

AMENDMENT #5

OFFERED IN THE SENATE  
TO: CSSB 26(FIN)

BY SENATOR WIELECHOWSKI  
& Gardner

1 Page 1, line 5, following "dividends;":

2 Insert "relating to the oil and gas production tax;"

3

4 Page 5, following line 14:

5 Insert a new subsection to read:

6 "(g) The legislature may appropriate money available from the taxes collected  
7 under AS 43.55.011(q) to the earnings reserve account in an amount equal to the total  
8 amount appropriated from the earnings reserve account in a fiscal year for a purpose  
9 other than as provided in (e) or (f) of this section."

10

11 Page 8, following line 12:

12 Insert new bill sections to read:

13 **\*\* Sec. 17.** AS 43.55.011(e) is amended to read:

14 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
15 produced each calendar year from each lease or property in the state, less any oil and  
16 gas the ownership or right to which is exempt from taxation or constitutes a  
17 landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as  
18 otherwise provided under (f), (j), (k), (o), and (p) of this section, for oil and gas  
19 produced

20 (1) before January 1, 2014, the tax is equal to the sum of

21 (A) the annual production tax value of the taxable oil and gas  
22 as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

23 (B) the sum, over all months of the calendar year, of the tax

1 amounts determined under (g) of this section;

2 (2) on and after January 1, 2014, and before January 1, 2022, the tax is  
3 equal to **the sum of**

4 **(A)** the annual production tax value of the taxable oil and gas  
5 as calculated under AS 43.55.160(a)(1) multiplied by 35 percent; **and**

6 **(B) the sum, over all months of the calendar year, of the tax**  
7 **amounts determined under (q) of this section;**

8 (3) on and after January 1, 2022, the tax for

9 (A) oil is equal to **the sum of**

10 **(i)** the annual production tax value of the taxable oil as  
11 calculated under AS 43.55.160(h) multiplied by 35 percent; **and**

12 **(ii) the sum, over all the months of the calendar**  
13 **year, of the tax amounts determined under (q) of this section;**

14 (B) gas is equal to 13 percent of the gross value at the point of  
15 production of the taxable gas; if the gross value at the point of production of  
16 gas produced from a lease or property is less than zero, that gross value at the  
17 point of production is considered zero for purposes of this subparagraph.

18 \* **Sec. 18.** AS 43.55.011 is amended by adding a new subsection to read:

19 (q) Following December 31, 2017, for each month of the calendar year for  
20 which the producer's average monthly production tax value under AS 43.55.160 of a  
21 barrel of taxable oil is more than \$20, the department shall impose a tax on oil, in  
22 addition to the tax under AS 43.55.011(e), at the rate of 0.3 percent multiplied by the  
23 number that represents the difference between the average monthly production tax  
24 value of a barrel of oil and \$20. The tax under this subsection applies

25 (1) in the calendar year beginning after a fiscal year during which  
26 money was appropriated from the earnings reserve account as provided in  
27 AS 37.13.145(e); and

28 (2) to oil produced from a lease or property within a unit or  
29 nonunitized reservoir that has cumulatively produced 400,000,000 barrels of oil by the  
30 close of the most recent calendar year and from which the average daily production of  
31 oil from the unit or nonunitized reservoir during the most recent calendar year exceeds

1 20,000 barrels.

2 \* **Sec. 19.** AS 43.55.020(a) is amended to read:

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

5 (1) for oil and gas produced before January 1, 2014, an installment  
6 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied  
7 as allowed by law, is due for each month of the calendar year on the last day of the  
8 following month; except as otherwise provided under (2) of this subsection, the  
9 amount of the installment payment is the sum of the following amounts, less 1/12 of  
10 the tax credits that are allowed by law to be applied against the tax levied by  
11 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may  
12 not be less than zero:

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

17 (i) zero; or

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

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

28 (i) zero;

29 (ii) zero percent, one percent, two percent, three  
30 percent, or four percent, as applicable, of the gross value at the point of  
31 production of the oil and gas produced from the leases or properties

1 during the month for which the installment payment is calculated; or

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

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

12 (i) zero; or

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

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

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

31 (ii) four percent of the gross value at the point of

1 production of the oil and gas produced from the leases or properties  
2 during the month, but not less than zero;

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

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

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

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

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

27 (5) for oil and gas produced on and after January 1, 2014, and before  
28 January 1, 2022, an installment payment of the estimated tax levied by  
29 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
30 month of the calendar year on the last day of the following month; except as otherwise  
31 provided under (6) of this subsection, the amount of the installment payment is the

