

AMENDMENT

6

Crawford
Gardner

OFFERED IN THE HOUSE
TO: CSHB 2001(FIN)

1 Page 2, line 10:

2 Delete "sec. 40"

3 Insert "sec. 41"

4

5 Page 2, line 15:

6 Delete "sec. 46"

7 Insert "sec. 47"

8

9 Page 2, following line 19:

10 Insert a new bill section to read:

11 **** Sec. 2.** AS 37.10 is amended by adding a new section to read:

12 **Sec. 37.10.440. Appropriations to the budget reserve fund of production**
13 **tax revenue.** (a) By February 1 each year, the Department of Revenue shall determine
14 the amount of revenue received from the tax levied under AS 43.55.410(b)(1) and
15 notify the legislature of that amount.

16 (b) The legislature may appropriate 50 percent of the amount reported by the
17 Department of Revenue to the budget reserve fund (art. IX, sec. 17, Constitution of the
18 State of Alaska).

19 (c) Nothing in this section requires that money be appropriated or creates a
20 dedicated fund."

21

22 Renumber the following bill sections accordingly.

23

1 Page 11, line 15, following "state":

2 Insert "that is not within a unit or area described in AS 43.55.400(a)"

3

4 Page 42, following line 16:

5 Insert new bill sections to read:

6 **** Sec. 50.** AS 43.55.201(b) is amended to read:

7 (b) The surcharge imposed by (a) of this section is in addition to the **taxes**
 8 [TAX] imposed by AS 43.55.011 **and 43.55.410** and is due on the last day of the
 9 month on oil produced from each lease or property during the preceding month. The
 10 surcharge is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310.

11 *** Sec. 51.** AS 43.55.201(c) is amended to read:

12 (c) A producer of oil shall make a report of production on March 31 of the
 13 year following the calendar year of production and in the same manner and under the
 14 same penalties as required under AS 43.55.011 - 43.55.180 **and 43.55.400 -**
 15 **43.55.440.**

16 *** Sec. 52.** AS 43.55.201(d) is amended to read:

17 (d) Oil not considered under AS 43.55.020(e) **or 43.55.430(d)** to be produced
 18 from a lease or property is not considered to be produced from a lease or property for
 19 purposes of this section.

20 *** Sec. 53.** AS 43.55.300(b) is amended to read:

21 (b) The surcharge imposed by (a) of this section is in addition to the **taxes**
 22 [TAX] imposed by AS 43.55.011 **and 43.55.410** and is due on the last day of the
 23 month on oil produced from each lease or property during the preceding month. The
 24 surcharge is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231 **and**
 25 **43.55.400 - 43.55.440.**

26 *** Sec. 54.** AS 43.55.300(c) is amended to read:

27 (c) A producer of oil shall make a report of production on March 31 of the
 28 year following the calendar year of production and in the same manner and under the
 29 same penalties as required under AS 43.55.011 - 43.55.180 **and 43.55.400 -**
 30 **43.55.440.**

31 *** Sec. 55.** AS 43.55.300(d) is amended to read:

1 (d) Oil not considered under AS 43.55.020(e) or 43.55.430(d) to be produced
 2 from a lease or property is not considered to be produced from a lease or property for
 3 purposes of this section.

4 * **Sec. 56.** AS 43.55 is amended by adding new sections to read:

5 **Article 3A. Oil and Gas Production Tax for Legacy Fields.**

6 **Sec. 43.55.400. Applicability.** (a) AS 43.55.400 - 43.55.440 apply to the
 7 production of oil or gas after December 31, 2007, from a unit that produced more than
 8 200,000,000 BTU equivalent barrels after the date of the commencement of
 9 commercial operations and before the year in which the tax is levied and has an
 10 average daily oil and gas production during the year immediately preceding the
 11 calendar year in which the tax is levied of more than 50,000 BTU equivalent barrels.

12 (b) Before February 1 of each year, the commissioner shall identify and
 13 publish a description of each unit described in (a) of this section.

