

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

October 27, 2007

9:07 a.m.

**MEMBERS PRESENT**

Senator Charlie Huggins, Chair  
Senator Bert Stedman, Vice Chair  
Senator Lyda Green  
Senator Gary Stevens  
Senator Lesil McGuire  
Senator Bill Wielechowski  
Senator Thomas Wagoner

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Joe Thomas  
Senator Lyman Hoffman

**COMMITTEE CALENDAR**

SENATE BILL NO. 2001

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the issuance of advisory bulletins and the disclosure of certain information relating to the production tax and the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; amending the State Personnel Act to place in the exempt service certain state oil and gas auditors and their immediate supervisors; establishing an oil and gas tax credit fund and authorizing payment from that fund; providing for retroactive application of certain statutory and regulatory provisions relating to the production tax on oil and gas and conservation surcharges on oil; making conforming amendments; and providing for an effective date."

MOVED CSSB 2001(RES) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB2001

SHORT TITLE: OIL & GAS TAX AMENDMENTS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

10/18/07	(S)	READ THE FIRST TIME - REFERRALS
10/18/07	(S)	RES, JUD, FIN
10/19/07	(S)	RES AT 9:00 AM BUTROVICH 205
10/19/07	(S)	Heard & Held
10/19/07	(S)	MINUTE(RES)
10/20/07	(S)	RES AT 8:00 AM BUTROVICH 205
10/20/07	(S)	Heard & Held
10/20/07	(S)	MINUTE(RES)
10/21/07	(S)	RES AT 1:00 PM HOUSE FINANCE 519
10/21/07	(S)	Heard & Held
10/21/07	(S)	MINUTE(RES)
10/22/07	(S)	RES AT 11:30 AM BUTROVICH 205
10/22/07	(S)	Heard & Held
10/22/07	(S)	MINUTE(RES)
10/23/07	(S)	RES AT 9:00 AM BUTROVICH 205
10/23/07	(S)	Heard & Held
10/23/07	(S)	MINUTE(RES)
10/24/07	(S)	RES AT 10:00 AM BUTROVICH 205
10/24/07	(S)	Heard & Held
10/24/07	(S)	MINUTE(RES)
10/25/07	(S)	RES AT 10:00 AM BUTROVICH 205
10/25/07	(S)	Heard & Held
10/25/07	(S)	MINUTE(RES)
10/26/07	(S)	RES AT 1:30 PM BUTROVICH 205
10/26/07	(S)	Heard & Held
10/26/07	(S)	MINUTE(RES)
10/27/07	(S)	RES AT 9:00 AM BUTROVICH 205

**WITNESS REGISTER**

STEVE PORTER, Legislative Consultant  
for LB&A

**POSITION STATEMENT:** Commented on CSSB 2001, Version E.

DONALD BULLOCK, Attorney  
Legislative Legal and Research

**POSITION STATEMENT:** Explained CSSB 2001, Version E.

PATRICK GALVIN, Commissioner  
Department of Revenue (DOR)

**POSITION STATEMENT:** Clarified that CSSB 2001, Version E is not in a form that the administration ultimately supports.

**ACTION NARRATIVE**

**CHAIR CHARLIE HUGGINS** called the Senate Resources Standing Committee meeting to order at [9:07:34 AM](#). Present at the call to order were Senators Wagoner, Wielechowski, Stedman, Stevens, McGuire, Green and Chair Huggins. Senator Thomas was also present.

**SB 2001-OIL & GAS TAX AMENDMENTS**

[9:07:53 AM](#)

CHAIR HUGGINS announced the consideration of SB 2001. He recapped what had occurred in the past eight days and the rationale for the forthcoming committee substitute. He said that Pedro van Meurs and Daniel Johnston talked about the evolution of PPT and the committee has been doing the peoples' business to the best of its ability since that time. He described the bill as complicated, which is why it was contracted to a law firm. He explained that the concept was to narrow the scope of issues that this committee would address and defer the remainder to the subsequent committees of referral. Those committees are judiciary and finance. For the most part members will see the bill again before it goes to the floor, he said.

CHAIR HUGGINS said he assumes that progressivity will be dealt with on the upper end with some mechanism. The topping plant follows the line of the governor's bill, but it needs more review. The final issue is credits. Keep in mind that the House is doing the same thing so there must be time at the end for resolution of differences between the bodies, he stated.

