

**SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 51**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY REPRESENTATIVE SEATON**

**Introduced: 2/6/13**

**Referred: Resources, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to oil and gas; relating to the oil and gas corporate income tax; relating**  
2 **to the oil and gas production tax; relating to tax credits; allowing the Alaska Industrial**  
3 **Development and Export Authority to issue bonds for an oil processing facility; making**  
4 **conforming amendments; and providing for an effective date."**

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

6 **\* Section 1.** AS 29.60.599(1) is amended to read:

7 (1) "barrel," when used with reference to oil, **means the quantity of**  
8 **oil contained in 42 United States gallons of 231 cubic inches each, measured at a**  
9 **temperature of 60 degrees Fahrenheit and an absolute pressure of 14.65 pounds a**  
10 **square inch** [HAS THE MEANING GIVEN IN AS 43.20.144];

11 **\* Sec. 2.** AS 41.09.010(b) is amended to read:

12 (b) An exploration incentive credit extended under (a) of this section may be  
13 applied against

14 (1) a payment or obligation against which a credit authorized by

1 AS 38.05.180(i) may be claimed;

2 (2) taxes payable under AS 43.20 or AS 43.21, as applicable; and

3 (3) oil and gas bonus payments due the state under AS 38.05.180(f).

4 \* **Sec. 3.** AS 43.20.011(e) is amended to read:

5 (e) **For each corporation not engaged in the production or transportation**  
 6 **of crude oil or natural gas within the state, there** [THERE] is imposed for each  
 7 taxable year upon the entire taxable income of **the** [EVERY] corporation derived from  
 8 sources within the state a tax computed as follows:

9 If the taxable income is:	Then the tax is:
10 Less than \$10,000	1 percent of the taxable income
11 \$10,000 but less than \$20,000	\$100 plus 2 percent of the taxable 12 income over \$10,000
13 \$20,000 but less than \$30,000	\$300 plus 3 percent of the taxable 14 income over \$20,000
15 \$30,000 but less than \$40,000	\$600 plus 4 percent of the taxable 16 income over \$30,000
17 \$40,000 but less than \$50,000	\$1,000 plus 5 percent of the taxable 18 income over \$40,000
19 \$50,000 but less than \$60,000	\$1,500 plus 6 percent of the taxable 20 income over \$50,000
21 \$60,000 but less than \$70,000	\$2,100 plus 7 percent of the taxable 22 income over \$60,000
23 \$70,000 but less than \$80,000	\$2,800 plus 8 percent of the taxable 24 income over \$70,000
25 \$80,000 but less than \$90,000	\$3,600 plus 9 percent of the taxable 26 income over \$80,000
27 \$90,000 or more	\$4,500 plus 9.4 percent of the taxable 28 income over \$90,000.

29 \* **Sec. 4.** AS 43.20.011 is amended by adding a new subsection to read:

30 (g) There is imposed for each taxable year upon the entire taxable income of  
 31 every corporation engaged in the production or transportation of crude oil or natural

1 gas within the state a tax of 6.2 percent of taxable income. The taxable income of a  
 2 corporation engaged in the production or transportation of crude oil or natural gas  
 3 within the state shall be determined in accordance with AS 43.21.

4 \* **Sec. 5.** AS 43.20.145(f) is amended to read:

5 (f) This section does not apply to taxpayers subject to **AS 43.21**  
 6 [AS 43.20.144 ENGAGED IN

7 (1) THE PRODUCTION OF OIL OR GAS FROM A LEASE OR  
 8 PROPERTY IN THE STATE; OR

9 (2) THE TRANSPORTATION OF OIL OR GAS BY REGULATED  
 10 PIPELINE IN THE STATE].

11 \* **Sec. 6.** AS 43.21 is amended by adding new sections to read:

12 **Article 1. Determination of Taxable Income.**

13 **Sec. 43.21.200. Application.** This chapter applies to every corporation doing  
 14 business in the state that derives income from the production of oil or gas from a lease  
 15 or property in the state or from the pipeline transportation of oil or gas in the state. The  
 16 tax calculated under this chapter is measured by the total taxable income of the  
 17 corporation during the tax period as defined by AS 43.21.210 - 43.21.250 and is  
 18 calculated at the rates established under AS 43.20.011(g).

