

HOUSE CS FOR CS FOR SENATE BILL NO. 305(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 4/13/10

Referred: Finance

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to that part of the tax on the production of oil and gas that increases as
2 the average production tax value of the oil and gas increases above \$30; relating to
3 payments of the oil and gas production tax; relating to availability of a portion of the
4 money received from the tax on oil and gas production for appropriation to the
5 community revenue sharing fund; relating to the allocation of lease expenditures and
6 adjustments to lease expenditures; relating to the tax on the production of gas in effect
7 at the start of the first binding open season held for the project licensed under the
8 Alaska Gasline Inducement Act; and providing for an effective date."

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

10 * **Section 1.** AS 29.60.850(b) is amended to read:

11 (b) Each fiscal year, the legislature may appropriate to the community revenue
12 sharing fund an amount equal to 20 percent of the money received by the state during

1 the previous calendar year under AS 43.55.011(g) **and (p)**. The amount may not
2 exceed

3 (1) \$60,000,000; or

4 (2) the amount that, when added to the fund balance on June 30 of the
5 previous fiscal year, equals \$180,000,000.

6 * **Sec. 2.** AS 29.60.850(b), as amended by sec. 1 of this Act, is amended to read:

7 (b) Each fiscal year, the legislature may appropriate to the community revenue
8 sharing fund an amount equal to 20 percent of the money received by the state during
9 the previous calendar year under AS 43.55.011(g) [AND (p)]. The amount may not
10 exceed

11 (1) \$60,000,000; or

12 (2) the amount that, when added to the fund balance on June 30 of the
13 previous fiscal year, equals \$180,000,000.

14 * **Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

15 (b) Each fiscal year, the legislature may appropriate to the community revenue
16 sharing fund an amount equal to 20 percent of the money received by the state during
17 the previous calendar year under AS 43.55.011(g) **and (q)**. The amount may not
18 exceed

19 (1) \$60,000,000; or

20 (2) the amount that, when added to the fund balance on June 30 of the
21 previous fiscal year, equals \$180,000,000.

22 * **Sec. 4.** AS 43.55.011(e) is amended to read:

23 (e) There is levied on the producer of oil or gas a tax for all oil and gas
24 produced each calendar year from each lease or property in the state, less any oil and
25 gas the ownership or right to which is exempt from taxation or constitutes a
26 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
27 this section, the tax is equal to the sum of

28 (1) the annual production tax value of the taxable oil and gas as
29 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

30 (2) the sum, over all months of the calendar year, of the tax amounts
31 determined under

1 **(A) subsection** (g) of this section; **and**

2 **(B) subsection (p) of this section.**

3 * **Sec. 5.** AS 43.55.011(e), as amended by sec. 4 of this Act, is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each calendar year from each lease or property in the state, less any oil and
6 gas the ownership or right to which is exempt from taxation or constitutes a
7 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
8 this section, the tax is equal to the sum of

9 (1) the annual production tax value of the taxable oil and gas as
10 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

11 (2) the sum, over all months of the calendar year, of the tax amounts
12 determined under

13 [(A) SUBSECTION] (g) of this section [; AND

14 (B) SUBSECTION (p) OF THIS SECTION].

15 * **Sec. 6.** AS 43.55.011(e) as amended by sec. 5 of this Act is amended to read:

16 (e) There is levied on the producer of oil or gas a tax for all oil and gas
17 produced each calendar year from each lease or property in the state, less any oil and
18 gas the ownership or right to which is exempt from taxation or constitutes a
19 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
20 this section, the tax is equal to the sum of

21 (1) the annual production tax value of the taxable oil and gas as
22 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

23 (2) the sum, over all months of the calendar year, of the tax amounts
24 determined under

25 **(A) subsection** (g) of this section; **and**

26 **(B) subsection (q) of this section.**

27 * **Sec. 7.** AS 43.55.011(g) is amended to read:

28 (g) For each month of the calendar year for which the producer's average
29 monthly production tax value under **AS 43.55.160(a)(2)(A) - (E) of a**
30 [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more
31 than \$30, the amount of tax for purposes of **(e)(2)(A)** [(e)(2)] of this section is

1 determined by multiplying the monthly production tax value of the taxable oil [AND
 2 GAS] produced during the month, gas produced during the month from a lease or
 3 property in the Cook Inlet sedimentary basin, and gas produced during the
 4 month from a lease or property outside the Cook Inlet sedimentary basin and
 5 used in the state by the tax rate calculated as follows:

6 (1) if the producer's average monthly production tax value under
 7 AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil
 8 and gas for the month is not more than \$92.50, the tax rate is 0.4 percent multiplied by
 9 the number that represents the difference between the producer's [THAT] average
 10 monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU
 11 equivalent barrel of taxable oil and gas and \$30; or

12 (2) if the producer's average monthly production tax value under
 13 AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil
 14 and gas for the month is more than \$92.50, the tax rate is the sum of 25 percent and
 15 the product of 0.1 percent multiplied by the number that represents the difference
 16 between the producer's average monthly production tax value under
 17 AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of taxable oil and gas
 18 and \$92.50, except that the sum determined under this paragraph may not exceed 50
 19 percent.

20 * **Sec. 8.** AS 43.55.011(g), as amended by sec. 7 of this Act, is amended to read:

21 (g) For each month of the calendar year for which the producer's average
 22 monthly production tax value under AS 43.55.160(a)(2) [AS 43.55.160(a)(2)(A) - (E)]
 23 of a BTU equivalent barrel of taxable oil and gas is more than \$30, the amount of tax
 24 for purposes of (e)(2) [(e)(2)(A)] of this section is determined by multiplying the
 25 monthly production tax value of the taxable oil and gas produced during the month [,
 26 GAS PRODUCED DURING THE MONTH FROM A LEASE OR PROPERTY IN
 27 THE COOK INLET SEDIMENTARY BASIN, AND GAS PRODUCED DURING
 28 THE MONTH FROM A LEASE OR PROPERTY OUTSIDE THE COOK INLET
 29 SEDIMENTARY BASIN AND USED IN THE STATE] by the tax rate calculated as
 30 follows:

31 (1) if the producer's average monthly production tax value [UNDER

1 AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the
 2 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
 3 that represents the difference between the producer's average monthly production tax
 4 value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil
 5 and gas and \$30; or

6 (2) if the producer's average monthly production tax value [UNDER
 7 AS 43.55.160(a)(2)(A) - (E)] of a BTU equivalent barrel of taxable oil and gas for the
 8 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
 9 percent multiplied by the number that represents the difference between the producer's
 10 average monthly production tax value [UNDER AS 43.55.160(a)(2)(A) - (E)] of a
 11 BTU equivalent barrel of taxable oil and gas and \$92.50, except that the sum
 12 determined under this paragraph may not exceed 50 percent.

