ALASKA STATE LEGISLATURE
HOUSE RULES STANDING COMMITTEE
May 12, 2016
9:40 a.m.

DRAFT

MEMBERS PRESENT

Representative Craig Johnson, Chair
Representative Kurt Olson, Vice Chair
Representative Mike Chenault
Representative Bob Herron
Representative Jonathan Kreiss-Tomkins
Representative Chris Tuck

MEMBERS ABSENT

Representative Mike Hawker
Representative Charisse Millett

OTHER LEGISLATORS PRESENT

Representative Dan Ortiz
Representative Andy Josephson
Representative Sam Kito
Representative Les Gara
Representative Geran Tarr
Representative Steve Thompson

Senator Kevin Meyer

COMMITTEE CALENDAR

HOUSE BILL NO. 247
"An Act relating to confidential information status and public record status of information in the possession of the Department of Revenue; relating to interest applicable to delinquent tax; relating to disclosure of oil and gas production tax credit information; relating to refunds for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to the minimum tax for certain oil and gas production; relating to the minimum tax calculation for monthly installment payments of estimated tax; relating to interest on monthly installment payments of estimated tax; relating to limitations for the application of tax credits;

relating to oil and gas production tax credits for certain losses and expenditures; relating to limitations for nontransferable oil and gas production tax credits based on oil production and the alternative tax credit for oil and gas exploration; relating to purchase of tax credit certificates from the oil and gas tax credit fund; relating to a minimum for gross value at the point of production; relating to lease expenditures and tax credits for municipal entities; adding a definition for "qualified capital expenditure"; adding a definition for "outstanding liability to the state"; repealing oil and gas exploration incentive credits; repealing the limitation on the application of credits against tax liability for lease expenditures incurred before January 1, 2011; repealing provisions related to the monthly installment payments for estimated tax for oil and gas produced before January 1, 2014; repealing the oil and gas production tax credit for qualified capital expenditures and certain well expenditures; repealing the calculation for certain lease expenditures applicable before January 1, 2011; making conforming amendments; and providing for an effective date."

- MOVED 2D CSHB 247(RLS) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 247
SHORT TITLE: TAX;CREDITS;INTEREST;REFUNDS;O & G
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	RES, FIN
02/03/16	(H)	RES AT 1:00 PM BARNES 124
02/03/16	(H)	Heard & Held
02/03/16	(H)	MINUTE(RES)
02/05/16	(H)	RES AT 1:00 PM BARNES 124
02/05/16	(H)	-- MEETING CANCELED --
02/10/16	(H)	RES AT 1:00 PM BARNES 124
02/10/16	(H)	Heard & Held
02/10/16	(H)	MINUTE(RES)
02/12/16	(H)	RES AT 1:00 PM BARNES 124
02/12/16	(H)	Heard & Held
02/12/16	(H)	MINUTE(RES)
02/13/16	(H)	RES AT 1:00 PM BARNES 124
02/13/16	(H)	-- MEETING CANCELED --
02/22/16	(H)	RES AT 1:00 PM BARNES 124
02/22/16	(H)	Heard & Held
02/22/16	(H)	MINUTE(RES)

02/24/16	(H)	RES AT 1:00 PM BARNES 124
02/24/16	(H)	Heard & Held
02/24/16	(H)	MINUTE(RES)
02/25/16	(H)	RES AT 8:30 AM BARNES 124
02/25/16	(H)	Heard & Held
02/25/16	(H)	MINUTE(RES)
02/25/16	(H)	RES AT 1:00 PM BARNES 124
02/25/16	(H)	Heard & Held
02/25/16	(H)	MINUTE(RES)
02/26/16	(H)	RES AT 1:00 PM BARNES 124
02/26/16	(H)	Heard & Held
02/26/16	(H)	MINUTE(RES)
02/27/16	(H)	RES AT 10:00 AM BARNES 124
02/27/16	(H)	Heard & Held
02/27/16	(H)	MINUTE(RES)
02/29/16	(H)	RES AT 1:00 PM BARNES 124
02/29/16	(H)	Heard & Held
02/29/16	(H)	MINUTE(RES)
02/29/16	(H)	RES AT 6:00 PM BARNES 124
02/29/16	(H)	Heard & Held
02/29/16	(H)	MINUTE(RES)
03/01/16	(H)	RES AT 1:00 PM BARNES 124
03/01/16	(H)	Heard & Held
03/01/16	(H)	MINUTE(RES)
03/02/16	(H)	RES AT 1:00 PM BARNES 124
03/02/16	(H)	Heard & Held
03/02/16	(H)	MINUTE(RES)
03/02/16	(H)	RES AT 6:00 PM BARNES 124
03/02/16	(H)	Heard & Held
03/02/16	(H)	MINUTE(RES)
03/07/16	(H)	RES AT 1:00 PM BARNES 124
03/07/16	(H)	Heard & Held
03/07/16	(H)	MINUTE(RES)
03/07/16	(H)	RES AT 6:00 PM BARNES 124
03/07/16	(H)	Heard & Held
03/07/16	(H)	MINUTE(RES)
03/08/16	(H)	RES AT 1:00 PM BARNES 124
03/08/16	(H)	Heard & Held
03/08/16	(H)	MINUTE(RES)
03/09/16	(H)	RES AT 1:00 PM BARNES 124
03/09/16	(H)	Heard & Held
03/09/16	(H)	MINUTE(RES)
03/11/16	(H)	RES AT 1:00 PM BARNES 124
03/11/16	(H)	-- MEETING CANCELED --
03/14/16	(H)	RES AT 1:00 PM BARNES 124
03/14/16	(H)	Heard & Held
03/14/16	(H)	MINUTE(RES)

03/14/16	(H)	RES AT 6:00 PM BARNES 124
03/14/16	(H)	Heard & Held
03/14/16	(H)	MINUTE(RES)
03/16/16	(H)	RES AT 1:00 PM BARNES 124
03/16/16	(H)	Scheduled but Not Heard
03/18/16	(H)	RES AT 1:00 PM BARNES 124
03/18/16	(H)	Scheduled but Not Heard
03/19/16	(H)	RES AT 1:00 PM BARNES 124
03/19/16	(H)	Heard & Held
03/19/16	(H)	MINUTE(RES)
03/21/16	(H)	RES AT 1:00 PM BARNES 124
03/21/16	(H)	Heard & Held
03/21/16	(H)	MINUTE(RES)
03/21/16	(H)	RES AT 6:00 PM BARNES 124
03/21/16	(H)	-- MEETING CANCELED --
03/22/16	(H)	RES AT 1:00 PM BARNES 124
03/22/16	(H)	Heard & Held
03/22/16	(H)	MINUTE(RES)
03/22/16	(H)	RES AT 6:00 PM BARNES 124
03/22/16	(H)	Moved CSHB 247(RES) Out of Committee
03/22/16	(H)	MINUTE(RES)
03/23/16	(H)	RES RPT CS(RES) NT 5DP 1DNP 1NR 2AM
03/23/16	(H)	DP: CHENAULT, OLSON, JOHNSON, NAGEAK, TALERICO
03/23/16	(H)	DNP: TARR
03/23/16	(H)	NR: HERRON
03/23/16	(H)	AM: SEATON, JOSEPHSON
03/23/16	(H)	RES AT 1:00 PM BARNES 124
03/23/16	(H)	<Bill Hearing Canceled>
03/24/16	(H)	FIN AT 9:30 AM HOUSE FINANCE 519
03/24/16	(H)	Heard & Held
03/24/16	(H)	MINUTE(FIN)
03/25/16	(H)	RES AT 1:00 PM BARNES 124
03/25/16	(H)	<Bill Hearing Canceled>
03/31/16	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/31/16	(H)	Heard & Held
03/31/16	(H)	MINUTE(FIN)
03/31/16	(H)	FIN AT 5:00 PM HOUSE FINANCE 519
03/31/16	(H)	Heard & Held
03/31/16	(H)	MINUTE(FIN)
04/01/16	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/01/16	(H)	Heard & Held
04/01/16	(H)	MINUTE(FIN)
04/01/16	(H)	FIN AT 5:00 PM HOUSE FINANCE 519
04/01/16	(H)	Heard & Held
04/01/16	(H)	MINUTE(FIN)
04/02/16	(H)	FIN AT 8:30 AM HOUSE FINANCE 519

04/02/16	(H)	-- Continued from 4/1/16 --
04/02/16	(H)	FIN AT 2:00 PM HOUSE FINANCE 519
04/02/16	(H)	-- Public Testimony --
04/04/16	(H)	FIN AT 8:30 AM HOUSE FINANCE 519
04/04/16	(H)	Heard & Held
04/04/16	(H)	MINUTE(FIN)
04/04/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/04/16	(S)	<Pending Referral>
04/05/16	(H)	FIN AT 8:30 AM HOUSE FINANCE 519
04/05/16	(H)	Heard & Held
04/05/16	(H)	MINUTE(FIN)
04/05/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/05/16	(S)	<Pending Referral> -- Invited Testimony Only --
04/06/16	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/06/16	(H)	Heard & Held
04/06/16	(H)	MINUTE(FIN)
04/06/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/06/16	(S)	<Pending Referral> -- Invited Testimony Only --
04/07/16	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/07/16	(H)	<Bill Hearing Canceled>
04/07/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/07/16	(S)	<Pending Referral> --Invited Testimony Only--
04/08/16	(H)	FIN AT 8:30 AM HOUSE FINANCE 519
04/08/16	(H)	-- MEETING CANCELED --
04/08/16	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/08/16	(H)	Moved CSHB 247(FIN) Out of Committee
04/08/16	(H)	MINUTE(FIN)
04/08/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/08/16	(S)	<Pending Referral> --Invited Testimony Only--
04/09/16	(H)	FIN RPT CS(FIN) NT 1DP 4DNP 2NR 4AM
04/09/16	(H)	DP: THOMPSON
04/09/16	(H)	DNP: PRUITT, WILSON, KAWASAKI, GATTIS
04/09/16	(H)	NR: SADDLER, NEUMAN
04/09/16	(H)	AM: GARA, GUTTENBERG, EDGMON, MUNOZ
04/09/16	(S)	RES AT 9:00 AM BUTROVICH 205
04/09/16	(S)	<Pending Referral> --Invited Testimony Only--
04/09/16	(S)	RES AT 2:30 PM BUTROVICH 205
04/09/16	(S)	<Pending Referral> --Invited Testimony Only--
04/11/16	(S)	RES AT 3:30 PM BUTROVICH 205
04/11/16	(S)	<Pending Referral> -- Invited Testimony Only --

