

AMENDMENT #2

By: French  
Ellis  
Gardner  
Wielochowski

OFFERED IN THE SENATE  
TO: CSSB 21(FIN)

1 Page 1, lines 7 - 8:

2 Delete "relating to nontransferable tax credits based on production;"  
3 Insert "relating to adjustments to production tax value;"  
4

5 Page 4, line 30, through page 5, line 12:

6 Delete all material and insert:

7 **"\* Sec. 9.** AS 43.55.011(e) is amended to read:

8 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
9 produced each calendar year from each lease or property in the state, less any oil and  
10 gas the ownership or right to which is exempt from taxation or constitutes a  
11 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
12 (p) of this section, the 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), as adjusted by AS 43.55.162, multiplied by 25  
15 percent; and

16 (2) the sum, over all months of the calendar year, of the tax amounts  
17 determined under (g) of this section.

18 **\* Sec. 10.** AS 43.55.011(g) is amended to read:

19 (g) For each month of the calendar year for which the producer's average  
20 monthly production tax value under AS 43.55.160(a)(2) of a [PER] BTU equivalent  
21 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of  
22 (e)(2) of this section is determined by multiplying the monthly production tax value of  
23 the taxable oil and gas produced during the month, as adjusted by AS 43.55.162, by

1 the tax rate calculated as follows:

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

7 (2) if the producer's average monthly production tax value of a [PER]  
8 BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50,  
9 the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the  
10 number that represents the difference between the average monthly production tax  
11 value of a [PER] BTU equivalent barrel and \$92.50, except that the sum determined  
12 under this paragraph may not exceed 30 [50] percent."  
13

14 Renumber the following bill sections accordingly.

15  
16 Page 8, line 21, through page 12, line 8:

17 Delete all material and insert:

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

19 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay  
20 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 not subject to AS 43.55.011(o) or (p)  
29 produced from leases or properties in the state outside the Cook Inlet  
30 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),  
31 the greater of

1 (i) zero; or

2 (ii) the sum of 25 percent and the tax rate calculated for  
3 the month under AS 43.55.011(g) multiplied by the remainder obtained  
4 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
5 calendar year of production under AS 43.55.165 and 43.55.170 that are  
6 deductible for the oil and gas under AS 43.55.160 and 1/12 of the  
7 adjustment to production tax value for the calendar year under  
8 AS 43.55.162 from the gross value at the point of production of the oil  
9 and gas produced from the leases or properties during the month for  
10 which the installment payment is calculated;

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

13 (i) zero;

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

18 (iii) the sum of 25 percent and the tax rate calculated for  
19 the month under AS 43.55.011(g) multiplied by the remainder obtained  
20 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
21 calendar year of production under AS 43.55.165 and 43.55.170 that are  
22 deductible for the oil and gas under AS 43.55.160 from the gross value  
23 at the point of production of the oil and gas produced from those leases  
24 or properties during the month for which the installment payment is  
25 calculated;

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

28 (i) zero; or

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

1 calendar year of production under AS 43.55.165 and 43.55.170 that are  
2 deductible under AS 43.55.160 and 1/12 of the adjustment to  
3 production tax value for the calendar year under AS 43.55.162 for  
4 the oil or gas, as applicable [RESPECTIVELY], produced from the  
5 lease or property from the gross value at the point of production of the  
6 oil or gas, as applicable [RESPECTIVELY], produced from the lease  
7 or property during the month for which the installment payment is  
8 calculated;

9 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

10 (i) the sum of 25 percent and the tax rate calculated for  
11 the month under AS 43.55.011(g) multiplied by the remainder obtained  
12 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
13 calendar year of production under AS 43.55.165 and 43.55.170 that are  
14 deductible for the oil and gas under AS 43.55.160 and 1/12 of the  
15 adjustment to production tax value for the calendar year under  
16 AS 43.55.162 from the gross value at the point of production of the oil  
17 and gas produced from the leases or properties during the month for  
18 which the installment payment is calculated, but not less than zero; or

19 (ii) four percent of the gross value at the point of  
20 production of the oil and gas produced from the leases or properties  
21 during the month, but not less than zero;

