

AMENDMENT #1

OFFERED IN THE HOUSE
TO: CSHB 110(FIN)

BY REPRESENTATIVE DOOGAN

1 Page 1, lines 5 - 6: (title amendment)

2 Delete "relating to certain additional nontransferable oil and gas production tax
3 credits;"

4
5 Page 1, following line 12:

6 Insert a new bill section to read:

7 "* Sec. 2. AS 05.15.095(c) is amended to read:

8 (c) A delinquent fee bears interest at the rate set by AS 43.05.225
9 [AS 43.05.225(2)]."

10

11 Renumber the following bill sections accordingly.

12

13 Page 2, following line 5:

14 Insert a new bill section to read:

15 "* Sec. 4. AS 34.45.470(a) is amended to read:

16 (a) A person who fails to pay or deliver property within the time prescribed by
17 this chapter may be required to pay to the department interest at the annual rate
18 calculated under AS 43.05.225 [AS 43.05.225(2)] on the property or the value of it
19 from the date the property should have been paid or delivered."

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21 Renumber the following bill sections accordingly.

22

23 Page 2, following line 17:

1 Insert a new bill section to read:

2 **"* Sec. 6.** AS 43.05.225 is amended to read:

3 **Sec. 43.05.225. Interest.** Unless otherwise provided,

4 (1) when a tax levied in this title becomes delinquent, it bears interest
5 in a calendar quarter at the rate of five [THREE] percentage points above the annual
6 rate charged member banks for advances by the 12th Federal Reserve District as of the
7 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is
8 greater [LESSER], compounded quarterly as of the last day of that quarter;

9 (2) the interest rate is 12 percent a year for

10 (A) delinquent fees payable under AS 05.15.095(c); and

11 (B) unclaimed property that is not timely paid or delivered, as
12 allowed by AS 34.45.470(a)."

13
14 Renumber the following bill sections accordingly.

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16 Page 2, following line 25:

17 Insert a new bill section to read:

18 **"* Sec. 8.** AS 43.20.046(i) is amended to read:

19 (i) The issuance of a refund under this section does not limit the department's
20 ability to later audit or adjust the claim if the department determines, as a result of the
21 audit, that the person that claimed the credit was not entitled to the amount of the
22 credit. The tax liability of the person receiving the credit under this chapter is
23 increased by the amount of the credit that exceeds that to which the person was
24 entitled. If the tax liability is increased under this subsection, the increase bears
25 interest under AS 43.05.225 [AS 43.05.225(1)] from the date the refund was issued."

26
27 Renumber the following bill sections accordingly.

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29 Page 3, following line 2:

30 Insert a new bill section to read:

31 **"* Sec. 10.** AS 43.50.570 is amended to read:

1 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the
2 purchase of stamps within the time required

3 (1) is considered to have failed to pay the cigarette taxes due under this
4 chapter; and

5 (2) shall pay interest at the rate established under AS 43.05.225
6 [AS 43.05.225(1)] from the date on which the amount became due until the date of
7 payment."
8

9 Renumber the following bill sections accordingly.

10
11 Page 3, following line 21:

12 Insert a new bill section to read:

13 **** Sec. 12.** AS 43.55.011(e) is repealed and reenacted to read:

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

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

21 (2) the sum, over all months of the calendar year, of the tax amounts
22 determined under (g) of this section."
23

24 Renumber the following bill sections accordingly.

25
26 Page 7, following line 25:

27 Insert a new bill section to read:

28 **** Sec. 14.** AS 43.55.011(g) is repealed and reenacted to read:

29 (g) For each month of the calendar year for which the producer's average
30 monthly production tax value under AS 43.55.160(a)(2) for each BTU equivalent
31 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of

1 (e)(2) of this section is determined by multiplying the monthly production tax value of
 2 the taxable oil and gas produced during the month by the tax rate calculated as
 3 follows:

4 (1) if the producer's average monthly production tax value for each
 5 BTU equivalent barrel of the taxable oil and gas for the month is not more than
 6 \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the
 7 difference between that average monthly production tax value for each BTU
 8 equivalent barrel and \$30; or

9 (2) if the producer's average monthly production tax value for each
 10 BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50,
 11 the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the
 12 number that represents the difference between the average monthly production tax
 13 value for each BTU equivalent barrel and \$92.50, except that the sum determined
 14 under this paragraph may not exceed 50 percent."
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16 Renumber the following bill sections accordingly.