04/13/16	(H)	BEFORE HOUSE IN THIRD READING
04/13/16	(H)	RETURNED TO RLS COMMITTEE
04/13/16	(S)	FIN AT 1:30 PM SENATE FINANCE 532
04/13/16	(S)	<Pending Referral> Invited Testimony
04/13/16	(S)	FIN AT 5:00 PM SENATE FINANCE 532
04/13/16	(S)	<Pending Referral> Invited Testimony
04/14/16	(S)	FIN AT 8:00 AM SENATE FINANCE 532
04/14/16	(S)	<Pending Referral>
04/14/16	(S)	FIN AT 1:30 PM SENATE FINANCE 532
04/14/16	(S)	<Pending Referral>
04/14/16	(S)	FIN AT 5:00 PM SENATE FINANCE 532
04/14/16	(S)	<Pending Referral>
04/20/16	(H)	RLS AT 2:00 PM GRUENBERG 120
04/20/16	(H)	-Postponed to a Call of the Chair on 4/21/16 TBD-
04/21/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/21/16	(H)	-Postponed to a Call of the Chair on 4/22/16 TBA-
04/22/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/22/16	(H)	-Postponed to a Call of the Chair on 4/23/16 TBA-
04/23/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/23/16	(H)	-Postponed to a Call of the Chair on 4/24/16 TBA-
04/24/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/24/16	(H)	-Postponed to a Call of the Chair on 4/25/16 TBA-
04/25/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/25/16	(H)	-Postponed to a Call of the Chair on 4/26/16 TBA-
04/26/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/26/16	(H)	-Postponed to a Call of the Chair on 4/27/16 TBA-
04/27/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/27/16	(H)	-Postponed to a Call of the Chair on 4/28/16 TBA-
04/28/16	(H)	RLS AT 0:00 AM GRUENBERG 120
04/28/16	(H)	-- Meeting Postponed to 5/2/16 --
05/02/16	(H)	RLS AT 9:30 AM BELTZ 105 (TSBldg)
05/02/16	(H)	-- Meeting Postponed to 5/3/16 at 9:30 a.m. --
05/03/16	(H)	RLS AT 9:30 AM BELTZ 105 (TSBldg)
05/03/16	(H)	-- MEETING CANCELED --
05/10/16	(H)	RLS AT 9:30 AM BILL RAY CENTER 208
05/10/16	(H)	Heard & Held
05/10/16	(H)	MINUTE(RLS)
05/11/16	(H)	RLS AT 9:00 AM BILL RAY CENTER 208

05/11/16	(H)	Heard & Held
05/11/16	(H)	MINUTE(RLS)
05/12/16	(H)	RLS AT 9:30 AM BILL RAY CENTER 208

WITNESS REGISTER

RENA DELBRIDGE, Staff
Representative Mike Hawker
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Explained Amendments 1, 2, and Amendment 1 to Amendment 2, pertaining to 2d CS for HB 247, Version D.

ACTION NARRATIVE

add timestamp 9:40:53 AM

9:41:00 AM

CHAIR CRAIG JOHNSON called the House Rules Standing Committee meeting back to order at 9:40 a.m. [The meeting was recessed on 5/11/16.] Representatives Chenault, Herron, Olson, Tuck, Kreiss-Tomkins, and Johnson were present at the call to order. Other legislators present were Representatives Ortiz, Josephson, Kito, Gara, Tarr, and Thompson, and Senator Meyer.

^#hb247

HB 247-TAX;CREDITS;INTEREST;REFUNDS;O & G

9:41:15 AM

CHAIR JOHNSON announced that the only order of business would be HOUSE BILL NO. 247, "An Act relating to confidential information status and public record status of information in the possession of the Department of Revenue; relating to interest applicable to delinquent tax; relating to disclosure of oil and gas production tax credit information; relating to refunds for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to the minimum tax for certain oil and gas production; relating to the minimum tax calculation for monthly installment payments of estimated tax; relating to interest on monthly installment payments of estimated tax; relating to limitations for the application of tax credits; relating to oil and gas production tax credits for certain losses and expenditures; relating to limitations for nontransferable oil and gas production tax credits based on oil production and the alternative tax credit for oil and gas exploration; relating to purchase of tax credit certificates from the oil and gas tax credit fund; relating to a minimum for gross value at the point of production; relating to lease expenditures and tax credits for municipal entities; adding a definition for "qualified capital expenditure"; adding a definition for "outstanding liability to the state"; repealing oil and gas exploration incentive credits; repealing the limitation on the application of credits against tax liability for lease expenditures incurred before January 1, 2011; repealing provisions related to the monthly installment payments for estimated tax for oil and gas produced before January 1, 2014; repealing the oil and gas production tax credit for qualified capital expenditures and certain well expenditures; repealing the calculation for certain lease expenditures applicable before January 1, 2011; making conforming amendments; and providing for an effective date."

[Before the committee was proposed second committee substitute (2d CS) for HB 247, Version 29-GH2609\D, Nauman/Shutts, 5/6/16, adopted during the 5/11/16 hearing of HB 247, and identified as CS for HB 247, Version 29-GH2609\D, Nauman/Shutts, 5/6/16.]

9:41:25 AM

CHAIR JOHNSON moved to adopt Amendment 1, labeled 29-GH2609\D.2, Nauman/Shutts, 5/10/16, which read as follows:

Page 5, lines 1 - 2:
Delete "[USE AVAILABLE MONEY IN THE OIL AND GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO]"
Insert "use available money in the oil and gas tax credit fund established in AS 43.55.028 to"

Page 5, lines 13 - 14:
Delete "[USE AVAILABLE MONEY IN THE OIL AND GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO]"
Insert "use available money in the oil and gas tax credit fund established in AS 43.55.028 to"

Page 5, lines 25 - 26:
Delete "[USE AVAILABLE MONEY IN THE OIL AND GAS TAX CREDIT FUND ESTABLISHED IN AS 43.55.028 TO]"
Insert "use available money in the oil and gas tax credit fund established in AS 43.55.028 to"

Page 15, lines 9 - 14:
Delete all material.

Renumber the following bill sections accordingly.

Page 15, line 15:
Delete ", as amended by sec. 25 of this Act,"

Page 15, line 19, following "AS 43.55.025":
Insert "and to pay refunds and payments claimed under AS 43.20.046, 43.20.047, or 43.20.053"

Page 16, line 14:
Delete "sec. 27"
Insert "sec. 26"

Page 17, lines 6 - 20:

Delete all material and insert:

"* **Sec. 28.** AS 43.55.028(g) is amended to read:

(g) The department **shall** [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, 43.20.047, or 43.20.053 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**, when allocating available money in the fund under this section,**

(1) may not [, WHEN ALLOCATING AVAILABLE MONEY IN THE FUND UNDER THIS SECTION,] distinguish an application for the purchase of a credit certificate issued under former AS 43.55.023(m) or a claim for a refund or payment under AS 43.20.046, 43.20.047, or 43.20.053**;**

(2) must grant a preference to an applicant if at least 80 percent of the applicant's workforce in the state in the previous calendar year was composed of resident workers; in this paragraph, "resident worker" has the meaning given in AS 43.40.092(b)."

Page 18, line 17:
Delete "sec. 31"
Insert "sec. 30"

Page 18, line 30:
Delete "secs. 31 and 32"
Insert "secs. 30 and 31"

Page 22, line 19:
Delete "sec. 38"
Insert "sec. 37"

Page 29, line 23:
Delete "sec. 27"
Insert "sec. 26"

Page 29, line 24:
Delete "sec. 30"
Insert "sec. 29"

Page 29, line 26:
Delete "sec. 29"

Insert "sec. 28"

Page 29, line 27:
Delete "secs. 27, 29, and 30"
Insert "secs. 26, 28, and 29"

Page 29, line 28:
Delete "sec. 42"
Insert "sec. 41"

Page 30, line 2:
Delete "sec. 50"
Insert "sec. 49"

Page 30, line 4:
Delete "sec. 31"
Insert "sec. 30"
Delete "secs. 34 and 35"
Insert "secs. 33 and 34"

Page 30, line 5:
Delete "sec. 36"
Insert "sec. 35"
Delete "sec. 43"
Insert "sec. 42"

Page 30, line 6:
Delete "sec. 44"
Insert "sec. 43"

Page 30, line 7:
Delete "sec. 50"
Insert "sec. 49"

Page 30, lines 10 - 11:
Delete "sec. 50"
Insert "sec. 49"

Page 30, line 14:
Delete "sec. 50"
Insert "sec. 49"

Page 30, line 15:
Delete "sec. 50"
Insert "sec. 49"

Page 30, line 19:

Delete "sec. 51"
Insert "sec. 50"

Page 30, lines 19 - 20:
Delete "sec. 32"
Insert "sec. 31"

Page 30, line 21:
Delete "sec. 51"
Insert "sec. 50"

Page 30, line 24:
Delete "sec. 51"
Insert "sec. 50"

Page 30, line 26:
Delete "sec. 51"
Insert "sec. 50"

Page 30, line 27:
Delete "sec. 51"
Insert "sec. 50"

Page 31, line 1:
Delete "sec. 52"
Insert "sec. 51"

Page 31, line 2:
Delete "sec. 33"
Insert "sec. 32"
Delete "sec. 37"
Insert "sec. 36"

Page 31, line 3:
Delete "sec. 39"
Insert "sec. 38"

Page 31, line 4:
Delete "sec. 52"
Insert "sec. 51"