[9:14:54 AM](#)

CHAIR HUGGINS asked for a motion to adopt the committee substitute (CS) for SB 2001.

SENATOR STEDMAN moved CSSB 2001, labeled 25-GS0014\E.

SENATOR WAGONER objected for discussion purposes and to say that he doesn't support the construction of the bill. It has nothing on progressivity so it's rolled back to what it was on the PPT and it has nothing on the tax rate so it's rolled back to the PPT rate of 22.5 percent. He said he doesn't want to rush to judgment, but it seems that the committee is doing that. A lot of the things that are deferred to subsequent committees are resource issues that this committee should finalize before the bill passes to the next committee, he emphasized. We're being a little too quick and passing an incomplete bill if it doesn't have a change in the tax rate and progressivity, he said. Those aren't just finance issues. Progressivity and the tax rate tie

into the credits and those credits are totally a resource issue. We aren't doing our job if we don't at least vote on a tax rate, he stated.

At ease [9:17:09 AM](#).

CHAIR HUGGINS asked Mr. Porter to walk through the bill and comment as appropriate.

At ease from [9:17:43 AM](#) to [9:20:42 AM](#)

STEVE PORTER, Legislative Consultant for LB&A , deferred to Mr. Bullock as the expert on the subject.

[9:21:14 AM](#)

DONALD BULLOCK, Attorney, Legislative Legal and Research, described how the production of oil and gas is taxed. The tax rate is 22.5 percent plus progressivity. Under PPT that rate is applied to the production tax value, which is the gross value at the point of production. After figuring out the nominal tax, you look at the credits, which will reduce the amount of tax that is paid by the taxpayers. The next issue is whether it's accurately reported, and consistent with what is required by law. That gets into the audit function and the fact that auditors need certain tools to ascertain accurate and complete information. Having the right tools potentially reduces future appeals. Version M doesn't deal with the tax, he said. It makes changes to the expenditure part, which gets down to the value of the subject of the tax. Then it makes one change to the credits.

[9:23:10 AM](#)

MR. BULLOCK said the first change in the bill deals with the expenditure adjustments in AS 43.55.165(e) starting on page 17. The section is retroactive to the start of the PPT. It clarifies that the state will not allow lease expenditures that basically break the law. It removes an expenditure related to dismantlement, removal, surrender, and abandonment of property and equipment and it brings in a concept from SB 80. If there is some sort of spill or release or if there is a slowing of oil flow, there are certain conditions under which the expenditures related to fixing the problem would not be allowed as a deduction. Also, it eliminates certain expenditures relating to the cost of constructing a topping plant, which is similar to a mini refinery. It takes crude oil and boils it off to get diesel fuel.

[9:24:35 AM](#)

SENATOR McGUIRE asked if other jurisdictions have done it this way and if he considered defining which deductions could be taken as opposed to defining what would be excluded in lease expenditures.

MR. BULLOCK replied the state doesn't have much history of looking at these expenditures and generally it isn't an issue to royalty owners because they receive their share of the royalty free of the cost of production. This is a new area and his personal opinion is that the more information the auditors have to help examine the costs, the better position they will be in to say which costs are reasonable. The standard for the expenditures is that they have to be related to the production of the oil and gas and they have to be reasonable with whatever ordinary expenses are.

MR. BULLOCK relayed that AS 43.55.165(d) tells how the Department of Revenue can adopt regulations that will identify the expenses that will be allowed. Subsection 165(e) says no matter what, there will not be any deduction for the particular expenses that are listed. There were 18 items on the list initially, the CS adds two and makes adjustments to two of the existing items.

[9:28:12 AM](#)

SENATOR McGUIRE asked if he has confidence that the language is tight enough to avoid litigation over every judgment call by the DOR.

MR. BULLOCK said litigation can be expected because there's a lot of money involved. With regard to the policy decision relating to deductions and credits, he said you need to evaluate what you're getting back in return for the dollars you're giving up. The question that comes up on the repair and maintenance issue is what level of care is expected from the companies that are coming in and developing the state's oil. When you begin sharing in the costs there's the issue of whether the decisions might become a little riskier because you're only bearing part of the risk.