13 * **Sec. 9.** AS 43.55.011(g), as amended by sec. 8 of this Act, is amended to read:

14 (g) For each month of the calendar year for which the producer's average
 15 monthly production tax value under AS 43.55.160(a)(2)(A) - (E) [AS 43.55.160(a)(2)]
 16 of a BTU equivalent barrel of taxable oil and gas is more than \$30, the amount of tax
 17 for purposes of (e)(2)(A) [(e)(2)] of this section is determined by multiplying the
 18 monthly production tax value of the taxable oil [AND GAS] produced during the
 19 month, gas produced during the month from a lease or property in the Cook Inlet
 20 sedimentary basin, and gas produced during the month from a lease or property
 21 outside the Cook Inlet sedimentary basin and used in the state by the tax rate
 22 calculated as follows:

23 (1) if the producer's average monthly production tax value under
 24 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas for the
 25 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
 26 that represents the difference between the producer's average monthly production tax
 27 value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil
 28 and gas and \$30; or

29 (2) if the producer's average monthly production tax value under
 30 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas for the
 31 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1

1 percent multiplied by the number that represents the difference between the producer's
 2 average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU
 3 equivalent barrel of taxable oil and gas and \$92.50, except that the sum determined
 4 under this paragraph may not exceed 50 percent.

5 * **Sec. 10.** AS 43.55.011 is amended by adding a new subsection to read:

6 (p) For each month of the calendar year for which the producer's average
 7 monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
 8 equivalent barrel of taxable gas is more than \$30, the amount of tax on the production
 9 of gas for purposes of (e)(2)(B) of this section is determined by multiplying the
 10 monthly production tax value of the taxable gas produced during the month other than
 11 gas produced from a lease or property in the Cook Inlet sedimentary basin or gas
 12 produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate
 13 calculated as follows:

14 (1) if the producer's average monthly production tax value under
 15 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
 16 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
 17 that represents the difference between the producer's average monthly production tax
 18 value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and \$30;
 19 or

20 (2) if the producer's average monthly production tax value under
 21 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
 22 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
 23 percent multiplied by the number that represents the difference between the producer's
 24 average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
 25 equivalent barrel of gas and \$92.50, except that the sum determined under this
 26 paragraph may not exceed 50 percent.

27 * **Sec. 11.** AS 43.55.011 is amended by adding a new subsection to read:

28 (q) For each month of the calendar year for which the producer's average
 29 monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
 30 equivalent barrel of taxable gas is more than \$30, the amount of tax on the production
 31 of gas for purposes of (e)(2)(B) of this section is determined by multiplying the

1 monthly production tax value of the taxable gas produced during the month other than
 2 gas produced from a lease or property in the Cook Inlet sedimentary basin or gas
 3 produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate
 4 calculated as follows:

5 (1) if the producer's average monthly production tax value under
 6 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
 7 month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number
 8 that represents the difference between the producer's average monthly production tax
 9 value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and \$30;
 10 or

11 (2) if the producer's average monthly production tax value under
 12 AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the
 13 month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1
 14 percent multiplied by the number that represents the difference between the producer's
 15 average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU
 16 equivalent barrel of gas and \$92.50, except that the sum determined under this
 17 paragraph may not exceed 50 percent.

18 * **Sec. 12.** AS 43.55.020(a) is amended to read:

19 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
 20 **and (p)** shall pay the tax as follows:

21 (1) an installment payment of the estimated tax levied by
 22 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 23 month of the calendar year on the last day of the following month; except as otherwise
 24 provided under (2) of this subsection, the amount of the installment payment is the
 25 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 26 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 27 of the installment payment may not be less than zero:

28 (A) for oil and gas produced from leases or properties in the
 29 state outside the Cook Inlet sedimentary basin but not subject to
 30 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
 31 greater of

1 (i) zero; or

2 (ii) **an amount equal to** the sum of 25 percent and the
 3 tax rate calculated for the month under AS 43.55.011(g) multiplied by
 4 the remainder obtained by subtracting 1/12 of the producer's adjusted
 5 lease expenditures for the calendar year of production **applicable to**
 6 **the oil produced by the producer from those leases and properties**
 7 under AS 43.55.165 and 43.55.170 that are deductible for the leases or
 8 properties under AS 43.55.160, from the gross value at the point of
 9 production of the oil [AND GAS] produced from the leases or
 10 properties during the month for which the installment payment is
 11 calculated **added to the sum of 25 percent and the tax rate**
 12 **calculated for the month under AS 43.55.011(p) multiplied by the**
 13 **remainder obtained by subtracting 1/12 of the producer's adjusted**
 14 **lease expenditures for the calendar year of production applicable**
 15 **to the gas produced by the producer from those leases and**
 16 **properties under AS 43.55.165 and 43.55.170 that are deductible**
 17 **for the leases or properties under AS 43.55.160 from the gross**
 18 **value at the point of production of the gas produced from the leases**
 19 **or properties during the month for which the installment payment**
 20 **is calculated;**

21 (B) for oil and gas produced from leases or properties subject
 22 to AS 43.55.011(f), the greatest of

23 (i) zero;

24 (ii) zero percent, one percent, two percent, three
 25 percent, or four percent, as applicable, of the gross value at the point of
 26 production of the oil and gas produced from all leases or properties
 27 during the month for which the installment payment is calculated; or

28 (iii) **an amount equal to** the sum of 25 percent and the
 29 tax rate calculated for the month under AS 43.55.011(g) multiplied by
 30 the remainder obtained by subtracting 1/12 of the producer's adjusted
 31 lease expenditures for the calendar year of production **applicable to**

1 **the oil produced by the producer from those leases and properties**
 2 under AS 43.55.165 and 43.55.170 that are deductible for those leases
 3 or properties under AS 43.55.160, from the gross value at the point of
 4 production of the oil [AND GAS] produced from those leases or
 5 properties during the month for which the installment payment is
 6 calculated **added to the sum of 25 percent and the tax rate**
 7 **calculated for the month under AS 43.55.011(p) multiplied by the**
 8 **remainder obtained by subtracting 1/12 of the producer's adjusted**
 9 **lease expenditures for the calendar year of production applicable**
 10 **to the gas produced by the producer from those leases and**
 11 **properties under AS 43.55.165 and 43.55.170 that are deductible**
 12 **for those leases or properties under AS 43.55.160 from the gross**
 13 **value at the point of production of the gas produced from those**
 14 **leases or properties during the month for which the installment**
 15 **payment is calculated;**

16 (C) for oil and gas produced from each lease or property
 17 subject to AS 43.55.011(j), (k), or (o), the greater of