Page 31, line 8:
Delete "sec. 52"
Insert "sec. 51"

Page 31, line 10:
Delete "sec. 52"

Insert "sec. 51"

Page 31, line 11:
Delete "sec. 52"
Insert "sec. 51"

Page 31, line 16:
Delete "sec. 52"
Insert "sec. 51"

Page 31, line 17:
Delete "secs. 26 and 28"
Insert "secs. 25 and 27"

Page 31, line 18:
Delete "sec. 33"
Insert "sec. 32"
Delete "sec. 37"
Insert "sec. 36"

Page 31, line 19:
Delete "sec. 45"
Insert "sec. 44"

Page 31, line 21:
Delete "sec. 52" in both places
Insert "sec. 51" in both places

Page 31, line 26:
Delete "sec. 42"
Insert "sec. 41"

Page 31, line 27:
Delete "sec. 50"
Insert "sec. 49"

Page 31, line 30:
Delete "sec. 50"
Insert "sec. 49"

Page 32, line 4:
Delete "sec. 50"
Insert "sec. 49"

Page 32, line 6:
Delete "sec. 50"
Insert "sec. 49"

Page 32, line 9:
Delete "sec. 50"
Insert "sec. 49"

Page 32, line 12:
Delete "sec. 50"
Insert "sec. 49"

Page 32, line 14:
Delete "sec. 50"
Insert "sec. 49"

Page 33, line 9:
Delete "53, 61, and 62"
Insert "52, 60, and 61"

Page 33, line 11:
Delete "Sections 32, 51, and 56"
Insert "Sections 31, 50, and 55"

Page 33, line 12:
Delete "26, 28, 33, 37, 39, 45, 52, 57, and 58"
Insert "25, 27, 32, 36, 38, 44, 51, 56, and 57"

Page 33, line 14:
Delete "secs. 63 - 65"
Insert "secs. 62 - 64"

9:41:30 AM

REPRESENTATIVE TUCK objected.

9:41:46 AM

RENA DELBRIDGE, Staff, Representative Mike Hawker, Alaska State Legislature, relayed that Amendment 1, labeled 29-GH2609\D.2, restores current statute so that the income tax credits for the instate refinery, and the liquefied natural gas (LNG) storage facility, would still be refunded from the oil and gas tax credit fund. In addition, Amendment 1 would make conforming changes to the "Alaska hire" provisions under HB 247, so that the income tax credits are not "discriminated against in prioritizing refunds from that fund." Ms. Delbridge further explained that Amendment 1 was proposed in response to Representative Wilson and the administration, including the Alaska Industrial Development and Export Authority (AIDEA), all of whom expressed concerns that making the credits refundable by appropriation through the Department of Revenue (DOR) could put AIDEA credits at risk in the future. She said, "It was never the intent to further risk those credits, and it seemed that they had been more secure coming ... not from the oil and gas tax credit fund, but the chairman, Representative Johnson, was happy to make this change."

9:43:50 AM

REPRESENTATIVE TUCK asked Ms. Delbridge to confirm whether he was right in his summary that "we removed those ... credits going out from the oil and gas tax credit fund, and so, now we're putting it back in there because we discovered that the credit rating for the Department of Revenue may be jeopardized."

MS. DELBRIDGE clarified that there is nothing wrong with the credit ratings for anyone. She said in Version D, the credits would be subject to refund by the Department of Revenue through annual appropriation. The aforementioned parties were concerned that credits refunded by DOR through appropriation would be more difficult to receive when due, rather than to simply have the refunds come out from the oil and gas tax credit fund, as is in current statute. She restated that Amendment 1 would revert to current statute.

REPRESENTATIVE TUCK asked for the original purpose of moving the credits from the oil and gas tax credit fund.

MS. DELBRIDGE answered that the purpose of doing so had been "fairly genuine." She explained that the tax credits in the bill are income tax credits - not oil and gas tax credits - thus it seemed to be clearer, particularly if HB 247 passes and the credits are closed out, that there are not continuing obligations coming out of that fund which are unrelated to oil and gas tax credits.

9:45:13 AM

REPRESENTATIVE TUCK removed his objection. There being no further objection, Amendment 1 was adopted.

9:45:29 AM

CHAIR JOHNSON moved to adopt Amendment 2, labeled 29-GH2609\D.19, Nauman/Shutts, 5/11/16, which read as follows:

Page 8, line 4:
Delete "**or**"
Insert "**and**"

Page 8, line 6, following "**approved**":
Insert "**before January 1, 2017,**"

Page 10, lines 5 - 18:
Delete all material.

Renumber the following bill sections accordingly.

Page 12, line 10:
Delete "**Exploration**"
Insert "**Notwithstanding (b) of this section, exploration**"

Page 13, line 12:
Delete "sec. 22"
Insert "sec. 21"

Page 13, line 21:
Delete "Exploration"
Insert "Notwithstanding (b) of this section, exploration"

Page 15, line 15:
Delete "sec. 25"
Insert "sec. 24"

Page 16, line 14:
Delete "sec. 27"
Insert "sec. 26"

Page 18, line 17:
Delete "sec. 31"
Insert "sec. 30"

Page 18, line 30:
Delete "secs. 31 and 32"
Insert "secs. 30 and 31"

Page 20, lines 3 - 5:
Delete all material and insert:
"(6) the 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;"

Page 20, lines 18 - 21:
Delete all material and insert:
"(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"

Page 20, line 25, through page 21, line 11:
Delete all material.

Renumber the following bill sections accordingly.

Page 22, line 19:

Delete "sec. 38"
Insert "sec. 36"

Page 25, following line 29:
Insert a new bill section to read:
"* **Sec. 41.** 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, wilful 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 43.55.014;

(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."

Renumber the following bill sections accordingly.

Page 26, following line 21:
Insert a new bill section to read:

"*** Sec. 45.** AS 43.55.890 is amended to read:

Sec. 43.55.890. Disclosure of tax information. Notwithstanding any contrary provision of AS 40.25.100, and regardless of whether the information is considered under AS 43.05.230(e) to constitute statistics classified to prevent the identification of particular returns or reports, the department may publish the following information under this chapter, if aggregated among three or more producers or explorers, showing by month or calendar year and by lease or property, unit, or area of the state:

(1) the amount of oil or gas production;

(2) the amount of taxes levied under this chapter or paid under this chapter;

(3) the effective tax rates under this chapter;

(4) the gross value of oil or gas at the point of production;

(5) the transportation costs for oil or gas;

(6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];

(7) exploration expenditures under AS 43.55.025;

(8) production tax values of oil or gas under AS 43.55.160;

(9) lease expenditures under AS 43.55.165;

(10) adjustments to lease expenditures under AS 43.55.170;

(11) tax credits applicable or potentially applicable against taxes levied by this chapter."

Renumber the following bill sections accordingly.

Page 26, line 29:
Delete "a new paragraph"
Insert "new paragraphs"

Page 26, following line 29:
Insert a new paragraph to read:
"(26) "qualified capital expenditure"

(A) means, except as otherwise provided in (B) of this paragraph, an expenditure that is a lease expenditure under AS 43.55.165 and is

(i) incurred for geological or geophysical exploration;

(ii) treated as a capitalized expenditure under 26 U.S.C. (Internal Revenue Code), as amended, regardless of elections made under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is treated as a capitalized expenditure for federal income tax reporting purposes by the person incurring the expenditure; or

(iii) treated as a capitalized expenditure under 26 U.S.C. (Internal Revenue Code), as amended, regardless of elections made under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal Revenue Code), as amended;

(B) does not include an expenditure incurred to acquire an asset the cost of previously acquiring which was a lease expenditure under AS 43.55.165 or would have been a lease expenditure under AS 43.55.165 if it had been incurred after March 31, 2006, or that has previously been placed in service in the state; an expenditure to acquire an asset is not excluded under this subparagraph if not more than an immaterial portion of the asset meets a description under this subparagraph; for purposes of this subparagraph, "asset" includes geological, geophysical, and well data and interpretations;"

Renumber the following paragraph accordingly.

Page 29, line 23:
Delete "sec. 27"

Insert "sec. 26"

Page 29, line 24:
Delete "sec. 30"
Insert "sec. 29"

Page 29, line 26:
Delete "sec. 29"
Insert "sec. 28"

Page 29, line 27:
Delete "secs. 27, 29, and 30"
Insert "secs. 26, 28, and 29"

Page 29, line 28:
Delete "sec. 42"
Insert "sec. 40"

Page 30, line 3:
Delete "AS 43.55.023(n) by sec. 19 of this Act,"

Page 30, line 4:
Delete "sec. 31"
Insert "sec. 30"
Delete "secs. 34 and 35"
Insert "secs. 33 and 34"

Page 30, line 5:
Delete "AS 43.55.075(b) by sec. 36 of this Act,"
Delete "sec. 43"
Insert "sec. 42"

Page 30, line 6:
Delete "sec. 44"
Insert "sec. 43"

Page 30, lines 19 - 20:
Delete "sec. 32"
Insert "sec. 31"

Page 31, line 2:
Delete "sec. 33"
Insert "sec. 32"
Delete "sec. 37"
Insert "sec. 35"

Page 31, line 3:

Delete "sec. 39"
Insert "sec. 37"

Page 31, line 17:
Delete "sec. 23"
Insert "sec. 22"
Delete "secs. 26 and 28"
Insert "secs. 25 and 27"

Page 31, line 18:
Delete "sec. 33"
Insert "sec. 32"
Delete "sec. 37"
Insert "sec. 35"

Page 31, line 19:
Delete "sec. 45"
Insert "sec. 44"

Page 31, line 26:
Delete "sec. 42"
Insert "sec. 40"

Page 33, line 9:
Delete "Sections 22"
Insert "Sections 21"

Page 33, line 11:
Delete "Sections 32"
Insert "Sections 31"

Page 33, line 12:
Delete "Sections 23, 26, 28, 33, 37, 39, 45"
Insert "Sections 22, 25, 27, 32, 35, 37, 44"

9:45:31 AM

REPRESENTATIVE KREISS-TOMKINS objected for discussion purposes.