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 18 Page 10, following line 14:

19 Insert a new bill section to read:

20 **** Sec. 16.** AS 43.55.020(a) is amended to read:

21 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
 22 shall pay the tax as follows:

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

30 (A) for oil and gas produced from leases or properties in the
 31 state outside the Cook Inlet sedimentary basin but not subject to

1 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
2 greater of

3 (i) zero; or

4 (ii) the **sum of 25 percent and the tax rate calculated**
5 **for the month under AS 43.55.011(g) multiplied by** [APPLICABLE
6 TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND
7 43.55.011(g), AS APPLICABLE, APPLIED TO] the remainder
8 obtained by subtracting 1/12 of the producer's adjusted lease
9 expenditures for the calendar year of production under AS 43.55.165
10 and 43.55.170 that are deductible for the leases or properties under
11 AS 43.55.160 from the gross value at the point of production of the oil
12 and gas produced from the leases or properties during the month for
13 which the installment payment is calculated;

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

16 (i) zero;

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

21 (iii) the **sum of 25 percent and the tax rate calculated**
22 **for the month under AS 43.55.011(g) multiplied by** [APPLICABLE
23 TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND
24 43.55.011(g), AS APPLICABLE, APPLIED TO] the remainder
25 obtained by subtracting 1/12 of the producer's adjusted lease
26 expenditures for the calendar year of production under AS 43.55.165
27 and 43.55.170 that are deductible for those leases or properties under
28 AS 43.55.160 from the gross value at the point of production of the oil
29 and gas produced from those leases or properties during the month for
30 which the installment payment is calculated;

31 (C) for oil and gas produced from each lease or property

1 subject to AS 43.55.011(j), (k), or (o), the greater of

2 (i) zero; or

3 (ii) the **sum of 25 percent and the tax rate calculated**
4 **for the month under AS 43.55.011(g) multiplied by** [APPLICABLE
5 TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND
6 43.55.011(g), AS APPLICABLE, APPLIED TO] the remainder
7 obtained by subtracting 1/12 of the producer's adjusted lease
8 expenditures for the calendar year of production under AS 43.55.165
9 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,
10 respectively, produced from the lease or property from the gross value
11 at the point of production of the oil or gas, respectively, produced from
12 the lease or property during the month for which the installment
13 payment is calculated;

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

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

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

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

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

10 Renumber the following bill sections accordingly.

11
 12 Page 10, following line 26:

13 Insert a new bill section to read:

14 **"* Sec. 18.** AS 43.55.020(g) is amended to read:

15 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
 16 amount of an installment payment required under (a)(1) - (3) of this section that is not
 17 paid when due bears interest (1) at the rate provided for an underpayment under 26
 18 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date
 19 the installment payment is due until March 31 following the calendar year of
 20 production, and (2) as provided for a delinquent tax under AS 43.05.225
 21 [AS 43.05.225(1)] after that March 31. Interest accrued under (1) of this subsection
 22 that remains unpaid after that March 31 is treated as an addition to tax that bears
 23 interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this
 24 section that is not paid when due bears interest as provided for a delinquent tax under
 25 AS 43.05.225 [AS 43.05.225(1)]."
 26

27 Renumber the following bill sections accordingly.

28
 29 Page 11, following line 13:

30 Insert a new bill section to read:

31 **"* Sec. 20.** AS 43.55.023(a) is amended to read:

1 (a) A producer or explorer may take a tax credit for a qualified capital
2 expenditure as follows:

3 (1) notwithstanding that a qualified capital expenditure may be a
4 deductible lease expenditure for purposes of calculating the production tax value of oil
5 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
6 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
7 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
8 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
9 expenditure; **however, not more than half of the tax credit may be applied for a**
10 **single calendar year;**

