

CS FOR HOUSE BILL NO. 110(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 3/7/11

Referred: Finance

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the interest rate applicable to certain amounts due for fees, taxes,
2 and payments made and property delivered to the Department of Revenue; relating to
3 the oil and gas production tax rate; relating to monthly installment payments of
4 estimated oil and gas production tax; relating to oil and gas production tax credits,
5 including qualified capital credits for exploration, development, and production;
6 relating to certain additional nontransferable oil and gas production tax credits; relating
7 to the determination of oil and gas production tax values; relating to the disclosure of
8 certain tax information; making conforming amendments; and providing for an
9 effective date."

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

11 * **Section 1.** AS 05.15.095(c) is amended to read:

12 (c) A delinquent fee bears interest at the rate set by AS 43.05.225(2)

1 [AS 43.05.225].

2 * **Sec. 2.** AS 34.45.470(a) is amended to read:

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

7 * **Sec. 3.** AS 43.05.225 is amended to read:

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

9 (1) when a tax levied in this title becomes delinquent, it bears interest
10 in a calendar quarter at the rate of three [FIVE] percentage points above the annual
11 rate charged member banks for advances by the 12th Federal Reserve District as of the
12 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is
13 lesser [GREATER], compounded quarterly as of the last day of that quarter;

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

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

16 (B) [REPEALED AND

17 (C)] unclaimed property that is not timely paid or delivered, as
18 allowed by AS 34.45.470(a).

19 * **Sec. 4.** AS 43.20.046(i) is amended to read:

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

27 * **Sec. 5.** AS 43.50.570 is amended to read:

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

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

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

4 * **Sec. 6.** AS 43.55.011(e) is amended to read:

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

10 **(1) oil and gas produced from a lease or property containing land**
 11 **that, as of December 31, 2008, was within a unit or in commercial production,** the
 12 tax is equal to [THE SUM OF

13 (1) the annual production tax value of the taxable oil and gas as
 14 calculated under AS 43.55.160(a)(1) multiplied by **the tax rate calculated** [25
 15 PERCENT; AND

16 (2) THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR,
 17 OF THE TAX AMOUNTS DETERMINED] under **(g)(1)** [(g)] of this section;

18 **(2) other oil and gas, the tax is equal to the annual production tax**
 19 **value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied**
 20 **by the tax rate calculated under (g)(2) of this section.**

21 * **Sec. 7.** AS 43.55.011(f) is amended to read:

22 (f) The levy of tax under this section for oil and gas produced north of 68
 23 degrees North latitude, other than oil and gas production subject to (i) of this section
 24 and gas subject to (o) of this section, may not be less than

25 (1) four percent of the gross value at the point of production when the
 26 average price per barrel for Alaska North Slope crude oil for sale on the United States
 27 West Coast during the calendar year for which the tax is due is more than **\$20** [\$25];

28 (2) three percent of the gross value at the point of production when the
 29 average price per barrel for Alaska North Slope crude oil for sale on the United States
 30 West Coast during the calendar year for which the tax is due is over **\$17.50** [\$20] but
 31 not over **\$20** [\$25];

1 (3) two percent of the gross value at the point of production when the
 2 average price per barrel for Alaska North Slope crude oil for sale on the United States
 3 West Coast during the calendar year for which the tax is due is over \$15 [\$17.50] but
 4 not over \$17.50 [\$20];

5 (4) one percent of the gross value at the point of production when the
 6 average price per barrel for Alaska North Slope crude oil for sale on the United States
 7 West Coast during the calendar year for which the tax is due is over \$12.50 [\$15] but
 8 not over \$15 [\$17.50]; or

9 (5) zero percent of the gross value at the point of production when the
 10 average price per barrel for Alaska North Slope crude oil for sale on the United States
 11 West Coast during the calendar year for which the tax is due is \$12.50 [\$15] or less.

