural resources shall, on receipt of all
13 evidence sufficient for the commissioner to evaluate the taxpayer's claim,
14 make that determination within 60 days; and

15 (B) to provide to the Department of Natural Resources, within
16 30 days after the date of a request, specific data sets, ancillary data, and reports
17 identified in (A) of this paragraph; notwithstanding any provision of AS 38 to
18 the contrary, the Department of Natural Resources shall hold confidential for
19 10 years following the completion date information provided under this
20 subparagraph, at which time that department shall release the information after
21 30 days' public notice;

22 (3) if more than one taxpayer who incurs expenses in exploring for
23 new oil reserves holds an interest in a well or seismic exploration, each taxpayer may
24 claim an amount of credit that is proportional to the taxpayer's cost incurred;

25 (4) the department may exercise the full extent of its powers to verify
26 that the claimed expenditures are qualified exploration expenditures under this section;
27 and

28 (5) if the department is satisfied that the taxpayer's claimed
29 expenditures are qualified under this section, the department shall issue to the taxpayer
30 a tax credit certificate for the amount of credit to be allowed against taxes due under
31 AS 43.55.400.

1 (e) Except as limited by (f) of this section, a taxpayer may transfer, convey, or
 2 sell its tax credit certificate to any person, and any person who receives a tax credit
 3 certificate may also transfer, convey, or sell the certificate.

4 (f) A taxpayer may not purchase or take receipt of a tax credit certificate under
 5 this section unless the taxpayer provides evidence to the commissioner of exploration
 6 activities that qualify under (c) of this section undertaken by the taxpayer or by an
 7 agent of the taxpayer within the three years immediately preceding acquisition of the
 8 tax credit certificate. A tax credit certificate obtained in violation of this section is
 9 void.

10 (g) A taxpayer that purchases a tax credit certificate may apply the credits
 11 against its tax liability under AS 43.55.400. Regardless of the price the taxpayer paid
 12 for the certificate, the taxpayer may receive a credit against its tax liability under
 13 AS 43.55.400 for the full amount of the credit, but for not more than the amount for
 14 which the certificate is issued. A tax credit allowed under this section may not be
 15 applied more than once.

16 (h) For a tax credit under this section,

17 (1) the amount of the credit that may be applied against the production
 18 tax for each calendar quarter may not exceed the total tax liability of the taxpayer
 19 applying the credit for the same period; and

20 (2) an amount of the tax credit that is greater than the total tax liability
 21 of the taxpayer applying the credit for a calendar quarter may be carried forward and
 22 applied against the taxpayer's tax liability under AS 43.55.400 in one or more
 23 immediately following calendar quarters.

24 (i) Notwithstanding any other provision of this title, of AS 31.05, or of
 25 AS 40.25.100, the department shall provide to the Department of Natural Resources
 26 information submitted with a claim under this section to support the eligibility of an
 27 exploration expenditure, including seismic exploration data and well data, and any
 28 information described in (f)(2) of this section received by the department.

29 * **Sec. 21.** AS 43.82.210(a) is amended to read:

30 (a) If the commissioner approves an application and proposed project plan
 31 under AS 43.82.140, the commissioner may develop proposed terms for inclusion in a

1 contract under AS 43.82.020 for periodic payment in lieu of one or more of the
 2 following taxes that otherwise would be imposed by the state or a municipality on the
 3 qualified sponsor or member of a qualified sponsor group as a consequence of
 4 participating in an approved qualified project:

5 (1) [OIL AND] gas production taxes, **the net profits tax on oil, and**
 6 **the** oil surcharges under AS 43.55;

7 (2) oil and gas exploration, production, and pipeline transportation
 8 property taxes under AS 43.56;

9 (3) [REPEALED

10 (4)] Alaska net income tax under AS 43.20;

11 **(4)** [(5)] municipal sales and use tax under AS 29.45.650 - 29.45.710;

12 **(5)** [(6)] municipal property tax under AS 29.45.010 - 29.45.250 or
 13 29.45.550 - 29.45.600;

14 **(6)** [(7)] municipal special assessments under AS 29.46;

15 **(7)** [(8)] a comparable tax or levy imposed by the state or a
 16 municipality after June 18, 1998;

17 **(8)** [(9)] other state or municipal taxes or categories of taxes identified
 18 by the commissioner.

19 * **Sec. 22.** AS 43.55.011, 43.55.012, 43.55.013(b), 43.55.013(d), and 43.55.900(12) are
 20 repealed.

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

23 TRANSITIONAL PROVISION FOR EXPIRING OIL PRODUCTION TAX
 24 CREDIT. Notwithstanding the amendments to AS 43.55.025 made by secs. 7 - 12 of this Act
 25 limiting application of the production tax credit under that section to gas, a taxpayer who, on
 26 January 1, 2006, holds production credits for oil that are subject to the carry-forward
 27 provision of AS 43.55.025(i), may apply the unused amounts of those credits against the net
 28 profits tax on oil due under AS 43.55.400.

29 * **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to
 30 read:

31 RETROACTIVE APPLICATION. This Act is retroactive to January 1, 2006, and

- 1 applies to oil produced after December 31, 2005, that is subject to the properties production
- 2 tax on oil under AS 43.55.
- 3 * **Sec. 25.** This Act takes effect immediately under AS 01.10.070(c).