14 (c) AS 43.55.011(f), 43.55.011(g), 43.55.020, 43.55.023 - 43.55.025, and
 15 43.55.030(a) - (d) do not apply to oil and gas for which a tax is levied under
 16 AS 43.55.400 - 43.55.440.

17 (d) In this section,

18 (1) "commencement of commercial operations" means the start of
 19 regular deliveries of marketable oil or gas;

20 (2) "unit" means a group of leases covering all or part of one or more
 21 potential hydrocarbon accumulations, or all or part of one or more adjacent or
 22 vertically separate oil or gas reservoirs that are subject to a unit agreement;

23 (3) "unit agreement" means the agreement executed by the State of
 24 Alaska, working-interest owners, and royalty owners creating the unit.

25 **Sec. 43.55.410. Legacy field oil and gas production tax.** (a) There is levied
 26 on the producer of oil or gas a tax for all oil and gas produced each month from each
 27 lease or property in the state described in AS 43.55.400(a), less any oil and gas the
 28 ownership or right to which is exempt from taxation. The tax is equal to

29 (1) 17 percent of the gross value at the point of production of the oil
 30 taxable under this section; and

31 (2) 13 percent of the gross value at the point of production of the gas

1 taxable under this section.

2 (b) For each calendar year for which the price index determined under (c) of
3 this section is

4 (1) greater than zero, in addition to the tax levied under (a) of this
5 section, there is levied on the producer of oil or gas a tax for all oil and gas produced
6 that calendar year from each lease or property subject to the provisions of
7 AS 43.55.400 - 43.55.440, less any oil and gas the ownership or right to which is
8 exempt from taxation; the tax levied under this paragraph

9 (A) when the average price per barrel for Alaska North Slope
10 crude oil for sale on the United States West Coast during the calendar year is at
11 least \$40 a barrel but less than \$70 a barrel, is equal to 0.25 percent of the
12 gross value at the point of production of the taxable oil and gas for the calendar
13 year multiplied by the number that represents the difference between the
14 average price per barrel for Alaska North Slope crude oil for sale on the United
15 States West Coast during the calendar year and \$40;

16 (B) when the average price per barrel for Alaska North Slope
17 crude oil for sale on the United States West Coast during the calendar year is at
18 least \$70 a barrel, the tax is equal to 7.5 percent of the gross value at the point
19 of production of taxable oil and gas for that tax year plus 0.35 percent of the
20 gross value at the point of production of the taxable oil and gas for the calendar
21 year multiplied by the number that represents the difference between the
22 average price per barrel for Alaska North Slope crude oil for sale on the United
23 States West Coast during the calendar year and \$70;

24 (2) less than zero, for all oil and gas produced that calendar year from
25 each lease or property subject to the provisions of AS 43.55.400 - 43.55.440, less any
26 oil and gas the ownership or right to which is exempt from taxation, a producer may
27 take a reduction in tax levied under (a) of this section equal to 0.25 percent of the
28 gross value at the point of production of taxable oil and gas for the calendar year
29 multiplied by the price index determined under (c) of this section.

30 (c) For purposes of (b) of this section, the price index for a calendar year is
31 calculated by subtracting 40 from the number that is equal to the average price per

1 barrel for Alaska North Slope crude oil for sale on the United States West Coast
2 during the calendar year for which the tax is due.

3 (d) The tax rate calculated under (b)(1) of this section may not be more than 25
4 percent.

5 **Sec. 43.55.420. Tax credit for exploration and development.** (a) A producer
6 or explorer that incurs an expenditure that otherwise would be a qualified capital
7 expenditure if incurred for a lease or property that is not within a unit described in
8 AS 43.55.400 may take a credit against the tax levied by AS 43.55.410 only as
9 provided in this section.

10 (b) A credit is not available under this section until the total amount of
11 qualified capital expenditures incurred after December 31, 2007, in a unit described in
12 AS 43.55.400(a) exceeds \$100,000,000. When the total amount of qualified capital
13 expenditures exceeds \$100,000,000, the producer or explorer that incurs those capital
14 expenditures is eligible for a credit against the production tax levied in AS 43.55.410
15 in the amount of \$40,000,000.

