SENATE JOURNAL

ALASKA STATE LEGISLATURE

TWENTY-EIGHTH LEGISLATURE

FIRST SESSION

Juneau, Alaska **Wednesday** **March 20, 2013**

Sixty-fifth Day

Pursuant to adjournment the Senate was called to order by President Huggins at 11:05 a.m.

The roll showed twenty members present.

The prayer was offered by the Chaplain, Pastor Sue Bahleda of Resurrection Lutheran Church. Senator Hoffman moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

> Holy and Great One,
>
> It is difficult and mighty work that these men and women gather to do this day. It is work that matters. And so, we thank you for their strength of commitment to serve all the people of this Great Land. We ask you to prepare their hearts and minds as they act on all that lies before them. Help them to finish the good work here begun. Fill them with your energy, your creativity, and your compassion, that, as they seek a just balance of the needs of the peoples and the needs of this Great Land, they faithfully strive for what is right and good. Help them to act today for the promise of tomorrow. Amen.

Senator McGuire led the Senate in the Pledge of Allegiance.

Certification

Senator Coghill moved and asked unanimous consent that the journal for the sixty-fourth legislative day be approved as certified by the Secretary. Without objection, it was so ordered.

Standing Committee Reports

Report dated March 20 was read stating:

In accordance with AS 39.05.080, the Education Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Professional Teaching Practices Commission
David DeVaughn – Fairbanks
Eric Fry – Juneau
Martin Laster – Juneau
Melody Mann – Wasilla
Frances Roberts – Homer

This does not reflect an intent by any of the members to vote for or against the confirmation of the individuals during any further sessions.

Signing the report: Senator Stevens, Chair; Senators Dunleavy, Stedman, Gardner.

SB 57
The Education Committee considered SENATE BILL NO. 57 "An Act relating to parental involvement in education; adjusting pupil transportation funding; amending the time required for employers to give tenured teachers notification of their nonretention; and providing for an effective date" and recommended it be replaced with

CS FOR SENATE BILL NO. 57(EDC)

Signing do pass: Senator Stevens, Chair; Senator Dunleavy. Signing amend: Senators Huggins, Stedman, Gardner.

The following fiscal information was published today:
Fiscal Note No. 1, Department of Education and Early Development
Fiscal Note No. 2, zero, Department of Education and Early Development
Fiscal Note No. 3, Department of Education and Early Development

Fiscal information forthcoming.

The bill was referred to the Finance Committee.

Introduction and Reference of Senate Bills

SB 83
SENATE BILL NO. 83 BY SENATOR MICCICHE, entitled:

> "An Act relating to the corporation income tax; and relating to the computation of interest under the look-back method applicable to long-term contracts in the Internal Revenue Code."

was read the first time and referred to the Finance Committee.

Consideration of the Calendar

Third Reading of Senate Bills

SB 21
CS FOR SENATE BILL NO. 21(FIN) "An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; providing a tax credit against the corporation income tax for qualified oil and gas service industry expenditures; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to

nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; establishing the Oil and Gas Competitiveness Review Board; making conforming amendments; and providing for an effective date" was read the third time.

Senator Coghill moved that the bill be returned to second reading for the purpose of specific amendments, those being Amendment Nos. 1 through 13. Without objection, the bill was returned to second reading.

Senator McGuire called the Senate. The call was satisfied.

Senators Micciche, McGuire, Coghill, Bishop, Meyer, Giessel, Fairclough, Huggins, Dyson, Egan, Olson offered Amendment No. 1:

Page 5, lines 4 - 12:

Delete "**the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a) produced during a calendar year** [THE SUM OF]

(1) **before January 1, 2017,** [THE ANNUAL PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS AS CALCULATED UNDER AS 43.55.160(a)(1)] multiplied by **35** [25] percent; and

(2) **after December 31, 2016, multiplied by 33 percent** [THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED UNDER (g) OF THIS SECTION]."

Insert "[THE SUM OF

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

(2) THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED UNDER (g) OF THIS SECTION]."

Page 9, line 5:

Delete "**the applicable tax rate in AS 43.55.011(e)**"

Insert "**35 percent**"

Page 9, line 21:
Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

Page 10, line 5:
Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

Page 10, line 16:
Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

Senator Micciche moved for the adoption of Amendment No. 1. Senator Ellis objected.

Senator McGuire lifted the call.

Recess

President Huggins stated the Senate would stand in recess to a call of the chair. There being no objection, the Senate recessed at 11:53 a.m.

After Recess

The Senate reconvened at 1:54 p.m.

Consideration of the Calendar (continued)

SB 21
CS FOR SENATE BILL NO. 21(FIN) was before the Senate in second reading.

Senator Micciche moved and asked unanimous consent to withdraw Amendment No. 1. Without objection, it was so ordered.

Senators Micciche, McGuire, Coghill, Bishop, Meyer, Giessel, Fairclough, Huggins, Dyson, Dunleavy offered New Amendment No. 1:

Page 5, lines 4 - 12:

Delete "**<u>the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a) produced during a calendar year</u>** [THE SUM OF]

(1) **<u>before January 1, 2017,</u>** [THE ANNUAL PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS AS CALCULATED UNDER AS 43.55.160(a)(1)] multiplied by **<u>35</u>** [25] percent; and

(2) **<u>after December 31, 2016, multiplied by 33 percent</u>** [THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED UNDER (g) OF THIS SECTION]."

Insert "[THE SUM OF

(1)] the annual production tax value of the taxable oil and gas as calculated under **<u>AS 43.55.160(a)</u>** [AS 43.55.160(a)(1)] multiplied by **<u>35</u>** [25] percent [; AND

(2) THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED UNDER (g) OF THIS SECTION]."

Page 9, line 5:

Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

Page 9, line 21:

Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

Page 10, line 5:

Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

Page 10, line 16:

Delete "**<u>the applicable tax rate in AS 43.55.011(e)</u>**"
Insert "**<u>35 percent</u>**"

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

Delete all material.

Renumber the following bill sections accordingly.

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 17"

Page 26, line 4:
Delete "28 - 30"
Insert "27 - 29"

Page 26, line 6:
Delete "27"
Insert "26"

Page 26, line 8:
Delete "18 - 21"
Insert "17 - 20"

Page 26, line 10:
Delete "19, and 24"
Insert "18, and 23"

Page 26, line 12:
Delete all material.

Page 26, line 22:
Delete "sec. 34"
Insert "sec. 33"

Page 26, line 30:
Delete "18, 20, 21, 24, 27, and 35"
Insert "17, 19, 20, 23, 26, and 34"

Page 27, line 1:
Delete "19, 22, 23, 28 - 33, and 36"
Insert "18, 21, 22, 27 - 32, and 35"

Page 27, line 3:
Delete all material.

Renumber the following bill section accordingly.

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "sec. 41"

Senator Micciche moved for the adoption of New Amendment No. 1. Senator French objected.

The question being: "Shall New Amendment No. 1 be adopted?" The roll was taken with the following result:

CSSB 21(FIN)
Second Reading
New Amendment No. 1

YEAS: 11 NAYS: 9 EXCUSED: 0 ABSENT: 0

Yeas: Bishop, Coghill, Dunleavy, Dyson, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche

Nays: Egan, Ellis, French, Gardner, Hoffman, Olson, Stedman, Stevens, Wielechowski

and so, New Amendment No. 1 was adopted.

Senators French, Ellis, Gardner, Wielechowski offered Amendment No. 2:

Page 1, lines 7 - 8:
Delete "**relating to nontransferable tax credits based on production;**"
Insert "**relating to adjustments to production tax value;**"

Page 4, line 30, through page 5, line 12:
Delete all material and insert:
"*** Sec. 9.** AS 43.55.011(e) is amended to read:
(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and 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

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1)**, as adjusted by AS 43.55.162,** multiplied by 25 percent; and

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

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

(g) 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** [PER] 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**, as adjusted by AS 43.55.162,** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **of a** [PER] 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 that average monthly production tax value **of a** [PER] BTU equivalent barrel and $30; or

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

Renumber the following bill sections accordingly.

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

Delete all material and insert:

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

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

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law,

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 **and 1/12 of the adjustment to production tax value for the calendar year under AS 43.55.162** for the oil or gas, **as applicable** [RESPECTIVELY], produced from the lease or property from the gross value at the point of production of the oil or gas, **as applicable** [RESPECTIVELY], produced from the lease or property during the month for which the installment payment is calculated;

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

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

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

(2) an amount calculated under (1)(C) of this subsection for oil or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in

AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

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

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

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

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

Renumber the following bill sections accordingly.

Page 13, line 11, through page 14, line 3:
Delete all material.

Renumber the following bill sections accordingly.

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 16"

Page 16, lines 14 - 28:
Delete all material.

Renumber the following bill sections accordingly.

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

Delete all material and insert:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) The annual production tax value of heavy oil produced by a producer is reduced by 10 percent of the gross value at the point of production of heavy oil produced, for the calendar year, from a lease or property that is located within a unit area existing on January 1, 2014.

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

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

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

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

(h) In this section,

(1) "commercial production" means the production of oil for the purpose of sale or other beneficial use, except when the

sale or beneficial use is incidental to the testing of an unproved well or unproved completion interval;

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

Renumber the following bill sections accordingly.

Page 25, line 30:
Delete "AS 43.55.011(g), 43.55.023(i), and 43.55.160(c) are"
Insert "AS 43.55.023(i) is"

Page 26, line 4:
Delete "Sections 9, 12, 13, and 28 - 30"
Insert "Sections 9, 10, 13, 24, and 25"

Page 26, line 6:
Delete "Sections 10 and 27"
Insert "Sections 11 and 23"

Page 26, line 8:
Delete "Sections 15 and 18 - 21"
Insert "Sections 14 - 19"

Page 26, line 10:
Delete "Sections 16, 19, and 24"
Insert "Sections 17 and 20"

Page 26, line 12:
Delete all material.

Page 26, line 22:
Delete "sec. 34"
Insert "sec. 29"

Page 26, line 30:
Delete "Sections 10, 18, 20, 21, 24, 27, and 35"
Insert "Sections 11, 16, 18 - 20, 23, and 30"

Page 27, line 1:
Delete "Sections 1 - 6, 8, 9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "Sections 1 - 6, 8, 9, 10, 13, 14, 17, 24 - 28, and 31"

Page 27, line 3:
Delete all material.