12 * **Sec. 8.** AS 43.55.011(g) is repealed and reenacted to read:

13 (g) The tax rate for a calendar year for purposes of

14 (1) (e)(1) of this section is equal to the percentage rate obtained by
 15 performing the following calculations:

16 (A) calculating, for the calendar year, the producer's average
 17 annual production tax value under AS 43.55.160(a)(1) for each BTU
 18 equivalent barrel of the taxable oil and gas subject to (e)(1) of this section;

19 (B) calculating the fraction, if any, of that average annual
 20 production tax value for each BTU equivalent barrel that falls within each
 21 range of incremental production tax value for each BTU equivalent barrel in
 22 the table set out in (D) of this paragraph;

23 (C) multiplying each of those fractions by the corresponding
 24 incremental rate in the table set out in (D) of this paragraph; and

25 (D) adding together the products calculated under (C) of this
 26 paragraph; the table of incremental values and incremental rates is as follows:

Incremental Production Tax Value for each	Incremental Rate
BTU Equivalent Barrel	
Not more than \$30	25 percent
More than \$30 but not more than \$42.50	27.5 percent
More than \$42.50 but not more than \$55	32.5 percent

1	More than \$55 but not more than \$67.50	37.5 percent
2	More than \$67.50 but not more than \$80	42.5 percent
3	More than \$80 but not more than \$92.50	47.5 percent
4	More than \$92.50	50 percent

5 (2) (e)(2) of this section is equal to the percentage rate obtained by
6 performing the following calculations:

7 (A) calculating, for the calendar year, the producer's average
8 annual production tax value under AS 43.55.160(a)(1) for each BTU
9 equivalent barrel of the taxable oil and gas not subject to (e)(1) of this section;

10 (B) calculating the fraction, if any, of that average annual
11 production tax value for each BTU equivalent barrel that falls within each
12 range of incremental production tax value for each BTU equivalent barrel in
13 the table set out in (D) of this paragraph;

14 (C) multiplying each of those fractions by the corresponding
15 incremental rate in the table set out in (D) of this paragraph; and

16 (D) adding together the products calculated under (C) of this
17 paragraph; the table of incremental values and incremental rates is as follows:

18	Incremental Production Tax Value for each	
19	BTU Equivalent Barrel	Incremental Rate
20	Not more than \$30	15 percent
21	More than \$30 but not more than \$42.50	17.5 percent
22	More than \$42.50 but not more than \$55	22.5 percent
23	More than \$55 but not more than \$67.50	27.5 percent
24	More than \$67.50 but not more than \$80	32.5 percent
25	More than \$80 but not more than \$92.50	37.5 percent
26	More than \$92.50	40 percent

27 * **Sec. 9.** AS 43.55.020(a) is repealed and reenacted to read:

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

30 (1) an installment payment of the estimated tax levied by
31 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each

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

7 (A) the sum of the monthly production tax values for the month
 8 under AS 43.55.160(a)(2) for the categories described in
 9 AS 43.55.160(a)(1)(B) and (F), multiplied by the tax rate calculated for the
 10 calendar year of production under AS 43.55.011(g)(1);

11 (B) the greater of

12 (i) the sum of the product of the monthly production tax
 13 value for the month under AS 43.55.160(a)(2) for the category
 14 described in AS 43.55.160(a)(1)(A) multiplied by the tax rate
 15 calculated for the calendar year of production under
 16 AS 43.55.011(g)(1), and the product of the monthly production tax
 17 value for the month under AS 43.55.160(a)(2) for the category
 18 described in AS 43.55.160(a)(1)(G) multiplied by the tax rate
 19 calculated for the calendar year of production under
 20 AS 43.55.011(g)(2); or

21 (ii) zero percent, one percent, two percent, three
 22 percent, or four percent, as applicable under AS 43.55.011(f), of the
 23 gross value at the point of production of the oil and gas, other than gas
 24 subject to AS 43.55.011(o), produced during the month from all leases
 25 or properties that include land north of 68 degrees North latitude; for
 26 purposes of this sub-subparagraph, the applicable percentage under
 27 AS 43.55.011(f) is determined by substituting in AS 43.55.011(f)(1) -
 28 (5) the phrase "month for which the installment payment is calculated"
 29 in place of the phrase "calendar year for which the tax is due";

30 (C) for oil produced during the month from each lease or
 31 property subject to AS 43.55.011(k), for gas produced during the month from

1 each lease or property subject to AS 43.55.011(j), and for gas subject to
 2 AS 43.55.011(o) produced during the month from each lease or property, the
 3 monthly production tax value for the month calculated under
 4 AS 43.55.160(a)(2) for the categories described in AS 43.55.160(a)(1)(C), (D),
 5 or (E), respectively, multiplied by