[9:30:14 AM](#)

SENATOR WAGONER referred to paragraph 19 under 165(e) and said he'd like to make sure it does at least as much as SB 80.

MR. BULLOCK said one thing that's better is that it looks at an identifiable event that would trigger an audit. If the event is a result of the conditions that are in paragraph 19, then it's

going to be a disallowed cost. The problem in determining whether an event occurred because somebody didn't do what they were supposed to do, is you have to decide what the person was supposed to do in the first place. Although it's easy to say the person was negligent, that's a legal conclusion, he said.

[9:32:18 AM](#)

SENATOR WIELECHOWSKI stated that he'd like to see SB 80 incorporated so both are in the bill. If somebody has negligently maintained their pipelines for 20 years, they shouldn't receive a deduction even if it doesn't cause a shutdown. He said he wouldn't push the point here, but he looks forward to the next committee of referral.

SENATOR McGUIRE recalled Mr. Bullock stating that the concept of gross negligence in other areas is not supplanted by this.

MR. BULLOCK said gross negligence is earlier in 165(e). It's very serious. Simple negligence is when something doesn't happen that you expected and somebody was harmed. This bill says if the producer operator exercises due care in operating the facility, but that raises the question of what is due care. Initially that will probably be defined by the taxpayer when they file their return and claim an expense and state that they exercised due care. The auditor may come to a different conclusion if for example, the taxpayer pigs a pipeline less frequently than the industry standard. That would be a variance from the standard and it would be evidence of failing to exercise the expected care.

[9:35:23 AM](#)

MR. BULLOCK said this section does not look at every maintenance issue the state might face that results in damage. The bill says there must be a reduction in the flow of oil or a spill.

CHAIR HUGGINS said it appeals to him that this is event driven. It creates more clarity, he added.

MR. BULLOCK directed attention to another change in the expenditures. The Department of Revenue is given broader authority to adopt regulations to provide guidelines regarding the types of expenses that are allowed. The bill removes two subsections that allowed the use of the unit agreement and how the operator bills the working interest owners. Although it's deleted, the Department of Revenue can still look at that type of information, he said.

[9:36:48 AM](#)

MR. BULLOCK turned to changes in the credits in AS 43.55.023(i), bill section 13, page 10. PPT allowed a producer or explorer to get a credit for certain expenditures made in the five years prior to April 1, 2006. This CS reconsiders that and adopts a different standard for carrying credits forward. The people that produce oil in 2006 and 2007 that are subject to the PPT can still have the credit as it was when the PPT was enacted. After the end of 2007, the only people that would benefit from the TIE (transitional investment expenditures) are producers that produce for the first time after end of 2007. Also, he said, there are other limitations on the amount that can be carried forward.

SENATOR WAGONER expressed the view that it's not fair to treat current and future producers differently. If the TIE is going to be eliminated it should be totally eliminated, and if it's going to be allowed it should be totally allowed.

[9:39:48 AM](#)

CHAIR HUGGINS asked Commissioner Galvin to comment.

PATRICK GALVIN, Commissioner, Department of Revenue (DOR), said the language included in Version M reflects the initial intent and it does provide fairness. TIE credits are non-transferable and they expire at the end on this calendar year. But the TIE credits that were earned between the time that the PPT was passed until now can be used on production in the future. Without this clarifying provision, companies like Pioneer wouldn't have gotten any advantage from the credits they earned by making the expenditures and getting the two for one.

SENATOR WAGONER expressed the view that it was bad policy originally and it is still bad policy. These people get to write off these capital costs against their federal tax liability, he said.

COMMISSIONER GALVIN stated agreement, which is why the termination of the TIE credits is included. This is an aspect that provides true fairness for people that were making expenditures over the course of the last 18 months with the expectation that they were earning credits, he said.

[9:42:37 AM](#)

MR. BULLOCK said he doesn't know the policy of TIE credits, but this just fine tunes it.

CHAIR HUGGINS said in his assessment this is a middle ground.

MR. BULLOCK summarized the steps of going through the expenditures, figuring the value that will be taxed, taking out the credits, filing the return, and paying the tax. Now it's in the jurisdiction of the Department of Revenue and they can begin examining it. The remainder to the bill deals with the audit process and giving the Department of Revenue and the Department of Natural Resources the needed information to examine the return. Bill provisions provide for more information sharing between the Department of Revenue and the Department of Resources and it gives the audit section in both departments the option of hiring exempt auditors. Also there's a transitional section giving employees who qualify, the option of remaining in classified service.