Renumber the following bill section accordingly.

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "sec. 37"

Senator French moved for the adoption of Amendment No. 2. Senator Coghill objected.

Senator French moved for the adoption of the following amendment to Amendment No. 2:

Under Page 20, line 14, through page 22, line 23:
Delete all material in Sec. 25 and insert necessary conforming language.

Senator Coghill objected, then withdrew his objection. There being no further objection, Amendment No. 2 was amended.

The question being: "Shall Amendment No. 2 as amended be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 2 as amended

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 2 as amended failed.

Senators French, Ellis, Gardner, Wielechowski offered Amendment No. 3:

Page 1, line 4:
Delete "**the oil and gas production tax rate;**"
Insert "**oil and gas production tax rates; relating to application of the oil and gas production tax to legacy fields and fields that are not legacy fields;**"

Page 2, following line 28:
Insert a new bill section to read:
"*** Sec. 5.** AS 43.20.043(g) is amended to read:
(g) A taxpayer that obtains a credit for a qualified capital investment or cost incurred for qualified services under this section may not also claim a tax credit or royalty modification for the same qualified capital investment or cost incurred for qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or AS 43.55.430**. However, a taxpayer may elect not to obtain a credit under this section in order to qualify for a credit provided under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, or 43.55.025."

Renumber the following bill sections accordingly.

Page 4, following line 29:
Insert a new bill section to read:
"*** Sec. 10.** AS 43.55 is amended by adding a new section to read:
Sec. 43.55.005. Application of tax. (a) The following provisions in this chapter apply to the oil and gas production tax on oil and gas produced in the state from a field that is a legacy field:
(1) AS 43.55.011(i), (j), (k), (m), (o), and (p);
(2) AS 43.55.017;
(3) AS 43.55.019;
(4) AS 43.55.024(a) - (h);
(5) AS 43.55.025 - 43.55.150;
(6) AS 43.55.165;
(7) AS 43.55.170;
(8) AS 43.55.201 - 43.55.310;
(9) AS 43.55.410 - 43.55.440; and
(10) AS 43.55.890 - 43.55.900.

(b) The following provisions in this chapter apply to the oil and gas production tax on oil and gas produced in the state from a field that is not a legacy field:

(1) AS 43.55.011 - 43.55.310; and

(2) AS 43.55.890 - 43.55.900."

Renumber the following bill sections accordingly.

Page 5, following line 12:

Insert new bill sections to read:

*** Sec. 12.** AS 43.55.011(j) is amended to read:

(j) For a calendar year before 2022, the tax levied by (e) of this section **and AS 43.55.410** for gas produced from a lease or property in the Cook Inlet sedimentary basin may not exceed

(1) for a lease or property that first commenced commercial production of gas before April 1, 2006, the product obtained by multiplying (A) the amount of taxable gas produced during the calendar year from the lease or property, times (B) the average rate of tax that was imposed under this chapter for taxable gas produced from the lease or property for the 12-month period ending on March 31, 2006, times (C) the quotient obtained by dividing the total gross value at the point of production of the taxable gas produced from the lease or property during the 12-month period ending on March 31, 2006, by the total amount of that gas;

(2) for a lease or property that first commences commercial production of gas after March 31, 2006, the product obtained by multiplying (A) the amount of taxable gas produced during the calendar year from the lease or property, times (B) the average rate of tax that was imposed under this chapter for taxable gas produced from all leases or properties in the Cook Inlet sedimentary basin for the 12-month period ending on March 31, 2006, times (C) the average prevailing value for gas delivered in the Cook Inlet area for the 12-month period ending March 31, 2006, as determined by the department under AS 43.55.020(f).

*** Sec. 13.** AS 43.55.011(k) is amended to read:

(k) For a calendar year before 2022, the tax levied by (e) of this section **and AS 43.55.410** for oil produced from a lease or property in the Cook Inlet sedimentary basin may not exceed

(1) for a lease or property that first commenced commercial production of oil before April 1, 2006, the product obtained by multiplying (A) the amount of taxable oil produced during the calendar year from the lease or property, times (B) the average rate of tax that was imposed under this chapter for taxable oil produced from the lease or property for the 12-month period ending on March 31, 2006, times (C) the quotient obtained by dividing the total gross value at the point of production of the taxable oil produced from the lease or property during the 12-month period ending on March 31, 2006, by the total amount of that oil;

(2) for a lease or property that first commences commercial production of oil after March 31, 2006, the product obtained by multiplying (A) the amount of taxable oil produced during the calendar year from the lease or property, times (B) the average rate of tax that was imposed under this chapter for taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin for the 12-month period ending on March 31, 2006, times (C) the average prevailing value for oil produced and delivered in the Cook Inlet area for the 12-month period ending on March 31, 2006, as determined by the department under AS 43.55.020(f)."

Renumber the following bill sections accordingly.

Page 5, line 15, following "section":
Insert "**and AS 43.55.410**"

Page 5, following line 18:
Insert a new bill section to read:
"*** Sec. 15.** AS 43.55.011(p) is amended to read:

(p) For the seven years immediately following the commencement of commercial production of oil or gas produced from leases or properties in the state that are outside the Cook Inlet sedimentary basin and that do not include land located north of 68 degrees North latitude, where that commercial production began after December 31, 2012, and before January 1, 2022, the levy of tax under (e) of this section **and AS 43.55.410** for oil and gas may not exceed four percent of the gross value at the point of production."

Renumber the following bill sections accordingly.

Page 8, line 21:
Delete "sec. 11"
Insert "sec. 16"

Page 12, following line 8:
Insert a new bill section to read:
"* **Sec. 19.** AS 43.55.020(e) is amended to read:

(e) Gas flared, released, or allowed to escape in excess of the amount authorized by the Alaska Oil and Gas Conservation Commission is considered, for the purposes of AS 43.55.011 - 43.55.180 **and 43.55.410 - 43.55.440**, as gas produced from a lease or property. Oil or gas used in the operation of a lease or property in the state in drilling for or producing oil or gas, or for repressuring, except to the extent determined by the Alaska Oil and Gas Conservation Commission to be waste, is not considered, for the purposes of AS 43.55.011 - 43.55.180 **and 43.55.410 - 43.55.440**, as oil or gas produced from a lease or property."

Renumber the following bill sections accordingly.

Page 13, line 23:
Delete "sec. 16"
Insert "sec. 22

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 24

Page 16, following line 13:
Insert new bill sections to read:
"* **Sec. 28.** AS 43.55.024(a) is amended to read:

(a) For a calendar year for which a producer's tax liability under AS 43.55.011(e) **and 43.55.410** on oil and gas produced from leases or properties outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, exceeds zero before application of any credits under this chapter, a producer that is qualified under (e) of this section may apply a tax credit against that liability of not more than $6,000,000.

*** Sec. 29.** AS 43.55.024(c) is amended to read:

(c) For a calendar year for which a producer's tax liability under AS 43.55.011(e) **<u>and 43.55.410</u>** exceeds zero before application of any credits under this chapter, other than a credit under (a) of this section but after application of any credit under (a) of this section, a producer that is qualified under (e) of this section and whose average amount of oil and gas produced a day and taxable under AS 43.55.011(e) **<u>and 43.55.410</u>** is less than 100,000 BTU equivalent barrels a day may apply a tax credit under this subsection against that liability. A producer whose average amount of oil and gas produced a day and taxable under AS 43.55.011(e) **<u>and 43.55.410</u>** is

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

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

1 - [2 X (AP - 50,000)] / 100,000

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

Renumber the following bill sections accordingly.

Page 16, following line 22:

Insert new bill sections to read:

"*** Sec. 31.** AS 43.55.024(f) is amended to read:

(f) A tax credit authorized by (a) of this section may not be applied to reduce a producer's tax liability for any calendar year under AS 43.55.011(e) **<u>and 43.55.410</u>** on oil and gas produced from leases or properties outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, below zero.

*** Sec. 32.** AS 43.55.024(g) is amended to read:

(g) A tax credit authorized by (c) of this section may not be applied to reduce a producer's tax liability for any calendar year under AS 43.55.011(e) **<u>and 43.55.410</u>** below zero."

Renumber the following bill sections accordingly.

Page 16, following line 28:

Insert new bill sections to read:

"*** Sec. 34.** AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section, a credit against the production tax levied by AS 43.55.011(e) **<u>and 43.55.410</u>** is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

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

(2) 30 percent of the total exploration expenditures that qualify only under (b) and (d) of this section;

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

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

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

(6) the lesser of $25,000,000 or 80 percent of the total exploration drilling expenditures described in (m) of this section and that qualify under (b) and (c) of this section; or

(7) the lesser of $7,500,000 or 75 percent of the total seismic exploration expenditures described in (n) of this section and that qualify under (b) of this section.