19 **Sec. 43.21.210. Internal Revenue Code adopted by reference.** (a) 26 U.S.C.  
 20 1 - 1399 and 6001 - 7872 (Internal Revenue Code), as amended, are adopted by  
 21 reference as a part of this chapter. These portions of the Internal Revenue Code have  
 22 full force and effect under this chapter unless excepted to or modified by other  
 23 provisions of this chapter.

24 (b) When portions of the Internal Revenue Code incorporated by reference as  
 25 provided in (a) of this section refer to regulations adopted by the United States  
 26 Commissioner of Internal Revenue, or hereafter adopted, those portions shall be  
 27 regarded as regulations adopted by the department under and in accord with the  
 28 provisions of this chapter, unless and until the department adopts specific regulations  
 29 in place of those portions conformable with this chapter.

30 **Sec. 43.21.220. Determination of taxable income from oil and gas**  
 31 **production.** (a) The taxable income of a corporation from the production of oil and

1 gas from a lease or property in the state is the corporation's net income as calculated in  
2 accordance with this section.

3 (b) Gross income of a corporation from oil and gas production is the sum of  
4 the gross value at the point of production of oil or gas produced from a lease or  
5 property in the state, any gain or loss resulting from the sale of a lease, and any gain or  
6 loss resulting from the sale of property used in the production of oil and gas in the  
7 state. The department shall by regulation determine a uniform method of establishing  
8 the gross value at the point of production. For the purpose of determining the gross  
9 value at the point of production under this subsection, the department shall use  
10 AS 43.55.150 for the determination of transportation costs.

11 (c) Net income from oil and gas production shall be determined by deducting  
12 from gross income the following:

13 (1) royalties paid in kind or in value;

14 (2) taxes imposed under AS 43.55 that are actually paid or incurred by  
15 the corporation on the production from a lease or property in the state;

16 (3) taxes imposed under AS 29.45.080 - 29.45.090 and AS 43.56 that  
17 are actually paid or incurred by the corporation on property used directly in the  
18 production of oil or gas from a lease or property in the state, including property used  
19 in production, gathering, treatment, or preparation of the oil or gas for pipeline  
20 transportation, but only if those property tax payments were due and payable only  
21 after the date of commercial production from the lease or property with which the  
22 property was associated;

23 (4) the direct costs incurred by or for the corporation in operating the  
24 lease or property, including the direct costs of producing, gathering, treating, or  
25 preparing the oil or gas for pipeline transportation, but net of any payments received  
26 for those activities and not including any indirect cost or overhead expense;

27 (5) depreciation, under 26 U.S.C. 167 (Internal Revenue Code) or  
28 another reasonable method as the department may by regulation establish, on property  
29 used directly in the production, gathering, treatment, or preparation of the oil or gas  
30 for pipeline transportation, including amortization of capitalized interest for  
31 investments in that property at a rate not to exceed the average cost to the taxpayer of

1 borrowed capital during the year in which the interest is capitalized; for purposes of  
2 this paragraph, property capitalized under AS 43.20 shall maintain its adjusted basis,  
3 less any depreciation taken under AS 43.20 and any amount attributable to that  
4 property received as a credit under this title;

5 (6) the amortization of lease acquisition payments and taxes paid or  
6 incurred under AS 29.45.080, 29.45.090, or AS 43.56, including capitalized interest,  
7 for or on producing properties before the commencement of commercial production  
8 from the lease or property for which the property is being used;

9 (7) interest expense of the corporation, not capitalized during  
10 construction, that was paid or incurred in connection with property in the state;  
11 however, the interest expense may not exceed that portion of the total interest paid by  
12 the consolidated business of which the corporation is a part, determined by  
13 multiplying the total interest by a fraction, the numerator of which is the value of the  
14 corporation's real and tangible personal property used directly in the production of oil  
15 or gas from a lease or property in the state and the denominator of which is the value  
16 of all real and tangible personal property of the consolidated business; in this  
17 paragraph, "total interest paid by the consolidated business" does not include interest  
18 expense arising from intercompany obligations within the consolidated business  
19 except to the extent that the interest expense reflects a pass-through of interest on a  
20 third-party borrowing by the parent or other member of the consolidated business with  
21 the purpose, expressed at the time of the third-party borrowing, of financing Alaska  
22 business activity of the taxpayer corporation;