9:45:38 AM

MS. DELBRIDGE directed attention to Version D, page 8, related to changes in the three-year transitionary provision regarding who can receive a 35 percent refunded net operating loss credit on the North Slope. On page 8, line 4, there is an "or" where there should be an "and," which would mean that an entity could get a transitional credit with production in the amount of less than 15,000 barrels a day, produced in 2016 on the North Slope, or if the lease expenditures creating the credit were incurred under a unit plan of development or exploration. She said Amendment 2 would make the change from "or" to "and" to ensure that a new unit plan of development by an entity that produces even 50,000 barrels a day would not be included for the purposes of said three-year transitionary measure.

MS. DELBRIDGE then directed attention to Version D, page 12, related to the extension of the [regions of the state south of 68 degrees north latitude and outside of the Cook Inlet known as] middle earth credit in the Copper River Basin. At the request of Legislative Legal Services, Legislative Affairs Agency, the amendment would also make a change on page 12, line 10, inserting "**Notwithstanding (b) of this section**" before "**exploration**" to ensure that [43.55.025(b)] "was not wrapped into the new requirements on the extension." Finally, Amendment 2 restores the definition of a "qualified capital expenditure," a term which is used in statute independently of a "qualified capital expenditure credit." She said restoring the qualified capital expenditure definition would ensure there is not an inadvertent change. Additionally, Tax Director Ken Alper requested the deletion of two repeal statutes currently found in Version D, page 28.

9:48:26 AM

The committee stood at ease from 9:48 a.m. to 9:53 a.m.

9:53:56 AM

CHAIR JOHNSON moved to adopt Amendment 1 to Amendment 2, which read as follows:

> Add to D.19
> page 28 line 13-14
> delete repeal 43.55.165(e)(18)
> delete repeal 43.55.890(6)

9:54:11 AM

REPRESENTATIVE KREISS-TOMKINS objected for discussion purposes.

9:54:33 AM

MS. DELBRIDGE explained that in Version D there is a blanket repeal of "qualified capital expenditure," including its definition where it applies in other statutes. Amendment 1 to Amendment 2 reinserts a definition for "qualified capital expenditure" into the proposed legislation at the recommendation of DOR, because it applies to other provisions in statute "outside of the credit." Further, in making this change to the definition, the legislation must also reinsert the term "qualified capital expenditure"; previously, Version D repealed two provisions containing the term "qualified capital expenditure," therefore, the repeals must be deleted to retain the term in statute.

9:55:37 AM

REPRESENTATIVE KREISS-TOMKINS removed his objection to the motion to adopt Amendment 1 to Amendment 2. There being no further objection, Amendment 1 to Amendment 2 was adopted.

9:55:49 AM

MS. DELBRIDGE restated the changes contained in Amendment 2, as amended as follows: restores the definition of qualified capital expenditure; tightens the language in the transitionary provision; makes a recommended technical change related to the middle earth credit.

9:56:19 AM

REPRESENTATIVE KREISS-TOMKINS removed his objection to the motion to adopt Amendment 2 [as amended]. There being no further objection, Amendment 2, as amended, was adopted.

9:56:31 AM

REPRESENTATIVE KREISS-TOMKINS moved to adopt Amendment 3, labeled 29-GH2609\D.8, Nauman/Shutts, 5/11/16, which read as follows:

> Page 1, line 6, following "**interest;**":
> Insert "**relating to the installment payments of the oil and gas production tax;**"
>
> Page 1, line 11, following "**fund;**":
> Insert "**relating to certain reductions in the gross value at the point of production of oil and gas;**"
>
> Page 7, following line 4:
> Insert a new bill section to read:

"* **Sec. 15.** AS 43.55.020(a) 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) for oil and gas produced before January 1, 2014, 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 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 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) 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 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;

(5) for oil and gas produced on and after January 1, 2014, and before January 1, 2022, 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 (6) 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) 35 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;

(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) 35 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, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil and gas subject to **AS 43.55.160(g)** [AS 43.55.160(f) OR (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) 35 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) 35 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; 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;

(6) an amount calculated under (5)(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;

(7) for oil and gas produced on or after January 1, 2022, 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; 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 produced from leases or properties that include land north of 68 degrees North latitude, 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 produced from the leases or properties during the month for which the installment payment is calculated; or

(iii) 35 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 under AS 43.55.160(h)(1) from the gross value at the point of production of the oil produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil subject to **AS 43.55.160(g)** [AS 43.55.160(f) OR 43.55.160(f) AND (g)];

(B) for oil produced before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), the greater of

(i) zero; or

(ii) 35 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 under AS 43.55.160(h)(2) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from leases or properties subject to AS 43.55.011(p), except as otherwise provided under (8) of this subsection, the sum of

(i) 35 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 under AS 43.55.160(h)(3) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; and

(ii) 13 percent of the gross value at the point of production of the gas produced from the leases or properties during the month, but not less than zero;

(D) for oil produced from leases or properties in the state, no part of which is north of

68 degrees North latitude, other than leases or properties subject to (B) or (C) of this paragraph, the greater of

(i) zero; or

(ii) 35 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 under AS 43.55.160(h)(4) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(E) for gas produced from each lease or property in the state, other than a lease or property subject to AS 43.55.011(p), 13 percent of the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated, but not less than zero;

(8) an amount calculated under (7)(C) of this subsection may not exceed four percent of the gross value at the point of production of the oil and gas produced from leases or properties subject to AS 43.55.011(p) during the month for which the installment payment is calculated;

(9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point of production is determined under AS 43.55.011(f)(1) or (2) but substituting the phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1) and (2) for the phrase "calendar year for which the tax is due.""

Renumber the following bill sections accordingly.

Page 10, line 24:
Delete "AS 43.55.160(f) or (g)"
Insert "**<u>AS 43.55.160(g)</u>** [AS 43.55.160(f) OR (g)]"

Page 11, line 1:
Delete "AS 43.55.160(f) or (g)"
Insert "**<u>AS 43.55.160(g)</u>** [AS 43.55.160(f) OR (g)]"

Page 13, line 12:
Delete "sec. 22"
Insert "sec. 23"

Page 15, line 15:
Delete "sec. 25"
Insert "sec. 26"

Page 16, line 14:
Delete "sec. 27"
Insert "sec. 28"

Page 18, line 17:
Delete "sec. 31"
Insert "sec. 32"

Page 18, line 30:
Delete "secs. 31 and 32"
Insert "secs. 32 and 33"

Page 21, following line 11:
Insert a new bill section to read:
"* **Sec. 38.** AS 43.55.160(a) is amended to read:

(a) For oil and gas produced before January 1, 2022, except as provided in (b) [, (f),] and (g) of this section, for the purposes of

(1) AS 43.55.011(e)(1) and (2), the annual production tax value of taxable oil, gas, or oil and gas produced during a calendar year in a category for which a separate annual production tax value is required to be calculated under this paragraph is the gross value at the point of production of that 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 in that category produced by the producer during the calendar year, as adjusted under AS 43.55.170; a separate annual production tax value shall be calculated for

(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 and that qualifies for a tax credit under AS 43.55.024(a) and (b); 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 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), for oil and gas produced before January 1, 2014, 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, line 19:
Delete "sec. 38"
Insert "sec. 40"

Page 24, following line 28:
Insert a new bill section to read:
"*** Sec. 44.** AS 43.55.160(h) is amended to read:

(h) For oil produced on and after January 1, 2022, except as provided in (b) [, (f),] and (g) of this section, for the purposes of AS 43.55.011(e)(3), the annual production tax value of oil taxable under AS 43.55.011(e) produced by a producer during a calendar year

(1) 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 that

oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in the state north of 68 degrees North latitude or located in leases or properties in the state that include land north of 68 degrees North latitude, as adjusted under AS 43.55.170;

(2) before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in the state outside the Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil and gas deposits located in a lease or property that includes land north of 68 degrees North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from which commercial production has not begun, as adjusted under AS 43.55.170;

(3) from leases or properties subject to AS 43.55.011(p) is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in leases or properties subject to AS 43.55.011(p) or, before January 1, 2027, located in leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude from which commercial production has not begun, as adjusted under AS 43.55.170;

(4) from leases or properties in the state no part of which is north of 68 degrees North latitude, other than leases or properties subject to (2) or (3) of this subsection, is the gross value at the point of production of that oil less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in the state south of 68 degrees North latitude, other than oil and gas deposits located in a lease or property in the

state that includes land north of 68 degrees North latitude, and excluding lease expenditures that are deductible under (2) or (3) of this subsection or would be deductible under (2) or (3) of this subsection if not prohibited by (b) of this section, as adjusted under AS 43.55.170."

Renumber the following bill sections accordingly.

Page 28, following line 5:

Insert a new bill section to read:

"*** Sec. 52.** AS 43.98.050 is amended to read:

Sec. 43.98.050. Duties. The duties of the board include the following:

(1) establish and maintain a salient collection of information related to oil and gas exploration, development, and production in the state and related to tax structures, rates, and credits in other regions with oil and gas resources;

(2) review historical, current, and potential levels of investment in the state's oil and gas sector;

(3) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(4) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(5) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to confidential information;

(6) make written findings and recommendations to the Alaska State Legislature before

(A) January 31, 2015, or as soon thereafter as practicable, regarding

(i) changes to the state's regulatory environment and permitting structure that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(ii) the status of the oil and gas industry labor pool in the state and the effectiveness of workforce development efforts by the state;

(iii) the status of the oil-and-gas-related infrastructure of the state, including a description of infrastructure deficiencies; and

(iv) the competitiveness of the state's fiscal oil and gas tax regime when compared to other regions of the world;

(B) January 15, 2017, regarding

(i) the state's tax structure and rates on oil and gas produced south of 68 degrees North latitude;

(ii) a tax structure that takes into account the unique economic circumstances for each oil and gas producing area south of 68 degrees North latitude;

(iii) a reduction in the gross value at the point of production for oil and gas produced south of 68 degrees North latitude that is similar to the reduction in gross value at the point of production in **AS 43.55.160(g)** [AS 43.55.160(f) AND (g)];

(iv) other incentives for oil and gas production south of 68 degrees North latitude;

(C) January 31, 2021, or as soon thereafter as practicable, regarding

(i) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources;

(ii) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources; and

(iii) a review of the current effectiveness and future value of any provisions of the state's oil and gas tax laws that are expiring in the next five years."