*** Sec. 35.** AS 43.55.025(f) is amended to read:

(f) For a production tax credit under this section,

(1) an explorer shall, in a form prescribed by the department and, except for a credit under (k) of this section, within six months of the completion of the exploration activity, claim the credit and submit information sufficient to demonstrate to the department's satisfaction that the claimed exploration expenditures qualify under this section; in addition, the explorer shall submit information necessary for the commissioner of natural resources to evaluate the validity of the explorer's compliance with the requirements of this section;

(2) an explorer shall agree, in writing,

(A) to notify the Department of Natural Resources, within 30 days after completion of seismic or geophysical data processing, completion of well drilling, or filing of a claim for credit, whichever is the latest, for which exploration costs are claimed, of the date of completion and submit a report to that department describing the processing sequence and providing a list of data sets available;

(B) to provide to the Department of Natural Resources, within 30 days after the date of a request, unless a longer period is provided by the Department of Natural Resources, specific data sets, ancillary data, and reports identified in (A) of this paragraph; in this subparagraph,

(i) a seismic or geophysical data set includes the data for an entire seismic survey, irrespective of whether the survey area covers nonstate land in addition to state land or land in a unit in addition to land outside a unit;

(ii) well data include all analyses conducted on physical material, and well logs collected from the well, results, and copies of data collected and data analyses for the well, including well logs; sample analyses; testing geophysical and velocity data including seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and tangible material;

(C) that, notwithstanding any provision of AS 38, information provided under this paragraph will be held confidential by the Department of Natural Resources,

(i) in the case of well data, until the expiration of the 24-month period of confidentiality described in AS 31.05.035(c), at which time the Department of Natural Resources will release the information after 30 days' public notice unless, in the discretion of the commissioner of natural resources, it is necessary to protect information relating to the valuation of unleased acreage in the same vicinity, or unless the well is on private land and the owner, including the lessor but not the lessee, of the oil and gas resources has not given permission to release the well data;

(ii) in the case of seismic or other geophysical data, other than seismic data acquired by seismic exploration subject to (k) of this section, for 10 years following the completion date, at which time the Department of Natural Resources will release the information after 30 days' public notice, except as to seismic or other geophysical data acquired from private land, unless the owner, including a lessor but not a lessee, of the oil and gas resources in the private land gives permission to release the seismic or other geophysical data associated with the private land;

(iii) in the case of seismic data obtained by seismic exploration subject to (k) of this section, only until the expiration of 30 days' public notice issued on or after the date the production tax credit certificate is issued under (5) of this subsection;

(3) if more than one explorer holds an interest in a well or seismic exploration, each explorer may claim an amount of credit that is proportional to the explorer's cost incurred;

(4) the department may exercise the full extent of its powers as though the explorer were a taxpayer under this title, in order to verify that the claimed expenditures are qualified exploration expenditures under this section; and

(5) if the department is satisfied that the explorer's claimed expenditures are qualified under this section and that all data required to be submitted under this section have been submitted, the department shall issue to the explorer a production tax credit certificate for the amount of credit to be allowed against production taxes levied by AS 43.55.011(e) **and 43.55.410**; notwithstanding any contrary provision of AS 38, AS 40.25.100, or AS 43.05.230, the following information is not confidential:

(A) the explorer's name;

(B) the date of the application;

(C) the location of the well or seismic exploration;

(D) the date of the department's issuance of the certificate; and

(E) the date on which the information required to be submitted under this section will be released.

*** Sec. 36.** AS 43.55.025(h) is amended to read:

(h) A producer that purchases a production tax credit certificate may apply the credits against its production tax levied by AS 43.55.011(e) **and 43.55.410**. Regardless of the price the producer paid for the certificate, the producer may receive a credit against its production tax liability for the full amount of the credit, but for not more than the amount for which the certificate is issued. A production tax credit allowed under this section may not be applied more than once.

* **Sec. 37.** AS 43.55.025(i) is amended to read:

(i) For a production tax credit under this section,

(1) a credit may not be applied to reduce a taxpayer's tax liability under AS 43.55.011(e) **and 43.55.410** below zero for a calendar year; and

(2) an amount of the production tax credit in excess of the amount that may be applied for a calendar year under this subsection may be carried forward and applied against the taxpayer's tax liability under AS 43.55.011(e) **and 43.55.410** in one or more later calendar years.

* **Sec. 38.** AS 43.55.025(k) is amended to read:

(k) Subject to the terms and conditions of this section, if a claim is filed under (f)(1) of this section before January 1, 2016, a credit against the production tax levied by AS 43.55.011(e) **and 43.55.410** is allowed in an amount equal to five percent of an eligible expenditure under this subsection incurred for seismic exploration performed before July 1, 2003. To be eligible under this subsection, an expenditure must

(1) have been for seismic exploration that

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

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

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

* **Sec. 39.** AS 43.55.025(*l*) is amended to read:

(*l*) The first three unaffiliated persons that drill an offshore exploration well for the purpose of discovering oil or gas in Cook Inlet that penetrates and evaluates a prospect in the pre-Tertiary zone using a jack-up rig are eligible for the credit under this subsection. The person that drills the first exploration well is entitled to a credit in the amount of 100 percent of its exploration expenditures or $25,000,000, whichever is less; the person that drills the second exploration well using the same jack-up rig is entitled to a credit in the amount of 90 percent of its exploration expenditures or $22,500,000, whichever is less; and the person that drills the third exploration well using the same jack-up rig is entitled to a credit in the amount of 80 percent of its exploration expenditures or $20,000,000, whichever is less. A person or an affiliate of a person drilling an exploration well is not entitled to a credit for more than one exploration well under this subsection. The department shall make a determination of the order in which the wells are drilled based on the date and time that the drill bit first turns to the right against the seafloor for the purpose of drilling the well. Exploration expenditures eligible for the credit in this subsection may include the necessary and reasonable costs to modify an existing jack-up rig for use in Cook Inlet, may not include the cost to construct or manufacture a jack-up rig, and, notwithstanding (b) of this section, must be incurred for work performed after March 31, 2010. If the exploration well for which a credit is received under this subsection results in sustained production of oil or gas from a reservoir discovered by the exploration well, and notwithstanding that the credit may have been transferred under (g) of this section, 50 percent of the amount of the credit received shall be repaid to the department by the person that received the credit in equal monthly installments over a 10-year period commencing 60 days after the start of sustained production of oil or gas. Whether the exploration well for which a credit is requested under this subsection penetrated and evaluated a prospect in the pre-Tertiary zone and the exploration well resulted in sustained production of oil or gas from a reservoir discovered by the exploration well shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 **or 43.55.430** or another provision in this section for the same exploration expenditure. In this subsection,

(1) "jack-up rig" means a mobile drilling platform with extendible legs for support on the ocean floor;

(2) "reservoir" means an oil and gas accumulation, discovered and evaluated by testing, that is separate from any other accumulation of oil and gas;

(3) "sustained production" means production of oil or gas from a reservoir into a pipeline or other means of transportation to market, but does not include testing, evaluation, or pilot production.

*** Sec. 40.** AS 43.55.025(m) is amended to read:

(m) The persons that drill the first four exploration wells in the state and within the areas described in (o) of this section on state lands, private lands, or federal onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (o) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (o)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012, and before July 1, 2016. A person planning to drill an exploration well on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section. The written consent of the owner of the oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in (c) of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall make a written determination approving or rejecting an exploration well within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving the exploration well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (o) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 **<u>or 43.55.430</u>** or another provision in this section for the same exploration expenditure.

*** Sec. 41.** AS 43.55.025(n) is amended to read:

(n) The persons that conduct the first four seismic exploration projects in the state and within the areas described in (o) of this section for the purpose of discovering oil or gas in a basin are eligible for the credit under (a)(7) of this section. A credit under this subsection may not be taken for more than one seismic exploration project in a single area described in (o)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012, and before July 1, 2016. A person planning to conduct a seismic exploration project on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all geophysical data and compliance with the data submission requirements in (f)(2) of this section. Notwithstanding (f)(2)(C)(ii) of this section, to qualify for a credit under this subsection, a person shall submit the written consent of the owner of the oil and gas interest for the release of data if applicable, and all data required under (f)(2) of this section to the Department of Natural Resources and shall agree in writing that all seismic data requirements submitted under the requirements of (f)(2) of this section may be made public two years after receiving a credit under this subsection. A person intending to qualify for the tax credit under this subsection shall obtain approval from the commissioner of natural resources before the commencement of the seismic exploration activities. The commissioner of natural resources shall make a written determination approving or rejecting a seismic project within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving a seismic exploration project, the commissioner shall consider the following: the location of the project; the projected cost schedule; the data acquisition and data processing plan; the reasons for choosing the particular area for seismic exploration; and the experience and safety record of the person in conducting seismic exploration operations in remote or roadless areas. Whether the seismic exploration project for which a credit is requested under this subsection is located in a basin described in (o) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 **or 43.55.430** or another provision in this section for the same exploration expenditure.

*** Sec. 42.** AS 43.55.028(a) is amended to read:

(a) The oil and gas tax credit fund is established as a separate fund of the state. The purpose of the fund is to purchase transferable tax credit certificates issued under AS 43.55.023 **or 43.55.430** and production tax credit certificates issued under AS 43.55.025 and to pay refunds and payments claimed under AS 43.20.046 or 43.20.047.

*** Sec. 43.** AS 43.55.028(b) is amended to read:

(b) The oil and gas tax credit fund consists of

(1) money appropriated to the fund, including any appropriation of the percentage provided under (c) of this section of all revenue from taxes levied by AS 43.55.011 **and 43.55.410** that is not required to be deposited in the constitutional budget reserve fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

(2) earnings on the fund.

*** Sec. 44.** AS 43.55.028(c) is amended to read:

(c) The applicable percentage for a fiscal year under (b)(1) of this section is determined with reference to the average price or value forecast by the department for Alaska North Slope oil sold or otherwise disposed of on the United States West Coast during the fiscal year for which the appropriation of revenue from taxes levied by AS 43.55.011 **and 43.55.410** is made. If that forecast is

(1) $60 a barrel or higher, the applicable percentage is 10 percent;

(2) less than $60 a barrel, the applicable percentage is 15 percent."

Renumber the following bill sections accordingly.