18 (i) zero; or

19 (ii) **an amount equal to** the sum of 25 percent and the
 20 tax rate calculated for the month under AS 43.55.011(g) multiplied by
 21 the remainder obtained by subtracting 1/12 of the producer's adjusted
 22 lease expenditures for the calendar year of production **applicable to**
 23 **the oil produced by the producer from those leases and properties**
 24 under AS 43.55.165 and 43.55.170 that are deductible under
 25 AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the
 26 lease or property, from the gross value at the point of production of the
 27 oil [OR GAS, RESPECTIVELY,] produced from the lease or property
 28 during the month for which the installment payment is calculated
 29 **added to the sum of 25 percent and the tax rate calculated for the**
 30 **month under AS 43.55.011(g) multiplied by the remainder obtained**
 31 **by subtracting 1/12 of the producer's adjusted lease expenditures**

1 **for the calendar year of production applicable to the gas produced**
 2 **by the producer from the lease or property under AS 43.55.165 and**
 3 **43.55.170 that are deductible under AS 43.55.160 for gas produced**
 4 **from the lease or property, from the gross value at the point of**
 5 **production of the gas produced from the lease or property during**
 6 **the month for which the installment payment is calculated;**

7 (2) an amount calculated under (1)(C) of this subsection for oil or gas
 8 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not
 9 exceed the product obtained by carrying out the calculation set out in
 10 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
 11 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
 12 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 13 gas produced during the month for the amount of taxable gas produced during the
 14 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
 15 amount of taxable oil produced during the month for the amount of taxable oil
 16 produced during the calendar year;

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

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

25 (B) the applicable tax rate for gas provided under
 26 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 27 gas taxable under AS 43.55.011(i) and produced from the lease or property
 28 during the month;

29 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
 30 credits applied as allowed by law, that exceeds the total of the amounts due as
 31 installment payments of estimated tax is due on March 31 of the year following the

1 calendar year of production.

2 * **Sec. 13.** AS 43.55.020(a), as amended by sec. 12 of this Act, is amended to read:

3 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
4 [AND (p)] shall pay the tax as follows:

5 (1) an installment payment of the estimated tax levied by
6 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
7 month of the calendar year on the last day of the following month; except as otherwise
8 provided under (2) of this subsection, the amount of the installment payment is the
9 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
10 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
11 of the installment payment may not be less than zero:

12 (A) for oil and gas produced from leases or properties in the
13 state outside the Cook Inlet sedimentary basin but not subject to
14 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
15 greater of

16 (i) zero; or

17 (ii) [AN AMOUNT EQUAL TO] the sum of 25 percent
18 and the tax rate calculated for the month under AS 43.55.011(g)
19 multiplied by the remainder obtained by subtracting 1/12 of the
20 producer's adjusted lease expenditures for the calendar year of
21 production [APPLICABLE TO THE OIL PRODUCED BY THE
22 PRODUCER FROM THOSE LEASES AND PROPERTIES] under
23 AS 43.55.165 and 43.55.170 that are deductible for the leases or
24 properties under AS 43.55.160 [,] from the gross value at the point of
25 production of the oil **and gas** produced from the leases or properties
26 during the month for which the installment payment is calculated
27 [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE
28 CALCULATED FOR THE MONTH UNDER AS 43.55.011(p)
29 MULTIPLIED BY THE REMAINDER OBTAINED BY
30 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
31 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION

1 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER
 2 FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165
 3 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE LEASES OR
 4 PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE
 5 AT THE POINT OF PRODUCTION OF THE GAS PRODUCED
 6 FROM THE LEASES OR PROPERTIES DURING THE MONTH
 7 FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

8 (B) for oil and gas produced from leases or properties subject
 9 to AS 43.55.011(f), the greatest of

10 (i) zero;

11 (ii) zero percent, one percent, two percent, three
 12 percent, or four percent, as applicable, of the gross value at the point of
 13 production of the oil and gas produced from all leases or properties
 14 during the month for which the installment payment is calculated; or

15 (iii) [AN AMOUNT EQUAL TO] the sum of 25
 16 percent and the tax rate calculated for the month under AS 43.55.011(g)
 17 multiplied by the remainder obtained by subtracting 1/12 of the
 18 producer's adjusted lease expenditures for the calendar year of
 19 production [APPLICABLE TO THE OIL PRODUCED BY THE
 20 PRODUCER FROM THOSE LEASES AND PROPERTIES] under
 21 AS 43.55.165 and 43.55.170 that are deductible for those leases or
 22 properties under AS 43.55.160 [,] from the gross value at the point of
 23 production of the oil and gas produced from those leases or properties
 24 during the month for which the installment payment is calculated
 25 [ADDED TO THE SUM OF 25 PERCENT AND THE TAX RATE
 26 CALCULATED FOR THE MONTH UNDER AS 43.55.011(p)
 27 MULTIPLIED BY THE REMAINDER OBTAINED BY
 28 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
 29 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION
 30 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER
 31 FROM THOSE LEASES AND PROPERTIES UNDER AS 43.55.165

1 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THOSE LEASES
 2 OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS
 3 VALUE AT THE POINT OF PRODUCTION OF THE GAS
 4 PRODUCED FROM THOSE LEASES OR PROPERTIES DURING
 5 THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS
 6 CALCULATED];

7 (C) for oil and gas produced from each lease or property
 8 subject to AS 43.55.011(j), (k), or (o), the greater of

9 (i) zero; or

10 (ii) [AN AMOUNT EQUAL TO] the sum of 25 percent
 11 and the tax rate calculated for the month under AS 43.55.011(g)
 12 multiplied by the remainder obtained by subtracting 1/12 of the
 13 producer's adjusted lease expenditures for the calendar year of
 14 production [APPLICABLE TO THE OIL PRODUCED BY THE
 15 PRODUCER FROM THOSE LEASES AND PROPERTIES] under
 16 AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160
 17 for oil or gas, respectively, produced from the lease or property [,]
 18 from the gross value at the point of production of the oil or gas,
 19 respectively, produced from the lease or property during the month for
 20 which the installment payment is calculated [ADDED TO THE SUM
 21 OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE
 22 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE
 23 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE
 24 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE
 25 CALENDAR YEAR OF PRODUCTION APPLICABLE TO THE
 26 GAS PRODUCED BY THE PRODUCER FROM THE LEASE OR
 27 PROPERTY UNDER AS 43.55.165 AND 43.55.170 THAT ARE
 28 DEDUCTIBLE UNDER AS 43.55.160 FOR GAS PRODUCED
 29 FROM THE LEASE OR PROPERTY, FROM THE GROSS VALUE
 30 AT THE POINT OF PRODUCTION OF THE GAS PRODUCED
 31 FROM THE LEASE OR PROPERTY DURING THE MONTH FOR

1 WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

2 (2) an amount calculated under (1)(C) of this subsection for oil or gas
 3 produced **before 2022** from a lease or property subject to AS 43.55.011(j), (k), or (o)
 4 may not exceed the product obtained by carrying out the calculation set out in
 5 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
 6 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
 7 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 8 gas produced during the month for the amount of taxable gas produced during the
 9 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
 10 amount of taxable oil produced during the month for the amount of taxable oil
 11 produced during the calendar year;

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

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

20 (B) the applicable tax rate for gas provided under
 21 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 22 gas taxable under AS 43.55.011(i) and produced from the lease or property
 23 during the month;

24 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
 25 credits applied as allowed by law, that exceeds the total of the amounts due as
 26 installment payments of estimated tax is due on March 31 of the year following the
 27 calendar year of production.