6 (i) the tax rate calculated for the calendar year of
 7 production under AS 43.55.011(g)(1), for a lease or property subject to
 8 AS 43.55.011(e)(1); or

9 (ii) the tax rate calculated for the calendar year of
 10 production under AS 43.55.011(g)(2), for a lease or property not
 11 subject to AS 43.55.011(e)(1); and

12 (D) the sum of the monthly production tax values for the month
 13 under AS 43.55.160(a)(2) for the categories described in
 14 AS 43.55.160(a)(1)(H) and (I), multiplied by the tax rate calculated for the
 15 calendar year of production under AS 43.55.011(g)(2);

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

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

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

1 during the month; and

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

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

10 * **Sec. 10.** AS 43.55.020(g) is amended to read:

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

22 * **Sec. 11.** AS 43.55.023(a) is amended to read:

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

25 (1) notwithstanding that a qualified capital expenditure may be a
26 deductible lease expenditure for purposes of calculating the production tax value of oil
27 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
28 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
29 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
30 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
31 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY

1 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

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

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

7 (B) submits to the Department of Natural Resources all data
8 that would be required to be submitted under AS 43.55.025(f)(2).

9 * **Sec. 12.** AS 43.55.023(d) is amended to read:

10 (d) Except as limited by (i) of this section, a person that is entitled to take a tax
11 credit under this section that wishes to transfer the unused credit to another person or
12 obtain a cash payment under AS 43.55.028 may apply to the department for
13 transferable tax credit **certificate** [CERTIFICATES]. An application under this
14 subsection must be in a form prescribed by the department and must include
15 supporting information and documentation that the department reasonably requires.
16 The department shall grant or deny an application, or grant an application as to a lesser
17 amount than that claimed and deny it as to the excess, not later than 120 days after the
18 latest of (1) March 31 of the year following the calendar year in which the qualified
19 capital expenditure, **well lease expenditure**, or carried-forward annual loss for which
20 the credit is claimed was incurred; (2) the date the statement required under
21 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital
22 expenditure, **well lease expenditure**, or carried-forward annual loss for which the
23 credit is claimed was incurred; or (3) the date the application was received by the
24 department. If, based on the information then available to it, the department is
25 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
26 the applicant **a** [TWO] transferable tax credit **certificate for** [CERTIFICATES,
27 EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE
28 OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE
29 CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT
30 BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN
31 THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH

1 THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A
2 CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this
3 subsection does not expire.

4 * **Sec. 13.** AS 43.55.023(g) is amended to read:

5 (g) The issuance of a transferable tax credit certificate under (d) or (m) of this
6 section or the purchase of a certificate under AS 43.55.028 does not limit the
7 department's ability to later audit a tax credit claim to which the certificate relates or to
8 adjust the claim if the department determines, as a result of the audit, that the applicant
9 was not entitled to the amount of the credit for which the certificate was issued. The
10 tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is
11 increased by the amount of the credit that exceeds that to which the applicant was
12 entitled, or the applicant's available valid outstanding credits applicable against the tax
13 levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is
14 increased under this subsection, the increase bears interest under **AS 43.05.225(1)**
15 [AS 43.05.225] from the date the transferable tax credit certificate was issued. For
16 purposes of this subsection, an applicant that is an explorer is considered a producer
17 subject to the tax levied by AS 43.55.011(e).

18 * **Sec. 14.** AS 43.55.023(g) is amended to read:

19 (g) The issuance of a transferable tax credit certificate under (d) **of this**
20 **section** or **former** (m) of this section or the purchase of a certificate under
21 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to
22 which the certificate relates or to adjust the claim if the department determines, as a
23 result of the audit, that the applicant was not entitled to the amount of the credit for
24 which the certificate was issued. The tax liability of the applicant under
25 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit
26 that exceeds that to which the applicant was entitled, or the applicant's available valid
27 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced
28 by that amount. If the applicant's tax liability is increased under this subsection, the
29 increase bears interest under AS 43.05.225(1) from the date the transferable tax credit
30 certificate was issued. For purposes of this subsection, an applicant that is an explorer
31 is considered a producer subject to the tax levied by AS 43.55.011(e).