Page 22, following line 23:
Insert new bill sections to read:
"* **Sec. 52.** AS 43.55.165(e) is amended to read:

(e) For purposes of this section, lease expenditures do not include

(1) depreciation, depletion, or amortization;

(2) oil or gas royalty payments, production payments, lease profit shares, or other payments or distributions of a share of oil or gas production, profit, or revenue, except that a producer's lease expenditures applicable to oil and gas produced from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net profit paid to the state under that lease;

(3) taxes based on or measured by net income;

(4) interest or other financing charges or costs of raising equity or debt capital;

(5) acquisition costs for a lease or property or exploration license;

(6) costs arising from fraud, willful misconduct, gross negligence, violation of law, or failure to comply with an obligation under a lease, permit, or license issued by the state or federal government;

(7) fines or penalties imposed by law;

(8) costs of arbitration, litigation, or other dispute resolution activities that involve the state or concern the rights or obligations among owners of interests in, or rights to production from, one or more leases or properties or a unit;

(9) costs incurred in organizing a partnership, joint venture, or other business entity or arrangement;

(10) amounts paid to indemnify the state; the exclusion provided by this paragraph does not apply to the costs of obtaining insurance or a surety bond from a third-party insurer or surety;

(11) surcharges levied under AS 43.55.201 or 43.55.300;

(12) an expenditure otherwise deductible under (b) of this section that is a result of an internal transfer, a transaction with an affiliate, or a transaction between related parties, or is otherwise not an arm's length transaction, unless the producer establishes to the satisfaction of the department that the amount of

the expenditure does not exceed the fair market value of the expenditure;

(13) an expenditure incurred to purchase an interest in any corporation, partnership, limited liability company, business trust, or any other business entity, whether or not the transaction is treated as an asset sale for federal income tax purposes;

(14) a tax levied under AS 43.55.011 **or 43.55.410**;

(15) costs incurred for dismantlement, removal, surrender, or abandonment of a facility, pipeline, well pad, platform, or other structure, or for the restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in conjunction with dismantlement, removal, surrender, or abandonment; a cost is not excluded under this paragraph if the dismantlement, removal, surrender, or abandonment for which the cost is incurred is undertaken for the purpose of replacing, renovating, or improving the facility, pipeline, well pad, platform, or other structure;

(16) costs incurred for containment, control, cleanup, or removal in connection with any unpermitted release of oil or a hazardous substance and any liability for damages imposed on the producer or explorer for that unpermitted release; this paragraph does not apply to the cost of developing and maintaining an oil discharge prevention and contingency plan under AS 46.04.030;

(17) costs incurred to satisfy a work commitment under an exploration license under AS 38.05.132;

(18) that portion of expenditures, that would otherwise be qualified capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that are less than the product of $0.30 multiplied by the total taxable production from each lease or property, in BTU equivalent barrels, during that calendar year, except that, when a portion of a calendar year is subject to this provision, the expenditures and volumes shall be prorated within that calendar year;

(19) costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that results in or is undertaken in response to a failure, problem, or event that results in an unscheduled interruption of, or reduction in the rate of, oil or gas production; or costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well,

that is undertaken in response to, or is otherwise associated with, an unpermitted release of a hazardous substance or of gas; however, costs under this paragraph that would otherwise constitute lease expenditures under (a) and (b) of this section may be treated as lease expenditures if the department determines that the repair or replacement is solely necessitated by an act of war, by an unanticipated grave natural disaster or other natural phenomenon of an exceptional, inevitable, and irresistible character, the effects of which could not have been prevented or avoided by the exercise of due care or foresight, or by an intentional or negligent act or omission of a third party, other than a party or its agents in privity of contract with, or employed by, the producer or an operator acting for the producer, but only if the producer or operator, as applicable, exercised due care in operating and maintaining the facility, pipeline, structure, or equipment, and took reasonable precautions against the act or omission of the third party and against the consequences of the act or omission; in this paragraph,

(A) "costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment" includes costs to dismantle and remove the facility, pipeline, structure, or equipment that is being replaced;

(B) "hazardous substance" has the meaning given in AS 46.03.826;

(C) "replacement" includes renovation or improvement;

(20) costs incurred to construct, acquire, or operate a refinery or crude oil topping plant, regardless of whether the products of the refinery or topping plant are used in oil or gas exploration, development, or production operations; however, if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the producer's lease expenditures include the amount calculated by subtracting from the fair market value of the product used the prevailing value, as determined under AS 43.55.020(f), of the oil that is processed;

(21) costs of lobbying, public relations, public relations advertising, or policy advocacy.

*** Sec. 53.** AS 43.55.165(f) is amended to read:

(f) For purposes of AS 43.55.023(a) and (b) **<u>and 43.55.430</u>** and only as to expenditures incurred to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."

*** Sec. 54.** AS 43.55.170(c) is amended to read:

(c) For purposes of AS 43.55.023(a) and (b) **<u>and 43.55.430</u>** and only as to expenditures incurred to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."

*** Sec. 55.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011 **<u>and 43.55.410</u>**, the tax credits provided under AS 43.55.023 - 43.55.025 **<u>and 43.55.430</u>**, and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170 **<u>and 43.55.440</u>**; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.

*** Sec. 56.** AS 43.55.201(b) is amended to read:

(b) The surcharge imposed by (a) of this section is in addition to the tax imposed by AS 43.55.011 **<u>and 43.55.410</u>** and is due on the last day of the month on oil produced from each lease or property during the preceding month. The surcharge is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310.

*** Sec. 57.** AS 43.55.201(c) is amended to read:

(c) A producer of oil shall make a report of production on March 31 of the year following the calendar year of production and in the same manner and under the same penalties as required under **<u>this chapter</u>** [AS 43.55.011 - 43.55.180].

*** Sec. 58.** AS 43.55.300(b) is amended to read:

(b) The surcharge imposed by (a) of this section is in addition to the tax imposed by AS 43.55.011 **<u>and 43.55.410</u>** and is due on the last day of the month on oil produced from each lease or property during the preceding month. The surcharge is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231.

*** Sec. 59.** AS 43.55.300(c) is amended to read:

(c) A producer of oil shall make a report of production on March 31 of the year following the calendar year of production and in the same manner and under the same penalties as required under **<u>this chapter</u>** [AS 43.55.011 - 43.55.180].

*** Sec. 60.** AS 43.55 is amended by adding new sections to read:

Article 4. Oil and Gas Production Tax - Legacy Fields

Sec. 43.55.410. Oil and gas production tax for legacy fields. (a) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in a legacy field in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under AS 43.55.011(f), (j), (k), (o), and (p), the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.440 multiplied by 25 percent; and

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

(b) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.440(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (a)(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 that average monthly production tax value of a BTU equivalent barrel and $30; or

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

Sec. 43.55.420. Payment of tax. In addition to payments required by AS 43.55.021, for a calendar year, a producer subject to tax under AS 43.55.410 shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.410, net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.410 for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas subject to AS 43.55.410 produced from leases or properties in the state outside the Cook Inlet sedimentary basin, the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.410(b) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.440 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

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

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.410(b) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.440 for the oil or gas, as applicable, produced from the lease or property from the gross value at the point of production of the oil or gas, as applicable, produced from the lease or property during the month for which the installment payment is calculated;

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

(3) any amount of tax levied by AS 43.55.410, net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

Sec. 43.55.430. Tax credits for certain losses and expenditures in a legacy field. (a) A producer or explorer may take a tax credit for a qualified capital expenditure incurred for a legacy field, as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.440, unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, AS 43.55.023, or 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.410 in the amount of 20 percent of that expenditure;

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

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

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

(b) A producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss that results from lease expenditures incurred for a legacy field. A credit under this subsection may be applied against a tax levied by AS 43.55.410. For purposes of this subsection, a carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year under AS 43.55.440.

(c) A credit or portion of a credit under this section may not be used to reduce a person's tax liability under AS 43.55.410 for any calendar year below zero, and any unused credit or portion of a credit not used under this subsection may be applied in a later calendar year.

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

(e) A person to which a transferable tax credit certificate is issued under (d) of this section may transfer the certificate to another person, and a transferee may further transfer the certificate. Subject to the limitations set out in (a) - (d) of this section, and notwithstanding any action the department may take with respect to the applicant under (g) of this section, the owner of a certificate may apply the credit or a portion of the credit shown on the certificate only against a tax levied by AS 43.55.410. However, a credit shown on a transferable tax credit certificate may not be applied to reduce a transferee's total tax liability under AS 43.55.410 for oil and gas produced during a calendar year to less than 80 percent of the tax that would otherwise be due without applying that credit. Any portion of a credit not used under this subsection may be applied in a later period.

(f) The issuance of a transferable tax credit certificate under (d) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.410 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.410 are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225(1) from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.410.

(g) Regulations adopted to implement this section must include provisions prescribing reporting, record keeping, and certification procedures and requirements to verify the accuracy of credits claimed and to ensure that a credit is not used more than once.

(h) As a condition of receiving a tax credit under this section, a producer or explorer that obtains the tax credit for or directly related to a pipeline, facility, or other asset that is or becomes subject to regulation by the Federal Energy Regulatory Commission, the Regulatory Commission of Alaska, or a successor regulatory body shall at all times support and in all rate proceedings file to flow through 100 percent of the tax credits to ratepayers as a reduction in the costs of service for the pipeline, facility, or other asset.

(i) An entity that is exempt from taxation under this chapter may not apply for a transferable tax credit certificate.

Sec. 43.55.440. Production tax value for legacy fields. (a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.410(a), the annual production tax value of the taxable oil, gas, or oil and gas subject to this paragraph produced during a calendar year is the gross value at the point of production of the oil, gas, or oil and gas taxable under AS 43.55.410, less the producer's lease expenditures for the legacy field under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the producer from leases or properties, as adjusted under AS 43.55.170; this paragraph applies to oil and gas produced from leases or properties in legacy felids in the state;

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

(A) oil and gas produced during a month from leases or properties in legacy felids in the state is the gross value at the point of production of the oil and gas taxable under AS 43.55.410 and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170.

(b) A production tax value calculated under this section may not be less than zero.

(c) 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.

(d) Irrespective of whether a producer produces taxable oil or gas during a calendar year or month, the producer is considered to have generated a positive production tax value if a calculation described in (a) of this section yields a positive number because the producer's adjusted lease expenditures for a calendar year under AS 43.55.165 and 43.55.170 are less than zero as a result of the producer's receiving a payment or credit under AS 43.55.170. An explorer that has taken a tax credit under AS 43.55.430(b) or that has obtained a transferable tax credit certificate under AS 43.55.430(d) for the amount of a tax credit under AS 43.55.430(b) is considered a producer, subject to the tax levied under AS 43.55.410, to the extent that the explorer generates a positive production tax value as the result of the explorer's receiving a payment or credit under AS 43.55.170.

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value calculated under (a)(1) of this section of taxable oil or gas produced during the calendar year to be less than zero may be used to establish a carried-forward annual loss under AS 43.55.430(b). However, the department shall provide by regulation a method to ensure that, for a period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under (a)(1) of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.430(b). In this subsection, "producer" includes "explorer."

*** Sec. 61.** AS 43.55.900 is amended by adding a new paragraph to read:

(25) "legacy field" means leases or properties within a unit on January 1, 2012, from which 400,000,000 BTU equivalent barrels of oil and gas had been produced by a producer before January 1, 2013, and for which the average daily production of oil and gas during calendar year 2012 exceeded 75,000 BTU equivalent barrels of oil and gas."