28 * **Sec. 14.** AS 43.55.020(a), as amended by sec. 13 of this Act, is amended to read:

29 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
 30 **and (q)** shall pay the tax as follows:

31 (1) an installment payment of the estimated tax levied by

1 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 2 month of the calendar year on the last day of the following month; except as otherwise
 3 provided under (2) of this subsection, the amount of the installment payment is the
 4 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 5 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 6 of the installment payment may not be less than zero:

7 (A) for oil and gas produced from leases or properties in the
 8 state outside the Cook Inlet sedimentary basin but not subject to
 9 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
 10 greater of

11 (i) zero; or

12 (ii) **an amount equal to** the sum of 25 percent and the
 13 tax rate calculated for the month under AS 43.55.011(g) multiplied by
 14 the remainder obtained by subtracting 1/12 of the producer's adjusted
 15 lease expenditures for the calendar year of production **applicable to**
 16 **the oil produced by the producer from those leases and properties**
 17 under AS 43.55.165 and 43.55.170 that are deductible for the leases or
 18 properties under AS 43.55.160, from the gross value at the point of
 19 production of the oil [AND GAS] produced from the leases or
 20 properties during the month for which the installment payment is
 21 calculated **added to the sum of 25 percent and the tax rate**
 22 **calculated for the month under AS 43.55.011(q) multiplied by the**
 23 **remainder obtained by subtracting 1/12 of the producer's adjusted**
 24 **lease expenditures for the calendar year of production applicable**
 25 **to the gas produced by the producer from those leases and**
 26 **properties under AS 43.55.165 and 43.55.170 that are deductible**
 27 **for the leases or properties under AS 43.55.160 from the gross**
 28 **value at the point of production of the gas produced from the leases**
 29 **or properties during the month for which the installment payment**
 30 **is calculated;**

31 (B) for oil and gas produced from leases or properties subject

1 to AS 43.55.011(f), the greatest of

2 (i) zero;

3 (ii) zero percent, one percent, two percent, three
4 percent, or four percent, as applicable, of the gross value at the point of
5 production of the oil and gas produced from all leases or properties
6 during the month for which the installment payment is calculated; or

7 (iii) **an amount equal to** the sum of 25 percent and the
8 tax rate calculated for the month under AS 43.55.011(g) multiplied by
9 the remainder obtained by subtracting 1/12 of the producer's adjusted
10 lease expenditures for the calendar year of production **applicable to**
11 **the oil produced by the producer from those leases and properties**
12 under AS 43.55.165 and 43.55.170 that are deductible for those leases
13 or properties under AS 43.55.160, from the gross value at the point of
14 production of the oil [AND GAS] produced from those leases or
15 properties during the month for which the installment payment is
16 calculated **added to the sum of 25 percent and the tax rate**
17 **calculated for the month under AS 43.55.011(q) multiplied by the**
18 **remainder obtained by subtracting 1/12 of the producer's adjusted**
19 **lease expenditures for the calendar year of production applicable**
20 **to the gas produced by the producer from those leases and**
21 **properties under AS 43.55.165 and 43.55.170 that are deductible**
22 **for those leases or properties under AS 43.55.160 from the gross**
23 **value at the point of production of the gas produced from those**
24 **leases or properties during the month for which the installment**
25 **payment is calculated;**

26 (C) for oil and gas produced from each lease or property
27 subject to AS 43.55.011(j), (k), or (o), the greater of

28 (i) zero; or

29 (ii) **an amount equal to** the sum of 25 percent and the
30 tax rate calculated for the month under AS 43.55.011(g) multiplied by
31 the remainder obtained by subtracting 1/12 of the producer's adjusted

1 lease expenditures for the calendar year of production **applicable to**
 2 **the oil produced by the producer from those leases and properties**
 3 under AS 43.55.165 and 43.55.170 that are deductible under
 4 AS 43.55.160 for oil [OR GAS, RESPECTIVELY,] produced from the
 5 lease or property, from the gross value at the point of production of the
 6 oil [OR GAS, RESPECTIVELY,] produced from the lease or property
 7 during the month for which the installment payment is calculated
 8 **added to the sum of 25 percent and the tax rate calculated for the**
 9 **month under AS 43.55.011(g) multiplied by the remainder obtained**
 10 **by subtracting 1/12 of the producer's adjusted lease expenditures**
 11 **for the calendar year of production applicable to the gas produced**
 12 **by the producer from the lease or property under AS 43.55.165 and**
 13 **43.55.170 that are deductible under AS 43.55.160 for gas produced**
 14 **from the lease or property, from the gross value at the point of**
 15 **production of the gas produced from the lease or property during**
 16 **the month for which the installment payment is calculated;**

17 (2) an amount calculated under (1)(C) of this subsection for oil or gas
 18 produced before 2022 from a lease or property subject to AS 43.55.011(j), (k), or (o)
 19 may not exceed the product obtained by carrying out the calculation set out in
 20 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
 21 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
 22 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 23 gas produced during the month for the amount of taxable gas produced during the
 24 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
 25 amount of taxable oil produced during the month for the amount of taxable oil
 26 produced during the calendar year;

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

31 (A) the applicable tax rate for oil provided under

1 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 2 oil taxable under AS 43.55.011(i) and produced from the lease or property
 3 during the month; and

4 (B) the applicable tax rate for gas provided under
 5 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 6 gas taxable under AS 43.55.011(i) and produced from the lease or property
 7 during the month;

8 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
 9 credits applied as allowed by law, that exceeds the total of the amounts due as
 10 installment payments of estimated tax is due on March 31 of the year following the
 11 calendar year of production.

12 * **Sec. 15.** AS 43.55.020(d) is amended to read:

13 (d) In making settlement with the royalty owner for oil and gas that is taxable
 14 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
 15 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
 16 time the tax becomes due to the amount of the tax paid. If the total deductions of
 17 installment payments of estimated tax for a calendar year exceed the actual tax for that
 18 calendar year, the producer shall, before April 1 of the following year, refund the
 19 excess to the royalty owner. Unless otherwise agreed between the producer and the
 20 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on
 21 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
 22 right to which constitutes a landowner's royalty interest, is considered to be the gross
 23 value at the point of production of the taxable royalty oil and gas produced during the
 24 calendar year multiplied by a figure that is a quotient, in which

25 (1) the numerator is the producer's total tax liability under
 26 AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

27 (2) the denominator is the total gross value at the point of production
 28 of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the
 29 producer from all leases and properties in the state during the calendar year.