1 * **Sec. 15.** AS 43.55.023(l) is amended to read:

2 (l) A producer or explorer may apply for a tax credit for a well lease
3 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH
4 LATITUDE] after **December 31, 2011** [JUNE 30, 2010], as follows:

5 (1) notwithstanding that a well lease expenditure [INCURRED IN
6 THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible
7 lease expenditure for purposes of calculating the production tax value of oil and gas
8 under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this
9 section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer
10 or explorer that incurs a well lease expenditure [IN THE STATE SOUTH OF 68
11 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied
12 by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT
13 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR
14 YEAR;]

15 (2) a producer or explorer may take a credit for a well lease
16 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH
17 LATITUDE] in connection with geological or geophysical exploration or in
18 connection with an exploration well only if the producer or explorer

19 (A) agrees, in writing, to the applicable provisions of
20 AS 43.55.025(f)(2); and

21 (B) submits to the Department of Natural Resources all data
22 that would be required to be submitted under AS 43.55.025(f)(2).

23 * **Sec. 16.** AS 43.55.023(n) is amended to read:

24 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure
25 [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a
26 lease expenditure that is

27 (1) directly related to an exploration well, a stratigraphic test well, a
28 producing well, or an injection well other than a disposal well, [LOCATED IN THE
29 STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a
30 qualified capital expenditure and an intangible drilling and development cost
31 authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R.

1 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an
 2 expenditure directly related to a well includes an expenditure for well sidetracking,
 3 well deepening, well completion or recompletion, or well workover, regardless of
 4 whether the well is or has been a producing well; or

5 (2) an expense for seismic work conducted within the boundaries of a
 6 production or exploration unit.

7 * **Sec. 17.** AS 43.55.023 is amended by adding a new subsection to read:

8 (p) A producer that incurs more than 80 percent of its wage and compensation
 9 expenditures for wages and compensation paid to Alaska residents may take a tax
 10 credit against the tax levied under AS 43.55.011(e) equal to the percentage by which
 11 the wages and compensation paid to Alaska residents exceeds 80 percent of all wages
 12 and compensation paid by the producer in the state. The department, in consultation
 13 with the Department of Labor and Workforce Development, shall adopt regulations
 14 necessary to administer the credit authorized by this subsection. Notwithstanding (c)
 15 of this section, the unused amount of credit under this subsection may not be carried
 16 forward for more than two years, and, notwithstanding (d), (e), and (g) of this section,
 17 a producer may not transfer a tax credit or obtain a transferable tax credit certificate
 18 for a credit authorized under this subsection. In this subsection, "Alaska resident" has
 19 the meaning given in AS 43.82.230.

20 * **Sec. 18.** AS 43.55.024(b) is amended to read:

21 (b) A producer may not take a tax credit under (a) of this section for any
 22 calendar year after the later of

23 (1) 2021 [2016]; or

24 (2) the ninth calendar year after the calendar year during which the
 25 producer first has commercial oil or gas production before May 1, 2021 [2016], from
 26 at least one lease or property in the state outside the Cook Inlet sedimentary basin, no
 27 part of which is north of 68 degrees North latitude, if the producer did not have
 28 commercial oil or gas production from a lease or property in the state outside the Cook
 29 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before
 30 April 1, 2006.

31 * **Sec. 19.** AS 43.55.024(c) is amended to read:

1 (c) For a calendar year for which a producer's tax liability under
 2 AS 43.55.011(e) exceeds zero before application of any credits under this chapter,
 3 other than a credit under (a) of this section but after application of any credit under (a)
 4 of this section, a producer that is qualified under (e) of this section and whose average
 5 amount of oil and gas produced a day and taxable under AS 43.55.011(e) is less than
 6 100,000 BTU equivalent barrels a day may apply a tax credit under this subsection
 7 against that liability. A producer whose average amount of oil and gas produced a day
 8 and taxable under AS 43.55.011(e) is

9 (1) not more than 50,000 BTU equivalent barrels may apply a tax
 10 credit of not more than \$15,000,000 [\$12,000,000] for the calendar year;

11 (2) more than 50,000 and less than 100,000 BTU equivalent barrels
 12 may apply a tax credit of not more than \$15,000,000 [\$12,000,000] multiplied by the
 13 following fraction for the calendar year:

$$14 \quad 1 - [2 \times (AP - 50,000)] / 100,000$$

15 where AP = the average amount of oil and gas taxable under AS 43.55.011(e),
 16 produced a day during the calendar year in BTU equivalent barrels.

