

SENATE BILL NO. 107

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY SENATORS WIELECHOWSKI, Gray-Jackson

Introduced: 3/10/21

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the oil and gas production tax; relating to credits against the oil and**
2 **gas production tax; relating to payments of the oil and gas production tax; relating to**
3 **lease expenditures and adjustments to lease expenditures; making public certain**
4 **information related to the oil and gas production tax; relating to the Department of**
5 **Revenue; and providing for an effective date."**

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

7 * **Section 1.** AS 40.25.100(a) is amended to read:

8 (a) Information in the possession of the Department of Revenue that discloses
9 the particulars of the business or affairs of a taxpayer or other person, including
10 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
11 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
12 **AS 43.05.230(i) - (m)** [AS 43.05.230(i) - (l)] or for purposes of investigation and law
13 enforcement. The information shall be kept confidential except when its production is

required in an official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports and items, prohibit the publication of tax lists showing the names of taxpayers who are delinquent and relevant information that may assist in the collection of delinquent taxes, or prohibit the publication of records, proceedings, and decisions under AS 43.05.405 - 43.05.499.

* **Sec. 2.** AS 43.05.230 is amended by adding a new subsection to read:

(m) The information provided by a producer to the department on a return for the payment of oil production taxes assessed under AS 43.55.011(q) is public information.

* **Sec. 3.** AS 43.55.011(e) is amended to read:

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

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

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

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

(2) on and after January 1, 2014, and before January 1, 2022, the tax is equal to the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 35 percent;

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

(A) oil is equal to the annual production tax value of the taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;

(B) gas is equal to 13 percent of the gross value at the point of production of the taxable gas; if the gross value at the point of production of

gas produced from a lease or property is less than zero, that gross value at the point of production is considered zero for purposes of this subparagraph.

* **Sec. 4.** 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, 2022, from leases or properties that include land north of 68 degrees North latitude, other than gas subject to (o) of this section **and oil subject to (q) 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 produced on and after January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, **other than oil subject to (q) of this section**, may not be less than

(A) four percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on
 2 the United States West Coast during the calendar year for which the tax is due
 3 is more than \$25;

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

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

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

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

20 * **Sec. 5.** AS 43.55.011 is amended by adding new subsections to read:

21 (q) There is levied on the producer of oil or gas a tax for all oil produced from
 22 each major oil field each month of the calendar year, less any oil and gas the
 23 ownership or right to which is exempt from taxation or constitutes a landowner's
 24 royalty interest. For oil produced from a major oil field on and after January 1, 2021,
 25 the tax is equal to the sum of

26 (1) the annual production tax value of the taxable oil from the major
 27 oil field as calculated under AS 43.55.160(h)(5) or (i)(8), as applicable, multiplied by
 28 35 percent; and

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

31 (r) For each month of a calendar year for which the average monthly

1 production tax value under AS 43.55.160(j) of a barrel of taxable oil produced from
 2 each major oil field is more than \$50, the amount of additional tax for purposes of
 3 (q)(2) of this section is determined by multiplying

4 (1) the monthly production tax value of the taxable oil produced by the
 5 producer from the major oil field during the month, less \$50; and

6 (2) the tax rate of 15 percent.

7 (s) For each month of the calendar year, the levy of tax under (q) of this
 8 section for oil produced from each major oil field may not be less than

9 (1) 10 percent of the gross value at the point of production from the
 10 major oil field when the average price per barrel for Alaska North Slope crude oil for
 11 sale on the United States West Coast during the month for which the tax is due is less
 12 than \$50;

13 (2) 11 percent of the gross value at the point of production from the
 14 major oil field when the average price per barrel for Alaska North Slope crude oil for
 15 sale on the United States West Coast during the month for which the tax is due is \$50
 16 or more but less than \$55;

17 (3) 12 percent of the gross value at the point of production from the
 18 major oil field when the average price per barrel for Alaska North Slope crude oil for
 19 sale on the United States West Coast during the month for which the tax is due is \$55
 20 or more but less than \$60;

21 (4) 13 percent of the gross value at the point of production from the
 22 major oil field when the average price per barrel for Alaska North Slope crude oil for
 23 sale on the United States West Coast during the month for which the tax is due is \$60
 24 or more but less than \$65;

25 (5) 14 percent of the gross value at the point of production from the
 26 major oil field when the average price per barrel for Alaska North Slope crude oil for
 27 sale on the United States West Coast during the month for which the tax is due is \$65
 28 or more but less than \$70; or

29 (6) 15 percent of the gross value at the point of production from the
 30 major oil field when the average price per barrel for Alaska North Slope crude oil for
 31 sale on the United States West Coast during the month for which the tax is due is \$70

1 or more.