30 * **Sec. 16.** AS 43.55.020(d), as amended by sec. 15 of this Act, is amended to read:

31 (d) In making settlement with the royalty owner for oil and gas that is taxable

1 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
 2 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
 3 time the tax becomes due to the amount of the tax paid. If the total deductions of
 4 installment payments of estimated tax for a calendar year exceed the actual tax for that
 5 calendar year, the producer shall, before April 1 of the following year, refund the
 6 excess to the royalty owner. Unless otherwise agreed between the producer and the
 7 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) [AND (p)] on
 8 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
 9 right to which constitutes a landowner's royalty interest, is considered to be the gross
 10 value at the point of production of the taxable royalty oil and gas produced during the
 11 calendar year multiplied by a figure that is a quotient, in which

12 (1) the numerator is the producer's total tax liability under
 13 AS 43.55.011(e) - (g) [AND (p)] for the calendar year of production; and

14 (2) the denominator is the total gross value at the point of production
 15 of the oil and gas taxable under AS 43.55.011(e) - (g) [AND (p)] produced by the
 16 producer from all leases and properties in the state during the calendar year.

17 * **Sec. 17.** AS 43.55.020(d), as amended by sec. 16 of this Act, is amended to read:

18 (d) In making settlement with the royalty owner for oil and gas that is taxable
 19 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
 20 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
 21 time the tax becomes due to the amount of the tax paid. If the total deductions of
 22 installment payments of estimated tax for a calendar year exceed the actual tax for that
 23 calendar year, the producer shall, before April 1 of the following year, refund the
 24 excess to the royalty owner. Unless otherwise agreed between the producer and the
 25 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (q)** on
 26 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
 27 right to which constitutes a landowner's royalty interest, is considered to be the gross
 28 value at the point of production of the taxable royalty oil and gas produced during the
 29 calendar year multiplied by a figure that is a quotient, in which

30 (1) the numerator is the producer's total tax liability under
 31 AS 43.55.011(e) - (g) **and (q)** for the calendar year of production; and

1 (2) the denominator is the total gross value at the point of production
 2 of the oil and gas taxable under AS 43.55.011(e) - (g) **and (g)** produced by the
 3 producer from all leases and properties in the state during the calendar year.

4 * **Sec. 18.** AS 43.55.160(a) is amended to read:

5 (a) Except as provided in (b) of this section, for the purposes of

6 (1) AS 43.55.011(e), the annual production tax value of the taxable

7 (A) oil [AND GAS] produced during a calendar year from
 8 leases or properties in the state that include land north of 68 degrees North
 9 latitude is the gross value at the point of production of the oil [AND GAS]
 10 taxable under AS 43.55.011(e) and produced by the producer from those leases
 11 or properties, less the producer's lease expenditures under AS 43.55.165 for the
 12 calendar year applicable to the oil [AND GAS] produced by the producer from
 13 those leases or properties, as adjusted under AS 43.55.170; [THIS
 14 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
 15 AS 43.55.011(o);]

16 (B) oil [AND GAS] produced during a calendar year from
 17 leases or properties in the state outside the Cook Inlet sedimentary basin, no
 18 part of which is north of 68 degrees North latitude, is the gross value at the
 19 point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and
 20 produced by the producer from those leases or properties, less the producer's
 21 lease expenditures under AS 43.55.165 for the calendar year applicable to the
 22 oil [AND GAS] produced by the producer from those leases or properties, as
 23 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
 24 TO GAS SUBJECT TO AS 43.55.011(o);]

25 (C) oil produced during a calendar year from a lease or
 26 property in the Cook Inlet sedimentary basin is the gross value at the point of
 27 production of the oil taxable under AS 43.55.011(e) and produced by the
 28 producer from that lease or property, less the producer's lease expenditures
 29 under AS 43.55.165 for the calendar year applicable to the oil produced by the
 30 producer from that lease or property, as adjusted under AS 43.55.170;

31 (D) gas produced during a calendar year from a lease or

1 property in the Cook Inlet sedimentary basin is the gross value at the point of
 2 production of the gas taxable under AS 43.55.011(e) and produced by the
 3 producer from that lease or property, less the producer's lease expenditures
 4 under AS 43.55.165 for the calendar year applicable to the gas produced by the
 5 producer from that lease or property, as adjusted under AS 43.55.170;

6 (E) gas produced during a calendar year from a lease or
 7 property outside the Cook Inlet sedimentary basin and used in the state is the
 8 gross value at the point of production of that gas taxable under
 9 AS 43.55.011(e) and produced by the producer from that lease or property, less
 10 the producer's lease expenditures under AS 43.55.165 for the calendar year
 11 applicable to that gas produced by the producer from that lease or property, as
 12 adjusted under AS 43.55.170;

13 **(F) gas produced during a calendar year from leases or**
 14 **properties in the state that include land north of 68 degrees North latitude**
 15 **is the gross value at the point of production of the gas taxable under**
 16 **AS 43.55.011(e) and produced by the producer from those leases or**
 17 **properties, less the producer's lease expenditures under AS 43.55.165 for**
 18 **the calendar year applicable to the gas produced by the producer from**
 19 **those leases or properties, as adjusted under AS 43.55.170; this**
 20 **subparagraph does not apply to gas used in the state;**

21 **(G) gas produced during a calendar year from leases or**
 22 **properties in the state outside the Cook Inlet sedimentary basin, no part of**
 23 **which is north of 68 degrees North latitude, is the gross value at the point**
 24 **of production of the gas taxable under AS 43.55.011(e) and produced by**
 25 **the producer from those leases or properties, less the producer's lease**
 26 **expenditures under AS 43.55.165 for the calendar year applicable to the**
 27 **gas produced by the producer from those leases or properties, as adjusted**
 28 **under AS 43.55.170; this subparagraph does not apply to gas used in the**
 29 **state;**

30 (2) AS 43.55.011(g) **and (p)**, the monthly production tax value of the
 31 taxable

1 (A) oil [AND GAS] produced during a month from leases or
2 properties in the state that include land north of 68 degrees North latitude is the
3 gross value at the point of production of the oil [AND GAS] taxable under
4 AS 43.55.011(e) and produced by the producer from those leases or properties,
5 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
6 calendar year applicable to the oil [AND GAS] produced by the producer from
7 those leases or properties, as adjusted under AS 43.55.170; [THIS
8 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
9 AS 43.55.011(o);]

10 (B) oil [AND GAS] produced during a month from leases or
11 properties in the state outside the Cook Inlet sedimentary basin, no part of
12 which is north of 68 degrees North latitude, is the gross value at the point of
13 production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced
14 by the producer from those leases or properties, less 1/12 of the producer's
15 lease expenditures under AS 43.55.165 for the calendar year applicable to the
16 oil [AND GAS] produced by the producer from those leases or properties, as
17 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
18 TO GAS SUBJECT TO AS 43.55.011(o);]