17 * **Sec. 20.** AS 43.55.024(d) is amended to read:

18 (d) A producer may not take a tax credit under (c) of this section for any
 19 calendar year after the later of

20 (1) 2021 [2016]; or

21 (2) if the producer did not have commercial oil or gas production from
 22 a lease or property in the state before April 1, 2006, the ninth calendar year after the
 23 calendar year during which the producer first has commercial oil or gas production
 24 before May 1, 2021 [2016], from at least one lease or property in the state.

25 * **Sec. 21.** AS 43.55.025(a) is amended to read:

26 (a) Subject to the terms and conditions of this section, a credit against the
 27 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that
 28 qualify under (b) of this section in an amount equal to one of the following:

29 (1) 30 percent of the total exploration expenditures that qualify only
 30 under (b) and (c) of this section;

31 (2) 30 percent of the total exploration expenditures that qualify only

1 under (b) and (d) of this section;

2 (3) 40 percent of the total exploration expenditures that qualify under
3 (b), (c), and (d) of this section;

4 (4) 40 percent of the total exploration expenditures that qualify only
5 under (b) and (e) of this section; [OR]

6 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this
7 section, of the total exploration expenditures described in (b)(1) and (2) of this section
8 and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this
9 section; **or**

10 **(6) 30 percent of the total exploration expenditures that qualify**
11 **only under (b) and (n) of this section.**

12 * **Sec. 22.** AS 43.55.025(b) is amended to read:

13 (b) To qualify for the production tax credit under (a) of this section, an
14 exploration expenditure must be incurred for work performed after June 30, 2008, and
15 before July 1, **2021** [2016], and

16 (1) may be for seismic or other geophysical exploration costs not
17 connected with a specific well;

18 (2) if for an exploration well,

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

21 (B) may be for either a well that encounters an oil or gas
22 deposit or a dry hole;

23 (C) must be for a well that has been completed, suspended, or
24 abandoned at the time the explorer claims the tax credit under (f) of this
25 section; and

26 (D) must be for goods, services, or rentals of personal property
27 reasonably required for the surface preparation, drilling, casing, cementing,
28 and logging of an exploration well, and, in the case of a dry hole, for the
29 expenses required for abandonment if the well is abandoned within 18 months
30 after the date the well was spudded;

31 (3) may not be for administration, supervision, engineering, or lease

1 operating costs; geological or management costs; community relations or
 2 environmental costs; bonuses, taxes, or other payments to governments related to the
 3 well; costs, including repairs and replacements, arising from or associated with fraud,
 4 wilful misconduct, gross negligence, criminal negligence, or violation of law,
 5 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or
 6 other costs that are generally recognized as indirect costs or financing costs; and

7 (4) may not be incurred for an exploration well or seismic exploration
 8 that is included in a plan of exploration or a plan of development for any unit before
 9 May 14, 2003.

10 * **Sec. 23.** AS 43.55.025(k) is amended to read:

11 (k) Subject to the terms and conditions of this section, if a claim is filed under
 12 (f)(1) of this section before January 1, 2021 [2016], a credit against the production tax
 13 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible
 14 expenditure under this subsection incurred for seismic exploration performed before
 15 July 1, 2003. To be eligible under this subsection, an expenditure must

16 (1) have been for seismic exploration that

17 (A) obtained data that the commissioner of natural resources
 18 considers to be in the best interest of the state to acquire for public distribution;
 19 and

20 (B) was conducted outside the boundaries of a production unit;
 21 however, the amount of the expenditure that is otherwise eligible under this
 22 section is reduced proportionately by the portion of the seismic exploration
 23 activity that crossed into a production unit; and

24 (2) qualify under (b)(3) of this section.

25 * **Sec. 24.** AS 43.55.025 is amended by adding a new subsection to read:

26 (n) To be eligible for the 30 percent production tax credit authorized by (a)(6)
 27 of this section, exploration expenditures must be for a well drilled north of 68 degrees
 28 North latitude that is

29 (1) outside of a unit; or

30 (2) within a unit formed after June 30, 2008, and the exploration
 31 expenditures are incurred before the later of the date that is four years after the date

1 the

2 (A) unit is formed; or

3 (B) first exploration well is drilled on a lease or property that is

4 within the unit.