23 (8) expenses incurred by the corporation after December 31, 2013, of  
24 unsuccessful exploration of oil or gas in the state, including the acquisition costs of  
25 abandoned properties, dry hole costs, and the costs of geologic and geophysical  
26 exploration related to those abandoned properties;

27 (9) general overhead or administrative expense incurred by the  
28 corporation attributable to deriving income from the production of oil or gas from a  
29 lease or property in the state to the extent that the general overhead or administrative  
30 expense does not exceed that portion of the total general overhead or administrative  
31 expense incurred by the consolidated business of which the corporation is a part,

1 determined by multiplying the total general overhead or administrative expense by a  
 2 fraction, the numerator of which is the value of the corporation's real and tangible  
 3 personal property used directly in the production of oil or gas from a lease or property  
 4 in the state and the denominator of which is the value of all real and tangible personal  
 5 property of the consolidated business;

6 (10) the amount of income from the production of oil and gas from a  
 7 lease or property that is divided among the regional Native corporations under 43  
 8 U.S.C. 1606(i) (sec. 7(i), Alaska Native Claims Settlement Act, P.L. 92-203);

9 (11) net operating loss carry forward amounts accrued from taxes paid  
 10 under AS 43.20 or this chapter for expenditures related to the production of oil or gas  
 11 from a lease or property in the state or from pipeline transportation of oil or gas in the  
 12 state, except that a net operating loss amount that resulted from an expenditure that  
 13 was also the basis of a credit under this title may not be deducted under this paragraph.

14 (d) Deductions from gross income under this section may not include  
 15 expenses previously deducted on a return filed under AS 43.20.

16 (e) If a corporation subject to this chapter shares the production or proceeds of  
 17 the production from a lease or property through a working interest, royalty interest,  
 18 overriding royalty interest, production payment, net profit interest, joint venture, or  
 19 other agreement, the taxpayer shall allocate the deductions from gross income between  
 20 the corporation and the persons with whom the corporation has the agreement in  
 21 accordance with the terms of the agreement.

22 **Sec. 43.21.230. Determination of income from oil and gas pipeline**  
 23 **transportation.** (a) Except as provided in (c) of this section, taxable income  
 24 attributable to the transportation of oil in a pipeline engaged in interstate commerce in  
 25 this state is the amount reported or that would be required to be reported to the Federal  
 26 Energy Regulatory Commission or its successors as net operating income, except that  
 27 the taxable income shall also include taxes based on or measured by net income, less  
 28 those portions of interest and general overhead or administrative expense attributable  
 29 to the pipeline transportation of oil in the state. The department shall establish  
 30 regulations governing the determination of interest and general overhead or  
 31 administrative expense directly attributable to pipeline transportation of oil in the

1 state.

2 (b) Except as provided in (c) of this section, taxable income attributable to the  
3 transportation of natural gas in a pipeline engaged in interstate commerce in this state  
4 is the amount reported or that would be required to be reported to the Federal Energy  
5 Regulatory Commission or its successors as net operating income, except that the  
6 taxable income shall also include taxes based on or measured by net income, less that  
7 portion of interest and general overhead or administrative expense attributable to  
8 pipeline transportation in the state. The department shall establish regulations  
9 governing the determination of interest and general overhead or administrative  
10 expense directly attributable to pipeline transportation of natural gas in the state.

11 (c) Taxable income attributable to the transportation of oil or natural gas in  
12 this state of a corporation not under the jurisdiction of the Federal Energy Regulatory  
13 Commission, or of a corporation under the jurisdiction of the Federal Energy  
14 Regulatory Commission but not reporting the operation of pipelines in the state  
15 separately from the operation of pipelines elsewhere, shall be based on an amount  
16 equal to the amount that would have been reported to the Federal Energy Regulatory  
17 Commission under (a) of this section in the case of oil pipelines, or under (b) of this  
18 section, in the case of natural gas pipelines, had the corporation been, in fact, under the  
19 jurisdiction of the Federal Energy Regulatory Commission for the taxable year and  
20 required to report on the operation of pipelines in the state separately from the  
21 operation of pipelines elsewhere, except that the taxable income shall also include  
22 taxes based on or measured by net income.