2 (t) A tax credit provided under this chapter may not be applied to reduce an
3 amount due under (s) of this section.

4 * **Sec. 6.** AS 43.55.019(a) is amended to read:

5 (a) A producer of oil or gas is allowed a credit against the tax levied by
6 **AS 43.55.011** [AS 43.55.011(e)] for contributions of cash or equipment accepted for

7 (1) direct instruction, research, and educational support purposes,
8 including library and museum acquisitions, and contributions to endowment, by an
9 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
10 four-year college accredited by a national or regional accreditation association;

11 (2) secondary school level vocational education courses, programs, and
12 facilities by a school district in the state;

13 (3) vocational education courses, programs, equipment, and facilities
14 by a state-operated vocational technical education and training school, a nonprofit
15 regional training center recognized by the Department of Labor and Workforce
16 Development, and an apprenticeship program in the state that is registered with the
17 United States Department of Labor under 29 U.S.C. 50 - 50b (National Apprenticeship
18 Act);

19 (4) a facility by a nonprofit, public or private, Alaska two-year or four-
20 year college accredited by a national or regional accreditation association;

21 (5) Alaska Native cultural or heritage programs and educational
22 support, including mentoring and tutoring, provided by a nonprofit agency for public
23 school staff and for students who are in grades kindergarten through 12 in the state;

24 (6) education, research, rehabilitation, and facilities by an institution
25 that is located in the state and that qualifies as a coastal ecosystem learning center
26 under the Coastal America Partnership established by the federal government; and

27 (7) the Alaska higher education investment fund under AS 37.14.750.

28 * **Sec. 7.** AS 43.55.019(e) is amended to read:

29 (e) The credit under this section may not reduce a person's tax liability under
30 **AS 43.55.011** [AS 43.55.011(e)] to below zero for any tax year. An unused credit or
31 portion of a credit not used under this section for a tax year may not be sold, traded,

transferred, or applied in a subsequent tax year.

* **Sec. 8.** 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

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, 2021** [JANUARY 1, 2022], an installment payment of the estimated tax
 29 levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for
 30 each month of the calendar year on the last day of the following month; except as
 31 otherwise provided under (6) of this subsection, the amount of the installment payment

1 is the sum of the following amounts, less 1/12 of the tax credits that are allowed by
 2 law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but
 3 the amount 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) 35 percent multiplied by the remainder obtained by
 10 subtracting 1/12 of the producer's adjusted lease expenditures for the
 11 calendar year of production under AS 43.55.165 and 43.55.170 that are
 12 deductible for the oil and gas under AS 43.55.160 from the gross value
 13 at the point of production of the oil and gas produced from the leases or
 14 properties during the month for which the installment payment is
 15 calculated;

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

18 (i) zero;

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

23 (iii) 35 percent multiplied by the remainder obtained by
 24 subtracting 1/12 of the producer's adjusted lease expenditures for the
 25 calendar year of production under AS 43.55.165 and 43.55.170 that are
 26 deductible for the oil and gas under AS 43.55.160 from the gross value
 27 at the point of production of the oil and gas produced from those leases
 28 or properties during the month for which the installment payment is
 29 calculated, except that, for the purposes of this calculation, a reduction
 30 from the gross value at the point of production may apply for oil and
 31 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) 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) 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 and after January 1, 2021, and

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

9 (A) for oil and gas subject to AS 43.55.011(e) and not
 10 subject to AS 43.55.011(o) or (p) produced from leases or properties in the
 11 state outside the Cook Inlet sedimentary basin and outside a major oil
 12 field, other than leases or properties subject to AS 43.55.011(f) or (s), the
 13 greater of

14 (i) zero; or

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

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

24 (i) zero;

25 (ii) the applicable percentage under AS 43.55.011(f)
 26 of the gross value at the point of production of the oil and gas
 27 produced from the leases or properties during the month for which
 28 the installment payment is calculated; or

29 (iii) 35 percent multiplied by the remainder obtained
 30 by subtracting 1/12 of the producer's adjusted lease expenditures
 31 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;

(E) for oil produced from each major oil field subject to

1 AS 43.55.011(q), the greatest of

2 (i) zero;

3 (ii) the applicable percentage under AS 43.55.011(s)
4 of the gross value at the point of production of the oil produced
5 from the major oil field during the month for which the installment
6 payment is calculated; a tax credit may not be applied against the
7 tax levied by AS 43.55.011(s);

8 (iii) if the average monthly production tax value of a
9 barrel of oil produced from the major oil field is \$50 or less, 35
10 percent of the average monthly production tax value of a barrel of
11 oil produced from the major oil field; for purposes of this sub-
12 subparagraph, the average monthly production tax value of a
13 barrel of oil produced from the major oil field is calculated under
14 AS 43.55.160(j); or