5 * **Sec. 25.** AS 43.55.028(e) is amended to read:

6 (e) The department, on the written application of a person to whom a
7 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**
8 **AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued
9 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
10 purchase, in whole or in part, the certificate if the department finds that

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

14 (2) [REPEALED

15 (3) REPEALED

16 (4)] the applicant does not have an outstanding liability to the state for
17 unpaid delinquent taxes under this title;

18 **(3)** [(5)] the applicant's total tax liability under AS 43.55.011(e), after
19 application of all available tax credits, for the calendar year in which the application is
20 made is zero;

21 **(4)** [(6)] the applicant's average daily production of oil and gas taxable
22 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
23 the application is made was not more than 50,000 BTU equivalent barrels; and

24 **(5)** [(7)] the purchase is consistent with this section and regulations
25 adopted under this section.

26 * **Sec. 26.** AS 43.55.028(g) is amended to read:

27 (g) The department may adopt regulations to carry out the purposes of this
28 section, including standards and procedures to allocate available money among
29 applications for purchases under this chapter and claims for refunds under
30 AS 43.20.046 when the total amount of the applications for purchase and claims for
31 refund exceed the amount of available money in the fund. The regulations adopted by

1 the department may not, when allocating available money in the fund under this
 2 section, distinguish an application for the purchase of a credit certificate issued under
 3 **former** AS 43.55.023(m) or a claim for refund under AS 43.20.046.

4 * **Sec. 27.** AS 43.55.160(a) is repealed and reenacted 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 taxable oil,
 7 gas, or oil and gas produced by a producer during a calendar year, in a given category
 8 for which a separate production tax value is required to be calculated under this
 9 paragraph, is equal to the gross value at the point of production of that oil, gas, or oil
 10 and gas, respectively, taxable under AS 43.55.011(e), less the producer's lease
 11 expenditures under AS 43.55.165 for the calendar year that are applicable to the oil,
 12 gas, or oil and gas, respectively, in that category produced by the producer during the
 13 calendar year, as adjusted under AS 43.55.170; a separate annual production tax value
 14 must be calculated for

15 (A) oil and gas, other than gas produced before 2022 and used
 16 in the state, produced in aggregate from all leases or properties in the state that
 17 include land north of 68 degrees North latitude and are subject to
 18 AS 43.55.011(e)(1);

19 (B) oil and gas, other than gas produced before 2022 and used
 20 in the state, produced in aggregate from all leases or properties in the state that
 21 are subject to AS 43.55.011(e)(1) and are described in AS 43.55.024(a), during
 22 a calendar year before or during the last calendar year under AS 43.55.024(b)
 23 for which the producer could take a tax credit under AS 43.55.024(a);

24 (C) oil produced before 2022 from each lease or property in the
 25 Cook Inlet sedimentary basin;

26 (D) gas produced before 2022 from each lease or property in
 27 the Cook Inlet sedimentary basin;

28 (E) gas produced before 2022 from each lease or property in
 29 the state outside the Cook Inlet sedimentary basin and used in the state;

30 (F) oil and gas produced in aggregate from all leases or
 31 properties in the state that do not include land north of 68 degrees North

1 latitude and are subject to AS 43.55.011(e)(1); this subparagraph does not
2 apply to

3 (i) gas that is produced before 2022 and used in the
4 state;

5 (ii) oil or gas that is produced before 2022 from a lease
6 or property in the Cook Inlet sedimentary basin;

7 (iii) oil or gas that is produced from a lease or property
8 described in AS 43.55.024(a) during a calendar year before or during
9 the last calendar year under AS 43.55.024(b) for which the producer
10 could take a tax credit under AS 43.55.024(a);

11 (G) oil and gas, other than gas produced before 2022 and used
12 in the state, produced in aggregate from all leases or properties in the state that
13 include land north of 68 degrees North latitude and are not subject to
14 AS 43.55.011(e)(1);

15 (H) oil and gas, other than gas produced before 2022 and used
16 in the state, produced in aggregate from all leases or properties in the state that
17 are not subject to AS 43.55.011(e)(1) and are described in AS 43.55.024(a),
18 during a calendar year before or during the last calendar year under
19 AS 43.55.024(b) for which the producer could take a tax credit under
20 AS 43.55.024(a);