23 **Sec. 43.21.240. Determination of income from activities other than oil and**  
24 **gas production or pipeline transportation.** (a) Taxable income of a corporation  
25 subject to this chapter from activities in this state other than the production of oil or  
26 gas from a lease or property in the state or the pipeline transportation of oil or gas in  
27 the state shall be determined in accordance with the method established in art. IV of  
28 AS 43.19.010 and in AS 43.20.143, as modified by (b) - (d) of this section.

29 (b) The total taxable income of a consolidated business is its entire income  
30 less the portion of that entire income attributable to worldwide production and pipeline  
31 transportation of oil and gas. In this subsection, for a member of a consolidated

1 business who is

2 (1) required to file under the Internal Revenue Code, "entire income"  
3 means the taxpayer's taxable income as the term is used in AS 43.20.011 - 43.20.142;

4 (2) not required to file under the Internal Revenue Code, "entire  
5 income" means an income determination prepared in accordance with generally  
6 accepted accounting principles, except that a taxpayer may elect to report income as  
7 the income would be determined under (1) of this subsection.

8 (c) The numerator and denominator of the property factor, of the payroll  
9 factor, and of the sales factor shall be calculated without reference to that portion of  
10 property, payroll, or sales directly related to the production of oil or gas from a lease  
11 of property in the state or the pipeline transportation of oil or gas in the state.

12 (d) The value attributed to vessels transporting Alaska oil or gas of a  
13 consolidated business that are not owned or effectively owned by the consolidated  
14 business shall be excluded from the property factor.

15 **Sec. 43.21.250. Applicability of tax to a consolidated business.** The  
16 provisions of this chapter apply to a consolidated business whether or not the taxpayer  
17 is the parent or controlling corporation.

## 18 **Article 2. Calculation of Tax; Returns.**

19 **Sec. 43.21.300. Calculation of tax.** (a) The amount of the tax payable on the  
20 taxable income of a corporation subject to tax under this chapter shall be determined  
21 using the tax rates in AS 43.20.011(g).

22 (b) For purposes of this chapter, the department may combine taxable income  
23 of corporations subject to tax under this chapter who are part of the same consolidated  
24 business.

25 (c) If the methods of allocation and apportionment provided in this chapter do  
26 not fairly represent the extent of a corporation's business activity in the state, the  
27 corporation may petition for or the department may require, in respect to all or any  
28 part of the corporation's business activity, if reasonable, the employment of any  
29 method authorized under art. IV, sec. 18, AS 43.19.010 (Multistate Tax Compact), to  
30 carry out an equitable allocation and apportionment of the corporation's income. The  
31 commissioner shall include in the annual report required in AS 43.21.410 a report on

1 all relief granted under this subsection, including, for each case, a statement of the  
 2 changes in tax liability resulting from the granting of relief, the tax years involved, and  
 3 a description of the method of determining taxable income that was substituted for the  
 4 methods provided in this chapter.

5 **Sec. 43.21.320. Credits.** A credit under AS 43.20.043, 43.20.044, or 43.20.046  
 6 may be applied against the tax levied under this chapter, unless a credit for the same  
 7 expenditure has been taken against a tax levied under AS 43.20 or AS 43.55.

8 **Sec. 43.21.330. Returns and payment of taxes.** (a) A corporation subject to  
 9 tax under this chapter and required to make a return under the Internal Revenue Code  
 10 shall, within 30 days after the federal return is required to be filed, submit a return  
 11 setting out

12 (1) the amount of tax due under this chapter, less credits claimed  
 13 against the tax; and

14 (2) other information the department may require to carry out the  
 15 purposes of this chapter.

16 (b) The return shall be made under oath or shall contain a written declaration  
 17 that it is made under penalty of perjury and shall be made on a form prescribed by the  
 18 department.