Renumber the following bill sections accordingly.

Page 28, line 13, following "43.55.075(d)(1),":
Insert "43.55.160(f),"

Page 29, line 23:

Delete "sec. 27"
Insert "sec. 28"

Page 29, line 24:
Delete "sec. 30"
Insert "sec. 31"

Page 29, line 26:
Delete "sec. 29"
Insert "sec. 30"

Page 29, line 27:
Delete "secs. 27, 29, and 30"
Insert "secs. 28, 30, and 31"

Page 29, line 28:
Delete "sec. 42"
Insert "sec. 45"

Page 30, line 2:
Delete "sec. 50"
Insert "sec. 54"

Page 30, line 3:
Delete "sec. 16"
Insert "sec. 17"
Delete "sec. 19"
Insert "sec. 20"

Page 30, line 4:
Delete "sec. 31"
Insert "sec. 32"
Delete "secs. 34 and 35"
Insert "secs. 35 and 36"

Page 30, line 5:
Delete "sec. 36"
Insert "sec. 37"
Delete "sec. 43"
Insert "sec. 46"

Page 30, line 6:
Delete "sec. 44"
Insert "sec. 47"

Page 30, line 7:
Delete "sec. 50"

Insert "sec. 54"

Page 30, lines 10 - 11:
Delete "sec. 50"
Insert "sec. 54"

Page 30, line 14:
Delete "sec. 50"
Insert "sec. 54"

Page 30, line 15:
Delete "sec. 50"
Insert "sec. 54"

Page 30, line 19:
Delete "sec. 51"
Insert "sec. 55"

Page 30, lines 19 - 20:
Delete "sec. 32"
Insert "sec. 33"

Page 30, line 21:
Delete "sec. 51"
Insert "sec. 55"

Page 30, line 24:
Delete "sec. 51"
Insert "sec. 55"

Page 30, line 26:
Delete "sec. 51"
Insert "sec. 55"

Page 30, line 27:
Delete "sec. 51"
Insert "sec. 55"

Page 31, line 1:
Delete "sec. 52"
Insert "sec. 56"

Page 31, line 2:
Delete "sec. 33"
Insert "sec. 34"
Delete "sec. 37"
Insert "sec. 39"

Page 31, line 3:
Delete "sec. 39"
Insert "sec. 41"

Page 31, line 4:
Delete "sec. 52"
Insert "sec. 56"

Page 31, line 8:
Delete "sec. 52"
Insert "sec. 56"

Page 31, line 10:
Delete "sec. 52"
Insert "sec. 56"

Page 31, line 11:
Delete "sec. 52"
Insert "sec. 56"

Page 31, line 16:
Delete "sec. 52"
Insert "sec. 56"

Page 31, line 17:
Delete "sec. 23"
Insert "sec. 24"
Delete "secs. 26 and 28"
Insert "secs. 27 and 29"

Page 31, line 18:
Delete "sec. 33"
Insert "sec. 34"
Delete "sec. 37"
Insert "sec. 39"

Page 31, line 19:
Delete "sec. 45"
Insert "sec. 48"

Page 31, line 21:
Delete "sec. 52" in both places.
Insert "sec. 56" in both places.

Page 31, line 26:
Delete "sec. 42"

Insert "sec. 45"

Page 31, line 27:
Delete "sec. 50"
Insert "sec. 54"

Page 31, line 30:
Delete "sec. 50"
Insert "sec. 54"

Page 32, line 4:
Delete "sec. 50"
Insert "sec. 54"

Page 32, line 6:
Delete "sec. 50"
Insert "sec. 54"

Page 32, line 9:
Delete "sec. 50"
Insert "sec. 54"

Page 32, line 12:
Delete "sec. 50"
Insert "sec. 54"

Page 32, line 14:
Delete "sec. 50"
Insert "sec. 54"

Page 33, line 9:
Delete "Sections 22, 53, 61, and 62"
Insert "Sections 23, 57, 65, and 66"

Page 33, line 11:
Delete "Sections 32, 51, and 56"
Insert "Sections 33, 55, and 60"

Page 33, line 12:
Delete "Sections 23, 26, 28, 33, 37, 39, 45, 52, 57, and 58"
Insert "Sections 24, 27, 29, 34, 39, 41, 48, 56, 61, and 62"

Page 33, line 14:
Delete "secs. 63 - 65"
Insert "secs. 67 - 69"

9:56:34 AM

CHAIR JOHNSON objected for discussion purposes.

REPRESENTATIVE KREISS-TOMKINS explained that Amendment 3 relates to gross value reduction (GVR) and its cost to the state now, and its potential costs in the future, as more oil becomes GVR eligible. The amendment takes a conservative approach to gross value reductions, which is important in order to maintain a stable revenue source from the state's oil and gas. He opined that removing GVR simplifies Alaska's statutes and ensures a more reliable revenue stream into the future.

9:57:51 AM

REPRESENTATIVE HERRON asked whether the amendment creates two different GVRs.

REPRESENTATIVE KREISS-TOMKINS expressed his belief that the amendment eliminates GVR.

9:58:15 AM

REPRESENTATIVE TUCK confirmed that the intent of the amendment is to eliminate GVR entirely.

9:58:23 AM

CHAIR JOHNSON questioned whether a 10 percent GVR would still be in place.

REPRESENTATIVE TUCK said he could not answer Chair Johnson's question. He pointed out that he received the committee substitute at 7:30 a.m. before a 9:30 a.m. meeting and was required to submit amendments prior to 2:00 p.m., which resulted in work that was rushed.

9:59:33 AM

A roll call vote was taken. Representatives Kreiss-Tomkins and Tuck voted in favor of Amendment 3. Representatives Olson, Chenault, Herron, and Johnson voted against it. Therefore, Amendment 3 failed by a vote of 2-4.

10:00:22 AM

REPRESENTATIVE TUCK moved to adopt Amendment 4, labeled 29-GH2609\D.10, Nauman/Shutts, 5/10/16, which read as follows:

Page 11, line 7:
Delete "$8"
Insert "**$4** [$8]"

Page 11, line 9:
Delete "$7"
Insert "**$3.50** [$7]"

Page 11, line 12:
Delete "$6"
Insert "**$3** [$6]"

Page 11, line 15:
Delete "$5"
Insert "**$2.50** [$5]"

Page 11, line 18:
Delete "$4"
Insert "**$2** [$4]"

Page 11, line 21:
Delete "$3"
Insert "**$1.50** [$3]"

Page 11, line 24:
Delete "$2"
Insert "**$1** [$2]"

Page 11, line 27:
Delete "$1"
Insert "**$0.50** [$1]"

10:00:23 AM

CHAIR JOHNSON objected for discussion purposes.

REPRESENTATIVE TUCK said the intent of Amendment 4 is to establish per barrel tax credits from zero to $4, instead of from zero to $8. In response to Chair Johnson, he clarified that the amendment does not eliminate progressivity, and added, "Currently there's a progressivity - if you will factor in that - this just cuts that progressivity in half."

CHAIR JOHNSON advised that the amendment substantially affects the state's credit system; although it is not a credit, it changes the overall mechanism, and he expressed his concern about "passing policy without ... a real deliberative process. I'm not sure this has been heard enough."

10:01:59 AM

REPRESENTATIVE HERRON expressed uncertainty relatied to the effect on oil prices over $100 per barrel. He asked the maker of the amendment to withdraw Amendment 4, and present it for debate on the House floor.

10:02:41 AM

A roll call vote was taken. Representatives Kreiss-Tomkins and Tuck voted in favor of Amendment 4. Representatives Herron, Olson, Chenault, and Johnson voted against it. Therefore, Amendment 4 failed by a vote of 2-4.

10:03:29 AM

REPRESENTATIVE TUCK moved to adopt Amendment 6, labeled 29-GH2609\D.12, Nauman/Shutts, 5/10/16, which read as follows:

> Page 1, line 2, following "**credits;**":
> Insert "**relating to the qualified in-state oil refinery infrastructure expenditures tax credit;**"
>
> Page 5, following line 23:
> Insert a new bill section to read:
> "* **Sec. 12.** AS 43.20.053(a) is amended to read:
> (a) A taxpayer that owns an in-state oil refinery whose primary function is the manufacturing and sale of refined petroleum products to third parties in arm's length transactions may apply a credit against the tax due under this chapter for a qualified infrastructure expenditure incurred in the state for a tax year beginning after December 31, 2014, and before January 1, 2020. The total amount of credit a taxpayer may receive under this section may not exceed the lesser of 40 percent of qualified infrastructure expenditures incurred in the state during the tax year or $10,000,000 for each in-state refinery for which qualified expenditures are incurred. **To qualify for a credit under this section, a taxpayer that is a corporation, joint venture, or partnership must be headquartered in the state and at least 51 percent of the corporation, joint venture, or partnership must be owned by residents of the state.**"
>
> Renumber the following bill sections accordingly.