16 (c) A producer or explorer is eligible for a credit against the production tax
17 levied in AS 43.55.410 in the amount of 40 percent of the qualified expenditures the
18 producer or explorer incurs for a lease or property within a unit described in
19 AS 43.55.400(a) after qualifying for the credit in (b) of this section.

20 (d) A person may not apply a credit under this section against a tax levied by
21 AS 43.55.410 more than five calendar years after the date a qualified capital
22 expenditure is eligible for the credit under (b) or (c) of this section, starting with the
23 first calendar year following the date the expenditure was made that qualified for the
24 credit.

25 (e) A lease expenditure for a lease or property in a unit described in
26 AS 43.55.400(a) may not be treated as a qualified capital expenditure for the purposes
27 of AS 43.55.023 or treated as an expenditure for which a credit is allowed under
28 AS 43.55.025.

29 (f) In this section, "qualified capital expenditure" has the meaning given in
30 AS 43.55.023, except that a qualified capital expenditure must be incurred for a lease
31 or property in a unit described in AS 43.55.400(a) to qualify for a credit under this

1 section.

2 **Sec. 43.55.430. Payment of tax.** (a) For a calendar year, a producer subject to
3 tax under AS 43.55.410 shall pay the tax as follows:

4 (1) an installment payment of the estimated tax levied by
5 AS 43.55.410, net of any tax credits applied as allowed by law, is due for each month
6 of the calendar year on the last day of the following month; the amount of the
7 installment payment is the total amount of the gross value at the point of production of
8 the oil or gas taxable under AS 43.55.410 and produced by the producer from leases or
9 properties in a unit described in AS 43.55.400(a) during the month minus 1/12 of the
10 tax credits that are allowed by law to be applied against the tax levied by
11 AS 43.55.400 for the calendar year, except that the installment payment may not be
12 less than zero;

13 (2) any amount of tax levied by AS 43.55.410, net of any credits
14 applied as allowed by law, that exceeds the total of the amounts due as installment
15 payments of estimated tax is due on March 31 of the year following the calendar year
16 of production.

17 (b) The production tax on oil and gas shall be paid to the department by or on
18 behalf of the producer.

19 (c) In making settlement with the royalty owner for oil and gas that is taxable
20 under AS 43.55.410, the producer may deduct the amount of the tax paid on taxable
21 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
22 time the tax becomes due to the amount of the tax paid. If the total deductions of
23 installment payments of estimated tax for a calendar year exceed the actual tax for that
24 calendar year, the producer shall, before April 1 of the following year, refund the
25 excess to the royalty owner.

26 (d) Gas flared, released, or allowed to escape in excess of the amount
27 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
28 purpose of AS 43.55.400 - 43.55.440, as gas produced from a lease or property. Oil or
29 gas used in the operation of a lease or property in a unit described in AS 43.55.400(a)
30 in drilling for or producing oil or gas, or for repressuring, except to the extent
31 determined by the Alaska Oil and Gas Conservation Commission to be waste, is not

1 considered, for the purpose of AS 43.55.400 - 43.55.440, as oil or gas produced from a
2 lease or property.

3 (e) If oil or gas is produced but not sold, or if oil or gas is produced and sold
4 under circumstances where the sale price does not represent the prevailing value for
5 oil or gas of like kind, character, or quality in the field or area from which the product
6 is produced, the department may require the tax to be paid upon the basis of the value
7 of oil or gas of the same kind, quality, and character prevailing for that field or area
8 during the calendar month of production or sale.

9 (f) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
10 amount of an installment payment required under (a)(1) of this section that is not paid
11 when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C.
12 6621 (Internal Revenue Code), as amended, compounded daily, from the date the
13 installment payment is due until the March 31 described in AS 43.55.440(a), and (2)
14 as provided for a delinquent tax under AS 43.05.225 after that March 31. Interest
15 accrued under (1) of this subsection that remains unpaid after that March 31 is treated
16 as an addition to tax that bears interest under (2) of this subsection. An unpaid amount
17 of tax due under (a)(2) of this section that is not paid when due bears interest as
18 provided for a delinquent tax under AS 43.05.225.