Renumber the following bill sections accordingly.

Page 26, line 4:
Delete "Sections 9, 12, 13, and 28 - 30"
Insert "Sections 11 - 15, 17 - 19, and 49 - 61"

Page 26, line 6:
Delete "Sections 10 and 27"
Insert "Sections 14 and 48"

Page 26, line 8:
Delete "Sections 15 and 18 - 21"
Insert "Sections 21 and 24 - 27"
Delete "sec. 15"
Insert "sec. 21

Page 26, line 10:
Delete "Sections 16, 19, and 24"
Insert "Sections 22, 25, 45, and 52 - 54"

Page 26, line 12:
Delete "Section 17"
Insert "Section 23"

Page 26, line 22:
Delete "sec. 34"
Insert "sec. 65"

Page 26, line 30:
Delete "Sections 10, 18, 20, 21, 24, 27, and 35"
Insert "Sections 14, 24, 26, 27, 45, 48, and 66"

Page 26, line 31:
Delete "sec. 15"
Insert "sec. 21"

Page 27, line 1:
Delete "Sections 1 - 6, 8, 9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "Sections 1 - 7, 9 - 13, 15, 17 - 20, 22, 25, 28 - 44, 49 - 64, and 67"

Page 27, line 3:
Delete "Section 17"
Insert "Section 23"

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 73 and 74"

Senator French moved for the adoption of Amendment No. 3. Senator Coghill objected.

The question being: "Shall Amendment No. 3 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 3

YEAS: 5 NAYS: 15 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Hoffman, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 3 failed.

Senators Wielechowski, Ellis, French, Gardner offered Amendment No. 4:

Page 5, line 4, following "to":
Insert "the sum of"

Page 5, line 6:
Delete "[THE SUM OF]"

Page 5, line 9:
Delete "and"
Insert "[AND]"

Page 5, lines 10 - 12:
Delete "[THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED UNDER (g) OF THIS SECTION]"
Insert "**; and**

(3) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section"

Page 5, following line 12:
Insert a new bill section to read:
"* **Sec. 10.** AS 43.55.011(g) is amended to read:

(g) 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** [PER] BTU equivalent barrel of the taxable oil and gas is more than **$55** [$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 PER 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 THAT AVERAGE MONTHLY PRODUCTION TAX VALUE PER BTU EQUIVALENT BARREL AND $30; OR

(2) IF THE PRODUCER'S AVERAGE MONTHLY PRODUCTION TAX VALUE PER BTU EQUIVALENT BARREL OF THE TAXABLE OIL AND GAS FOR THE MONTH IS MORE THAN $92.50, THE TAX RATE IS THE SUM OF 25 PERCENT AND] the product of **0.2** [0.1] percent multiplied by the number that represents the difference between

the average monthly production tax value **<u>of a</u>** [PER] BTU equivalent barrel and **<u>$55</u>** [$92.50], except that the sum determined under this paragraph may not exceed **<u>15</u>** [50] percent."

Renumber the following bill sections accordingly.

Page 8, line 21, through page 11, line 21:

Delete all material and insert:

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

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

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

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

(i) zero; or

(ii) 30 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated combined with the gross value at the point of production of oil and gas produced from each lease or property multiplied by the applicable tax rate in AS 43.55.011(g);

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

(i) zero;

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

(iii) 30 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated combined with the gross value at the point of production of oil and gas produced from each lease or property multiplied by the applicable tax rate in AS 43.55.011(g);

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

(i) zero; or

(ii) 30 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for the oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

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

(i) 30 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero combined with the gross value at the point of production of oil and gas produced from each lease or property multiplied by the applicable tax rate in AS 43.55.011(g); or

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 26, line 4:
Delete "9, 12, 13, and 28 - 30"
Insert "9, 10, 13, 14, and 29 - 31"

Page 26, line 6:
Delete "Sections 10 and 27"
Insert "Sections 11 and 28"

Page 26, line 8:
Delete "Sections 15 and 18 - 21"
Insert "Sections 16 and 19 - 22"

Page 26, line 10:
Delete "Sections 16, 19, and 24"
Insert "Sections 17, 20, and 25"

Page 26, line 12:
Delete "Section 17"
Insert "Section 18"

Page 26, line 22:
Delete "sec. 34"
Insert "sec. 35"

Page 26, line 30:
Delete "Sections 10, 18, 20, 21, 24, 27, and 35"
Insert "Sections 11, 19, 21, 22, 25, 28, and 36"

Page 26, line 31:
Delete "sec. 15"
Insert "sec. 16"

Page 27, line 1:
Delete "12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "10, 13 - 15, 17, 20, 23, 24, 29 - 34, and 37"

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 43 and 44"

Senator Wielechowski moved for the adoption of Amendment No. 4. Senator Coghill objected.

The question being: "Shall Amendment No. 4 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 4

YEAS: 5 NAYS: 15 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Hoffman, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 4 failed.

Senator Stevens offered Amendment No. 5:

Page 1, line 4:
Delete "**rate**"
Insert "**rates**"

Page 2, following line 11:
Insert a new bill section to read:
"*** Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate [AN AMOUNT] to the community revenue sharing fund **an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(q)**. The amount may not exceed

(1) $60,000,000; or

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

Renumber the following bill sections accordingly.

Page 5, lines 6 - 7:
Delete "]
(1) **before January 1, 2017,** ["
Insert "(1)"

Page 5, lines 9 - 10:
Delete "; and
(2) **after December 31, 2016, multiplied by 33 percent**
["
Insert "[; AND
(2)"

Page 5, following line 12:
Insert a new bill section to read:
"*** Sec. 11.** AS 43.55.011(e), as amended by sec. 10 of this Act, is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and 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) multiplied by **25** [35] percent; and

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

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

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

Renumber the following bill sections accordingly.

Page 8, line 21:
Delete "sec. 11"
Insert "sec. 15"

Page 11, following line 21:
Insert a new bill section to read:
"*** Sec. 17.** AS 43.55.020(a), as amended by secs. 15 and 16 of this Act, is repealed and reenacted to read:

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

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this

subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 12, following line 8:

Insert a new bill section to read:

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

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

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

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

Renumber the following bill sections accordingly.

Page 13, following line 10:

Insert a new bill section to read:

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

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

Delete all material and insert:

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

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

Renumber the following bill sections accordingly.

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 25"

Page 15, following line 15:
Insert a new bill section to read:
"*** Sec. 27.** AS 43.55.023(d), as amended by secs. 25 and 26 of this Act, is repealed and reenacted to read:

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

Renumber the following bill sections accordingly.

Page 15, following line 30:

Insert a new bill section to read:

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

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

Renumber the following bill sections accordingly.

Page 16, following line 13:

Insert new bill sections to read:

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 17, following line 16:

Insert a new bill section to read:

"*** Sec. 36.** AS 43.55.028(e), as amended by sec. 35 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) **<u>or (p)</u>** 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. 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 **<u>AS 43.55.023(p) or</u>** former AS 43.55.023(m)**<u>,</u>** 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 AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount."

Renumber the following bill sections accordingly.

Page 21, following line 15:

Insert a new bill section to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 22, following line 4:

Insert a new bill section to read:

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

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

Renumber the following bill sections accordingly.

Page 22, following line 23:

Insert a new bill section to read:

"*** Sec. 47.** 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. 54.** AS 43.55.024(i), 43.55.030(g), and 43.55.160(f) are repealed January 1, 2017."

Renumber the following bill sections accordingly.

Page 26, line 4:

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

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

Page 26, line 6:

Delete "Sections 10 and 27"

Insert "Sections 12 and 41"

Page 26, line 8:

Delete "Sections 15 and 18 - 21"

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

Delete "sec. 15"

Insert "sec. 21"

Page 26, line 10:

Delete "Sections 16, 19, and 24"

Insert "Sections 23, 26, and 35"

Page 26, line 12:

Delete all material and insert:

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

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

Page 26, line 22:

Delete "sec. 34"

Insert "sec. 51"

Page 26, line 30:

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

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

Page 26, line 31:
Delete "sec. 15"
Insert "sec. 21"

Page 27, line 1:
Delete "Sections 1 - 6, 8, 9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "Sections 1, 2, 4 - 7, 9, 16, 18, 20, 23, 25, 26, 33, 34, 42, 44, 46, 48 - 50, and 53"

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

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 60 and 61"

Senator Stevens moved for the adoption of Amendment No. 5. Senator Coghill objected.

Senator French rose to a point of order. Senator French withdrew his point of order.

The question being: "Shall Amendment No. 5 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 5

YEAS: 9 NAYS: 11 EXCUSED: 0 ABSENT: 0

Yeas: Egan, Ellis, French, Gardner, Hoffman, Olson, Stedman, Stevens, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche

and so, Amendment No. 5 failed.

Senators Wielechowski, Ellis, French, Gardner offered Amendment No. 6:

Page 1, line 4, following "**rate;**":
Insert "**relating to the minimum tax on oil and gas production;**"

Page 5, following line 12:
Insert a new bill section to read:
"*** Sec. 10.** AS 43.55.011(f) is repealed and reenacted to read:
(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced from each lease or property within a unit or nonunitized reservoir that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) of this section for oil and gas produced from all leases or properties within the unit or nonunitized reservoir below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by multiplying the tax rates in (e) of this section by the total production tax value of the oil and gas taxable under (e) of this section produced from all of the producer's leases or properties within the unit or nonunitized reservoir is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas."

Renumber the following bill sections accordingly.