At ease from [9:45:10 AM](#) to [9:49:03 AM](#).

SENATOR GREEN mentioned retroactivity and requiring accounting of lease expenditures under SB 80 and this CS and asked if that's an issue.

MR. BULLOCK said it will always be an issue when there's retroactivity. In the same year that the legislature enacted change in the Elf, there were cases on the separate accounting for oil and gas income tax payers. It was retroactive to January 1 of the same year so it affected income and the production tax value for a prior period. The Alaska Supreme Court confirmed it both times. At the federal level they were able to go back retroactively for two years in some cases. The standard seems to be that the session of the legislature or Congress that follows the first filing of a tax return is probably going to be all right because that's the first time you actually see how the tax works. If it needs fixing, it can be fixed back at the start. The first filings under the PPT were April 1, 2007 so the next regular legislative session will be the upcoming one next January. It could be argued that this 30-day special session would qualify but given the limitations of a special session the state could probably argue that that is not what is contemplated in the due process issue.

[9:52:04 AM](#)

SENATOR WIELECHOWSKI asked if criminal negligence is the same as gross negligence.

MR. BULLOCK said he thinks they're close but he can't say definitively. Existing things in AS 43.05.220 and AS 43.05.290

apply to TAPS in general and provide for civil penalties for negligence and civil fraud. Also there are criminal penalties for negligence and fraud.

[9:53:12 AM](#)

CHAIR HUGGINS asked Senator Wagoner if he maintained his objection.

SENATOR WAGONER removed his objection.

At ease [9:53:41 AM](#) to [9:53:56 AM](#).

CHAIR HUGGINS announced that CSSB 2001, Version E, is adopted and before the committee.

SENATOR WIELECHOWSKI stated that he understands the process and realizes that there will be changes as the bill moves along. He feels more secure knowing that he will have another opportunity to look at the bill in judiciary. Personally he would like to see the bill move forward with the financial information included so that ACES remains intact. He'd like to see the rate kept where it is and he'd like to see progressivity.

CHAIR HUGGINS said there are different schools of thought, but progressivity is a very powerful tool and we have deferred conversation on that.

[9:55:53 AM](#)

SENATOR WAGONER moved Amendment 1.

25-GS0014\E.1  
Bullock  
7/11/09

### A M E N D M E N T 1

OFFERED IN THE SENATE BY SENATOR WAGONER  
To: CSSB 2001 ( ), Draft Version "E"

Page 10, following line 13:

Insert new bill sections to read:

"\* **Sec. 13.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each month from each lease or property in the state, less any oil and

gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax is equal to the greater of 25 [22.5] percent of the production tax value of the taxable oil and gas as calculated under AS 43.55.160, or the minimum tax determined under (f) of this section.

\* **Sec. 14.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f), (g), or (i), and notwithstanding that a producer may be liable for the tax under AS 43.55.011(f) rather than the tax under AS 43.55.011(e), shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e) or (f), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of the amounts calculated under (2) and (3) of this subsection, but not less than zero;

(2) the first of the two amounts used to calculate the installment payment for a month under (1) of this subsection is equal to the remainder obtained by subtracting

(A) 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year; from

(B) the total of the monthly production values calculated in the manner provided in AS 43.55.160(a)(2) of all oil and gas taxable under AS 43.55.011(e) and produced by the producer from leases or properties in the state during the month, multiplied by 25 [22.5] percent;

(3) the second of the two amounts used to calculate the installment payment for a month under (1) of this subsection is the amount calculated for the month under AS 43.55.011(g);

(4) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable percentage rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil

taxable under AS 43.55.011(i) and produced from the lease or property during the month; plus

(B) the applicable percentage rate for gas provided under AS 43.55.011(i), multiplied times the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(5) any amount of tax levied by AS 43.55.011(e) - (g) and (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production."

Renumber the following bill sections accordingly.