15 (iv) if the average monthly production tax value of a
16 barrel of oil produced from the major oil field is more than \$50, the
17 sum of 35 percent of the average monthly production tax value of a
18 barrel of oil produced from the major oil field plus the difference
19 between the average monthly production tax value of a barrel of oil
20 produced from the major oil field and \$50, multiplied by 15
21 percent; for the purposes of this sub-subparagraph, the average
22 monthly production tax value of a barrel of oil produced from the
23 major oil field is calculated under AS 43.55.160(j);

24 (8) an amount calculated under (7)(C) of this subsection for oil or
25 gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
26 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
27 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in
28 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of
29 taxable gas produced during the month for the amount of taxable gas produced
30 during the calendar year and substituting in AS 43.55.011(k) the amount of
31 taxable oil produced during the month for the amount of taxable oil produced

during the calendar year;

(9) [(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** [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 **(12)** [(10)] 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** [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 subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) **the applicable percentage under AS 43.55.011(f)** [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

1 than leases or properties subject to AS 43.55.011(o) or (p), the greater of

2 (i) zero; or

3 (ii) 35 percent multiplied by the remainder obtained by
4 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 under AS 43.55.160(h)(2) from the gross value at
7 the point of production of the oil produced from the leases or properties
8 during the month for which the installment payment is calculated;

9 (C) for oil and gas produced from leases or properties subject
10 to AS 43.55.011(p), except as otherwise provided under (10) [(8)] of this
11 subsection, the sum of

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

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

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

25 (i) zero; or

26 (ii) 35 percent multiplied by the remainder obtained by
27 subtracting 1/12 of the producer's adjusted lease expenditures for the
28 calendar year of production under AS 43.55.165 and 43.55.170 that are
29 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
30 the point of production of the oil produced from the leases or properties
31 during the month for which the installment payment is calculated;

(E) for gas produced from each lease or property in the state outside the Cook Inlet sedimentary basin, other than a lease or property subject to AS 43.55.011(o) or (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;

(F) for oil subject to AS 43.55.011(k), 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 produced from the lease or property from the gross value at the point of production of the oil produced from the lease or property during the month for which the installment payment is calculated;

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

(i) zero; or

(ii) 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;

(H) for oil produced from each major oil field subject to AS 43.55.011(q), the greatest of

(i) zero;

(ii) the applicable percentage under AS 43.55.011(s) of the gross value at the point of production of the oil produced from the major oil field during the month for which the installment payment is calculated; a tax credit may not be applied against the tax levied by AS 43.55.011(s);

(iii) if the average monthly production tax value of a barrel of oil produced from the major oil field is \$50 or less, 35

percent of the average monthly production tax value of a barrel of oil produced from the major oil field; for the purposes of this sub-subparagraph, the average monthly production tax value of a barrel of oil produced from the major oil field is calculated under AS 43.55.160(j); or

(iv) if the average monthly production tax value of a barrel of oil produced from the major oil field is more than \$50, the sum of 35 percent of the average monthly production tax value of a barrel of oil produced from the major oil field plus the difference between the average monthly production tax value of a barrel of oil produced from the major oil field and \$50, multiplied by 15 percent; for the purposes of this sub-subparagraph, the average monthly production tax value of a barrel of oil produced from the major oil field is calculated under AS 43.55.160(j);

(10) [(8)] an amount calculated under (9)(C) [(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;

(11) [(9)] for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), (7)(B)(ii), and (9)(A)(ii) [(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";

(12) [(10)] an amount calculated under (9)(F) [(7)(F)] or (G) 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) 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) the amount of taxable oil produced during the month for the amount of taxable oil produced during

1 the calendar year.

2 * **Sec. 9.** AS 43.55.020(g) is amended to read:

3 (g) Notwithstanding any contrary provision of AS 43.05.225,

4 (1) before January 1, 2014, an unpaid amount of an installment
5 payment required under (a)(1) - (3) of this section that is not paid when due bears
6 interest (A) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal
7 Revenue Code), as amended, compounded daily, from the date the installment
8 payment is due until March 31 following the calendar year of production, and (B) as
9 provided for a delinquent tax under AS 43.05.225 after that March 31; interest accrued
10 under (A) of this paragraph that remains unpaid after that March 31 is treated as an
11 addition to tax that bears interest under (B) of this paragraph; an unpaid amount of tax
12 due under (a)(4) of this section that is not paid when due bears interest as provided for
13 a delinquent tax under AS 43.05.225;

14 (2) on and after January 1, 2014, an unpaid amount of an installment
15 payment required under (a)(3), (5), (6), [OR] (7), (8), or (9) of this section that is not
16 paid when due bears interest (A) at the rate provided for an underpayment under 26
17 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date
18 the installment payment is due until March 31 following the calendar year of
19 production, and (B) as provided for a delinquent tax under AS 43.05.225 after that
20 March 31; interest accrued under (A) of this paragraph that remains unpaid after that
21 March 31 is treated as an addition to tax that bears interest under (B) of this paragraph;
22 an unpaid amount of tax due under (a)(4) of this section that is not paid when due
23 bears interest as provided for a delinquent tax under AS 43.05.225.