Page 8, line 21:
Delete "sec. 11"
Insert "sec. 12"

Page 9, line 14, through page 10, line 1:
Delete all material and insert:
"(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), **10 percent of the gross value at the point of production of that oil and gas** [THE GREATEST OF
(i) ZERO;
(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED; OR
(iii) THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THOSE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED;]"

Page 13, line 23:
Delete "sec. 16"
Insert "sec. 17"

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 19"

Page 26, line 4:
Delete "12, 13, and 28 - 30"
Insert "10, 13, 14, and 29 - 31"

Page 26, line 6:
Delete "Sections 10 and 27"
Insert "Sections 11 and 28"

Page 26, line 8:
Delete "Sections 15 and 18 - 21"
Insert "Sections 16 and 19 - 22"
Delete "sec. 15"
Insert "sec. 16"

Page 26, line 10:
Delete "Sections 16, 19, and 24"
Insert "Sections 17, 20, and 25"

Page 26, line 12:
Delete "Section 17"
Insert "Section 18"

Page 26, line 22:
Delete "sec. 34"
Insert "sec. 35"

Page 26, line 30:
Delete "Sections 10, 18, 20, 21, 24, 27, and 35"
Insert "Sections 11, 19, 21, 22, 25, 28, and 36"

Page 26, line 31:
Delete "sec. 15"
Insert "sec. 16"

Page 27, line 1:
Delete "12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "10, 13 - 15, 17, 20, 23, 24, 29 - 34, and 37"

Page 27, line 3:
Delete "Section 17"
Insert "Section 18"

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 43 and 44"

Senator Wielechowski moved for the adoption of Amendment No. 6. Senator Coghill objected.

The question being: "Shall Amendment No. 6 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 6

YEAS: 5 NAYS: 15 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Hoffman, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 6 failed.

Senators French, Ellis, Wielechowski, Gardner offered Amendment No. 7:

Page 22, line 8:
Delete "one or more"
Insert "either or both"

Page 22, lines 13 - 20:
Delete "; (3) the oil or gas is produced from a well that has been accurately metered and measured by the operator to the satisfaction of the commissioner, and the producer demonstrates to the department that the metered well drains a reservoir or portion of a reservoir that the Department of Natural Resources has certified was not contributing to production before January 1, 2013, and the producer demonstrates to the department that the volume of oil or gas produced from the well was subject to certification by the Department of Natural Resources"

Senator French moved for the adoption of Amendment No. 7. Senator Coghill objected.

The question being: "Shall Amendment No. 7 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 7

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 7 failed.

Recess

President Huggins stated the Senate would stand in recess to a call of the chair. There being no objection, the Senate recessed at 4:01 p.m.

After Recess

The Senate reconvened at 5:27 p.m.

Consideration of the Calendar (continued)

SB 21
CS FOR SENATE BILL NO. 21(FIN) am was before the Senate in second reading.

Senators Gardner, Ellis, French, Wielechowski offered Amendment No. 8:

Page 22, line 7, following "section,":
Insert "for oil and gas production commencing after the effective date of this section for the first seven years immediately following the commencement of production subject to tax under AS 43.55.011(e),"

Senator Gardner moved for the adoption of Amendment No. 8. Senator Giessel objected.

The question being: "Shall Amendment No. 8 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 8

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 8 failed.

Senators Gardner, Ellis, French, Wielechowski offered Amendment No. 9:

Page 22, line 7:
Delete "of oil or gas meeting"
Insert "for that portion of oil or gas that exceeds the estimated production for the applicable field in the crude oil production forecast in the fall 2012 Revenue Sources Book published by the department and that meets"

Senator Gardner moved for the adoption of Amendment No. 9. Senator McGuire objected.

The question being: "Shall Amendment No. 9 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 9

YEAS: 5 NAYS: 15 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Hoffman, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 9 failed.

Senators French, Ellis, Gardner, Wielechowski offered Amendment No. 10:

Page 1, line 9, following "**explorers;**":

Insert "**relating to the financing of oil processing facilities on the North Slope by the Alaska Industrial Development and Export Authority;**"

Page 25, following line 28:

Insert new bill sections to read:

"*** Sec. 35.** AS 44.88.080 is amended by adding a new paragraph to read:

(32) to acquire an interest in a project as necessary or appropriate to provide working or venture capital for an oil or natural gas development project under AS 44.88.800 and 44.88.810, whether by purchase, gift, or lease.

*** Sec. 36.** AS 44.88 is amended by adding new sections to read:

Article 9A. Interest in Oil and Gas Resources.

Sec. 44.88.800. Acquisition of interest in businesses. (a) The authority may acquire, through purchase or other means, an interest in a lease held by a corporation or other business entity in an oil or natural gas field in the state that has been explored, but only if the authority determines the leaseholder has made reasonable efforts to obtain financing from the private sector to develop the lease and those efforts have, in whole or part, been unsuccessful. The authority shall exercise due diligence in acquiring a leasehold interest under this section.

(b) If the authority acquires a leasehold interest under this section, the authority may use the authority's assets, as appropriate, to aid in the development of the oil or natural gas field in which the business entity has a leasehold interest.

Sec. 44.88.810. Alaska resource development fund. (a) The Alaska resource development fund is established in the authority for the purpose of developing oil and gas resources, and consists of appropriations to the fund. The authority shall manage the fund and may create separate accounts within it. Income of the fund or of enterprises of the authority shall be separately accounted for and may be appropriated to the fund.

(b) The authority may use money from the fund to carry out the purpose of the fund set out in (a) of this section.

*** Sec. 37.** AS 44.88.900(10) is amended to read:

(10) "project" means

(A) a plant or facility used or intended for use in connection with making, processing, preparing, transporting, or producing in any manner, goods, products, or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling, or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products, or substances of any kind or nature;

(B) a plant or facility used or intended for use in connection with a business enterprise;

(C) commercial activity by a business enterprise;

(D) a plant or facility demonstrating technological advances of new methods and procedures and prototype commercial applications for the exploration, development, production, transportation, conversion, and use of energy resources;

(E) infrastructure for a new tourism destination facility or for the expansion of a tourism destination facility; in this subparagraph, "tourism destination facility" does not include a hotel or other overnight lodging facility;

(F) a plant or facility, other than a plant or facility described in (D) of this paragraph, for the generation, transmission, development, transportation, conversion, or use of energy resources;

(G) a plant or facility that enhances, provides for, or promotes economic development with respect to transportation, communications, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research;

(H) a plant or facility used or intended for use as a federal facility, including a United States military, national guard, or coast guard facility;

(I) infrastructure for an area that is designated as a military facility zone under AS 26.30;

(J) development of an oil and gas field by providing working or venture capital in exchange for an equity interest;"

Renumber the following bill sections accordingly.

Page 26, line 22:
  Delete "sec. 34"
  Insert "sec. 37"

Page 26, line 30:
  Delete "35"
  Insert "38"

Page 27, line 1:
  Delete "36"
  Insert "39"

Page 27, line 4:
  Delete "secs. 42 and 43"
  Insert "secs. 45 and 46"

Senator French moved for the adoption of Amendment No. 10. Senator Coghill objected.

The question being: "Shall Amendment No. 10 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 10

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 10 failed.

Senators Wielechowski, Ellis, French, Gardner offered Amendment No. 11:

Page 1, line 2, following "**Revenue;**":
Insert "**relating to oil and gas leasing;**"

Page 2, following line 16:
Insert new bill sections to read:
"*** Sec. 4.** AS 38.05.180(h) is amended to read:

(h) The commissioner **shall** [MAY] include terms in **a** [ANY] lease **that impose** [IMPOSING] a minimum work commitment on the lessee **to implement the plan of development submitted by the lessee with a bid for an oil and gas or gas only lease. The terms of the minimum work commitment must** [. THESE TERMS SHALL BE MADE PUBLIC BEFORE THE SALE, AND MAY] include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

*** Sec. 5.** AS 38.05.180(x) is amended to read:

(x) A lessee conducting or permitting any exploration for, or development or production of, oil or gas on state land shall provide the commissioner**:** access to all noninterpretive data obtained from that lease**; access to all information necessary to perform an economic analysis of the production capability of each participating area, including capital, operating, production, and development costs and an estimate of total reserves;** and [SHALL PROVIDE] copies of **the noninterpretive** [THAT] data **and economic and reserve information**, as the commissioner may request. The confidentiality provisions of AS 38.05.035 apply to the information obtained under this subsection.

*** Sec. 6.** AS 38.05.180 is amended by adding new subsections to read:

(hh) The commissioner shall require each bidder for an oil and gas lease or gas only lease and each lessee applying for an extension or renewal of an oil and gas lease or gas only lease to submit a plan of development for exploring, developing, and producing from the lease within the period of the lease or the extension or renewal of the lease. The commissioner shall review each plan of development and determine whether the proposed plan of development is reasonably expected to develop the lease in the best interest of the state. The plan of development shall be included in a lease along with penalties for failing to comply with the plan of development and other terms of the lease. A bidder may not be a qualified bidder for the purposes of (f)(1) of this section if the commissioner finds that the bidder has not submitted a proposed plan of development that is in the best interest of the state or that the person that submitted the plan of development is not reasonably capable of implementing the plan.

(ii) The commissioner shall

(1) review each oil and gas lease or gas only lease each year for the purpose of determining whether a lease is being developed in the best interest of the state, whether the lessee is complying with the plan of development applicable to the lease, and whether revision of a plan of development, including the planned rate of development, would provide the maximum benefit to the people of the state;

(2) every five years, perform an economic analysis on each participating area and determine whether the participating area is capable of increased production in paying quantities over the current rate of production or plan of development;

(3) enforce the terms of each oil and gas lease or gas only lease, including imposing any applicable penalty or other remedy for noncompliance, within a reasonable time after finding that a lessee is out of compliance with the terms of the lease;

(4) submit a report to the legislature before the first day of each regular session that lists each oil and gas or gas only lessee that is found to be out of compliance and the action by the commissioner to bring the lessee back into compliance or to terminate the lease.

(jj) For the purposes of (hh) and (ii) of this section, a plan of development for a cooperative or unit under (p) of this section is the plan of development for a lease within the cooperative or unit, except where a different plan of development is established for a lease within the cooperative or unit.

(kk) For purposes of (ii) of this section,

(1) "participating area" means that part of an oil and gas lease unit area to which production is allocated in the manner described in a unit agreement;

(2) "production in paying quantities" means production in quantities sufficient to yield a return in excess of drilling, development, and operating costs."

Renumber the following bill sections accordingly.