19 (C) oil produced during a month from a lease or property in the
20 Cook Inlet sedimentary basin is the gross value at the point of production of
21 the oil taxable under AS 43.55.011(e) and produced by the producer from that
22 lease or property, less 1/12 of the producer's lease expenditures under
23 AS 43.55.165 for the calendar year applicable to the oil produced by the
24 producer from that lease or property, as adjusted under AS 43.55.170;

25 (D) gas produced during a month from a lease or property in
26 the Cook Inlet sedimentary basin is the gross value at the point of production
27 of the gas taxable under AS 43.55.011(e) and produced by the producer from
28 that lease or property, less 1/12 of the producer's lease expenditures under
29 AS 43.55.165 for the calendar year applicable to the gas produced by the
30 producer from that lease or property, as adjusted under AS 43.55.170;

31 (E) gas produced during a month from a lease or property

1 outside the Cook Inlet sedimentary basin and used in the state is the gross
 2 value at the point of production of that gas taxable under AS 43.55.011(e) and
 3 produced by the producer from that lease or property, less 1/12 of the
 4 producer's lease expenditures under AS 43.55.165 for the calendar year
 5 applicable to that gas produced by the producer from that lease or property, as
 6 adjusted under AS 43.55.170;

7 **(F) gas produced during a month from leases or properties**
 8 **in the state that include land north of 68 degrees North latitude is the**
 9 **gross value at the point of production of the gas taxable under**
 10 **AS 43.55.011(e) and produced by the producer from those leases or**
 11 **properties, less 1/12 of the producer's lease expenditures under**
 12 **AS 43.55.165 for the calendar year applicable to the gas produced by the**
 13 **producer from those leases or properties, as adjusted under AS 43.55.170;**
 14 **this subparagraph does not apply to gas used in the state;**

15 **(G) gas produced during a month from leases or properties**
 16 **in the state outside the Cook Inlet sedimentary basin, no part of which is**
 17 **north of 68 degrees North latitude, is the gross value at the point of**
 18 **production of the gas taxable under AS 43.55.011(e) and produced by the**
 19 **producer from those leases or properties, less 1/12 of the producer's lease**
 20 **expenditures under AS 43.55.165 for the calendar year applicable to the**
 21 **gas produced by the producer from those leases or properties, as adjusted**
 22 **under AS 43.55.170; this subparagraph does not apply to gas used in the**
 23 **state.**

24 * **Sec. 19.** AS 43.55.160(a), as amended by sec. 18 of this Act, is amended to read:

25 (a) Except as provided in (b) of this section, for the purposes of

26 (1) AS 43.55.011(e), the annual production tax value of the taxable

27 (A) oil **and gas** produced during a calendar year from leases or
 28 properties in the state that include land north of 68 degrees North latitude is the
 29 gross value at the point of production of the oil **and gas** taxable under
 30 AS 43.55.011(e) and produced by the producer from those leases or properties,
 31 less the producer's lease expenditures under AS 43.55.165 for the calendar year

1 applicable to the oil **and gas** produced by the producer from those leases or
2 properties, as adjusted under AS 43.55.170; **this subparagraph does not**
3 **apply to gas subject to AS 43.55.011(o);**

4 (B) oil **and gas** produced during a calendar year from leases or
5 properties in the state outside the Cook Inlet sedimentary basin, no part of
6 which is north of 68 degrees North latitude, is the gross value at the point of
7 production of the oil **and gas** taxable under AS 43.55.011(e) and produced by
8 the producer from those leases or properties, less the producer's lease
9 expenditures under AS 43.55.165 for the calendar year applicable to the oil
10 **and gas** produced by the producer from those leases or properties, as adjusted
11 under AS 43.55.170; **this subparagraph does not apply to gas subject to**
12 **AS 43.55.011(o);**

13 (C) oil produced during a calendar year from a lease or
14 property in the Cook Inlet sedimentary basin is the gross value at the point of
15 production of the oil taxable under AS 43.55.011(e) and produced by the
16 producer from that lease or property, less the producer's lease expenditures
17 under AS 43.55.165 for the calendar year applicable to the oil produced by the
18 producer from that lease or property, as adjusted under AS 43.55.170;

19 (D) gas produced during a calendar year from a lease or
20 property in the Cook Inlet sedimentary basin is the gross value at the point of
21 production of the gas taxable under AS 43.55.011(e) and produced by the
22 producer from that lease or property, less the producer's lease expenditures
23 under AS 43.55.165 for the calendar year applicable to the gas produced by the
24 producer from that lease or property, as adjusted under AS 43.55.170;

25 (E) gas produced during a calendar year from a lease or
26 property outside the Cook Inlet sedimentary basin and used in the state is the
27 gross value at the point of production of that gas taxable under
28 AS 43.55.011(e) and produced by the producer from that lease or property, less
29 the producer's lease expenditures under AS 43.55.165 for the calendar year
30 applicable to that gas produced by the producer from that lease or property, as
31 adjusted under AS 43.55.170;

1 [(F) GAS PRODUCED DURING A CALENDAR YEAR
 2 FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE
 3 LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS
 4 VALUE AT THE POINT OF PRODUCTION OF THE GAS TAXABLE
 5 UNDER AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM
 6 THOSE LEASES OR PROPERTIES, LESS THE PRODUCER'S LEASE
 7 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
 8 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM
 9 THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;
 10 THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE
 11 STATE;

12 (G) GAS PRODUCED DURING A CALENDAR YEAR
 13 FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK
 14 INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
 15 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
 16 OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e)
 17 AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
 18 PROPERTIES, LESS THE PRODUCER'S LEASE EXPENDITURES
 19 UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO
 20 THE GAS PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
 21 PROPERTIES, AS ADJUSTED UNDER AS 43.55.170; THIS
 22 SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE STATE;]

23 (2) AS 43.55.011(g) [AND (p)], the monthly production tax value of
 24 the taxable

25 (A) oil and gas produced during a month from leases or
 26 properties in the state that include land north of 68 degrees North latitude is the
 27 gross value at the point of production of the oil and gas taxable under
 28 AS 43.55.011(e) and produced by the producer from those leases or properties,
 29 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
 30 calendar year applicable to the oil and gas produced by the producer from
 31 those leases or properties, as adjusted under AS 43.55.170; **this subparagraph**