19 (c) On request by the department, a taxpayer shall furnish to the department a  
 20 true and correct copy of each annual tax return the taxpayer has filed with the United  
 21 States Internal Revenue Service. Every taxpayer shall notify the department in writing  
 22 of any modification of the taxpayer's federal income tax return and of a recomputation  
 23 of tax or determination of deficiency. A full statement of the facts must accompany  
 24 this notice. The notice shall be filed within 60 days after the final determination of the  
 25 modification, recomputation, or deficiency, and the taxpayer shall pay the additional  
 26 tax or penalty under this chapter. For purposes of this section, a determination shall be  
 27 considered to be final at the time an amended federal return is filed or a notice of  
 28 deficiency or an assessment is mailed to the taxpayer by the Internal Revenue Service,  
 29 except that in no event shall a determination be considered final for purposes of this  
 30 section until the taxpayer has exhausted the taxpayer's rights of appeal under federal  
 31 law.

1 (d) The total amount of tax imposed by this chapter is due and payable to the  
 2 department at the same time and in the same manner as the tax payable to the United  
 3 States Internal Revenue Service, including quarterly estimated tax prepayments,  
 4 except that a taxpayer with an estimated tax liability of less than \$1,000,000 for the  
 5 year is not required to make quarterly prepayments of the estimated tax.

6 (e) A tax due under this section is payable even if the assessment is under  
 7 appeal or the validity, enforceability, or application of this chapter or any provision of  
 8 this chapter is challenged before the department or in the courts.

9 (f) An unpaid amount of an installment payment required under (d) of this  
 10 section that is not paid when due shall be treated as an underpayment under 26 U.S.C.  
 11 6655 (Internal Revenue Code) and shall accrue interest at a rate appropriate for the  
 12 state prescribed in regulation.

### 13 **Article 3. Administrative Matters.**

14 **Sec. 43.21.400. Regulations.** The department shall adopt regulations in  
 15 accordance with AS 44.62 (Administrative Procedure Act) to implement this chapter.  
 16 In the adoption of regulations under this section, the department shall use the 1981  
 17 regulations adopted under former provisions of this chapter as guidance. Regulations  
 18 adopted under this section must include methods for accounting for

19 (1) intercompany transactions in a fair and equitable manner and to  
 20 prevent purposeful tax evasion or manipulation of income or deductions, including  
 21 transactions for costs incurred by a party outside of the state that are related to oil or  
 22 gas production from a lease or property in the state or to pipeline transportation of oil  
 23 or gas in the state; and

24 (2) transactions between parent and subsidiary companies.

25 **Sec. 43.21.410. Public reporting.** (a) The commissioner shall compile and  
 26 transmit to the legislature an annual report of state revenue and the implementation of  
 27 taxation policies under this chapter. The report must include total aggregate income  
 28 tax paid by corporations subject to this chapter and aggregate income and deductions  
 29 by category, classified so as to prevent the identification of particular returns or  
 30 reports.

31 (b) The legislative auditor shall notify the legislature on or before the first day

1 of each regular session that the annual report reviewing the actions of the department  
2 in administering this chapter is available.

3 **Sec. 43.21.420. Information disclosure.** Notwithstanding AS 43.05.320, the  
4 department shall disclose to a legislator, on request, information collected from a  
5 taxpayer to the extent that

6 (1) the taxpayer is a publicly traded company;

7 (2) the information has been filed in a quarterly, annual, or other  
8 periodic report to the United States Securities Exchange Commission; and

9 (3) the information has been made public by the United States  
10 Securities Exchange Commission.

11 **Sec. 43.21.499. Definitions.** Unless the context requires otherwise, the  
12 definitions contained in AS 43.55.900 are applicable to this chapter. In addition, in this  
13 chapter,

14 (1) "consolidated business" means a corporation or group of  
15 corporations having more than 50 percent common ownership, direct or indirect, or a  
16 group of corporations in which there is common control, either direct or indirect, as  
17 evidenced by an arrangement, contract, or agreement;

18 (2) "Internal Revenue Code" has the meaning given in AS 43.20.340.