Page 8, line 21:
Delete "sec. 11"
Insert "sec. 14"

Page 13, line 23:
Delete "sec. 16"
Insert "sec. 19"

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 21"

Page 26, line 4:
Delete "Sections 9, 12, 13, and 28 - 30"
Insert "Sections 12, 15, 16, and 31 - 33"

Page 26, line 6:
Delete "Sections 10 and 27"
Insert "Sections 13 and 30"

Page 26, line 8:
Delete "Sections 15 and 18 - 21"
Insert "Sections 18 and 21 - 24"
Delete "sec. 15"
Insert "sec. 18"

Page 26, line 10:
Delete "Sections 16, 19, and 24"
Insert "Sections 19, 22, and 27"

Page 26, line 12:
Delete "Section 17"
Insert "Section 20"

Page 26, following line 12:
Insert a new subsection to read:
"(f) Sections 4 and 5 of this Act, and AS 38.05.180(hh) enacted by sec. 6 of this Act, apply to a proposed lease sale and the renewal or extension of a lease on or after the effective date of secs. 4 - 6 of this Act."

Page 26, line 22:
Delete "sec. 34"
Insert "sec. 37"

Page 26, line 30:
Delete "Sections 10, 18, 20, 21, 24, 27, and 35"
Insert "Sections 13, 21, 23, 24, 27, 30, and 38"

Page 26, line 31:
Delete "sec. 15"
Insert "sec. 18"

Page 27, line 1:
Delete "Sections 1 - 6, 8, 9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "Sections 1 - 3, 7 - 9, 11, 12, 15 - 17, 19, 22, 25, 26, 31 - 36 and 39"

Page 27, line 3:
Delete "Section 17"
Insert "Section 20"

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 45 and 46"

Senator Wielechowski moved for the adoption of Amendment No. 11. Senator Coghill objected.

The question being: "Shall Amendment No. 11 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 11

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 11 failed.

Senators Wielechowski, Ellis, French, Gardner offered Amendment No. 12:

Page 13, line 10:
Delete "**January 1, 2014**"
Insert "**the effective date of this paragraph**"

Page 25, following line 29:
Insert a new bill section to read:
"* **Sec. 36.** AS 43.55.011(g) and 43.55.160(c) are repealed."

Renumber the following bill sections accordingly.

Page 25, line 30:
Delete "AS 43.55.011(g), 43.55.023(i), and 43.55.160(c) are"
Insert "AS 43.55.023(i) is"

Page 26, line 5:
Delete "after December 31, 2013"
Insert "on and after the effective date of secs. 9, 12, 13, and 28 - 30 of this Act"

Page 26, lines 10 - 11:
Delete "after December 31, 2013"
Insert "on and after the effective date of secs. 16, 19, and 24 of this Act"

Page 26, line 12:
Delete "after December 31, 2016"
Insert "on and after the effective date of sec. 17 of this Act"

Page 26, following line 31:
Insert a new bill section to read:
"*** Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to read:
CONDITIONAL EFFECT. (a) Sections 9, 12, 13, 16, 22, 23, 28 - 30, and 36 of this Act, and AS 43.55.023(a)(3), added by sec. 15 of this Act, take effect only if the total volume of oil delivered to the Trans Alaska Pipeline System for transport in a calendar year after 2013 exceeds by more than 20 percent the volume of oil delivered to the Trans Alaska Pipeline System for transport during calendar year 2012.
(b) Section 17 of this Act takes effect only if sec. 16 of this Act takes effect."

Page 27, line 1:
Delete "9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "14, 19, 31 - 33, and 37"

Page 27, line 3:
Delete all material and insert:
"*** Sec. 45.** If secs. 9, 12, 13, 16, 22, 23, 28 - 30, and 36 of this Act, and AS 43.55.023(a)(3), added by sec. 15 of this Act, take effect under sec. 43(a) of this Act, they take effect on January 1 of the calendar year immediately following the calendar year in which the commissioner of natural resources notifies the lieutenant governor and the revisor of statutes that the condition described in sec. 43(a) of this Act has been satisfied.
*** Sec. 46.** If sec. 17 of this Act takes effect under sec. 43(b) of this Act, it takes effect three years after the effective date of sec. 16 of this Act."

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 44 - 46"

Senator Wielechowski moved for the adoption of Amendment No. 12. Senator McGuire objected.

The question being: "Shall Amendment No. 12 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 12

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 12 failed.

Senators Wielechowski, Ellis, French, Gardner offered Amendment No. 13:

Page 1, line 4:
Delete "**rate**"
Insert "**rates**"

Page 2, following line 11:
Insert a new bill section to read:
"*** Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

(b) Each fiscal year, the legislature may appropriate [AN AMOUNT] to the community revenue sharing fund **<u>an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g)</u>**. The amount may not exceed

(1) $60,000,000; or

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

Renumber the following bill sections accordingly.

Page 5, following line 12:

Insert a new bill section to read:

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

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and 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 that average monthly production tax value of a BTU equivalent barrel and $30; or

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

Renumber the following bill sections accordingly.

Page 8, line 21:
Delete "sec. 11"
Insert "sec. 15"

Page 11, following line 21:
Insert a new bill section to read:

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

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

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 12, following line 8:

Insert a new bill section to read:

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

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

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

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

Renumber the following bill sections accordingly.

Page 13, following line 10:

Insert a new bill section to read:

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 13, line 23:
Delete "sec. 16"
Insert "sec. 23"

Page 14, following line 3:
Insert a new bill section to read:
"*** Sec. 25.** AS 43.55.023(b), as amended by secs. 23 and 24 of this Act, is amended to read:

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

Renumber the following bill sections accordingly.

Page 14, line 29:
Delete "sec. 18"
Insert "sec. 26"

Page 15, following line 15:
Insert a new bill section to read:
"*** Sec. 28.** AS 43.55.023(d), as amended by secs. 26 and 27 of this Act, is repealed and reenacted to read:

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

Renumber the following bill sections accordingly.

Page 15, following line 30:

Insert a new bill section to read:

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

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

Renumber the following bill sections accordingly.

Page 16, following line 13:

Insert new bill sections to read:

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

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

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

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

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

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

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 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. 41.** AS 43.55.030(e), as amended by sec. 40 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 AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount."

Renumber the following bill sections accordingly.

Page 21, following line 15:

Insert a new bill section to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 22, following line 4:

Insert a new bill section to read:

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

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

Renumber the following bill sections accordingly.

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"

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 read:

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

Renumber the following bill sections accordingly.

Page 27, line 1:
Delete "12 - 14, 16, 19, 22, 23, 28 - 33, and 36"
Insert "16, 18, 20, 23, 26, 34, 35, 43, 45, 47, 49 - 51, and 54"

Page 27, line 3:
Delete "Section 17"
Insert "Section 24"

Page 27, following line 3:
Insert a new bill section to read:
"*** Sec. 64.** If secs. 3, 11, 13, 14, 17, 19, 22, 25, 30, 32, 33, 37, 39, 41, 44, 46, 48, 57(f), and 57(g) of this Act take effect under sec. 61 of this Act, secs. 3, 11, 13, 14, 17, 19, 22, 25, 30, 32, 33, 37, 39, 41, 44, 46, 48, 57(f), and 57(g) of this Act take effect January 1, 2018."

Renumber the following bill section accordingly.

Page 27, line 4:
Delete "secs. 42 and 43"
Insert "secs. 62 - 64"

Senator Wielechowski moved for the adoption of Amendment No. 13. Senator Coghill objected.

The question being: "Shall Amendment No. 13 be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Second Reading
Amendment No. 13

YEAS: 4 NAYS: 16 EXCUSED: 0 ABSENT: 0

Yeas: Ellis, French, Gardner, Wielechowski

Nays: Bishop, Coghill, Dunleavy, Dyson, Egan, Fairclough, Giessel, Hoffman, Huggins, Kelly, McGuire, Meyer, Micciche, Olson, Stedman, Stevens

and so, Amendment No. 13 failed.

CS FOR SENATE BILL NO. 21(FIN) am was automatically in third reading.

Recess

President Huggins stated the Senate would stand in recess to a call of the chair. There being no objection, the Senate recessed at 7:28 p.m.

After Recess

The Senate reconvened at 7:50 p.m.

Consideration of the Calendar (continued)

SB 21
CS FOR SENATE BILL NO. 21(FIN) am was before the Senate in third reading.

The question being: "Shall CS FOR SENATE BILL NO. 21(FIN) am "An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; providing a tax credit against the corporation income tax for qualified oil and gas service industry expenditures; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; establishing the Oil and Gas Competitiveness Review Board; making conforming amendments; and providing for an effective date" pass the Senate?" The roll was taken with the following result:

CSSB 21(FIN) am
Third Reading - Final Passage

YEAS: 11 NAYS: 9 EXCUSED: 0 ABSENT: 0

Yeas: Bishop, Coghill, Dunleavy, Dyson, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche

Nays: Egan, Ellis, French, Gardner, Hoffman, Olson, Stedman, Stevens, Wielechowski

and so, CS FOR SENATE BILL NO. 21(FIN) am passed the Senate.

Senator Coghill moved for the adoption of the effective date clauses.

The question being: "Shall the effective date clauses be adopted?" The roll was taken with the following result:

CSSB 21(FIN) am
Effective Date Clauses

YEAS: 11 NAYS: 9 EXCUSED: 0 ABSENT: 0

Yeas: Bishop, Coghill, Dunleavy, Dyson, Fairclough, Giessel, Huggins, Kelly, McGuire, Meyer, Micciche

Nays: Egan, Ellis, French, Gardner, Hoffman, Olson, Stedman, Stevens, Wielechowski

and so, the effective date clauses failed.

Senator Coghill gave notice of reconsideration on CS FOR SENATE BILL NO. 21(FIN) am(efd fld) "An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; providing a tax credit against the corporation income tax for qualified oil and gas service industry expenditures; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; establishing the Oil and Gas Competitiveness Review Board; and making conforming amendments."

Unfinished Business

Senator Stedman moved and asked unanimous consent to be excused from a call of the Senate from morning plane time, March 22 through evening plane time, March 24. Without objection, Senator Stedman was excused.

Senator Meyer moved and asked unanimous consent to be excused from a call of the Senate from morning plane time, March 22 through evening plane time, March 24. Without objection, Senator Meyer was excused.

Senator Hoffman moved and asked unanimous consent to be excused from a call of the Senate on March 22. Without objection, Senator Hoffman was excused.

