

AMENDMENT # 13

OFFERED IN THE SENATE

TO: CSSB 21(FIN)

BY: Wielechowski  
Ellis  
French  
Gardner

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(g).

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, following line 12:

19 Insert a new bill section to read:

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

21 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
22 produced each calendar year from each lease or property in the state, less any oil and  
23 gas the ownership or right to which is exempt from taxation or constitutes a

landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and (p) of this section, the tax is equal to the sum of [THE ANNUAL PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS AS CALCULATED UNDER AS 43.55.160(a) PRODUCED DURING A CALENDAR YEAR]

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) [BEFORE JANUARY 1, 2017,] multiplied by 25 [35] percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section [AFTER DECEMBER 31, 2016, MULTIPLIED BY 33 PERCENT]."

Renumber the following bill sections accordingly.

Page 5, following line 18:

Insert new bill sections to read:

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

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

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

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

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

1 that average monthly production tax value of a BTU equivalent barrel and \$30; or

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

9 Renumber the following bill sections accordingly.

10  
11 Page 8, line 21:

12 Delete "sec. 11"

13 Insert "sec. 15"  
14

15 Page 11, following line 21:

16 Insert a new bill section to read:

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

19 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),  
20 (h), (i), (p), or (q) shall pay the tax as follows:

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

28 (A) for oil and gas produced from leases or properties in the  
29 state outside the Cook Inlet sedimentary basin but not subject to  
30 AS 43.55.011(o) or (p), other than leases or properties subject to  
31 AS 43.55.011(f), 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(q) 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 leases or properties under AS 43.55.160 from the  
7 gross value at the point of production of the oil and gas produced from  
8 the leases or properties during the month for which the installment  
9 payment is calculated;

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

12 (i) zero;

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

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

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

27 (i) zero; or

28 (ii) the sum of 25 percent and the tax rate calculated for  
29 the month under AS 43.55.011(q) multiplied by the remainder obtained  
30 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
31 calendar year of production under AS 43.55.165 and 43.55.170 that are

1 deductible under AS 43.55.160 for oil or gas, respectively, produced  
2 from the lease or property from the gross value at the point of  
3 production of the oil or gas, respectively, produced from the lease or  
4 property during the month for which the installment payment is  
5 calculated;

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

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

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

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

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

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

31 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any

1 credits applied as allowed by law, that exceeds the total of the amounts due as  
 2 installment payments of estimated tax is due on March 31 of the year following the  
 3 calendar year of production."  
 4

5 Renumber the following bill sections accordingly.

6  
 7 Page 12, following line 8:

8 Insert a new bill section to read:

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

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

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

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

29 Renumber the following bill sections accordingly.

30  
 31 Page 13, following line 10:

1 Insert a new bill section to read:

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

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

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

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

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

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

20 (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE  
21 INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
22 DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE  
23 TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,  
24 2014]."

25  
26 Renumber the following bill sections accordingly.

27  
28 Page 13, line 23:

29 Delete "sec. 16"

30 Insert "sec. 23"

31

1 Page 14, following line 3:

2 Insert a new bill section to read:

3 **\*\* Sec. 25.** AS 43.55.023(b), as amended by secs. 23 and 24 of this Act, is amended to read:

4 (b) A producer or explorer may elect to take a tax credit in the amount of 25  
5 percent of a carried-forward annual loss [FOR LEASE EXPENDITURES  
6 INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
7 DEPOSITS LOCATED SOUTH OF 68 DEGREES NORTH LATITUDE, AND 33  
8 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS BASED ON LEASE  
9 EXPENDITURES INCURRED AFTER DECEMBER 31, 2016, TO EXPLORE FOR,  
10 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68  
11 DEGREES NORTH LATITUDE]. A credit under this subsection may be applied  
12 against a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-  
13 forward annual loss is the amount of a producer's or explorer's adjusted lease  
14 expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was  
15 not deductible in calculating production tax values for that calendar year under  
16 AS 43.55.160."