Page 23, line 3:

Delete "Sections 21, 22, and 25"

Insert "Sections 23, 24, and 27"

Page 23, line 5:

Delete "Sections 19, 20, and 26"

Insert "Sections 13, 14, 21, 22, and 28"

Page 23, line 7:

Delete "Sections 14 and 16"

Insert "Sections 16 and 18"

Page 23, line 8:

Delete "sec. 14"

Insert "sec. 16"

Page 23, line 9:

Delete "sec. 16"

Insert "sec. 18"

Page 24, line 6:

Delete "secs. 21, 22, and 25"

Insert "secs. 23, 24, and 27"

Page 24, line 8:

Delete "secs. 13, 14, 16, 19, 20, and 26"

Insert "secs. 13 - 16, 18, 21, 22, and 28"

Page 24, lines 25 - 26:

Delete "Sections 21, 22, 25, and 29"

Insert "Sections 23, 24, 27, and 31"

Page 24, line 27:

Delete "Sections 13, 14, 16, 19, 20, and 26"

Insert "Sections 13 - 16, 18, 21, 22, and 28"

Page 24, line 28:

Delete "sec. 32"

Insert "sec. 34"

[9:56:03 AM](#)

SENATOR GREEN objected.

SENATOR WAGONER explained that the amendment takes the tax rate from 22.5 percent to 25 percent, which is in ACES. He continued:

I think the bill is incomplete if it doesn't have something in it that addresses the tax rate and also the progressivity. The other objection I have to the bill, and I'm going to object when we move the bill, I've never had a bill of this magnitude leave committee or any committee I was on without going through it a second time after we do the CS. Take amendments on the CS and allow the people it affects to come back and testify on the amended bill. It's just not natural and I just say again, I think we're rushing to judgment and we should take more time on this. I think this is bad policy doing it this way. I know we've got a time limit and everything else.

CHAIR HUGGINS said we both agree that it's a rush to judgment and that's been his concern all along. Speaking for himself and as the Chair he continued to say:

We have a task and we have task-organized a timeline that will get us to a solution of this task potentially. And we've divided the work-task up amongst committees in a teamwork approach in trying to in a specialization of expertise on committees so this product is reflected in it period. We don't have six weeks to do it. There will be other people putting their fingerprints on it and you, in fact, will have a chance to do this same process again on the floor, which is the beauty of the system. There are a lot of checks and balances. Oh and by the way, the House is doing whatever they're doing. And they will have a say and we will have to come to some resolution. So in any event, there is a time constraint and we're operating

understanding that. So we can't wish away the constraints.

SENATOR WAGONER called a point of order saying an amendment is before the committee.

9:58:48 AM

SENATOR STEDMAN reported that an analysis of the tax changes is being run as we speak. Those issues will be dealt with in finance because this committee is not prepared to deal with it. "We haven't had the information presented in front of us and we haven't had the time," he said. The intention is to have a bill on the Senate floor early enough to work out the differences with the House, get it to the governor, and move on and get it behind us. The process is a little different, but we learned some things working on PPT. Hopefully things will run more smoothly and the public will see that the treasury is properly looked after, he stated.

10:00:09 AM

SENATOR WIELECHOWSKI asked if the administration would give an opinion on the amendments as they come forward.

COMMISSIONER GALVIN said he didn't have a particular comment on the amendment having just received it. With regard to the process, he said the administration appreciates the recognition that the economic fiscal issues need to be addressed before the bill is considered complete. Also, committee members seem to agree on the need for an assessment of the state's fair share before the bill goes to the floor and that's good. The administration clearly recognizes that the current bill does not provide the state with an equitable share. We appreciate the recognition that the administration needs to get the necessary tools to implement a net-based tax and we appreciate the recognition that we are going to end up with a bill that does attempt to reconcile the issues of the tools and the fair share. "This isn't the bill that we would like to see end up and I want to make sure that that is absolutely clear on the record. But we do recognize the need to move this through the process," he stated.

SENATOR STEDMAN said with regard to moving the base tax, he has spoken with the administration's consultant, Dr. Tony Finizza, about having some of the economic runs and the analysis done and ready for the Finance Committee to consider.

10:02:36 AM

A roll call vote was taken. Amendment 1 failed 2:5 with Senator Wielechowski and Senator Wagoner voting yea and Senator Green, Senator Stedman, Senator Stevens, Senator McGuire, and Chair Huggins voting nay.

SENATOR WAGONER moved Amendment 2.

