

AMENDMENT #5

OFFERED IN THE SENATE
TO: CSSB 21(FIN)

BY SENATOR STEVENS

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 2, following line 11:

6 Insert a new bill section to read:

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

8 (b) Each fiscal year, the legislature may appropriate [AN AMOUNT] to the
9 community revenue sharing fund an amount equal to 20 percent of the money
10 received by the state during the previous calendar year under AS 43.55.011(q).

11 The amount may not exceed

12 (1) \$60,000,000; or

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

15

16 Renumber the following bill sections accordingly.

17

18 Page 5, lines 6 - 7:

19 Delete "]"

20 (1) before January 1, 2017, ["

21 Insert "(1)"

22

23 Page 5, lines 9 - 10:

1 Delete "; and

2 (2) after December 31, 2016, multiplied by 33 percent ["

3 Insert "[; AND

4 (2)"

5
6 Page 5, following line 12:

7 Insert a new bill section to read:

8 **** Sec. 11.** AS 43.55.011(e), as amended by sec. 10 of this Act, is amended to read:

9 (e) There is levied on the producer of oil or gas a tax for all oil and gas
10 produced each calendar year from each lease or property in the state, less any oil and
11 gas the ownership or right to which is exempt from taxation or constitutes a
12 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and
13 (p) of this section, the tax is equal to the sum of [THE ANNUAL PRODUCTION
14 TAX VALUE OF THE TAXABLE OIL AND GAS AS CALCULATED UNDER
15 AS 43.55.160(a) PRODUCED DURING A CALENDAR YEAR]

16 (1) the annual production tax value of the taxable oil and gas as
17 calculated under AS 43.55.160(a)(1) multiplied by 25 [35] percent; and

18 (2) the sum, over all months of the calendar year, of the tax
19 amounts determined under (q) of this section."

20
21 Renumber the following bill sections accordingly.

22
23 Page 5, following line 18:

24 Insert new bill sections to read:

25 **** Sec. 13.** AS 43.55.011(o), as amended by sec. 12 of this Act, is amended to read:

26 (o) Notwithstanding other provisions of this section, for a calendar year before
27 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas
28 produced from a lease or property outside the Cook Inlet sedimentary basin and used
29 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not
30 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under
31 (j)(2) of this section.

1 * **Sec. 14.** AS 43.55.011 is amended by adding a new subsection to read:

2 (q) For each month of the calendar year for which the producer's average
3 monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of
4 the taxable oil and gas is more than \$30, the amount of tax for purposes of (e)(2) of
5 this section is determined by multiplying the monthly production tax value of the
6 taxable oil and gas produced during the month by the tax rate calculated as follows:

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

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

18 Renumber the following bill sections accordingly.

19
20 Page 8, line 21:

21 Delete "sec. 11"

22 Insert "sec. 15"
23

24 Page 11, following line 21:

25 Insert a new bill section to read:

26 **** Sec. 17.** AS 43.55.020(a), as amended by secs. 15 and 16 of this Act, is repealed and
27 reenacted to read:

28 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),
29 (h), (i), (p), or (q) 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 following amounts, less 1/12 of the tax credits that are allowed by law to be
 4 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 5 of the installment payment may not be less than zero:

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

10 (i) zero; or

11 (ii) the sum of 25 percent and the tax rate calculated for
 12 the month under AS 43.55.011(q) multiplied by the remainder obtained
 13 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 14 calendar year of production under AS 43.55.165 and 43.55.170 that are
 15 deductible for the leases or properties under AS 43.55.160 from the
 16 gross value at the point of production of the oil and gas produced from
 17 the leases or properties during the month for which the installment
 18 payment is calculated;

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

21 (i) zero;

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

26 (iii) the sum of 25 percent and the tax rate calculated for
 27 the month under AS 43.55.011(q) multiplied by the remainder obtained
 28 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 29 calendar year of production under AS 43.55.165 and 43.55.170 that are
 30 deductible for those leases or properties under AS 43.55.160 from the
 31 gross value at the point of production of the oil and gas produced from

1 those leases or properties during the month for which the installment
2 payment is calculated;

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

5 (i) zero; or

6 (ii) the sum of 25 percent and the tax rate calculated for
7 the month under AS 43.55.011(q) multiplied by the remainder obtained
8 by subtracting 1/12 of the producer's adjusted lease expenditures for the
9 calendar year of production under AS 43.55.165 and 43.55.170 that are
10 deductible under AS 43.55.160 for oil or gas, respectively, produced
11 from the lease or property from the gross value at the point of
12 production of the oil or gas, respectively, produced from the lease or
13 property during the month for which the installment payment is
14 calculated;