Announcements

Announcements are at the end of the journal.

Adjournment

Senator Coghill moved and asked unanimous consent that the Senate stand in adjournment until 11:00 a.m., March 21, 2013. Without objection, the Senate adjourned at 9:08 p.m.

Liz Clark
Secretary of the Senate

Announcements

Americans with Disabilities Act Notice - Persons with disabilities who require special accommodation or alternative communication formats to access committee meetings may contact the appropriate committee office or the Legislative Information Office in their community. Reasonable advance notice is needed to accommodate the request. For further information, call the ADA Coordinator at 465-3854 Voice/465-4980 TDD.

STANDING COMMITTEES

+ indicates teleconference
= indicates bill previously heard/scheduled

COMMUNITY & REGIONAL AFFAIRS

Mar 21	**Thursday**	**Butrovich 205**	**3:30 PM**
	-- MEETING CANCELED --		
	Bills Previously Heard/Scheduled, if needed		

EDUCATION

Mar 20	**Wednesday**	**Beltz 105 (tsbldg)**	**8:00 AM**
+= SB 57	LITERACY, PUPIL TRANSP, TEACHER NOTICES		
+	Confirmation Hearing:		
	Professional Teaching Practices Commission		
	David DeVaughn, Eric Fry, Martin Laster, Melody Mann, Frances Roberts		
+	Bills Previously Heard/Scheduled		

Mar 22	**Friday**	**Beltz 105 (tsbldg)**	**8:00 AM**
+	Discussion: Voucher #2, Continuation of a Discussion of Voucher Systems		
	-- Testimony <Invitation Only> --		
+	Bills Previously Heard/Scheduled		

FINANCE

Mar 20	**Wednesday**	**Senate Finance 532**	**9:00 AM**
+	Bills Previously Heard/Scheduled		
= SB 22	CRIMES; VICTIMS; CHILD ABUSE AND NEGLECT		

FINANCE (continued)

Mar 21		**Thursday**	**Senate Finance 532**	**9:00 AM**
+	HB 65	APPROP: OPERATING BUDGET/LOANS/FUNDS		
+	HB 66	APPROP: MENTAL HEALTH BUDGET		
		Subcommittee Reports to Full Committee		
+		Bills Previously Heard/Scheduled		

Mar 22		**Friday**	**Senate Finance 532**	**9:00 AM**
+=	HB 65	APPROP: OPERATING BUDGET/LOANS/FUNDS		
+=	HB 66	APPROP: MENTAL HEALTH BUDGET		
+		Statewide Public Testimony		
		(Public testimony may be limited to no more than 3 minutes)		
		9:00 am Bethel, Nome, Kotzebue, Unalaska		
		9:30 am Barrow, Tok, Delta Junction		
		10:00 am Ketchikan, Wrangell, Petersburg		
		10:30 am Sitka, Cordova, Valdez		

Mar 22		**Friday**	**Senate Finance 532**	**1:30 PM**
		Continuation of Statewide Public Testimony		
+=	HB 65	APPROP: OPERATING BUDGET/LOANS/FUNDS		
=	HB 66	APPROP: MENTAL HEALTH BUDGET		
+		Statewide Public Testimony		
		(Public testimony may be limited to no more than 3 minutes)		
		1:30 pm Fairbanks, Mat-Su		
		2:30 pm Anchorage		
		4:00 pm Glennallen, Seward, Homer		

Mar 23		**Saturday**	**Senate Finance 532**	**10:00 AM**
+=	HB 65	APPROP: OPERATING BUDGET/LOANS/FUNDS		
+=	HB 66	APPROP: MENTAL HEALTH BUDGET		
		Continuation of Statewide Public Testimony		
+		(Public testimony may be limited to no more than		
		3 minutes)		
		10:00 am Juneau		
		11:30 am Kenai, Kodiak, Dillingham		
		12:30 pm Statewide Teleconference - Offnet Site		
+		Bills Previously Heard/Scheduled		

HEALTH & SOCIAL SERVICES

Mar 20		**Wednesday**	**Butrovich 205**	**1:30 PM**
		-- MEETING CANCELED --		
+		Presentation: Obesity Prevention		
		By Dept. of Health and Social Services		

Mar 22		**Friday**	**Butrovich 205**	**1:30 PM**
		No Meeting Scheduled		

JUDICIARY

Mar 20		**Wednesday**	**Beltz 105 (tsbldg)**	**1:30 PM**
		-- MEETING CANCELED --		
+		Confirmation Hearings:		
		H. Connor Thomas, Legislative Ethics		
+=	HJR 4	OPPOSE GUN CONTROL ORDERS & LEGISLATION		
+=	HB 69	EXEMPT FIREARMS FROM FEDERAL REGULATION		
+=	SJR 9	CONST. AM: EDUCATION FUNDING		
		-- Public Testimony < Time Limit May Be Set> --		
+		Bills Previously Heard/Scheduled		

Mar 22		**Friday**	**Beltz 105 (tsbldg)**	**1:30 PM**
+		Confirmation Hearings:		
		Janie Leask, Legislative Ethics (alternate)		
		James Brown, Commission on Judicial Conduct		
+	SB 72	OMBUDSMAN		
		<Bill Hearing Postponed>		
+	SJR 9	CONST. AM: EDUCATION FUNDING		
		-- Testimony <Invitation Only> --		
+		Bills Previously Heard/Scheduled		

LABOR & COMMERCE

Mar 21		**Thursday**	**Beltz 105 (tsbldg)**	**1:30 PM**
+	SB 65	RETIREMENT PLANS; ROTH IRAS; PROBATE		
		-- Public Testimony --		
+=	HB 26	EXTEND BOARD OF PUBLIC ACCOUNTANCY		
		-- Public Testimony --		
+=	SB 55	INSURER'S USE OF CREDIT SCORES		
		-- Public Testimony --		

LABOR & COMMERCE (continued)

Mar 21	**Thursday (continued from previous page)**		
+= SB 52	PORTABLE ELECTRONICS INSURANCE		
	-- Public Testimony --		
	Bills Previously Heard/Scheduled		
	Confirmation Hearing of Governor's Appointees		
	<Above Hearing Postponed>		

RESOURCES

Mar 20	**Wednesday**	**Butrovich 205**	**3:30 PM**
	-- MEETING CANCELED --		
+ SB 59	OIL & GAS EXPLORATION/DEVELOPMENT AREAS		
+ HB 4	IN-STATE GASLINE DEVELOPMENT CORP		
	<Pending Referral>		
	-- Testimony <Invitation Only> --		
+	Bills Previously Heard/Scheduled		
Mar 22	**Friday**	**Butrovich 205**	**3:30 PM**
+ HJR 6	LEGACY OIL WELL CLEAN UP/AWARENESS; NPR-A		
+	Bills Previously Heard/Scheduled		

STATE AFFAIRS

Mar 21	**Thursday**	**Butrovich 205**	**9:00 AM**
	-- Public Testimony <Time Limit May Be Set> --		
	Confirmation Hearing: Governor's Appointments		
+	Bills Previously Heard/Scheduled		

TRANSPORTATION

Mar 21	**Thursday**	**Butrovich 205**	**1:30 PM**
+	Bills Previously Heard/Scheduled		

FINANCE SUBCOMMITTEES

COMMERCE, COMMUNITY & ECONOMIC DEV

Mar 20 **Wednesday** **Senate Finance 532** **8:00 AM**
Closeout

LABOR & WORKFORCE DEVELOPMENT

Mar 20 **Wednesday** **Senate Finance 532** **5:00 PM**
\+ House Budget and Specific Concerns or Issues

Mar 22 **Friday** **Senate Finance 532** **5:00 PM**
\+ Final Considerations and Closeout

MILITARY & VETERANS' AFFAIRS

Mar 20 **Wednesday** **Senate Finance 532** **7:30 AM**
\+ Closeout

NATURAL RESOURCES

Mar 21 **Thursday** **Senate Finance 532** **5:30 PM**
Closeout (If needed)

SPECIAL COMMITTEES

SENATE SPECIAL COMM ON IN-STATE ENERGY

Mar 21 **Thursday** **Butrovich 205** **7:30 AM**
\+ Alaska Gas Pipeline Project Office Overview

Mar 26 **Tuesday** **Butrovich 205** **7:30 AM**
\+ Tanana Chiefs Conference, Interior Energy Needs
Dave Pelunis-Messier, Rural Energy Coordinator
Bernie Carl, Renewable Energy in Alaska

SENATE SPECIAL COMM ON IN-STATE ENERGY
(continued)

Mar 28 **Thursday** **Butrovich 205** **7:30 AM**
No Meeting Scheduled

SENATE SPECIAL COMM ON TAPS THROUGHPUT

Mar 21 **Thursday** **Butrovich 205** **3:30 PM**
No Meeting Scheduled

JOINT COMMITTEES

ADMINISTRATIVE REGULATION REVIEW

Mar 21 **Thursday** **Capitol 120** **1:00 PM**
Alaska's Administrative Regulations Process and
Possible Improvements
-- Testimony <Invitation Only> --

LEGISLATIVE COUNCIL

Mar 21 **Thursday** **Senate Finance 532** **4:00 PM**
\+ Ratification of Charity Events
<Above Item Removed from Agenda>
Contract Approvals, Anchorage LIO Lease
Other Committee Business, Social Media Policy
and Facebook Access, Capitol Security
<Teleconference Listen Only>

SELECT COMMITTEE ON LEGISLATIVE ETHICS

Mar 26 **Tuesday** **Anch Lio Rm 210** **8:30 AM**
\+ FULL COMMITTEE (Open Session)
Public Comment
EXECUTIVE SESSION
Public Session (Open Session)
\- Advisory Opinion 13-01
Other Business

OTHER MEETINGS

JOINT SESSION

Apr 08	**Monday**	**House Chamber**	**11:00 AM**
	Confirmation of Governor's Appointees		

MISCELLANEOUS MEETING

Mar 21	**Thursday**	**Capitol 106**	**12:00 PM**
	Lunch & Learn: "Maximizing Success in Non-Profits" Presentation by Set Free Alaska, Inc. and Areli & Associates, LLC Co-Sponsored by: Sen. Kelly and Rep. Keller		