21 (I) oil and gas produced in aggregate from all leases or
22 properties in the state that do not include land north of 68 degrees North
23 latitude and are not subject to AS 43.55.011(e)(1); this subparagraph does not
24 apply to

25 (i) gas that is produced before 2022 and used in the
26 state;

27 (ii) oil or gas that is produced before 2022 from a lease
28 or property in the Cook Inlet sedimentary basin;

29 (iii) oil or gas that is produced from a lease or property
30 described in AS 43.55.024(a) during a calendar year before or during
31 the last calendar year under AS 43.55.024(b) for which the producer

1 could take a tax credit under AS 43.55.024(a);

2 (2) AS 43.55.020(a), the monthly production tax value of taxable oil,
 3 gas, or oil and gas produced by a producer during a month, in a given category for
 4 which a separate production tax value is required to be calculated under this
 5 paragraph, is equal to the gross value at the point of production of that oil, gas, or oil
 6 and gas, respectively, taxable under AS 43.55.011(e), less 1/12 of the producer's lease
 7 expenditures under AS 43.55.165 for the calendar year that are applicable to the oil,
 8 gas, or oil and gas, respectively, in that category produced by the producer during the
 9 calendar year, as adjusted under AS 43.55.170; a separate monthly production tax
 10 value must be calculated for each of the categories for which a separate annual
 11 production tax value is required to be calculated under (1) of this subsection.

12 * **Sec. 28.** AS 43.55.890 is amended to read:

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

19 (1) the amount of oil or gas production;

20 (2) the amount of taxes levied under this chapter or paid under this
 21 chapter;

22 (3) the effective tax rates under this chapter;

23 (4) the gross value of oil or gas at the point of production;

24 (5) the transportation costs for oil or gas;

25 (6) qualified capital expenditures, as defined in AS 43.55.023;

26 (7) exploration expenditures under AS 43.55.025;

27 (8) production tax values of oil or gas under AS 43.55.160;

28 (9) lease expenditures under AS 43.55.165;

29 (10) adjustments to lease expenditures under AS 43.55.170;

30 (11) tax credits applicable or potentially applicable against taxes levied

31 by this chapter; **the information relating to tax credits under this paragraph, to**

1 the extent the information is available to the department, must include the
 2 statutory authority for each type of credit taken, the amount of credits taken
 3 under each statute authorizing a tax credit, and whether the credit is for an
 4 expenditure related to oil or gas exploration, development, or production,
 5 including the drilling of wells; performing work on existing wells; conducting
 6 geological or geophysical exploration; acquiring, constructing, or installing new
 7 facilities or equipment; and maintaining, repairing, or replacing existing facilities
 8 or equipment.

9 * **Sec. 29.** AS 43.56.160 is amended to read:

10 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)
 11 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent
 12 taxes, exclusive of penalty, shall be assessed at the rate specified in AS 43.05.225(1)
 13 [A RATE OF EIGHT PERCENT A YEAR].

14 * **Sec. 30.** AS 43.77.020(d) is amended to read:

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

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

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

25 * **Sec. 31.** AS 43.90.430 is amended to read:

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

29 * **Sec. 32.** AS 43.55.023(m) is repealed.

30 * **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to
 31 read:

1 APPLICABILITY. (a) Sections 11 and 12 of this Act apply to expenditures incurred
2 after December 31, 2010.

3 (b) Sections 15 - 17, 21, and 24 of this Act apply to expenditures incurred after
4 December 31, 2011.

5 (c) Sections 6 - 9 and 27 of this Act apply to oil and gas produced after December 31,
6 2012.

7 * **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations
10 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure
11 Act), but not before the effective date of the provision of this Act implemented by the
12 regulation.

13 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 RETROACTIVITY. Sections 11 and 12 of this Act are retroactive to January 1, 2011.

16 * **Sec. 36.** Sections 14 - 17, 21, 24 - 28, 32, and 33(b) of this Act take effect January 1,
17 2012.

18 * **Sec. 37.** Sections 6 - 9, 27, and 33(c) of this Act take effect January 1, 2013.

19 * **Sec. 38.** Sections 11, 12, 33(a), and 35 of this Act take effect immediately under
20 AS 01.10.070(c).

21 * **Sec. 39.** Except as provided in secs. 36 - 38 of this Act, this Act takes effect July 1, 2011.