17

18 Renumber the following bill sections accordingly.

19

20 Page 14, line 29:

21 Delete "sec. 18"

22 Insert "sec. 26"

23

24 Page 15, following line 15:

25 Insert a new bill section to read:

26 **\*\* Sec. 28.** AS 43.55.023(d), as amended by secs. 26 and 27 of this Act, is repealed and  
27 reenacted to read:

28 (d) A person that is entitled to take a tax credit under this section that wishes  
29 to transfer the unused credit to another person or obtain a cash payment under  
30 AS 43.55.028 may apply to the department for transferable tax credit certificates. An  
31 application under this subsection must be in a form prescribed by the department and

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

19 Renumber the following bill sections accordingly.

20  
 21 Page 15, following line 30:

22 Insert a new bill section to read:

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

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

1 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
 2 by that amount. If the applicant's tax liability is increased under this subsection, the  
 3 increase bears interest under AS 43.05.225(1) from the date the transferable tax credit  
 4 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
 5 is considered a producer subject to the tax levied by AS 43.55.011(e)."

6  
 7 Renumber the following bill sections accordingly.

8  
 9 Page 16, following line 13:

10 Insert new bill sections to read:

11 **"\* Sec. 32.** AS 43.55.023(n), as amended by sec. 31 of this Act, is amended to read:

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

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

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

25 **\* Sec. 33.** AS 43.55.023 is amended by adding a new subsection to read:

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

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Renumber the following bill sections accordingly.

Page 17, following line 16:

Insert a new bill section to read:

**\* Sec. 37.** AS 43.55.028(e), as amended by sec. 36 of this Act, is amended to read:

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 17, following line 26:

Insert a new bill section to read:

**\* Sec. 39.** AS 43.55.028(g), as amended by sec. 38 of this Act, is amended to read:

(g) The department may adopt regulations to carry out the purposes of this

1 section, including standards and procedures to allocate available money among  
 2 applications for purchases under this chapter and claims for refunds and payments  
 3 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
 4 purchase and claims for refund exceed the amount of available money in the fund. The  
 5 regulations adopted by the department may not, when allocating available money in  
 6 the fund under this section, distinguish an application for the purchase of a credit  
 7 certificate issued under AS 43.55.023(p) or former AS 43.55.023(m), or a claim for a  
 8 refund or payment under AS 43.20.046 or 43.20.047."

9  
 10 Renumber the following bill sections accordingly.

11  
 12 Page 18, following line 8:

13 Insert a new bill section to read:

14 **\*\* Sec. 41.** AS 43.55.030(e), as amended by sec. 40 of this Act, is amended to read:

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

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

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

27  
 28 Renumber the following bill sections accordingly.

29  
 30 Page 21, following line 15:

31 Insert a new bill section to read:

1     \*\* Sec. 44. AS 43.55.160(a), as amended by secs. 42 and 43 of this Act, is repealed and  
2 reenacted to read:

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

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

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

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

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

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

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

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

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

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

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

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

31                     (A) oil and gas produced during a month from leases or

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

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

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

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

29 (E) gas produced during a month from a lease or property  
30 outside the Cook Inlet sedimentary basin and used in the state is the gross  
31 value at the point of production of that gas taxable under AS 43.55.011(e) and

1 produced by the producer from that lease or property, less 1/12 of the  
 2 producer's lease expenditures under AS 43.55.165 for the calendar year  
 3 applicable to that gas produced by the producer from that lease or property, as  
 4 adjusted under AS 43.55.170."

5  
 6 Renumber the following bill sections accordingly.

7  
 8 Page 22, following line 4:

9 Insert a new bill section to read:

10 **"\* Sec. 46.** AS 43.55.160(e), as amended by sec. 45 of this Act, is amended to read:

11 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
 12 would otherwise be deductible by a producer in a calendar year but whose deduction  
 13 would cause an annual production tax value calculated under (a)(1) [(a)] of this  
 14 section of taxable oil or gas produced during the calendar year to be less than zero  
 15 may be used to establish a carried-forward annual loss under AS 43.55.023(b).  
 16 However, the department shall provide by regulation a method to ensure that, for a  
 17 period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or  
 18 (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would  
 19 otherwise be deductible by a producer for that period but whose deduction would  
 20 cause a production tax value calculated under (a)(1)(C), (D), (E), or (F) [(a)(3), (4),  
 21 (5), OR (6)] of this section to be less than zero are accounted for as though the  
 22 adjusted lease expenditures had first been used as deductions in calculating the  
 23 production tax values of oil or gas subject to any of the limitations under  
 24 AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to  
 25 reduce the tax liability calculated without regard to the limitation to the maximum  
 26 amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p).  
 27 Only the amount of those adjusted lease expenditures remaining after the accounting  
 28 provided for under this subsection may be used to establish a carried-forward annual  
 29 loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

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 31 Renumber the following bill sections accordingly.

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Page 22, following line 23:

Insert a new bill section to read:

**\* Sec. 48.** AS 43.55.160 is amended by adding a new subsection to read:

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

Renumber the following bill sections accordingly.

Page 25, following line 30:

Insert a new bill section to read:

**\* Sec. 55.** AS 43.55.024(i), 43.55.030(g), and 43.55.160(f) are repealed January 1, 2018."

Renumber the following bill sections accordingly.

Page 26, line 4:

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

Insert "Sections 10, 16, 18, 43, 45, and 47"

Page 26, line 6:

Delete "Sections 10 and 27"

Insert "Sections 12 and 42"

Page 26, line 8:

Delete "Sections 15 and 18 - 21"

Insert "Sections 21 and 26, 27, 29, and 31"

Delete "sec. 15"

Insert "sec. 21"

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Page 26, line 10:

Delete "Sections 16, 19, and 24"

Insert "Sections 23, 27, and 36"

Page 26, line 12:

Delete "Section 17"

Insert "Section 24"

Page 26, following line 12:

Insert new subsections to read:

"(f) Sections 11, 17, 19, 44, 46, and 48 of this Act apply to oil and gas produced after December 31, 2017.

(g) Sections 25, 28, and 37 of this Act apply to expenditures incurred after December 31, 2017."

Page 26, line 22:

Delete "sec. 34"

Insert "sec. 52"

Page 26, line 30:

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

Insert "Sections 12, 26, 29, 31, 36, 42, and 53"

Page 26, line 31:

Delete "sec. 15"

Insert "sec. 21"

Page 26, following line 31:

Insert a new bill section to read:

**\*\* Sec. 61.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2           CONDITIONAL EFFECT. Sections 3, 11, 13, 14, 17, 19, 22, 25, 30, 32, 33, 37, 39,  
3 41, 44, 46, 48, 57(f), and 57(g) of this Act take effect only if the three-year average volume of  
4 oil production for calendar years 2014, 2015, and 2016 does not exceed by more than 10  
5 percent the volume of oil produced for calendar year 2012. The commissioner of natural  
6 resources shall notify the lieutenant governor and the revisor of statutes before July 1, 2017, if  
7 the three-year average volume of oil production for calendar years 2014, 2015, and 2016 is  
8 more than 10 percent greater than the volume of oil produced during calendar year 2012."

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10 Renumber the following bill sections accordingly.

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12 Page 27, line 1:

13           Delete "12 - 14, 16, 19, 22, 23, 28 - 33, and 36"

14           Insert "16, 18, 20, 23, 26, 34, 35, 43, 45, 47, 49 - 51, and 54"

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16 Page 27, line 3:

17           Delete "Section 17"

18           Insert "Section 24"

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20 Page 27, following line 3:

21           Insert a new bill section to read:

22           "\* **Sec. 64.** If secs. 3, 11, 13, 14, 17, 19, 22, 25, 30, 32, 33, 37, 39, 41, 44, 46, 48, 57(f), and  
23 57(g) of this Act take effect under sec. 61 of this Act, secs. 3, 11, 13, 14, 17, 19, 22, 25, 30,  
24 32, 33, 37, 39, 41, 44, 46, 48, 57(f), and 57(g) of this Act take effect January 1, 2018."

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26 Renumber the following bill section accordingly.

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28 Page 27, line 4:

29           Delete "secs. 42 and 43"

30           Insert "secs. 62 - 64"