24 * **Sec. 10.** AS 43.55.020(h) is amended to read:

25 (h) Notwithstanding any contrary provision of AS 43.05.280,

26 (1) an overpayment of an installment payment required under (a)(1),
27 (2), (3), (5), (6), [OR] (7), (8), or (9) of this section bears interest at the rate provided
28 for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,
29 compounded daily, from the later of the date the installment payment is due or the date
30 the overpayment is made, until the earlier of

31 (A) the date it is refunded or is applied to an underpayment; or

(B) March 31 following the calendar year of production;

(2) except as provided under (1) of this subsection, interest with respect to an overpayment is allowed only on any net overpayment of the payments required under (a) of this section that remains after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed;

(3) interest is allowed under (2) of this subsection only from a date that is 90 days after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment was refunded within the 90-day period;

(4) interest under (2) and (3) of this subsection is paid at the rate and in the manner provided in AS 43.05.225(1).

* **Sec. 11.** AS 43.55.020(k) is amended to read:

(k) For oil and gas produced on and after

(1) January 1, 2014, and before January 1, 2021 [2022], in making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid; if [. IF] the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner; unless [. UNLESS] otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(A) [(1)] the numerator is the producer's total tax liability under AS 43.55.011(e)(2) for the calendar year of production; and

(B) [(2)] the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) produced by the

producer from all leases and properties in the state during the calendar year;

(2) January 1, 2021, and before January 1, 2022, in making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid; if the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner; unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011 on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(A) the numerator is the producer's total tax liability under AS 43.55.011(e)(2) and (q) for the calendar year of production; and

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

* Sec. 12. AS 43.55.020(l) is amended to read:

(l) For oil and gas produced on and after January 1, 2022, in making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. In making settlement with the royalty owner for gas that is taxable under AS 43.55.014, the producer may deduct the amount of the gas paid as in-kind tax on

1 taxable royalty gas or may deduct the gross value at the point of production of the gas
 2 paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the
 3 producer and the royalty owner, the amount of the tax paid under AS 43.55.011
 4 [AS 43.55.011(e)] on taxable royalty oil for a calendar year, other than oil the
 5 ownership or right to which constitutes a landowner's royalty interest, is considered to
 6 be the gross value at the point of production of the taxable royalty oil produced during
 7 the calendar year multiplied by a figure that is a quotient, in which

8 (1) the numerator is the producer's total tax liability under
 9 AS 43.55.011(e)(3)(A) and (q) for the calendar year of production; and

10 (2) the denominator is the total gross value at the point of production
 11 of the oil taxable under AS 43.55.011(e) and (q) produced by the producer from all
 12 leases and properties in the state during the calendar year.

13 * **Sec. 13.** AS 43.55.023(a) is amended to read:

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

16 (1) notwithstanding that a qualified capital expenditure may be a
 17 deductible lease expenditure for purposes of calculating the production tax value of oil
 18 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
 19 former AS 43.20.043 or AS 43.55.025, a producer or explorer that incurs a qualified
 20 capital expenditure may also elect to apply a tax credit against a tax levied by
 21 AS 43.55.011 [AS 43.55.011(e)] in the amount of 10 percent of that expenditure;

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

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

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

29 (3) a credit for a qualified capital expenditure incurred to explore for,
 30 develop, or produce oil or gas deposits located

31 (A) north of 68 degrees North latitude may be taken only if the

1 expenditure is incurred before January 1, 2014;

2 (B) in the Cook Inlet sedimentary basin may be taken only if
3 the expenditure is incurred before January 1, 2018.

4 * **Sec. 14.** AS 43.55.023(c) is amended to read:

5 (c) A credit or portion of a credit under this section

6 (1) may not be

7 (A) used to reduce a person's tax liability under **AS 43.55.011**
8 [AS 43.55.011(e)] for any calendar year below zero; **or**

9 **(B) applied against the tax imposed under AS 43.55.011(s);**

10 (2) may, if not used under this subsection, be applied in a later
11 calendar year;

12 (3) may, regardless of when the credit was earned, be used to satisfy a
13 tax, interest, penalty, fee, or other charge that

14 (A) is related to the tax due under this chapter for a prior year,
15 except for a surcharge under AS 43.55.201 - 43.55.299 or 43.55.300 or the tax
16 levied by AS 43.55.011(i) or 43.55.014; and

17 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution
18 of the State of Alaska, been subject to an administrative proceeding or
19 litigation.