22 (2) an amount calculated under (1)(C) of this subsection for oil  
23 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product  
24 obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or  
25 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as  
26 applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or  
27 43.55.011(o), as applicable, the amount of taxable gas produced during the  
28 month for the amount of taxable gas produced during the calendar year and  
29 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of  
30 taxable oil produced during the month for the amount of taxable oil produced  
31 during the calendar year;

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

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

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

13                   (4) any amount of tax levied by AS 43.55.011, net of any credits  
14 applied as allowed by law, that exceeds the total of the amounts due as installment  
15 payments of estimated tax is due on March 31 of the year following the calendar year  
16 of production."  
17

18 Renumber the following bill sections accordingly.

19  
20 Page 13, line 11, through page 14, line 3:

21                   Delete all material.

22  
23 Renumber the following bill sections accordingly.

24  
25 Page 14, line 29:

26                   Delete "sec. 18"

27                   Insert "sec. 16"

28  
29 Page 16, lines 14 - 28:

30                   Delete all material.

1 Renumber the following bill sections accordingly.

2  
3 Page 20, line 14, through page 22, line 23:

4 Delete all material and insert:

5 **"\* Sec. 24.** AS 43.55.160(a), as amended by sec. 23 of this Act, is amended to read:

6 (a) Except as provided in (b) of this section, **and subject to adjustment**  
7 **under AS 43.55.162,** for the purposes of

8 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,  
9 gas, or oil and gas subject to this paragraph produced during a calendar year is the  
10 gross value at the point of production of the oil, gas, or oil and gas taxable under  
11 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
12 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the  
13 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph  
14 applies to

15 (A) oil and gas produced from leases or properties in the state  
16 that include land north of 68 degrees North latitude, other than gas produced  
17 before 2022 and used in the state;

18 (B) oil and gas produced from leases or properties in the state  
19 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
20 degrees North latitude; this subparagraph does not apply to [GAS]

21 (i) gas produced before 2022 and used in the state; or

22 (ii) oil and gas subject to AS 43.55.011(p);

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

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

27 (E) gas produced before 2022 from each lease or property in  
28 the state outside the Cook Inlet sedimentary basin and used in the state, other  
29 than gas subject to AS 43.55.011(p);

30 (F) oil and gas subject to AS 43.55.011(p) produced from  
31 leases or properties in the state;

1 (G) oil and gas produced from leases or properties in the state  
2 no part of which is north of 68 degrees North latitude, other than oil or gas  
3 described in (B), (C), (D), (E), or (F) of this paragraph;

4 (2) AS 43.55.011(g), the monthly production tax value of the taxable

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

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

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

28 (D) gas produced during a month from a lease or property in  
29 the Cook Inlet sedimentary basin is the gross value at the point of production  
30 of the gas taxable under AS 43.55.011(e) and produced by the producer from  
31 that lease or property, less 1/12 of the producer's lease expenditures under

1 AS 43.55.165 for the calendar year applicable to the gas produced by the  
2 producer from that lease or property, as adjusted under AS 43.55.170;

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

10 \* **Sec. 25.** AS 43.55 is amended by adding a new section to read:

11 **Sec. 43.55.162. Adjustments to production tax value.** (a) The annual  
12 production tax value of oil produced from a lease or property north of 68 degrees  
13 North latitude by the producer is reduced, during the first seven consecutive years  
14 after the start of commercial production by 20 percent of the gross value at the point of  
15 production of oil produced during the calendar year. This subsection does not apply to  
16 a lease or property that

17 (1) was in commercial production before January 1, 2007;

18 (2) is located within a unit area that has never had commercial  
19 production; or

20 (3) is located within a unit for more than 20 years before the first  
21 commercial production on the lease or property.

22 (b) The annual production tax value of oil or gas produced by a producer is  
23 reduced during the first five consecutive years after the start of commercial production  
24 by 10 percent if the oil or gas is produced from a participating area established after  
25 December 31, 2012, that is within a unit formed under AS 38.05.180(p) before  
26 January 1, 2003, if the participating area does not contain a reservoir that had  
27 previously been in a participating area established before January 1, 2012. This  
28 subsection does not apply to production from a lease or property located within a unit  
29 for more than 20 years before the first commercial production on the lease or property.