**A M E N D M E N T 2**

OFFERED IN THE SENATE BY SENATOR WAGONER  
To: CSSB 2001 ( ), Draft Version "E"

Page 10, following line 13:

Insert new bill sections to read:

**\* Sec. 13.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each month from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax is equal to the greater of **22.8** [22.5] percent of the production tax value of the taxable oil and gas as calculated under AS 43.55.160, or the minimum tax determined under (f) of this section.

**\* Sec. 14.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f), (g), or (i), and notwithstanding that a producer may be liable for the tax under AS 43.55.011(f) rather than the tax under AS 43.55.011(e), shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e) or (f), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of the amounts calculated under (2) and (3) of this subsection, but not less than zero;

(2) the first of the two amounts used to calculate the installment payment for a month under (1) of this subsection is equal to the remainder obtained by subtracting

(A) 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year; from

(B) the total of the monthly production values calculated in the manner provided in AS 43.55.160(a)(2) of all oil and gas taxable under AS 43.55.011(e) and produced by the producer from leases or properties in the state during the month, multiplied by 22.8 [22.5] percent;

(3) the second of the two amounts used to calculate the installment payment for a month under (1) of this subsection is the amount calculated for the month under AS 43.55.011(g);

(4) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable percentage rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; plus

(B) the applicable percentage rate for gas provided under AS 43.55.011(i), multiplied times the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(5) any amount of tax levied by AS 43.55.011(e) - (g) and (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production."

Renumber the following bill sections accordingly.

Page 23, line 3:

Delete "Sections 21, 22, and 25"

Insert "Sections 23, 24, and 27"

Page 23, line 5:

Delete "Sections 19, 20, and 26"

Insert "Sections 13, 14, 21, 22, and 28"

Page 23, line 7:

Delete "Sections 14 and 16"

Insert "Sections 16 and 18"

Page 23, line 8:  
Delete "sec. 14"  
Insert "sec. 16"

Page 23, line 9:  
Delete "sec. 16"  
Insert "sec. 18"

Page 24, line 6:  
Delete "secs. 21, 22, and 25"  
Insert "secs. 23, 24, and 27"

Page 24, line 8:  
Delete "secs. 13, 14, 16, 19, 20, and 26"  
Insert "secs. 13 - 16, 18, 21, 22, and 28"

Page 24, lines 25 - 26:  
Delete "Sections 21, 22, 25, and 29"  
Insert "Sections 23, 24, 27, and 31"

Page 24, line 27:  
Delete "Sections 13, 14, 16, 19, 20, and 26"  
Insert "Sections 13 - 16, 18, 21, 22, and 28"

Page 24, line 28:  
Delete "sec. 32"  
Insert "sec. 34"

SENATOR STEVENS objected.

SENATOR WAGONER described Amendment 2 as the same as Amendment 1 except that the tax rate is changed from 22.5 percent to 22.8 percent. The explanation is the same.

A roll call was taken. Amendment 2 failed 1:6 with Senator Wagoner voting yea and Senator Stedman, Senator Stevens, Senator McGuire, Senator Wielechowski, Senator Green, and Chair Huggins voting nay.

[10:04:59 AM](#)

SENATOR WAGONER commented that the last vote was interesting because that amendment replicated a tax rate that members of this committee, with the exception of Senator Wielechowski, voted on and passed last year on the floor.

CHAIR HUGGINS noted that it failed to pass the legislature.

SENATOR WAGONER said that's not the point.

SENATOR WAGONER moved Amendment 3.

25-GS0014\E.2  
Bullock  
7/11/09

A M E N D M E N T 3

OFFERED IN THE SENATE BY SENATOR WAGONER  
To: CSSB 2001( )Draft Version "E"

Page 10, following line 13:  
Insert a new bill section to read:

"\* **Sec. 13.** AS 43.55.011(h) is amended to read:

(h) For purposes of (g) of this section, the price index for a month is calculated by subtracting 30 [40] from the number that is equal to the quotient of the total monthly production tax value of the taxable oil and gas produced by the producer during that month, as calculated under AS 43.55.160, divided by the total amount of the taxable oil and gas produced by the producer during that month, in BTU equivalent barrels. However, a price index may not be less than zero."

Renumber the following bill sections accordingly.