15 (2) an amount calculated under (1)(C) of this subsection for oil or gas
16 produced from a lease or property

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

26 (B) subject to AS 43.55.011(p) may not exceed four percent of
27 the gross value at the point of production of the oil or gas;

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

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

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

9 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
 10 credits applied as allowed by law, that exceeds the total of the amounts due as
 11 installment payments of estimated tax is due on March 31 of the year following the
 12 calendar year of production."
 13

14 Renumber the following bill sections accordingly.

15
 16 Page 12, following line 8:

17 Insert a new bill section to read:

18 **"* Sec. 19.** AS 43.55.020(d), as amended by sec. 18 of this Act, is amended to read:

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

1 (1) the numerator is the producer's total tax liability under
 2 AS 43.55.011(e), (f), and (g) [AS 43.55.011(e)] for the calendar year of production;
 3 and

4 (2) the denominator is the total gross value at the point of production
 5 of the oil and gas taxable under AS 43.55.011(e), (f), and (g) [AS 43.55.011(e)]
 6 produced by the producer from all leases and properties in the state during the
 7 calendar year."

8
 9 Renumber the following bill sections accordingly.

10
 11 Page 13, following line 10:

12 Insert a new bill section to read:

13 **"* Sec. 22.** AS 43.55.023(a), as amended by sec. 21 of this Act, is amended to read:

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

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

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

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

29 (B) submits to the Department of Natural Resources all data
 30 that would be required to be submitted under AS 43.55.025(f)(2) [;

31 (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE

1 INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS
2 DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE
3 TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,
4 2014]."

5
6 Renumber the following bill sections accordingly.

7
8 Page 13, line 23, through page 14, line 3:

9 Delete all material and insert:

10 **"* Sec. 24.** AS 43.55.023(b), as amended by sec. 23 of this Act, is amended to read:

11 (b) A producer or explorer may elect to take a tax credit in the amount of 25
12 percent of a carried-forward annual loss [FOR LEASE EXPENDITURES
13 INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS
14 DEPOSITS LOCATED SOUTH OF 68 DEGREES NORTH LATITUDE, AND 35
15 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS BASED ON LEASE
16 EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR,
17 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68
18 DEGREES NORTH LATITUDE]. A credit under this subsection may be applied
19 against a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-
20 forward annual loss is the amount of a producer's or explorer's adjusted lease
21 expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was
22 not deductible in calculating production tax values for that calendar year under
23 AS 43.55.160."

24
25 Renumber the following bill sections accordingly.

26
27 Page 14, line 29:

28 Delete "sec. 18"

29 Insert "sec. 25"

30
31 Page 15, following line 15:

1 Insert a new bill section to read:

2 **** Sec. 27.** AS 43.55.023(d), as amended by secs. 25 and 26 of this Act, is repealed and
3 reenacted to read:

4 (d) A person that is entitled to take a tax credit under this section that wishes
5 to transfer the unused credit to another person or obtain a cash payment under
6 AS 43.55.028 may apply to the department for transferable tax credit certificates. An
7 application under this subsection must be in a form prescribed by the department and
8 must include supporting information and documentation that the department
9 reasonably requires. The department shall grant or deny an application, or grant an
10 application as to a lesser amount than that claimed and deny it as to the excess, not
11 later than 120 days after the latest of the following: March 31 of the year following the
12 calendar year in which the qualified capital expenditure or carried-forward annual loss
13 for which the credit is claimed was incurred; the date the statement required under
14 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital
15 expenditure or carried-forward annual loss for which the credit is claimed was
16 incurred; or the date the application was received by the department. If, based on the
17 information then available to it, the department is reasonably satisfied that the
18 applicant is entitled to a credit, the department shall issue the applicant two
19 transferable tax credit certificates, each for half of the amount of the credit. The credit
20 shown on one of the two certificates is available for immediate use. The credit shown
21 on the second of the two certificates may not be applied against a tax for a calendar
22 year earlier than the calendar year following the calendar year in which the certificate
23 is issued, and the certificate must contain a conspicuous statement to that effect. A
24 certificate issued under this subsection does not expire."
25

26 Renumber the following bill sections accordingly.

27
28 Page 15, following line 30:

29 Insert a new bill section to read:

30 **** Sec. 29.** AS 43.55.023(g), as amended by sec. 28 of this Act, is amended to read:

31 (g) The issuance of a transferable tax credit certificate under (d) or (p) of this

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

13
 14 Renumber the following bill sections accordingly.