20 * **Sec. 15.** AS 43.55.024(c) is amended to read:

21 (c) For a calendar year for which a producer's tax liability under **AS 43.55.011**
22 [AS 43.55.011(e)] exceeds zero before application of any credits under this chapter,
23 other than a credit under (a) of this section but after application of any credit under (a)
24 of this section, a producer that is qualified under (e) of this section and whose average
25 amount of oil and gas produced a day and taxable under **AS 43.55.011**
26 [AS 43.55.011(e)] is less than 100,000 BTU equivalent barrels a day may apply a tax
27 credit under this subsection against that liability. A producer whose average amount of
28 oil and gas produced a day and taxable under **AS 43.55.011** [AS 43.55.011(e)] is

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

31 (2) more than 50,000 and less than 100,000 BTU equivalent barrels

may apply a tax credit of not more than \$12,000,000 multiplied by the following fraction for the calendar year:

$$1 - [2 \times (AP - 50,000)] \div 100,000$$

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

* **Sec. 16.** AS 43.55.024(e) is amended to read:

(e) On written application by a producer that includes any information the department may require, the department shall determine whether the producer qualifies for a calendar year under (a) and (c) of this section. To qualify under (a) and (c) of this section, a producer must demonstrate that its operation in the state or its ownership of an interest in a lease or property in the state as a distinct producer would not result in the division among multiple producer entities of any production tax liability under AS 43.55.011 [AS 43.55.011(e)] that reasonably would be expected to be attributed to a single producer if the tax credit provisions of (a) or (c) of this section did not exist.

* **Sec. 17.** AS 43.55.024(g) is amended to read:

(g) A tax credit authorized by (c) of this section may not be applied
(1) to reduce a producer's tax liability for any calendar year under
AS 43.55.011 [AS 43.55.011(e)] below zero; or
(2) against the tax imposed under AS 43.55.011(s).

* **Sec. 18.** AS 43.55.024(i) is amended to read:

(i) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under AS 43.55.011(e) that receives a reduction in the gross value at the point of production under AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013. A tax credit authorized by this subsection

(1) may not reduce a producer's tax liability for a calendar year under
AS 43.55.011(e) below zero; and
(2) does not apply to oil produced from a major oil field.

* **Sec. 19.** AS 43.55.024(j) is amended to read:

(j) A producer may apply against the producer's tax liability for the calendar

year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for each barrel of oil taxable under AS 43.55.011(e) that does not receive a reduction in the gross value at the point of production under AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax credit under this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f) **and does not apply to oil produced from a major oil field**. The amount of the tax credit for a barrel of taxable oil subject to this subsection produced during a month of the calendar year is

(1) \$8 for each barrel of taxable oil if the average gross value at the point of production for the month is less than \$80 a barrel;

(2) \$7 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$80 a barrel, but less than \$90 a barrel;

(3) \$6 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$90 a barrel, but less than \$100 a barrel;

(4) \$5 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$100 a barrel, but less than \$110 a barrel;

(5) \$4 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$110 a barrel, but less than \$120 a barrel;

(6) \$3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$120 a barrel, but less than \$130 a barrel;

(7) \$2 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$130 a barrel, but less than \$140 a barrel;

(8) \$1 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to \$140 a barrel, but less

1 than \$150 a barrel;

2 (9) zero if the average gross value at the point of production for the
3 month is greater than or equal to \$150 a barrel.

4 * **Sec. 20.** AS 43.55.025(a) is amended to read:

5 (a) Subject to the terms and conditions of this section, a credit against the tax
6 levied by AS 43.55.011 [AS 43.55.011(e)] or, if the credit is for exploration
7 expenditures incurred for work performed on or after July 1, 2016, against the tax
8 levied by AS 43.20 is allowed for exploration expenditures that qualify under (b) of
9 this section in an amount equal to one of the following:

10 (1) 30 percent of the total exploration expenditures that qualify only
11 under (b) and (c) of this section;

12 (2) 30 percent of the total exploration expenditures that qualify only
13 under (b) and (d) of this section;

14 (3) 40 percent of the total exploration expenditures that qualify under
15 (b), (c), and (d) of this section;

16 (4) 40 percent of the total exploration expenditures that qualify only
17 under (b) and (e) of this section;

18 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this
19 section, of the total exploration expenditures described in (b)(2) and (3) of this section
20 and not excluded by (b)(4) and (5) of this section that qualify only under (l) of this
21 section;