19 \* **Sec. 7.** AS 43.55.011(g) is amended to read:

20 (g) For each month of the calendar year for which the producer's average  
21 monthly production tax value under AS 43.55.160(a)(2) **of a** [PER] BTU equivalent  
22 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of  
23 (e)(2) of this section is determined by multiplying the monthly production tax value of  
24 the taxable oil and gas produced during the month by **a tax rate equal to** [THE TAX  
25 RATE CALCULATED AS FOLLOWS:

26 (1) IF THE PRODUCER'S AVERAGE MONTHLY PRODUCTION  
27 TAX VALUE PER BTU EQUIVALENT BARREL OF THE TAXABLE OIL AND  
28 GAS FOR THE MONTH IS NOT MORE THAN \$92.50, THE TAX RATE IS] 0.4  
29 percent multiplied by the number that represents the difference between that average  
30 monthly production tax value **of a** [PER] BTU equivalent barrel and \$30 [; OR

31 (2) IF THE PRODUCER'S AVERAGE MONTHLY PRODUCTION

1 TAX VALUE PER BTU EQUIVALENT BARREL OF THE TAXABLE OIL AND  
2 GAS FOR THE MONTH IS MORE THAN \$92.50, THE TAX RATE IS THE SUM  
3 OF 25 PERCENT AND THE PRODUCT OF 0.1 PERCENT MULTIPLIED BY THE  
4 NUMBER THAT REPRESENTS THE DIFFERENCE BETWEEN THE AVERAGE  
5 MONTHLY PRODUCTION TAX VALUE PER BTU EQUIVALENT BARREL  
6 AND \$92.50], except that the **tax rate** [SUM] determined under this **subsection**  
7 [PARAGRAPH] may not exceed **25** [50] percent.

8 \* **Sec. 8.** AS 43.55.023(a) is amended to read:

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

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

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

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

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

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

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

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

20 \* **Sec. 10.** 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) **2023** [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, **2023** [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. 11.** AS 43.55.024(d) is amended to read:

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

3 (1) **2023** [2016]; or

4 (2) if the producer did not have commercial oil or gas production from  
5 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
6 calendar year during which the producer first has commercial oil or gas production  
7 before May 1, **2023** [2016], from at least one lease or property in the state.

8 \* **Sec. 12.** AS 43.82.210(a) is amended to read:

9 (a) If the commissioner approves an application and proposed project plan  
10 under AS 43.82.140, the commissioner may develop proposed terms for inclusion in a  
11 contract under AS 43.82.020 for periodic payment in lieu of one or more of the  
12 following taxes that otherwise would be imposed by the state or a municipality on the  
13 qualified sponsor or member of a qualified sponsor group as a consequence of  
14 participating in an approved qualified project:

15 (1) oil and gas production taxes and oil surcharges under AS 43.55;

16 (2) oil and gas exploration, production, and pipeline transportation  
17 property taxes under AS 43.56;

18 (3) **oil and gas corporate income tax under AS 43.21;** [REPEALED]

19 (4) Alaska net income tax under AS 43.20;

20 (5) municipal sales and use tax under AS 29.45.650 - 29.45.710;

21 (6) municipal property tax under AS 29.45.010 - 29.45.250 or  
22 29.45.550 - 29.45.600;

23 (7) municipal special assessments under AS 29.46;

24 (8) a comparable tax or levy imposed by the state or a municipality  
25 after June 18, 1998;

26 (9) other state or municipal taxes or categories of taxes identified by  
27 the commissioner.

28 \* **Sec. 13.** AS 44.88.140(a) is amended to read:

29 (a) Except as provided in AS 29.45.030(a)(1) **and AS 44.88.168,** the real and  
30 personal property of the authority and its assets, income, and receipts are declared to  
31 be the property of a political subdivision of the state and, together with any project or

1 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -  
 2 44.88.177, and a leasehold interest created in a project or development project  
 3 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an  
 4 essential public and governmental function and purpose, and the property, assets,  
 5 income, receipts, project, development project, and leasehold interests shall be exempt  
 6 from all taxes and special assessments of the state or a political subdivision of the  
 7 state, including, without limitation, all boroughs, cities, municipalities, school  
 8 districts, public utility districts, and other taxing units. All bonds of the authority are  
 9 declared to be issued by a political subdivision of the state and for an essential public  
 10 and governmental purpose and to be a public instrumentality, and the bonds, and the  
 11 interest on them, the income from them and the transfer of the bonds, and all assets,  
 12 income, and receipts pledged to pay or secure the payments of the bonds, or interest on  
 13 them, shall at all times be exempt from taxation by or under the authority of the state,  
 14 except for inheritance and estate taxes and taxes on transfers by or in contemplation of  
 15 death. Nothing in this section affects or limits an exemption from license fees,  
 16 property taxes, or excise, income, or any other taxes, provided under any other law,  
 17 nor does it create a tax exemption with respect to the interest of any business  
 18 enterprise or other person, other than the authority, in any property, assets, income,  
 19 receipts, project, development project, or lease whether or not financed under this  
 20 chapter. By January 10 of each year, the authority shall submit to the governor a report  
 21 describing the nature and extent of the tax exemption of the property, assets, income,  
 22 receipts, project, development project, and leasehold interests of the authority under  
 23 this section. The authority shall notify the legislature that the report is available.