15
 16 Page 16, following line 13:

17 Insert new bill sections to read:

18 **** Sec. 31.** AS 43.55.023(n), as amended by sec. 30 of this Act, is amended to read:

19 (n) For the purposes of (l) and (p) of this section, a well lease expenditure
 20 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

21 (1) directly related to an exploration well, a stratigraphic test well, a
 22 producing well, or an injection well other than a disposal well, located in the state
 23 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure
 24 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal
 25 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made
 26 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well
 27 includes an expenditure for well sidetracking, well deepening, well completion or
 28 recompletion, or well workover, regardless of whether the well is or has been a
 29 producing well; or

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

1 * **Sec. 32.** AS 43.55.023 is amended by adding a new subsection to read:

2 (p) For a lease expenditure incurred in the state south of 68 degrees North
3 latitude after December 31, 2017, that qualifies for tax credits under (a) and (b) of this
4 section, and for a well lease expenditure incurred in the state south of 68 degrees
5 North latitude that qualifies for a tax credit under (l) of this section, the department
6 shall issue transferable tax credit certificates to the person entitled to the credit for the
7 full amount of the credit. The transferable tax credit certificates do not expire."
8

9 Renumber the following bill sections accordingly.

10
11 Page 17, following line 16:

12 Insert a new bill section to read:

13 **"* Sec. 36.** AS 43.55.028(e), as amended by sec. 35 of this Act, 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 (p)** or
16 former AS 43.55.023(m) or to whom a production tax credit certificate has been issued
17 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
18 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
28 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
29 the 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."

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

Renumber the following bill sections accordingly.

Page 17, following line 26:

Insert a new bill section to read:

**** Sec. 38.** AS 43.55.028(g), as amended by sec. 37 of this Act, 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 and payments under AS 43.20.046 or 43.20.047 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 AS 43.55.023(p) or former AS 43.55.023(m), or a claim for a refund or payment under AS 43.20.046 or 43.20.047."

Renumber the following bill sections accordingly.

Page 18, following line 8:

Insert a new bill section to read:

**** Sec. 40.** AS 43.55.030(e), as amended by sec. 39 of this Act, is amended to read:

(e) An explorer or producer that incurs a lease expenditure under AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar year but does not produce oil or gas from a lease or property in the state during the calendar year shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required, the following:

(1) the [EXPLORER'S OR] producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170; and

(2) if the explorer or producer receives a payment or credit under

1 AS 43.55.170, calculations showing whether the explorer or producer is liable for a
2 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount."

3
4 Renumber the following bill sections accordingly.

5
6 Page 21, following line 15:

7 Insert a new bill section to read:

8 **"* Sec. 43.** AS 43.55.160(a), as amended by secs. 41 and 42 of this Act, is repealed and
9 reenacted to read:

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

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

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

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

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

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

26 (C) oil produced before 2022 from a lease or property in the
27 Cook Inlet sedimentary basin;

28 (D) gas produced before 2022 from a lease or property in the
29 Cook Inlet sedimentary basin;

30 (E) gas produced before 2022 from a lease or property in the
31 state outside the Cook Inlet sedimentary basin and used in the state;

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

3 (G) oil and gas produced from a lease or property no part of
4 which is north of 68 degrees North latitude, other than oil or gas described in
5 (B), (C), (D), (E), or (F) of this paragraph;

6 (2) AS 43.55.011(q), the monthly production tax value of the taxable

7 (A) oil and gas produced during a month from leases or
8 properties in the state that include land north of 68 degrees North latitude is the
9 gross value at the point of production of the oil and gas taxable under
10 AS 43.55.011(e) and produced by the producer from those leases or properties,
11 less 1/12 of 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 subparagraph
14 does not apply to gas subject to AS 43.55.011(o);

15 (B) oil and gas produced during a month from leases or
16 properties in the state outside the Cook Inlet sedimentary basin, no part of
17 which is north of 68 degrees North latitude, is the gross value at the point of
18 production of the oil and gas taxable under AS 43.55.011(e) and produced by
19 the 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 oil and
21 gas produced by the producer from those leases or properties, as adjusted under
22 AS 43.55.170; this subparagraph does not apply to gas subject to
23 AS 43.55.011(o);

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

30 (D) gas produced during a month from a lease or property in
31 the Cook Inlet sedimentary basin is the gross value at the point of production

1 of the gas taxable under AS 43.55.011(e) and produced by the producer from
 2 that lease or property, less 1/12 of the producer's lease expenditures under
 3 AS 43.55.165 for the calendar year applicable to the gas produced by the
 4 producer from that lease or property, as adjusted under AS 43.55.170;

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

12
 13 Renumber the following bill sections accordingly.