Page 23, line 3:  
Delete "Sections 21, 22, and 25"  
Insert "Sections 22, 23, and 26"

Page 23, line 5:  
Delete "Sections 19, 20, and 26"  
Insert "Sections 13, 20, 21, and 27"

Page 23, line 7:  
Delete "Sections 14 and 16"  
Insert "Sections 15 and 17"

Page 23, line 8:  
Delete "sec. 14"  
Insert "sec. 15"

Page 23, line 9:  
Delete "sec. 16"  
Insert "sec. 17"

Page 24, line 6:  
Delete "secs. 21, 22, and 25"  
Insert "secs. 22, 23, and 26"

Page 24, line 8:  
Delete "secs. 13, 14, 16, 19, 20, and 26"  
Insert "secs. 13 - 15, 17, 20, 21, and 27"

Page 24, lines 25 - 26:  
Delete "Sections 21, 22, 25, and 29"  
Insert "Sections 22, 23, 26, and 30"

Page 24, line 27:  
Delete "Sections 13, 14, 16, 19, 20, and 26"  
Insert "Sections 13 - 15, 17, 20, 21, and 27"

Page 24, line 28:  
Delete "sec. 32"  
Insert "sec. 33"

SENATOR STEVENS objected.

[10:06:07 AM](#)

SENATOR WAGONER explained that Amendment 3 puts the trigger point for progressivity at 30 and leaves everything else the same as what is in the PPT.

CHAIR HUGGINS said you may be right, but the people who are asked to vote on items like this need to understand the ramifications to the state, the producers, and all the affected people. We didn't have that conversation in the depth that's needed in this committee. For that reason he would be a no vote.

SENATOR WAGONER relayed that this will be the last time he has input on the bill before it goes to the floor. He's offering the amendments now because the bill is like a lady who is going to the prom without a dress. The dress is the tax rate and the progressivity. "I think this resources committee should make a different recommendation than what's in there, otherwise it's a waste of 30 days as far as I'm concerned," he said.

[10:08:07 AM](#)

SENATOR STEVENS expressed the view that the process is frustrating. The legislature is limited by the governor and the 30-day session and in January it will be limited by the 90-day session. We're all under the gun, he said. His objection to the motions isn't because he feels the issues shouldn't be discussed and addressed. He believes they will be addressed as the bill moves through the process. To that end he said he suspects that he'll vote to amend the bill as it leaves this committee.

SENATOR MCGUIRE said she appreciates the process, but she'll be a yes vote on Amendment 3 because moving to that \$40 figure been the most troubling part of governor's bill. That's with no disrespect to the Chair and the process that he's set, she said.

SENATOR STEDMAN said it's more complex than just moving the trigger by \$10. He expects the issue to consume substantial time and he does not support the amendment.

SENATOR WIELECHOWSKI stated that he'd like to see the bill move forward as ACES at the very least. He believes the rate and particularly the progressivity should be increased, but he understands this is a process. Progressivity is a key factor and he'll be supporting the amendment.

[10:11:47 AM](#)

A roll call vote was taken. Amendment 3 failed 3:4 with Senator McGuire, Senator Wielechowski, and Senator Wagoner voting yea and Senator Stevens, Senator Green, Senator Stedman, and Chair Huggins voting nay.

CHAIR HUGGINS said we've gone through the amendment process and the bill is before the committee. He asked for any final comments and found there were none.

SENATOR STEDMAN moved to pass CSSB 2001, Version \E from committee with individual recommendations and fiscal notes to follow.

SENATOR WAGONER objected.

A roll call vote was taken. The motion passed 5:1 with Senator McGuire, Senator Wielechowski, Senator Green, Senator Stevens, Senator Stedman, and Chair Huggins voting yea and Senator Wagoner voting nay.

CHAIR HUGGINS announced that CSSB 2001, labeled 25-GS0014\E, passes from committee. He invited those who have concerns to stay tuned because there's a lot more to do on the bill.

[10:14:41 AM](#)

SENATOR WIELECHOWSKI said it's important for the public to understand the last vote to move the bill from committee. Had the committee voted not to move the bill along, it probably wouldn't pass this special session. It's important for Alaskans to understand that, he said.

There being no further business to come before the committee Chair Huggins adjourned [10:15:15 AM](#).