22 (6) the lesser of \$25,000,000 or 80 percent of the total exploration
23 drilling expenditures described in (m) of this section and that qualify under (b) and
24 (c)(1), (c)(2)(A), and (c)(2)(C) of this section; or

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

28 * **Sec. 21.** AS 43.55.025(f) is amended to read:

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

30 (1) an explorer shall, in a form prescribed by the department and,
31 except for a credit under (k) of this section, within six months of the completion of the

1 exploration activity, claim the credit and submit information sufficient to demonstrate
2 to the department's satisfaction that the claimed exploration expenditures qualify under
3 this section; in addition, the explorer shall submit information necessary for the
4 commissioner of natural resources to evaluate the validity of the explorer's compliance
5 with the requirements of this section;

6 (2) an explorer shall agree, in writing,

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

13 (B) to provide to the Department of Natural Resources, within
14 30 days after the date of a request, unless a longer period is provided by the
15 Department of Natural Resources, specific data sets, ancillary data, and reports
16 identified in (A) of this paragraph; in this subparagraph,

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

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

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

30 (i) in the case of well data, until the expiration of the
31 24-month period of confidentiality described in AS 31.05.035(c), at

1 which time the Department of Natural Resources will release the
 2 information after 30 days' public notice unless, in the discretion of the
 3 commissioner of natural resources, it is necessary to protect
 4 information relating to the valuation of unleased acreage in the same
 5 vicinity, or unless the well is on private land and the owner, including
 6 the lessor but not the lessee, of the oil and gas resources has not given
 7 permission to release the well data;

8 (ii) in the case of seismic or other geophysical data,
 9 other than seismic data acquired by seismic exploration subject to (k) of
 10 this section, for 10 years following the completion date, at which time
 11 the Department of Natural Resources will release the information after
 12 30 days' public notice, except as to seismic or other geophysical data
 13 acquired from private land, unless the owner, including a lessor but not
 14 a lessee, of the oil and gas resources in the private land gives
 15 permission to release the seismic or other geophysical data associated
 16 with the private land;

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

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

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

27 (5) if the department is satisfied that the explorer's claimed
 28 expenditures are qualified under this section and that all data required to be submitted
 29 under this section have been submitted, the department shall issue to the explorer a
 30 production tax credit certificate for the amount of credit to be allowed against
 31 production taxes levied by AS 43.55.011 [AS 43.55.011(e)] and, if the credit is for

1 exploration expenditures incurred for work performed on or after July 1, 2016, against
 2 taxes levied by AS 43.20; notwithstanding any contrary provision of AS 38,
 3 AS 40.25.100, or AS 43.05.230, the following information is not confidential:

- 4 (A) the explorer's name;
- 5 (B) the date of the application;
- 6 (C) the location of the well or seismic exploration;
- 7 (D) the date of the department's issuance of the certificate; and
- 8 (E) the date on which the information required to be submitted

9 under this section will be released.

10 * **Sec. 22.** AS 43.55.025(h) is amended to read:

11 (h) A producer that purchases a production tax credit certificate may apply the
 12 credits against its production tax levied by AS 43.55.011 [AS 43.55.011(e)].
 13 Regardless of the price the producer paid for the certificate, the producer may receive
 14 a credit against its production tax liability for the full amount of the credit, but for not
 15 more than the amount for which the certificate is issued. A production tax credit or a
 16 portion of a production tax credit or a production tax credit certificate or a portion of a
 17 production tax credit certificate allowed under this section

18 (1) may not be applied

19 (A) more than once;

20 (B) against the tax imposed under AS 43.55.011(s);

21 (2) may be applied in a later calendar year;

22 (3) may, regardless of when the credit was earned, be applied to satisfy
 23 a tax, interest, penalty, fee, or other charge that

24 (A) is related to the tax due under this chapter for a prior year,
 25 except for a surcharge under AS 43.55.201 - 43.55.299 or 43.55.300 or the tax
 26 levied by AS 43.55.011(i) or 43.55.014; and

27 (B) has not, for the purpose of art. IX, sec. 17(a), Constitution
 28 of the State of Alaska, been subject to an administrative proceeding or
 29 litigation.

30 * **Sec. 23.** AS 43.55.025(i) is amended to read:

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

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

(2) if the production tax credit is for exploration expenditures incurred for work performed on or after July 1, 2016, the explorer may apply the credit to reduce the explorer's tax liability under AS 43.20, except that the credit may not be applied to reduce the explorer's tax liability under AS 43.20 below zero for a tax year; and

(3) an amount of the production tax credit in excess of the amount that may be applied for a calendar or tax year under this subsection may be carried forward and applied against the taxpayer's tax liability under AS 43.55.011 [AS 43.55.011(e)] in one or more later calendar years or under AS 43.20 in one or more later tax years.