14
 15 Page 22, following line 4:

16 Insert a new bill section to read:

17 **"* Sec. 45.** AS 43.55.160(e), as amended by sec. 44 of this Act, is amended to read:

18 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
 19 would otherwise be deductible by a producer in a calendar year but whose deduction
 20 would cause an annual production tax value calculated under (a)(1) [(a)] of this
 21 section of taxable oil or gas produced during the calendar year to be less than zero
 22 may be used to establish a carried-forward annual loss under AS 43.55.023(b).
 23 However, the department shall provide by regulation a method to ensure that, for a
 24 period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or
 25 (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would
 26 otherwise be deductible by a producer for that period but whose deduction would
 27 cause a production tax value calculated under (a)(1)(C), (D), (E), or (F) [(a)(3), (4),
 28 (5), OR (6)] of this section to be less than zero are accounted for as though the
 29 adjusted lease expenditures had first been used as deductions in calculating the
 30 production tax values of oil or gas subject to any of the limitations under
 31 AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to

1 reduce the tax liability calculated without regard to the limitation to the maximum
 2 amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p).
 3 Only the amount of those adjusted lease expenditures remaining after the accounting
 4 provided for under this subsection may be used to establish a carried-forward annual
 5 loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

6
 7 Renumber the following bill sections accordingly.

8
 9 Page 22, following line 23:

10 Insert a new bill section to read:

11 **"* Sec. 47.** AS 43.55.160 is amended by adding a new subsection to read:

12 (g) Notwithstanding any contrary provision of AS 43.55.150, for purposes of
 13 calculating a monthly production tax value under (a)(2) of this section, the gross value
 14 at the point of production of the oil and gas is calculated under regulations adopted by
 15 the department that provide for using an appropriate monthly share of the producer's
 16 costs of transportation for the calendar year."

17
 18 Renumber the following bill sections accordingly.

19
 20 Page 25, following line 30:

21 Insert a new bill section to read:

22 **"* Sec. 54.** AS 43.55.024(i), 43.55.030(g), and 43.55.160(f) are repealed January 1, 2017."

23
 24 Renumber the following bill sections accordingly.

25
 26 Page 26, line 4:

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

28 Insert "Sections 10, 16, 18, 42, 44, and 46"

29
 30 Page 26, line 6:

31 Delete "Sections 10 and 27"

1 Insert "Sections 12 and 41"

2

3 Page 26, line 8:

4 Delete "Sections 15 and 18 - 21"

5 Insert "Sections 21 and 25, 26, 28, and 30"

6 Delete "sec. 15"

7 Insert "sec. 21"

8

9 Page 26, line 10:

10 Delete "Sections 16, 19, and 24"

11 Insert "Sections 23, 26, and 35"

12

13 Page 26, line 12:

14 Delete all material and insert:

15 "(e) Sections 11, 17, 19, 43, 45, and 47 of this Act apply to oil and gas produced after
16 December 31, 2016.

17 (f) Sections 24, 27, and 36 of this Act apply to expenditures incurred after
18 December 31, 2016."

19

20 Page 26, line 22:

21 Delete "sec. 34"

22 Insert "sec. 51"

23

24 Page 26, line 30:

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

26 Insert "Sections 12, 25, 28, 30, 35, 41, and 52"

27

28 Page 26, line 31:

29 Delete "sec. 15"

30 Insert "sec. 21"

31

1 Page 27, line 1:

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

3 Insert "Sections 1, 2, 4 - 7, 9, 16, 18, 20, 23, 25, 26, 33, 34, 42, 44, 46, 48 - 50, and
4 53"

5

6 Page 27, line 3:

7 Delete all material and insert:

8 **"* Sec. 61.** Sections 3, 11, 13, 14, 17, 19, 22, 24, 27, 29, 31, 32, 36, 38, 40, 43, 45, 47, 56(f),
9 and 57(g) of this Act take effect January 1, 2017."

10

11 Page 27, line 4:

12 Delete "secs. 42 and 43"

13 Insert "secs. 60 and 61"