11 (2) a producer or explorer may take a credit for a qualified capital
12 expenditure incurred in connection with geological or geophysical exploration or in
13 connection with an exploration well only if the producer or explorer

14 (A) agrees, in writing, to the applicable provisions of
15 AS 43.55.025(f)(2);

16 (B) submits to the Department of Natural Resources all data
17 that would be required to be submitted under AS 43.55.025(f)(2)."
18

19 Renumber the following bill sections accordingly.

20
21 Page 12, following line 8:

22 Insert a new bill section to read:

23 **"* Sec. 22.** AS 43.55.023(d) is amended to read:

24 (d) Except as limited by (i) of this section, a person that is entitled to take a tax
25 credit under this section that wishes to transfer the unused credit to another person or
26 obtain a cash payment under AS 43.55.028 may apply to the department for [A]
27 transferable tax credit **certificates** [CERTIFICATE]. An application under this
28 subsection must be in a form prescribed by the department and must include
29 supporting information and documentation that the department reasonably requires.
30 The department shall grant or deny an application, or grant an application as to a lesser
31 amount than that claimed and deny it as to the excess, not later than 120 days after the

1 latest of (1) March 31 of the year following the calendar year in which the qualified
 2 capital expenditure [, WELL LEASE EXPENDITURE,] or carried-forward annual
 3 loss for which the credit is claimed was incurred; (2) the date the statement required
 4 under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified
 5 capital expenditure [, WELL LEASE EXPENDITURE,] or carried-forward annual
 6 loss for which the credit is claimed was incurred; or (3) the date the application was
 7 received by the department. If, based on the information then available to it, the
 8 department is reasonably satisfied that the applicant is entitled to a credit, the
 9 department shall issue the applicant **two** [A] transferable tax credit **certificates, each**
 10 **for half of** [CERTIFICATE FOR] the amount of the credit. **The credit shown on one**
 11 **of the two certificates is available for immediate use. The credit shown on the**
 12 **second of the two certificates may not be applied against a tax for a calendar year**
 13 **earlier than the calendar year following the calendar year in which the certificate**
 14 **is issued, and the certificate must contain a conspicuous statement to that effect.**

15 A certificate issued under this subsection does not expire."
 16

17 Renumber the following bill sections accordingly.
 18

19 Page 13, following line 5:

20 Insert a new bill section to read:

21 **** Sec. 25.** AS 43.55.023(g) is amended to read:

22 (g) The issuance of a transferable tax credit certificate under (d) of this
 23 section, [OR] former (m) of this section, **or (p) of this section,** or the purchase of a
 24 certificate under AS 43.55.028 does not limit the department's ability to later audit a
 25 tax credit claim to which the certificate relates or to adjust the claim if the department
 26 determines, as a result of the audit, that the applicant was not entitled to the amount of
 27 the credit for which the certificate was issued. The tax liability of the applicant under
 28 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit
 29 that exceeds that to which the applicant was entitled, or the applicant's available valid
 30 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced
 31 by that amount. If the applicant's tax liability is increased under this subsection, the

1 increase bears interest under AS 43.05.225 [AS 43.05.225(1)] from the date the
2 transferable tax credit certificate was issued. For purposes of this subsection, an
3 applicant that is an explorer is considered a producer subject to the tax levied by
4 AS 43.55.011(e)."

5
6 Renumber the following bill sections accordingly.

7
8 Page 13, line 9:

9 Delete "2021"

10 Insert "2015"

11
12 Page 14, line 1:

13 Delete "2020"

14 Insert "2014"

15 Delete "2021"

16 Insert "2015"

17
18 Page 14, line 10, following "expenditure;":

19 Insert "a tax credit under this paragraph may be applied for a single calendar
20 year;"

21
22 Page 15, line 4, following "(I)":

23 Insert "and (p)"

24
25 Page 15, following line 16:

26 Insert a new bill section to read:

27 "*** Sec. 30.** AS 43.55.023 is amended by adding a new subsection to read:

28 (p) For a lease expenditure incurred in the state south of 68 degrees North
29 latitude after December 31, 2014, that qualifies for tax credits under (a) and (b) of this
30 section, and for a well lease expenditure incurred in the state south of 68 degrees
31 North latitude that qualifies for a tax credit under (I) of this section, the department

1 shall issue transferable tax credit certificates to the person entitled to the credit for the
2 full amount of the credit. The transferable tax credit certificates do not expire."