19 (g) Notwithstanding any contrary provision of AS 43.05.280,

20 (1) an overpayment of an installment payment required under (a)(1) of
21 this section bears interest at the rate provided for an overpayment under 26 U.S.C.
22 6621 (Internal Revenue Code), as amended, compounded daily, from the later of the
23 date the installment payment is due or the date the overpayment is made, until the
24 earlier of

25 (A) the date it is refunded or is applied to an underpayment; or

26 (B) the March 31 described in AS 43.55.440(a);

27 (2) except as provided under (1) of this subsection, interest with
28 respect to an overpayment is allowed only on any net overpayment of the payments
29 required under (a) of this section that remains after the later of the March 31 described
30 in AS 43.55.440(a) or the date that the statement required under AS 43.55.440(a) is
31 filed;

1 (3) interest is allowed under (2) of this subsection only from a date that
2 is 90 days after the later of the March 31 described in AS 43.55.440(a) or the date that
3 the statement required under AS 43.55.440(a) is filed; interest is not allowed if the
4 overpayment was refunded within the 90-day period;

5 (4) interest under (2) and (3) of this subsection is paid at the rate and in
6 the manner provided in AS 43.05.225(1).

7 **Sec. 43.55.440. Filing of statements.** (a) The person paying the tax under
8 AS 43.55.400 - 43.55.440 shall file with the department on March 31 of the year
9 following the calendar year for which the tax was levied a statement, under oath, in a
10 form prescribed by the department, giving, with other information required, the
11 following:

12 (1) a description of each lease or property within a unit described in
13 AS 43.55.400(a) from which the oil and gas were produced, by name, legal
14 description, lease number, or accounting codes assigned by the department;

15 (2) the names of the producer and the person paying the tax;

16 (3) the gross amount of oil and the gross amount of gas produced from
17 each lease or property, and the percentage of the gross amount of oil and gas owned by
18 each producer for whom the tax is paid;

19 (4) the gross value at the point of production of the oil and of the gas
20 produced from each lease or property owned by each producer for whom the tax is
21 paid; and

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

25 (b) Reports required under this section are delinquent the first day following
26 the day the report is due. The person required to file the report is liable for a penalty,
27 as determined by the department under standards adopted in regulation by the
28 department, of not more than \$1,000 for each day the person fails to file the report at
29 the time required. The penalty is in addition to the penalties in AS 43.05.220 and
30 43.05.290 and is assessed, collected, and paid in the same manner as a tax deficiency
31 under this title. In this subsection, "report" includes a statement."

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Renumber the following bill sections accordingly.

Page 43, line 27:

Delete "Sections 14 - 35, 37, 42 - 48, and 51"

Insert "Sections 15 - 36, 38, 43 - 49, 56, and 59"

Page 43, line 29:

Delete "Sections 35 and 37"

Insert "Sections 36 and 38"

Page 43, line 30:

Delete "sec. 35"

Insert "sec. 36"

Page 43, line 31:

Delete "sec. 37"

Insert "sec. 38"

Page 44, line 1:

Delete "Sections 28 - 31 and 33"

Insert "Sections 29 - 32 and 34"

Page 44, line 4:

Delete "sec. 39"

Insert "sec. 40"

Page 44, line 5:

Delete "sec. 39"

Insert "sec. 40"

1 Page 44, line 6:

2 Delete "sec. 40"

3 Insert "sec. 41"

4

5 Page 44, line 8:

6 Delete "secs. 13 and 40"

7 Insert "secs. 14 and 41"

8

9 Page 44, line 10:

10 Delete "sec. 36" in both places

11 Insert "sec. 37" in both places

12

13 Page 44, line 13:

14 Delete "sec. 38"

15 Insert "sec. 39"

16

17 Page 44, line 14:

18 Delete "sec. 38"

19 Insert "sec. 39"

20

21 Page 45, line 9:

22 Delete "Sections 14 - 35, 37, 42 - 48, and 51"

23 Insert "Sections 2, 15 - 36, 38, 43 - 56, and 59"

24

25 Page 45, line 10:

26 Delete "sec. 56"

27 Insert "sec. 64"