Page 13, line 12:
Delete "sec. 22"
Insert "sec. 23"

Page 15, line 15:
Delete "sec. 25"
Insert "sec. 26"

Page 16, line 14:
Delete "sec. 27"
Insert "sec. 28"

Page 18, line 17:
Delete "sec. 31"
Insert "sec. 32"

Page 18, line 30:
Delete "secs. 31 and 32"
Insert "secs. 32 and 33"

Page 22, line 19:
Delete "sec. 38"
Insert "sec. 39"

Page 29, line 24:
Delete "sec. 30"
Insert "sec. 31"

Page 29, line 26:
Delete "sec. 29"
Insert "sec. 30"

Page 29, line 27:
Delete "secs. 27, 29, and 30"
Insert "secs. 28, 30, and 31"

Page 29, line 28:
Delete "sec. 42"
Insert "sec. 43"

Page 30, line 2:
Delete "sec. 50"
Insert "sec. 51"

Page 30, line 4:
Delete "sec. 31"
Insert "sec. 32"

Delete "secs. 34 and 35"
Insert "secs. 35 and 36"

Page 30, line 5:
Delete "sec. 36"
Insert "sec. 37"
Delete "sec. 43"
Insert "sec. 44"

Page 30, line 6:
Delete "sec. 44"
Insert "sec. 45"

Page 30, line 7:
Delete "sec. 50"
Insert "sec. 51"

Page 30, lines 10 - 11:
Delete "sec. 50"
Insert "sec. 51"

Page 30, line 14:
Delete "sec. 50"
Insert "sec. 51"

Page 30, line 15:
Delete "sec. 50"
Insert "sec. 51"

Page 30, line 19:
Delete "sec. 51"
Insert "sec. 52"

Page 30, lines 19 - 20 :
Delete "sec. 32"
Insert "sec. 33"

Page 30, line 21:
Delete "sec. 51"
Insert "sec. 52"

Page 30, line 24:
Delete "sec. 51"
Insert "sec. 52"

Page 30, line 26:
Delete "sec. 51"

Insert "sec. 52"

Page 30, line 27:
Delete "sec. 51"
Insert "sec. 52"

Page 31, line 1:
Delete "sec. 52"
Insert "sec. 53"

Page 31, line 2:
Delete "sec. 33"
Insert "sec. 34"
Delete "sec. 37"
Insert "sec. 38"

Page 31, line 3:
Delete "sec. 39"
Insert "sec. 40"

Page 31, line 4:
Delete "sec. 52"
Insert "sec. 53"

Page 31, line 8:
Delete "sec. 52"
Insert "sec. 53"

Page 31, line 10:
Delete "sec. 52"
Insert "sec. 53"

Page 31, line 11:
Delete "sec. 52"
Insert "sec. 53"

Page 31, line 16:
Delete "sec. 52"
Insert "sec. 53"

Page 31, line 17:
Delete "sec. 23"
Insert "sec. 24"
Delete "secs. 26 and 28"
Insert "secs. 27 and 29"

Page 31, line 18:

Delete "sec. 33"
Insert "sec. 34"
Delete "sec. 37"
Insert "sec. 38"

Page 31, line 19:
Delete "sec. 45"
Insert "sec. 46"

Page 31, line 21:
Delete "sec. 52" in both places
Insert "sec. 53" in both places

Page 31, line 26:
Delete "sec. 42"
Insert "sec. 43"

Page 31, line 27:
Delete "sec. 50"
Insert "sec. 51"

Page 31, line 30:
Delete "sec. 50"
Insert "sec. 51"

Page 32, line 4:
Delete "sec. 50"
Insert "sec. 51"

Page 32, line 6:
Delete "sec. 50"
Insert "sec. 51"

Page 32, line 9:
Delete "sec. 50"
Insert "sec. 51"

Page 32, line 12:
Delete "sec. 50"
Insert "sec. 51"

Page 32, line 14:
Delete "sec. 50"
Insert "sec. 51"

Page 33, line 9:
Delete "Sections 22, 53, 61, and 62"

Insert "Sections 23, 54, 62, and 63"

Page 33, line 11:
Delete "Sections 32, 51, and 56"
Insert "Sections 33, 52, and 57"

Page 33, line 12:
Delete "Sections 23, 26, 28, 33, 37, 39, 45, 52, 57, and 58"
Insert "Sections 24, 27, 29, 34, 38, 40, 46, 53, 58, and 59"

Page 33, line 14:
Delete "secs. 63 - 65"
Insert "secs. 64 - 66"

10:03:32 AM

CHAIR JOHNSON objected for discussion purposes.

REPRESENTATIVE TUCK explained that Amendment 6 is related to refinery tax credits and would limit refinery tax credits to companies that have 51 percent ownership in Alaska, and that are headquartered in Alaska. He recalled previous testimony from the industry that the refinery tax credits are not needed by all in the industry, and the amendment would ensure that the credits are limited to companies that do need them.

10:04:17 AM

REPRESENTATIVE CHENAULT expressed his belief that no funds have been paid from the aforementioned [tax credit] program; in fact, the first funds paid from oil refinery tax credits will probably be for an asphalt process in Fairbanks. He pointed out that any improvements to an instate oil refinery will benefit the state and its residents because its products will go to the Ted Stevens Anchorage International Airport, or to consumers along the Railbelt and around the state. Further, Tesoro Corp. has spent hundreds of millions of dollars to develop a low-sulfur fuel process. He questioned whether any refinery could meet the 51 percent ownership requirement, and concluded that if a refinery needs a tax credit to provide a better product to Alaskans - which was the original intent of the legislation - the tax credits should be kept in place.

10:06:38 AM

REPRESENTATIVE OLSON added that Tesoro extended the life of Flint Hills by several years by supplying ultralow-sulfur diesel to its plant, at a high cost to Tesoro.

10:07:06 AM

REPRESENTATIVE TUCK stated that three refineries in Alaska would currently be eligible for the credits [after the changes proposed by Amendment 6]. He referred to previous testimony that the credits were not needed by Tesoro. In response to Representative Chenault, he said the ownership requirement is that at least 51 percent of the company must be owned by Alaskans; for example, the two refineries owned by the Arctic Slope Regional Corporation (ASRC) may qualify. Representative Tuck pointed out that currently, companies do not need to prove their need for the tax credits; however, under the limits made by the amendment, $10 million per year in credits [would go to] "state corporations and that they're not multinational corporations that aren't asking for it in the first place."

10:08:36 AM

A roll call vote was taken. Representatives Kreiss-Tomkins and Tuck voted in favor of Amendment 6. Representatives Herron, Olson, Chenault, and Johnson voted against it. Therefore, Amendment 6 failed by a vote of 2-4.

10:09:07 AM

REPRESENTATIVE KREISS-TOMKINS moved to adopt Amendment 7, labeled 29-GH2609\D.13, Nauman/Shutts, 5/11/16, which read as follows:

Page 15, line 26:
Delete "**$75,000,000**"
Insert "**$25,000,000**"

Page 16, line 3:
Delete "**$75,000,000**"
Insert "**$25,000,000**"

Page 16, line 20:
Delete "$75,000,000"
Insert "$25,000,000"

Page 16, line 28:
Delete "$75,000,000"
Insert "$25,000,000"

10:09:13 AM

CHAIR JOHNSON objected for discussion purposes.

REPRESENTATIVE KREISS-TOMKINS said Amendment 7 relates to refundable or reimbursable tax credits which the state pays to holders of tax credits. The proposed second committee substitute establishes a ceiling or "cap" of $75 million in refundable or reimbursable credits which can be claimed or cashed by the holders; Amendment 7 reduces the ceiling or cap from $75 million to $25 million. He pointed out that the state needs to limit its exposure in the amount paid to tax credits payments, subsidies, and incentives.

10:10:15 AM

REPRESENTATIVE HERRON recalled that the administration previously testified that $25 million was the cap in 2006. He suggested that the cap amount should be adjusted for inflation over ten years. In response to Representative Kreiss-Tomkins, he said rather than "depend on a ten-year-old $25 million cap," the amount should be adjusted, at least, for inflation.

REPRESENTATIVE KREISS-TOMKINS offered to entertain an amendment to Amendment 7.

10:11:39 AM

CHAIR JOHNSON stated the $25 million cap is an arbitrary number and opined the $75 million cap is a compromise towards the "lower end." He recalled industry testimony that this bill is about allowing companies such as BlueCrest Energy and Furie the opportunity to continue their work, and [a decrease] may seriously damage future investment. Further, he said the amendment would undo some of the balance struck in other areas of the legislation.

10:12:32 AM

REPRESENTATIVE TUCK noted that the amendment returns the related provision of the bill to the governor's version of HB 247, which was supported by public testimony heard by the committee at the previous meeting. He cautioned that members of the public "might be confused on, on all the elements of the CS." He opined that public testimony reflected a lack of trust in the legislative process, and a desire to "go back to the original version of the, of the governor's bill." Representative Tuck concluded that the $25 million cap per company limits the state's liability, but would still keep investments in Alaska.

CHAIR JOHNSON said legislators "have to strike a balance between investment in the future ... while not crippling the industry, we certainly need to make adjustments."

10:13:53 AM

A roll call vote was taken. Representatives Kreiss-Tomkins and Tuck voted in favor of Amendment 7. Representatives Chenault, Herron, Olson, and Johnson voted against it. Therefore, Amendment 7 failed by a vote of 2-4.

10:14:28 AM

The committee took an at ease from 10:14 a.m. to 10:19 a.m.

10:19:27 AM

REPRESENTATIVE TUCK moved to adopt Amendment 8, labeled 29-GH2609\D.14, Shutts, 5/11/16, which read as follows:

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

Page 5, following line 31:

Insert a new bill section to read:

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

(f) The levy of tax under (e) of this section for

(1) oil and gas produced before **January 1, 2017** [JANUARY 1, 2022], from leases or properties that include land north of 68 degrees North latitude, other than gas subject to (o) of this section, may not be less than

(A) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than $25;

(B) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $20 but not over $25;

(C) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $17.50 but not over $20;

(D) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $15 but not over $17.50; or

(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is $15 or less; [AND]

(2) oil **and gas** produced on and after **January 1, 2017, and before** January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, **other than gas subject to (o) of this section,** may not be less than **five** [(A) FOUR] percent of the gross value at the point of production**;**

(3) oil produced on and after January 1, 2022, from leases or properties that include land north of 68 degrees North latitude may not be less than five percent of the gross value at the point of production [WHEN THE AVERAGE PRICE PER BARREL FOR

ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH THE TAX IS DUE IS MORE THAN $25;

(B) THREE PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH THE TAX IS DUE IS OVER $20 BUT NOT OVER $25;

(C) TWO PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH THE TAX IS DUE IS OVER $17.50 BUT NOT OVER $20;

(D) ONE PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH THE TAX IS DUE IS OVER $15 BUT NOT OVER $17.50; OR

(E) ZERO PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH THE TAX IS DUE IS $15 OR LESS]."