3
4 Renumber the following bill sections accordingly.

5
6 Page 15, line 17, through page 17, line 17:

7 Delete all material.

8
9 Renumber the following bill sections accordingly.

10
11 Page 18, following line 7:

12 Insert a new bill section to read:

13 **"* Sec. 32.** AS 43.55.028(e) is amended to read:

14 (e) The department, on the written application of a person to whom a
15 transferable tax credit certificate has been issued under AS 43.55.023(d), [OR] former
16 AS 43.55.023(m), or AS 43.55.023(p), or to whom a production tax credit certificate
17 has been issued under AS 43.55.025(f), may use available money in the oil and gas tax
18 credit fund to purchase, in whole or in part, the certificate if the department finds that

19 (1) the calendar year of the purchase is not earlier than the first
20 calendar year for which the credit shown on the certificate would otherwise be allowed
21 to be applied against a tax;

22 (2) the applicant does not have an outstanding liability to the state for
23 unpaid delinquent taxes under this title;

24 (3) the applicant's total tax liability under AS 43.55.011(e), after
25 application of all available tax credits, for the calendar year in which the application is
26 made is zero;

27 (4) the applicant's average daily production of oil and gas taxable under
28 AS 43.55.011(e) during the calendar year preceding the calendar year in which the
29 application is made was not more than 50,000 BTU equivalent barrels; and

30 (5) the purchase is consistent with this section and regulations adopted
31 under this section."

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Renumber the following bill sections accordingly.

Page 18, following line 16:

Insert a new bill section to read:

**** Sec. 34.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds under AS 43.20.046 when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under former AS 43.55.023(m) or AS 43.55.023(p) or a claim for refund under AS 43.20.046."

Renumber the following bill sections accordingly.

Page 19, following line 13:

Insert a new bill section to read:

**** Sec. 36.** AS 43.55.890 is amended to read:

Sec. 43.55.890. Disclosure of tax information. Notwithstanding any contrary provision of AS 40.25.100, and regardless of whether the information is considered under AS 43.05.230(e) to constitute statistics classified to prevent the identification of particular returns or reports, the department may publish the following information under this chapter, if aggregated among three or more producers or explorers, showing, by month or calendar year and by lease or property, unit, or area of the state:

- (1) the amount of oil or gas production;
- (2) the amount of taxes levied under this chapter or paid under this chapter;
- (3) the effective tax rates under this chapter;

1 (4) the gross value of oil or gas at the point of production;
 2 (5) the transportation costs for oil or gas;
 3 (6) qualified capital expenditures, as defined in AS 43.55.023;
 4 (7) exploration expenditures under AS 43.55.025;
 5 (8) production tax values of oil or gas under AS 43.55.160;
 6 (9) lease expenditures under AS 43.55.165;
 7 (10) adjustments to lease expenditures under AS 43.55.170;
 8 (11) tax credits applicable or potentially applicable against taxes levied
 9 by this chapter [; THE INFORMATION RELATING TO TAX CREDITS UNDER
 10 THIS PARAGRAPH, TO THE EXTENT THE INFORMATION IS AVAILABLE
 11 TO THE DEPARTMENT, MUST INCLUDE THE STATUTORY AUTHORITY
 12 FOR EACH TYPE OF CREDIT TAKEN, THE AMOUNT OF CREDITS TAKEN
 13 UNDER EACH STATUTE AUTHORIZING A TAX CREDIT, AND WHETHER
 14 THE CREDIT IS FOR AN EXPENDITURE RELATED TO OIL OR GAS
 15 EXPLORATION, DEVELOPMENT, OR PRODUCTION, INCLUDING THE
 16 DRILLING OF WELLS; PERFORMING WORK ON EXISTING WELLS;
 17 CONDUCTING GEOLOGICAL OR GEOPHYSICAL EXPLORATION;
 18 ACQUIRING, CONSTRUCTING, OR INSTALLING NEW FACILITIES OR
 19 EQUIPMENT; AND MAINTAINING, REPAIRING, OR REPLACING EXISTING
 20 FACILITIES OR EQUIPMENT]."