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

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

8 (i) zero; or

9 (ii) **the sum of 35 percent and the tax rate calculated**  
10 **for the month under AS 43.55.011(q)** multiplied by the remainder  
11 obtained by subtracting 1/12 of the producer's adjusted lease  
12 expenditures for the calendar year of production under AS 43.55.165  
13 and 43.55.170 that are deductible for the oil and gas under  
14 AS 43.55.160 from the gross value at the point of production of the oil  
15 and gas produced from the leases or properties during the month for  
16 which the installment payment is calculated;

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

19 (i) zero;

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

24 (iii) **the sum of 35 percent and the tax rate calculated**  
25 **for the month under AS 43.55.011(q)** multiplied by the remainder  
26 obtained by subtracting 1/12 of the producer's adjusted lease  
27 expenditures for the calendar year of production under AS 43.55.165  
28 and 43.55.170 that are deductible for the oil and gas under  
29 AS 43.55.160 from the gross value at the point of production of the oil  
30 and gas produced from those leases or properties during the month for  
31 which the installment payment is calculated, except that, for the

1 purposes of this calculation, a reduction from the gross value at the  
 2 point of production may apply for oil and gas subject to  
 3 AS 43.55.160(f) or (g);

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

6 (i) zero; or

7 (ii) **the sum of 35 percent and the tax rate calculated**  
 8 **for the month under AS 43.55.011(q)** multiplied by the remainder  
 9 obtained by subtracting 1/12 of the producer's adjusted lease  
 10 expenditures for the calendar year of production under AS 43.55.165  
 11 and 43.55.170 that are deductible under AS 43.55.160 for the oil or gas,  
 12 respectively, produced from the lease or property from the gross value  
 13 at the point of production of the oil or gas, respectively, produced from  
 14 the lease or property during the month for which the installment  
 15 payment is calculated;

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

17 (i) **the sum of 35 percent and the tax rate calculated**

18 **for the month under AS 43.55.011(q)** multiplied by the remainder  
 19 obtained by subtracting 1/12 of the producer's adjusted lease  
 20 expenditures for the calendar year of production under AS 43.55.165  
 21 and 43.55.170 that are deductible for the oil and gas under  
 22 AS 43.55.160 from the gross value at the point of production of the oil  
 23 and gas produced from the leases or properties during the month for  
 24 which the installment payment is calculated, but not less than zero; or

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

28 (6) an amount calculated under (5)(C) of this subsection for oil or gas  
 29 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by  
 30 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
 31 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in

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

5 (7) for oil and gas produced on or after January 1, 2022, an installment  
 6 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied  
 7 as allowed by law, is due for each month of the calendar year on the last day of the  
 8 following month; except as otherwise provided under (10) of this subsection, the  
 9 amount of the installment payment is the sum of the following amounts, less 1/12 of  
 10 the tax credits that are allowed by law to be applied against the tax levied by  
 11 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may  
 12 not be less than zero:

13 (A) for oil produced from leases or properties subject to  
 14 AS 43.55.011(f), the greatest of

15 (i) zero;

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

20 (iii) **the sum of 35 percent and the tax rate calculated**  
 21 **for the month under AS 43.55.011(q)** multiplied by the remainder  
 22 obtained by subtracting 1/12 of the producer's adjusted lease  
 23 expenditures for the calendar year of production under AS 43.55.165  
 24 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(1)  
 25 from the gross value at the point of production of the oil produced from  
 26 those leases or properties during the month for which the installment  
 27 payment is calculated, except that, for the purposes of this calculation,  
 28 a reduction from the gross value at the point of production may apply  
 29 for oil subject to AS 43.55.160(f) or 43.55.160(f) and (g);

30 (B) for oil produced before or during the last calendar year  
 31 under AS 43.55.024(b) for which the producer could take a tax credit under

1 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet  
 2 sedimentary basin, no part of which is north of 68 degrees North latitude, other  
 3 than leases or properties subject to AS 43.55.011(o) or (p), the greater of

4 (i) zero; or

5 (ii) **the sum of 35 percent and the tax rate calculated**  
 6 **for the month under AS 43.55.011(q)** multiplied by the remainder  
 7 obtained by subtracting 1/12 of the producer's adjusted lease  
 8 expenditures for the calendar year of production under AS 43.55.165  
 9 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(2)  
 10 from the gross value at the point of production of the oil produced from  
 11 the leases or properties during the month for which the installment  
 12 payment is calculated;