Renumber the following bill sections accordingly.

Page 7, following line 4:
Insert a new bill section to read:

"*** Sec. 16.** AS 43.55.020(a) 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) for oil and gas produced before January 1, 2014, 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 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 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) 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 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;

(5) for oil and gas produced on and after January 1, 2014, and before January 1, 2022, 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 (6) 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) 35 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;

(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, **<u>or five percent,</u>** 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) 35 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, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil and gas subject to AS 43.55.160(f) or (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) 35 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) 35 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; 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;

(6) an amount calculated under (5)(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;

(7) for oil and gas produced on or after January 1, 2022, 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; 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 produced from leases or properties that include land north of 68 degrees North latitude, the greatest of

(i) zero;

(ii) **five** [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 produced from the leases or properties during the month for which the installment payment is calculated; or

(iii) 35 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 under AS 43.55.160(h)(1) from the gross value at the point of production of the oil produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil subject to AS 43.55.160(f) or 43.55.160(f) and (g);

(B) for oil produced before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), the greater of

(i) zero; or

(ii) 35 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 under AS 43.55.160(h)(2) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from leases or properties subject to AS 43.55.011(p), except as otherwise provided under (8) of this subsection, the sum of

(i) 35 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 under AS 43.55.160(h)(3) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; and

(ii) 13 percent of the gross value at the point of production of the gas produced from the leases or properties during the month, but not less than zero;

(D) for oil produced from leases or properties in the state, no part of which is north of 68 degrees North latitude, other than leases or properties subject to (B) or (C) of this paragraph, the greater of

(i) zero; or

(ii) 35 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 under AS 43.55.160(h)(4) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(E) for gas produced from each lease or property in the state, other than a lease or property subject to AS 43.55.011(p), 13 percent of the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated, but not less than zero;

(8) an amount calculated under (7)(C) of this subsection may not exceed four percent of the gross value at the point of production of the oil and gas produced from leases or properties subject to AS 43.55.011(p) during the month for which the installment payment is calculated;

(9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point of production is determined under **AS 43.55.011(f)** [AS 43.55.011(f)(1) OR (2)] but substituting the phrase "month for which the installment payment is calculated" in [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for which the tax is due.""

Renumber the following bill sections accordingly.

Page 13, line 12:
Delete "sec. 22"
Insert "sec. 24"

Page 15, line 15:
Delete "sec. 25"
Insert "sec. 27"

Page 16, line 14:
Delete "sec. 27"
Insert "sec. 29"

Page 18, line 17:
Delete "sec. 31"
Insert "sec. 33"

Page 18, line 30:
Delete "secs. 31 and 32"
Insert "secs. 33 and 34"

Page 22, line 19:
Delete "sec. 38"
Insert "sec. 40"

Page 29, line 23:
Delete "sec. 27"
Insert "sec. 29"

Page 29, line 24:

Delete "sec. 30"
Insert "sec. 32"

Page 29, line 26:
Delete "sec. 29"
Insert "sec. 31"

Page 29, line 27:
Delete "secs. 27, 29, and 30"
Insert "secs. 29, 31, and 32"

Page 29, line 28:
Delete "sec. 42"
Insert "sec. 44"

Page 30, line 2:
Delete "sec. 50"
Insert "sec. 52"

Page 30, line 3:
Delete "sec. 16"
Insert "sec. 18"
Delete "sec. 19"
Insert "sec. 21"

Page 30, line 4:
Delete "sec. 31"
Insert "sec. 33"
Delete "secs. 34 and 35"
Insert "secs. 36 and 37"

Page 30, line 5:
Delete "sec. 36"
Insert "sec. 38"
Delete "sec. 43"
Insert "sec. 45"

Page 30, line 6:
Delete "sec. 44"
Insert "sec. 46"

Page 30, line 7:
Delete "sec. 50"
Insert "sec. 52"

Page 30, lines 10 - 11:
Delete "sec. 50"

Insert "sec. 52"

Page 30, line 14:
Delete "sec. 50"
Insert "sec. 52"

Page 30, line 15:
Delete "sec. 50"
Insert "sec. 52"

Page 30, line 19:
Delete "sec. 51"
Insert "sec. 53"

Page 30, lines 19 - 20:
Delete "sec. 32"
Insert "sec. 34"

Page 30, line 21:
Delete "sec. 51"
Insert "sec. 53"

Page 30, line 24:
Delete "sec. 51"
Insert "sec. 53"

Page 30, line 26:
Delete "sec. 51"
Insert "sec. 53"

Page 30, line 27:
Delete "sec. 51"
Insert "sec. 53"

Page 31, line 1:
Delete "sec. 52"
Insert "sec. 54"

Page 31, line 2:
Delete "sec. 33"
Insert "sec. 35"
Delete "sec. 37"
Insert "sec. 39"

Page 31, line 3:
Delete "sec. 39"
Insert "sec. 41"

Page 31, line 4:
Delete "sec. 52"
Insert "sec. 54"

Page 31, line 8:
Delete "sec. 52"
Insert "sec. 54"

Page 31, line 10:
Delete "sec. 52"
Insert "sec. 54"

Page 31, line 11:
Delete "sec. 52"
Insert "sec. 54"

Page 31, line 16:
Delete "sec. 52"
Insert "sec. 54"

Page 31, line 17:
Delete "sec. 23"
Insert "sec. 25"
Delete "secs. 26 and 28"
Insert "secs. 28 and 30"

Page 31, line 18:
Delete "sec. 33"
Insert "sec. 35"
Delete "sec. 37"
Insert "sec. 39"

Page 31, line 19:
Delete "sec. 45"
Insert "sec. 47"

Page 31, line 21:
Delete "sec. 52" in both places.
Insert "sec. 54" in both places.

Page 31, line 26:
Delete "sec. 42"
Insert "sec. 44"

Page 31, line 27:
Delete "sec. 50"

Insert "sec. 52"

Page 31, line 30:
Delete "sec. 50"
Insert "sec. 52"

Page 32, line 4:
Delete "sec. 50"
Insert "sec. 52"

Page 32, line 6:
Delete "sec. 50"
Insert "sec. 52"

Page 32, line 9:
Delete "sec. 50"
Insert "sec. 52"

Page 32, line 12:
Delete "sec. 50"
Insert "sec. 52"

Page 32, line 14:
Delete "sec. 50"
Insert "sec. 52"

Page 33, line 9:
Delete "Sections 22, 53, 61, and 62"
Insert "Sections 24, 55, 63, and 64"

Page 33, line 11:
Delete "Sections 32, 51, and 56"
Insert "Sections 34, 53, and 58"

Page 33, line 12:
Delete "Sections 23, 26, 28, 33, 37, 39, 45, 52, 57, and 58"
Insert "Sections 25, 28, 30, 35, 39, 41, 47, 54, 59, and 60"

Page 33, line 14:
Delete "secs. 63 - 65"
Insert "secs. 65 - 67"

10:19:34 AM

CHAIR JOHNSON objected for discussion purposes.

REPRESENTATIVE TUCK informed the committee that Amendment 8 sets a 5 percent minimum tax. In response to Chair Johnson, he further explained that the original version of the bill included a provision for a 5 percent minimum tax - and a 4 percent minimum tax has been discussed - to ensure that the state would not "be going upside down in production taxes as we survive through these low oil prices."

10:21:24 AM

CHAIR JOHNSON spoke to his objection to Amendment 8, observing that the legislature has tried to strike a balance, and cautioned that "taking the 4 percent from 5 percent would be the equivalent of a North Slope producer laying down a rig for six months, so if you multiply that by the number of producers up there, that could be the equivalent of two, three, [or] four rigs laid down." He urged for the committee - even in the lowest price environment - to encourage companies to continue to explore, and that the amendment would increase the state's [production] decline curve from the anticipated 4 percent decline, closer to a 20 percent decline.

10:21:27 AM

A roll call vote was taken. Representatives Tuck and Kreiss-Tomkins voted in favor of Amendment 8. Representatives Chenault, Herron, Olson, and Johnson voted against it. Therefore, Amendment 8 failed by a vote of 2-4.

10:22:10 AM

REPREsENTATIVE TUCK moved to adopt Amendment 10, labeled 29-GH2609\D.17, Wallace/Shutts, 5/11/16, which read as follows:

Page 17, lines 13 - 14:
Delete "**applicant's workforce in the state in the previous calendar year was composed**"
Insert "**total hours worked in the state by the applicant's employees, contractors, and subcontractors in the previous calendar year were hours**"

10:22:15 AM

CHAIR JOHNSON objected.

REPRESENTATIVE TUCK described Amendment 10 as a local hire provision to ensure that companies that have a local hire [policy] receive priority for tax credits. Differing from [Version D], the amendment would base eligibility on "the amount of, of man hours, versus [the] number of employees." Furthermore, both subcontractors and contractors are included in the provision. Representative Tuck acknowledged that the major oil and gas companies are "doing a really good job at local hire, the problems that we're having is at the subcontractor and contractor level. ... So, it doesn't matter how many Alaskans are hired, versus non-residents, it's based on making sure Alaskans get to work."

10:23:26 AM

REPRESENTATIVE CHENAULT said he is a firm believer in Alaska hire; however, he questioned what restrictions are placed on companies or corporations. The second committee substitute before the committee gives preference to corporations that are

80 percent Alaska hire, so they have priority on the refunds. He remarked:

> My concern is, is when we start talking about total man hours, is that total man hours worked in Alaska, [or] is that total man hours that the company has for employees nationwide or worldwide? ... I do have an idea of what kind of burden that puts on a, a corporation, especially smaller companies, to fiscally track every single hour that every employee that works for their company does across the state or across the world. ... I do like a, the CS that's currently before us that has the "80 percent," and I do wish that we could hire more Alaskans, sometimes that's just not available because ... some of these jobs Alaskans haven't been trained yet to do. I hope we train them into the future through some of the training programs we have and, and we're able to put more Alaskans to work on, on any of these new jobs ....