* **Sec. 24.** AS 43.55.028(e) is amended to read:

(e) The department, on the written application of a person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) or former AS 43.55.023(m) for an expenditure incurred before July 1, 2017, or to whom a production tax credit certificate has been issued under AS 43.55.025(f) for an expenditure incurred before July 1, 2017, may use either available money in the oil and gas tax credit fund or, subject to appropriation by the legislature, money disbursed to the commissioner, or both, to purchase, in whole or in part, the certificate. The department may not purchase with money from the oil and gas tax credit fund a total of more than \$70,000,000 in tax credit certificates from a person in a calendar year. The total amount of purchases made by the department with money from the oil and gas tax credit fund from a person in a year may not exceed the assumed payment amount for each year, as calculated under (l) of this section without the discount provided in (m) of this section. Before purchasing a certificate or part of a certificate, the department shall find that

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

(2) the application is not the result of the division of a single entity into multiple entities that would reasonably be expected to apply as a single entity if the

1 \$70,000,000 limitation in this subsection did not exist;

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

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

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

11 * **Sec. 25.** AS 43.55.030(a) is amended to read:

12 (a) A producer that produces oil or gas from a lease or property in the state
13 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
14 for that oil or gas, shall file with the department on March 31 of the following year a
15 statement, under oath, in a form prescribed by the department, giving, with other
16 information required, the following:

17 (1) a description of each lease or property and each major oil field
18 from which oil or gas was produced, by name, legal description, lease number, or
19 accounting codes assigned by the department;

20 (2) the names of the producer and, if different, the person paying the
21 tax, if any;

22 (3) the gross amount of oil and the gross amount of gas produced from
23 each lease or property and each major oil field, separately identifying the gross
24 amount of gas produced from each oil and gas lease to which an effective election
25 under AS 43.55.014(a) applies, the amount of gas delivered to the state under
26 AS 43.55.014(b), and the percentage of the gross amount of oil and gas owned by the
27 producer;

28 (4) the gross value at the point of production of the oil and of the gas
29 produced from each lease or property and each major oil field owned by the producer
30 and the costs of transportation of the oil and gas;

31 (5) the name of the first purchaser and the price received for the oil and

1 for the gas, unless relieved from this requirement in whole or in part by the
2 department;

3 (6) the producer's qualified capital expenditures, as defined in
4 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
5 payments or credits under AS 43.55.170;

6 (7) the production tax values of the oil and gas, separately, under
7 AS 43.55.160(a) or (i) or of the oil under AS 43.55.160(h) or (i), as applicable;

8 (8) any claims for tax credits to be applied; and

9 (9) calculations showing the amounts, if any, that were or are due
10 under AS 43.55.020(a) and interest on any underpayment or overpayment.

11 * **Sec. 26.** AS 43.55.075(b) is amended to read:

12 (b) A decision of a regulatory agency, court, or other body with authority to
13 resolve disputes that results in a retroactive change to a lease expenditure, to an
14 adjustment to a lease expenditure, to the allocation of a lease expenditure between
15 oil and gas, to costs of transportation, to sale price, to prevailing value, or to
16 consideration of quality differentials relating to the commingling of oils that has a
17 corresponding effect, either an increase or decrease, as applicable, on the production
18 tax value of oil or gas or the amount or availability of a tax credit as determined under
19 this chapter. For purposes of this section, a change to a lease expenditure includes a
20 change in the categorization of a lease expenditure as a qualified capital expenditure or
21 as not a qualified capital expenditure. The producer shall

22 (1) within 60 days after the change, notify the department in writing;
23 and

24 (2) within 120 days after the change, file amended returns covering all
25 periods affected by the change, unless the department agrees otherwise or a stay is in
26 place that affects the filing or payment, regardless of the pendency of appeals of the
27 decision.

28 * **Sec. 27.** AS 43.55.150 is amended by adding new subsections to read:

29 (d) The department shall adopt regulations consistent with this section for
30 determining the gross value at the point of production of

31 (1) oil;

1 (2) gas; and

2 (3) oil produced from a major oil field.

3 (e) The department shall adopt regulations consistent with this chapter for
4 determining the monthly gross value at the point of production for oil produced from
5 each major oil field.