30 (c) The annual production tax value of heavy oil produced by a producer is  
31 reduced by 10 percent of the gross value at the point of production of heavy oil

1 produced, for the calendar year, from a lease or property that is located within a unit  
2 area existing on January 1, 2014.

3 (d) For a calendar year after 2012, the annual production tax value of oil  
4 produced by a producer that produced oil in 2012 is reduced by 10 percent of the gross  
5 value at the point of production of the volume of oil produced during the calendar year  
6 in excess of the total volume produced by the producer in 2012. The volume of oil  
7 produced by a producer in 2012 is the average daily statewide production of the  
8 producer, excluding from the calculation the days on which production is significantly  
9 reduced, multiplied by the number of days in the calendar year. For the purposes of  
10 this subsection, production is significantly reduced when the production volume of oil  
11 for the day is less than one-half of the quotient of the total volume of oil production  
12 that is produced by the producer for the year and the number of days in the calendar  
13 year. A producer that increases its volume of production through the purchase, merger,  
14 or other acquisition of another producer is the sum of the producer's total target  
15 volume and the total target volume for the producer that is purchased, merged with, or  
16 otherwise acquired; however, if the producer that is purchased, merged with, or  
17 otherwise acquired did not have a target volume determined under this section, the  
18 volume of the increased production that is attributable to the purchase, merger, or  
19 other acquisition may not be considered for the purpose of determining whether the  
20 producer that acquired the additional production has increased the volume of  
21 production above its target volume.

22 (e) A reduction in production tax value provided by this section may not be  
23 combined with any other reduction in production tax value provided by this section in  
24 the same year. Oil or gas from a lease or property that produces oil or gas that results  
25 in a production tax reduction under (a) of this section is ineligible for a production tax  
26 reduction under (b) and (c) of this section and may not be used in the calculation of  
27 production volume under (d) of this section.

28 (f) A reduction in production tax value provided by this section may not  
29 reduce the production tax value of a producer below zero.

30 (g) The rate of tax under AS 43.55.011(g) shall be determined before the  
31 application of the adjustment provided by this section.

1 (h) In this section,

2 (1) "commercial production" means the production of oil for the  
3 purpose of sale or other beneficial use, except when the sale or beneficial use is  
4 incidental to the testing of an unproved well or unproved completion interval;

5 (2) "participating area" means that part of an oil and gas lease unit to  
6 which production is allocated in the manner described in a unit agreement."  
7

8 Renumber the following bill sections accordingly.  
9

10 Page 25, line 30:

11 Delete "AS 43.55.011(g), 43.55.023(i), and 43.55.160(c) are"

12 Insert "AS 43.55.023(i) is"  
13

14 Page 26, line 4:

15 Delete "Sections 9, 12, 13, and 28 - 30"

16 Insert "Sections 9, 10, 13, 24, and 25"  
17

18 Page 26, line 6:

19 Delete "Sections 10 and 27"

20 Insert "Sections 11 and 23"  
21

22 Page 26, line 8:

23 Delete "Sections 15 and 18 - 21"

24 Insert "Sections 14 - 19"  
25

26 Page 26, line 10:

27 Delete "Sections 16, 19, and 24"

28 Insert "Sections 17 and 20"  
29

30 Page 26, line 12:

31 Delete all material.

1

2 Page 26, line 22:

3 Delete "sec. 34"

4 Insert "sec. 29"

5

6 Page 26, line 30:

7 Delete "Sections 10, 18, 20, 21, 24, 27, and 35"

8 Insert "Sections 11, 16, 18 - 20, 23, and 30"

9

10 Page 27, line 1:

11 Delete "Sections 1 - 6, 8, 9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"

12 Insert "Sections 1 - 6, 8, 9, 10, 13, 14, 17, 24 - 28, and 31"

13

14 Page 27, line 3:

15 Delete all material.

16

17 Renumber the following bill section accordingly.

18

19 Page 27, line 4:

20 Delete "secs. 42 and 43"

21 Insert "sec. 37"