24 \* **Sec. 14.** AS 44.88 is amended by adding a new section to read:

25 **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas  
 26 infrastructure fund is established in the authority. The oil and gas infrastructure fund  
 27 consists of money appropriated to the authority for deposit in the fund, and money  
 28 deposited in the fund by the authority. The fund is not an account in the revolving loan  
 29 fund established in AS 44.88.060, and the authority shall account for the fund  
 30 separately from the revolving fund. Money in the fund may be used to finance the  
 31 construction and improvement of an oil or gas processing facility on the North Slope

1 and flow lines and other surface infrastructure for the facility.

2 (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the  
3 state may levy a tax or special assessment on an oil or gas processing facility, flow  
4 lines, and other surface infrastructure for the facility financed by the oil and gas  
5 infrastructure fund.

6 (c) In this section, "North Slope" means that area of the state lying north of 68  
7 degrees North latitude.

8 \* **Sec. 15.** AS 43.20.144 is repealed.

9 \* **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 **APPLICABILITY.** AS 43.21, added by sec. 6 of this Act, applies to taxable income  
12 earned or received after December 31, 2013.

13 \* **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to  
14 read:

15 **REGULATIONS.** (a) The Department of Revenue may adopt regulations necessary to  
16 implement AS 43.21, added by sec. 6 of this Act. The regulations take effect under AS 44.62  
17 (Administrative Procedure Act), but not before the effective date of the law implemented by  
18 regulation.

19 (b) The Department of Revenue shall provide by regulation for a transition for a  
20 corporation subject to tax under AS 43.20 before December 31, 2013, to avoid double  
21 taxation of the same income or double deduction of the same expense of the corporation as a  
22 result of becoming subject to tax under AS 43.21, added by sec. 6 of this Act.

23 (c) The Department of Revenue may adopt regulations necessary to provide a five-  
24 year transition period for the adoption of applicable depreciation schedules.

25 \* **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 **LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING**  
28 **FACILITY.** (a) The Alaska Industrial Development and Export Authority may issue bonds to  
29 finance the construction and improvement of an oil or gas processing facility on the Alaska  
30 North Slope and flow lines and other surface infrastructure for the facility. The processing  
31 facility, flow lines, and other surface infrastructure for the facility shall be used to secure

1 bonds issued under this section. The principal amount of the bonds provided by the authority  
2 for the facility, flow lines, and other surface infrastructure may not exceed \$200,000,000 and  
3 may include the costs of funding reserves and other costs of issuing the bonds that the  
4 authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas  
5 processing facility, flow lines, and other surface infrastructure for the facility constructed or  
6 financed by the oil and gas infrastructure fund are subject to taxes and special assessments of  
7 the state or a political subdivision of the state.

8 (b) This section constitutes the legislative approval required by AS 44.88.095(g) and  
9 44.88.690.

10 (c) The prohibition on the issuance of bonds in an amount exceeding \$400,000,000  
11 under AS 44.88.095 does not apply to bonds issued under this section, and the principal  
12 amount of bonds issued under this section may not be considered in determining whether the  
13 limit in AS 44.88.095 has been reached.

14 \* **Sec. 19.** Section 18 of this Act is repealed June 30, 2017. Repeal of sec. 18 of this Act  
15 does not affect bonds the authority issues under sec. 18 of this Act before June 30, 2017.

16 \* **Sec. 20.** Section 17 of this Act takes effect immediately under AS 01.10.070(c).

17 \* **Sec. 21.** Except as provided in sec. 20 of this Act, this Act takes effect January 1, 2014.