21
 22 Renumber the following bill sections accordingly.

23
 24 Page 19, following line 18:

25 Insert a new bill section to read:

26 **"* Sec. 38.** AS 43.56.160 is amended to read:

27 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)
 28 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent
 29 taxes, exclusive of penalty, shall be assessed at a rate of eight percent a year [THE
 30 RATE SPECIFIED IN AS 43.05.225(1)]."

1 Renumber the following bill sections accordingly.

2

3 Page 19, following line 29:

4 Insert a new bill section to read:

5 **"* Sec. 40.** AS 43.77.020(d) is amended to read:

6 (d) A person subject to the tax under this chapter shall make quarterly
7 payments of the tax estimated to be due for the year, as required under regulations
8 adopted by the department. A taxpayer will be subject to an estimated tax penalty,
9 determined by applying the interest rate specified in AS 43.05.225 [AS 43.05.225(1)]
10 to the underpayment for each quarter, unless the taxpayer makes estimated tax
11 payments in equal installments that total either

12 (1) at least 90 percent of the taxpayer's tax liability under this chapter
13 for the tax year; or

14 (2) at least 100 percent of the taxpayer's tax liability under this chapter
15 for the prior tax year."

16

17 Renumber the following bill sections accordingly.

18

19 Page 20, following line 2:

20 Insert a new bill section to read:

21 **"* Sec. 42.** AS 43.90.430 is amended to read:

22 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter
23 becomes delinquent, the payment bears interest at the rate applicable to a delinquent
24 tax under AS 43.05.225 [AS 43.05.225(1)]."

25

26 Renumber the following bill sections accordingly.

27

28 Page 20, line 6:

29 Delete "Sections 10 - 12, 14, 16, and 28"

30 Insert "Sections 19, 21, 23, 26, 28, and 43"

31

1 Page 20, line 8:

2 Delete "Sections 6 - 8"

3 Insert "Sections 11, 13, and 15"

4

5 Page 20, line 9:

6 Delete "Sections 15 and 17"

7 Insert "Sections 20, 22, 25, 27, 29, and 30"

8

9 Page 20, line 10:

10 Delete "2020"

11 Insert "2014"

12

13 Page 20, following line 10:

14 Insert a new subsection to read:

15 "(d) Sections 12, 14, and 16 of this Act apply to oil and gas produced after

16 December 31, 2014."

17

18 Page 20, line 19:

19 Delete "Sections 10 - 12, 14, 16, 22, 23, and 28"

20 Insert "Sections 19, 21, 23, 26, 28, 31, 33, and 43"

21

22 Page 20, line 21:

23 Delete "Section 24"

24 Insert "Section 35"

25

26 Page 20, line 22:

27 Delete "Sections 6 - 8 and 29(b)"

28 Insert "Sections 11, 13, 15, and 44(b)"

29

30 Page 20, line 23:

31 Delete "Sections 15, 17, and 29(c)"

1 Insert "Sections 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 25, 27, 29, 30, 32, 34, 36, 38, 40,
2 42, and 44(c)"

3 Delete "2021"

4 Insert "2015"

5

6 Page 20, line 24:

7 Delete "Sections 10 - 12, 14, 16, 22, 23, 28, 29(a), and 31"

8 Insert "Sections 19, 21, 23, 26, 28, 31, 33, 43, 44(a), and 46"

9

10 Page 20, line 26:

11 Delete "secs. 32 - 35"

12 Insert "secs. 47 - 50"