10:25:18 AM

The committee took an at ease from 10:25 a.m. to 10:26 a.m.

10:26:48 AM

REPRESENTATIVE HERRON stated that he shared some of the concerns of the previous speaker; however, speaking from the perspective of his constituents, he urged for more discussion on this issue and expressed his support for Amendment 10.

10:27:11 AM

CHAIR JOHNSON cautioned that the amendment would place a terrible burden on companies to audit their contractors and review individual timecards, in addition to the risk that companies would be responsible for mistakes made by contractors regarding residency, thereby putting their application for credits in jeopardy.

10:27:45 AM

REPRESENTATIVE TUCK observed that oil companies typically contract out some facets of a job, in a manner similar to the state's position as the resource owner that contracts with the industry to bring its oil to market. As the state invests in the industry, through this proposed amendment, the state would make the decision to have as many Alaskans hired as is possible. He provided an example of a welder who applied for a job in Cook Inlet and was required to travel to Louisiana to become certified. Representative Tuck opined the amendment would ensure that contractors are in compliance with the provisions of the proposed CS. Also clear in the CS, and in Amendment 10, is that the [tax credit] applicant's workforce is in the state during the previous year. The basis on man hours would ensure that Alaskans are employed on the jobs, not just hired on the books. Representative Tuck said compliance benefits Alaskans.

10:30:17 AM

The committee took an at ease from 10:30 a.m. to 10:33 a.m.

10:33:39 AM

REPRESENTATIVE TUCK acknowledged that local hire provisions create "some scenarios [and] some situations," regarding contractors and subcontractors. He said he would work with other committee members on an amendment to offer on the House floor.

10:34:19 AM

REPRESENTATIVE TUCK withdrew Amendment 10.

10:34:26 AM

CHAIR JOHNSON agreed with the intent of Amendment 10.

10:34:41 AM

REPRESENTATIVE TUCK recalled that Chair Johnson's HB 308, proposed in the 26th Alaska State Legislature, raised his interest in local hire provisions. He said the purpose of basing the provision on man hours is "more linear" in its approach in order to capture a bigger portion of the workforce.

10:35:58 AM

The committee took an at ease from 10:35 a.m. to 10:36 a.m.

10:36:18 AM

CHAIR JOHNSON stated that there were no further amendments to discuss and Version D, as amended, was before the committee.

10:36:33 AM

REPRESENTATIVE TUCK recalled that at the passage of Senate Bill 21 [passed in the 28th Alaska State Legislature and signed into law 5/21/13], modeling for the current level of oil prices was not provided. He opined that at that time the legislature, administration, and the public did not fully understand the ramifications of low oil prices. During its present effort to save money, the state continues to make cash payments to the oil industry for ongoing work, as demonstrated by House Bill 280 [passed in the 26th Alaska State Legislature and signed into law 5/12/10], which "jumpstarted the Cook Inlet"; however, the remaining questions are: Is the state meeting the purpose of the tax credits? Who is receiving the tax credits? Are [eligible] parties not receiving the tax credits? He said the legislature does not have sufficient information in this regard, although [Version D, as amended], does attempt to "grab some of that information." The oil industry seeks certainty in the state's tax structure, and the proposed legislation would do so, but legislators need time to understand details and have the proposed complex legislation and its amendments properly modeled before them. Representative Tuck stressed the importance of a tax structure that is durable, works under all circumstances, and meets the state's constitutional obligations. He said he could not support moving the bill out of committee at this time.

10:40:40 AM

REPRESENTATIVE KREISS-TOMKINS expressed his understanding that the issues are hard, oil prices are low, and the oil industry is struggling, although there is encouraging activity by BlueCrest in Cook Inlet, by Armstrong/Repsol on the North Slope, and CD5 by Conoco/Phillips in the National Petroleum Reserve-Alaska (NPRA). The bill is a huge piece of Alaska's budget, given its $772 million refundable credit cash payment outlay, even though some reduction is projected in future years. He said, "There is no way - and I think that is a factual statement - to close this budget gap without major reform and reduction in these payments and subsidies." He acknowledged that the bill is a hard-fought compromise, unpopular with legislators and the industry. Representative Kreiss-Tomkins turned attention to his coastal district, noting his constituents are dependent upon the economics of the fishing industry, and pointed out that "salmon prices are in the toilet," some fishing quotas are down, and production from certain species and fisheries is down. He pointed out there is proposed legislation to increase gross taxes on fishing, which would be detrimental to fisherman, although it may become necessary. In fact, raising taxes on all sectors is a matter of sharing the burden to close the budget gap. On the other hand, he said he has a big problem with subsidies and incentives because there is no tax credit program, incentive, or subsidy program to support fishermen and pay a percentage of the cost of capital upgrades to their equipment to help them be more efficient, and hire more crew. This type of program would also help fisherman establish a stronger business in Alaska, would be great for the economy, and would create more jobs, but the state could not afford such a program at this time, and it would not garner his support were it to exist. Regarding incentives and subsidies, he urged the committee to "take a really hard and difficult look at this, this outlay that we're paying, because we just can't afford it mathematically, we can't balance the budget with it ...."

10:45:55 AM

REPRESENTATIVE HERRON stated that as a member of the House Resources Standing Committee, hearings on HB 247 were a "big learning curve," and further debate on the House floor revealed that the bill left the House divided. At this time, further work has been done on the legislation, and he said he would vote to move out the version before the committee, in order to return the bill to the House floor for further debate. As an aside, he said he would inquire as to whether the present version of the bill would increase exploration activity on the North Slope and attract "50 independents," which was the governor's expectation, or if the bill brings "anybody else to the table, or is, is one of the majors going to be the only one left up there, exploring?"

10:48:22 AM

REPRESENTATIVE OLSON said he would support the bill.

10:48:40 AM

REPRESENTATIVE CHENAULT opined there are aspects within HB 247 that everybody doesn't like. He noted the economic decline of the oil market, which provides over 80 percent of Alaska's revenue, and therefore must be addressed. Alaska's future will be bleak if the state does not continue to invest in the industry that pays its bills. He clarified that of the $773-$775 million in tax credits due this year, $200 million are tax credits that the state did not pay last year, thus that amount is "just paying what we owe." Although the remaining amount is substantial, "it still is in the state's pocket." He said the legislature needs to exercise caution when crafting legislation to try to save money on the credits, and to also ensure that the state continues to see investment by the industry, until the price of oil goes back up. If not, there will be less production as the industry will continue to do what it has to do - what is good for business - which could mean lay down a rig, lay off more employees, and make smaller or no investments. Representative Chenault restated that although aspects of the bill are unpopular, it is the compromise needed to garner 21 votes and move the bill to the Senate floor.

10:52:08 AM

The committee took a brief at ease.

10:52:53 AM

CHAIR JOHNSON observed that none of the provisions of the bill are new, and with it changes and compromises, "we tried to reach across the aisle and bring as many people on board as we can." Although not perfect, he said now is the time for the legislation to move forward, and cautioned against allowing the bill to become a roadblock to finishing the legislative session. In response to previous comments, he stressed that [oil and gas consultant firm] enalytica was not instructed to provide modeling on any amendment. He pointed out that the legislature had studied the bill for four weeks, and it was not "rushed through," none of the concepts are new, and the legislature should act. Chair Johnson expressed his belief that the state's $4 billion budget could not be closed using "every penny that the oil companies made."

10:54:49 AM

REPRESENTATIVE CHENAULT moved to report 2D CS for HB 247, Version 29-GH2609\D, Nauman/Shutts, 5/6/16, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

10:55:04 AM

REPRESENTATIVE TUCK objected.

10:55:26 AM

CHAIR JOHNSON, in response to Representative Tuck, labeled the bill's accompanying fiscal notes as follows:

Identifier: HB247CS(RLS)-DOR-TAX-05-10-16;
Identifier: HB247 (HRLS) Fund Cap 5-10-16

10:55:52 AM

REPRESENTATIVE TUCK said fiscal note Identifier: HB247 (HRLS) Fund Cap 5-10-16 for $1.75 billion dollars was prepared by Chair Johnson, and capitalizes the Oil and Gas Tax Credit Fund with $1.75 billion from the Constitutional Budget Reserve (CBR) Fund. He remarked, "This significantly ... adds to the bill ... so I'm going to object to the attachment of 2894, the OMB Component Number 2894, to the HB 247 House Rules Fund Cap, dated 5/10/16." He asked whether it was appropriate to move "to split the question on the two fiscal notes."

[The committee treated the motion to move the bill from committee as withdrawn.]

10:57:10 AM

CHAIR JOHNSON asked for a motion to remove one fiscal note.

10:57:18 AM

REPRESENTATIVE TUCK moved to accept fiscal note Identifier: HB 247CS(RLS)-DOR-TAX-05-10-16, OMB Component Number: 2476, and to withdraw fiscal note Identifier: HB247 (HRLS) Fund Cap 5-10-16, OMB Component Number: 2894.

10:57:40 AM

CHAIR JOHNSON remarked:

> Basically what this does is it funds all of the, all of our credits that were owed, and there are no more after this, but ... in some form or fashion, we have to pay those, and this ... has to be an appropriation out of the CBR so that we can get them off the books. And there will be no further appropriations after this on a year-to-year basis. So this is kind of lumping it into one sum. But I, I do not have a problem with the motion and ... I'm not going to object to it - we can take it up at a future date.

10:57:17 AM

There being no objection, it was so ordered.

10:58:33 AM

REPRESENTATIVE CHENAULT moved to report 2d CS for HB 247, Version 29-GH2609\D, Nauman/Shutts, 5/6/16, as amended, with attached fiscal note and individual recommendations. There being no objection, 2d CSHB 247(RLS) was reported out of the House Rules Standing Committee.

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10:59:20 AM

ADJOURNMENT

There being no further business before the committee, the House Rules Standing Committee meeting was adjourned at 10:59 a.m.