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

16 (i) **the sum of 35 percent and the tax rate calculated**  
 17 **for the month under AS 43.55.011(q)** multiplied by the remainder  
 18 obtained by subtracting 1/12 of the producer's adjusted lease  
 19 expenditures for the calendar year of production under AS 43.55.165  
 20 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(3)  
 21 from the gross value at the point of production of the oil produced from  
 22 the leases or properties during the month for which the installment  
 23 payment is calculated, but not less than zero; and

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

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

30 (i) zero; or

31 (ii) **the sum of 35 percent and the tax rate calculated**

1                   **for the month under AS 43.55.011(q)** multiplied by the remainder  
 2                   obtained by subtracting 1/12 of the producer's adjusted lease  
 3                   expenditures for the calendar year of production under AS 43.55.165  
 4                   and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(4)  
 5                   from the gross value at the point of production of the oil produced from  
 6                   the leases or properties during the month for which the installment  
 7                   payment is calculated;

8                   (E) for gas produced from each lease or property in the state  
 9                   outside the Cook Inlet sedimentary basin, other than a lease or property subject  
 10                  to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of  
 11                  production of the gas produced from the lease or property during the month for  
 12                  which the installment payment is calculated, but not less than zero;

13                  (F) for oil subject to AS 43.55.011(k), for each lease or  
 14                  property, the greater of

15                                 (i) zero; or

16                                 (ii) **the sum of 35 percent and the tax rate calculated**  
 17                                 **for the month under AS 43.55.011(q)** multiplied by the remainder  
 18                                 obtained by subtracting 1/12 of the producer's adjusted lease  
 19                                 expenditures for the calendar year of production under AS 43.55.165  
 20                                 and 43.55.170 that are deductible under AS 43.55.160 for the oil  
 21                                 produced from the lease or property from the gross value at the point of  
 22                                 production of the oil produced from the lease or property during the  
 23                                 month for which the installment payment is calculated;

24                  (G) for gas subject to AS 43.55.011(j) or (o), for each lease or  
 25                  property, the greater of

26                                 (i) zero; or

27                                 (ii) 13 percent of the gross value at the point of  
 28                                 production of the gas produced from the lease or property during the  
 29                                 month for which the installment payment is calculated;

30                  (8) an amount calculated under (7)(C) of this subsection may not  
 31                  exceed four percent of the gross value at the point of production of the oil and gas

1 produced from leases or properties subject to AS 43.55.011(p) during the month for  
2 which the installment payment is calculated;

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

8 (10) an amount calculated under (7)(F) or (G) of this subsection for oil  
9 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by  
10 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as  
11 applicable, for gas, or set out in AS 43.55.011(k) for oil, but substituting in  
12 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
13 gas produced during the month for the amount of taxable gas produced during the  
14 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced  
15 during the month for the amount of taxable oil produced during the calendar year."

16  
17 Renumber the following bill sections accordingly.

18  
19 Page 8, following line 21:

20 Insert a new bill section to read:

21 **"\* Sec. 23.** The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 TRANSITION: PAYMENT OF TAX; FILING. (a) Notwithstanding AS 43.55.020(a),  
24 as amended by sec. 19 of this Act, a person subject to tax under AS 43.55 that is required to  
25 make one or more installment payments of estimated tax or other payments of tax under  
26 AS 43.55.020 for production before the effective date of sec. 19 of this Act shall pay the tax  
27 under AS 43.55.020, as that section read on the day before the effective date of sec. 19 of this  
28 Act.

29 (b) The Department of Revenue may continue to apply and enforce AS 43.55.020(a),  
30 as that subsection read on the day before the effective date of sec. 19 of this Act, for a tax or  
31 installment payment for production before the effective date of sec. 19 of this Act."

1

2 Renumber the following bill sections accordingly.

3

4 Page 8, line 22:

5 Delete "Section 19"

6 Insert "Section 22"

7

8 Page 8, following line 22:

9 Insert a new bill section to read:

10 "\* **Sec. 25.** Sections 17 - 19 of this Act take effect January 1, 2018."

11

12 Renumber the following bill sections accordingly.

13

14 Page 8, line 24:

15 Delete "secs. 20 and 21"

16 Insert "secs. 24 - 26"