1 **does not apply to gas subject to AS 43.55.011(o);**

2 (B) oil **and gas** produced during a month from leases or
3 properties in the state outside the Cook Inlet sedimentary basin, no part of
4 which is north of 68 degrees North latitude, is the gross value at the point of
5 production of the oil **and gas** taxable under AS 43.55.011(e) and produced by
6 the producer from those leases or properties, less 1/12 of the producer's lease
7 expenditures under AS 43.55.165 for the calendar year applicable to the oil
8 **and gas** produced by the producer from those leases or properties, as adjusted
9 under AS 43.55.170; **this subparagraph does not apply to gas subject to**
10 **AS 43.55.011(o);**

11 (C) oil produced during a month from a lease or property in the
12 Cook Inlet sedimentary basin is the gross value at the point of production of
13 the oil taxable under AS 43.55.011(e) and produced by the producer from that
14 lease or property, less 1/12 of the producer's lease expenditures under
15 AS 43.55.165 for the calendar year applicable to the oil produced by the
16 producer from that lease or property, as adjusted under AS 43.55.170;

17 (D) gas produced during a month from a lease or property in
18 the Cook Inlet sedimentary basin is the gross value at the point of production
19 of the gas taxable under AS 43.55.011(e) and produced by the producer from
20 that lease or property, less 1/12 of the producer's lease expenditures under
21 AS 43.55.165 for the calendar year applicable to the gas produced by the
22 producer from that lease or property, as adjusted under AS 43.55.170;

23 (E) gas produced during a month from a lease or property
24 outside the Cook Inlet sedimentary basin and used in the state is the gross
25 value at the point of production of that gas taxable under AS 43.55.011(e) and
26 produced by the producer from that lease or property, less 1/12 of the
27 producer's lease expenditures under AS 43.55.165 for the calendar year
28 applicable to that gas produced by the producer from that lease or property, as
29 adjusted under AS 43.55.170 [;

30 (F) GAS PRODUCED DURING A MONTH FROM LEASES
31 OR PROPERTIES IN THE STATE THAT INCLUDE LAND NORTH OF 68

1 DEGREES NORTH LATITUDE IS THE GROSS VALUE AT THE POINT
 2 OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e)
 3 AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
 4 PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE
 5 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
 6 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM
 7 THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;
 8 THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE
 9 STATE;

10 (G) GAS PRODUCED DURING A MONTH FROM LEASES
 11 OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET
 12 SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
 13 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
 14 OF PRODUCTION OF THE GAS TAXABLE UNDER AS 43.55.011(e)
 15 AND PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
 16 PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE
 17 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
 18 APPLICABLE TO THE GAS PRODUCED BY THE PRODUCER FROM
 19 THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;
 20 THIS SUBPARAGRAPH DOES NOT APPLY TO GAS USED IN THE
 21 STATE].

22 * **Sec. 20.** AS 43.55.160(a), as amended by sec. 19 of this Act, is amended to read:

23 (a) Except as provided in (b) of this section, for the purposes of

24 (1) AS 43.55.011(e), the annual production tax value of the taxable

25 (A) oil [AND GAS] produced during a calendar year from
 26 leases or properties in the state that include land north of 68 degrees North
 27 latitude is the gross value at the point of production of the oil [AND GAS]
 28 taxable under AS 43.55.011(e) and produced by the producer from those leases
 29 or properties, less the producer's lease expenditures under AS 43.55.165 for the
 30 calendar year applicable to the oil [AND GAS] produced by the producer from
 31 those leases or properties, as adjusted under AS 43.55.170; [THIS

1 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
2 AS 43.55.011(o);]

3 (B) oil [AND GAS] produced during a calendar year from
4 leases or properties in the state outside the Cook Inlet sedimentary basin, no
5 part of which is north of 68 degrees North latitude, is the gross value at the
6 point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and
7 produced by the producer from those leases or properties, less the producer's
8 lease expenditures under AS 43.55.165 for the calendar year applicable to the
9 oil [AND GAS] produced by the producer from those leases or properties, as
10 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
11 TO GAS SUBJECT TO AS 43.55.011(o);]

12 (C) oil produced during a calendar year from a lease or
13 property in the Cook Inlet sedimentary basin is the gross value at the point of
14 production of the oil taxable under AS 43.55.011(e) and produced by the
15 producer from that lease or property, less the producer's lease expenditures
16 under AS 43.55.165 for the calendar year applicable to the oil produced by the
17 producer from that lease or property, as adjusted under AS 43.55.170;

18 (D) gas produced during a calendar year from a lease or
19 property in the Cook Inlet sedimentary basin is the gross value at the point of
20 production of the gas taxable under AS 43.55.011(e) and produced by the
21 producer from that lease or property, less the producer's lease expenditures
22 under AS 43.55.165 for the calendar year applicable to the gas produced by the
23 producer from that lease or property, as adjusted under AS 43.55.170;

24 (E) gas produced during a calendar year from a lease or
25 property outside the Cook Inlet sedimentary basin and used in the state is the
26 gross value at the point of production of that gas taxable under
27 AS 43.55.011(e) and produced by the producer from that lease or property, less
28 the producer's lease expenditures under AS 43.55.165 for the calendar year
29 applicable to that gas produced by the producer from that lease or property, as
30 adjusted under AS 43.55.170;

31 **(F) gas produced during a calendar year from leases or**

1 properties in the state that include land north of 68 degrees North latitude
 2 is the gross value at the point of production of the gas taxable under
 3 AS 43.55.011(e) and produced by the producer from those leases or
 4 properties, less the producer's lease expenditures under AS 43.55.165 for
 5 the calendar year applicable to the gas produced by the producer from
 6 those leases or properties, as adjusted under AS 43.55.170; this
 7 subparagraph does not apply to gas used in the state;

8 (G) gas produced during a calendar year from leases or
 9 properties in the state outside the Cook Inlet sedimentary basin, no part of
 10 which is north of 68 degrees North latitude, is the gross value at the point
 11 of production of the gas taxable under AS 43.55.011(e) and produced by
 12 the producer from those leases or properties, less the producer's lease
 13 expenditures under AS 43.55.165 for the calendar year applicable to the
 14 gas produced by the producer from those leases or properties, as adjusted
 15 under AS 43.55.170; this subparagraph does not apply to gas used in the
 16 state;

17 (2) AS 43.55.011(g) and (q), the monthly production tax value of the
 18 taxable

19 (A) oil [AND GAS] produced during a month from leases or
 20 properties in the state that include land north of 68 degrees North latitude is the
 21 gross value at the point of production of the oil [AND GAS] taxable under
 22 AS 43.55.011(e) and produced by the producer from those leases or properties,
 23 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
 24 calendar year applicable to the oil [AND GAS] produced by the producer from
 25 those leases or properties, as adjusted under AS 43.55.170; [THIS
 26 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
 27 AS 43.55.011(o);]

28 (B) oil [AND GAS] produced during a month from leases or
 29 properties in the state outside the Cook Inlet sedimentary basin, no part of
 30 which is north of 68 degrees North latitude, is the gross value at the point of
 31 production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced

1 by the producer from those leases or properties, less 1/12 of the producer's
2 lease expenditures under AS 43.55.165 for the calendar year applicable to the
3 oil [AND GAS] produced by the producer from those leases or properties, as
4 adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY
5 TO GAS SUBJECT TO AS 43.55.011(o);]

6 (C) oil produced during a month from a lease or property in the
7 Cook Inlet sedimentary basin is the gross value at the point of production of
8 the oil taxable under AS 43.55.011(e) and produced by the producer from that
9 lease or property, less 1/12 of the producer's lease expenditures under
10 AS 43.55.165 for the calendar year applicable to the oil produced by the
11 producer from that lease or property, as adjusted under AS 43.55.170;

12 (D) gas produced during a month from a lease or property in
13 the Cook Inlet sedimentary basin is the gross value at the point of production
14 of the gas taxable under AS 43.55.011(e) and produced by the producer from
15 that lease or property, less 1/12 of the producer's lease expenditures under
16 AS 43.55.165 for the calendar year applicable to the gas produced by the
17 producer from that lease or property, as adjusted under AS 43.55.170;

18 (E) gas produced during a month from a lease or property
19 outside the Cook Inlet sedimentary basin and used in the state is the gross
20 value at the point of production of that gas taxable under AS 43.55.011(e) and
21 produced by the producer from that lease or property, less 1/12 of the
22 producer's lease expenditures under AS 43.55.165 for the calendar year
23 applicable to that gas produced by the producer from that lease or property, as
24 adjusted under AS 43.55.170;

25 **(F) gas produced during a month from leases or properties**
26 **in the state that include land north of 68 degrees North latitude is the**
27 **gross value at the point of production of the gas taxable under**
28 **AS 43.55.011(e) and produced by the producer from those leases or**
29 **properties, less 1/12 of the producer's lease expenditures under**
30 **AS 43.55.165 for the calendar year applicable to the gas produced by the**
31 **producer from those leases or properties, as adjusted under AS 43.55.170;**

1 **this subparagraph does not apply to gas used in the state;**

2 **(G) gas produced during a month from leases or properties**
 3 **in the state outside the Cook Inlet sedimentary basin, no part of which is**
 4 **north of 68 degrees North latitude, is the gross value at the point of**
 5 **production of the gas taxable under AS 43.55.011(e) and produced by the**
 6 **producer from those leases or properties, less 1/12 of the producer's lease**
 7 **expenditures under AS 43.55.165 for the calendar year applicable to the**
 8 **gas produced by the producer from those leases or properties, as adjusted**
 9 **under AS 43.55.170; this subparagraph does not apply to gas used in the**
 10 **state.**

11 * **Sec. 21.** AS 43.55.165(h) is amended to read:

12 (h) The department shall adopt regulations that provide for reasonable
 13 methods of allocating costs between oil and gas, between gas subject to
 14 AS 43.55.011(o) and other gas, and between leases or properties in those
 15 circumstances where an allocation of costs is required to determine lease expenditures
 16 that are costs of exploring for, developing, or producing oil deposits or costs of
 17 exploring for, developing, or producing gas deposits, or that are costs of exploring for,
 18 developing, or producing oil or gas deposits located within different leases or
 19 properties. **When determining a reasonable method of allocating lease**
 20 **expenditures between the production of oil and the production of gas, the**
 21 **department shall, to the extent possible, allocate lease expenditures in proportion**
 22 **to the gross value at the point of production for oil produced and gas produced**
 23 **from each lease or property.**

24 * **Sec. 22.** AS 43.55.170 is amended by adding a new subsection to read:

25 (d) The department shall adopt regulations that provide for reasonable
 26 methods of allocating the adjustments to a producer's lease expenditures in (a) of this
 27 section and the payments and credits described in (b) of this section between oil and
 28 gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or
 29 properties in those circumstances where an allocation of costs is required to determine
 30 lease expenditures that are costs of exploring for, developing, or producing oil
 31 deposits, or costs of exploring for, developing, or producing gas deposits, or that are

1 costs of exploring for, developing, or producing oil or gas deposits located within
 2 different leases or properties. When determining a reasonable method of allocating the
 3 adjustments to a producer's lease expenditures between the production of oil and the
 4 production of gas, the department shall consider allocating the adjustments in
 5 proportion to the lease expenditures allocated to the production of oil and the
 6 production of gas under regulations adopted by the department under
 7 AS 43.55.165(h).

8 * **Sec. 23.** AS 43.55.011(p) is repealed.

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

11 TRANSITION; REGULATIONS; PAYMENT OF TAX; FILING OF REPORTS. If
 12 secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, the Department of Revenue shall adopt
 13 regulations providing for the payment of tax and the filing of reports required for the period in
 14 which secs. 1, 4, 7, 10, 12, 15, and 18 of this Act are in effect.

15 * **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to
 16 read:

17 CONDITIONAL EFFECT OF SECS. 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, AND
 18 23 OF THIS ACT; NOTICE. (a) Sections 1, 2, 4, 5, 7, 8, 10, 12, 13, 15, 16, 18, 19, and 23 of
 19 this Act take effect only if secs. 21 and 22 of this Act take effect before April 29, 2010.

20 (b) The commissioner of revenue shall notify the revisor of statutes of the date of the
 21 start of the first binding open season for the project licensed under AS 43.90 (Alaska Gasline
 22 Inducement Act).

23 * **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to
 24 read:

25 CONDITIONAL EFFECT OF SECS. 3, 6, 9, 11, 14, 17, AND 20 OF THIS ACT;
 26 NOTICE. (a) Sections 3, 6, 9, 11, 14, 17, and 20 of this Act take effect only if more than
 27 1,500,000,000 cubic feet of natural gas a day that is produced in the state is tendered for
 28 shipment through a natural gas pipeline project in the state to a market in Canada or the 48
 29 contiguous states, or to a gas liquefaction facility in the state for shipment in a liquefied state
 30 by marine transportation to a market outside of the state.

31 (b) The commissioner of revenue shall notify the revisor of statutes of the date that

1 natural gas was first tendered for shipment under the circumstances described in (a) of this
2 section.

3 * **Sec. 27.** If secs. 1, 4, 7, 10, 12, 15, and 18 of this Act take effect, they take effect April 29,
4 2010.

5 * **Sec. 28.** If secs. 2, 5, 8, 13, 16, 19, and 23 of this Act take effect, they take effect on the
6 first day immediately following the date on which the open season starts for the project
7 licensed under AS 43.90.

8 * **Sec. 29.** If secs. 3, 6, 9, 11, 14, 17, and 20 take effect, they take effect on the first day of
9 the month immediately following the date on which the condition in sec. 26(a) of this Act is
10 met.

11 * **Sec. 30.** Except as provided in secs. 27 - 29 of this Act, this Act takes effect immediately
12 under AS 01.10.070(c).