6 * **Sec. 28.** AS 43.55.160(a) is amended to read:

7 (a) For oil and gas produced before **January 1, 2021** [JANUARY 1, 2022],
8 except as provided in (b), (f), and (g) of this section, for the purposes of

9 (1) AS 43.55.011(e)(1) and (2), the annual production tax value of
10 taxable oil, gas, or oil and gas produced during a calendar year in a category for which
11 a separate annual production tax value is required to be calculated under this
12 paragraph is the gross value at the point of production of that oil, gas, or oil and gas
13 taxable under AS 43.55.011(e), less the producer's lease expenditures under
14 AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas in that
15 category produced by the producer during the calendar year, as adjusted under
16 AS 43.55.170; a separate annual production tax value shall be calculated for

17 (A) oil and gas produced from leases or properties in the state
18 that include land north of 68 degrees North latitude, other than gas produced
19 before **2021** [2022] and used in the state;

20 (B) oil and gas produced from leases or properties in the state
21 outside the Cook Inlet sedimentary basin, no part of which is north of 68
22 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)
23 and (b); this subparagraph does not apply to

24 (i) gas produced before **2021** [2022] and used in the
25 state; or

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

27 (C) oil produced before **2021** [2022] from each lease or
28 property in the Cook Inlet sedimentary basin;

29 (D) gas produced before **2021** [2022] from each lease or
30 property in the Cook Inlet sedimentary basin;

31 (E) gas produced before **2021** [2022] from each lease or

1 property in the state outside the Cook Inlet sedimentary basin and used in the
 2 state, other than gas subject to AS 43.55.011(p);

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

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

8 (2) AS 43.55.011(g), for oil and gas produced before January 1, 2014,
 9 the monthly production tax value of the taxable

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

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

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

1 producer from that lease or property, as adjusted under AS 43.55.170;

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

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

15 * **Sec. 29.** AS 43.55.160(c) is amended to read:

16 (c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of
17 calculating a monthly production tax value under (a)(2) or (i) of this section, the gross
18 value at the point of production of the oil, gas, or oil and gas, as applicable, is
19 calculated under regulations adopted by the department that provide for using an
20 appropriate monthly share of the producer's costs of transportation for the calendar
21 year.

22 * **Sec. 30.** AS 43.55.160(d) is amended to read:

23 (d) Irrespective of whether a producer produces taxable oil or gas during a
24 calendar year or month, the producer is considered to have generated a positive
25 production tax value if a calculation described in (a), (h), (i), or (j) of this section
26 yields a positive number because the producer's adjusted lease expenditures for a
27 calendar year under AS 43.55.165 and 43.55.170 are less than zero as a result of the
28 producer's receiving a payment or credit under AS 43.55.170. An explorer that has
29 obtained a transferable tax credit certificate under AS 43.55.023(d) for the amount of a
30 tax credit under former AS 43.55.023(b) is considered a producer, subject to the tax
31 levied by AS 43.55.011(e), to the extent that the explorer generates a positive

1 production tax value as the result of the explorer's receiving a payment or credit under
2 AS 43.55.170.

3 * **Sec. 31.** AS 43.55.160(e) is amended to read:

4 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170
5 incurred to explore for, develop, or produce oil or gas from a lease, [OR] property, or
6 major oil field outside the Cook Inlet sedimentary basin that would otherwise be
7 deductible by a producer in a calendar year but whose deduction would cause an
8 annual production tax value calculated under (a)(1), [OR] (h), or (i) of this section of
9 taxable oil or gas produced during the calendar year to be less than zero may be used
10 to establish a carried-forward [CARRIED- FORWARD] annual loss under
11 AS 43.55.165(a)(3). A reduction under (f) or (g) of this section must be added back to
12 the calculation of production tax values for that calendar year before the determination
13 of a carried-forward annual loss under this subsection. However, the department shall
14 provide by regulation a method to ensure that, for a period for which a producer's tax
15 liability is limited by AS 43.55.011(o) or (p), any adjusted lease expenditures under
16 AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that
17 period but whose deduction would cause a production tax value calculated under
18 (a)(1)(E) or (F), [OR] (h)(3), or (i)(5) or (6) of this section to be less than zero are
19 accounted for as though the adjusted lease expenditures had first been used as
20 deductions in calculating the production tax values of oil or gas subject to any of the
21 limitations under AS 43.55.011(o) or (p) that have positive production tax values so as
22 to reduce the tax liability calculated without regard to the limitation to the maximum
23 amount provided for under the applicable provision of AS 43.55.011(o) or (p). Only
24 the amount of those adjusted lease expenditures remaining after the accounting
25 provided for under this subsection may be used to establish a carried-forward annual
26 loss under AS 43.55.165(a)(3). In this subsection, "producer" includes "explorer."

27 * **Sec. 32.** AS 43.55.160(f) is amended to read:

28 (f) On and after January 1, 2014, in the calculation of an annual production tax
29 value of a producer under (a)(1)(A), [OR] (h)(1), (i)(1) or (8), or (i) of this section,
30 the gross value at the point of production of oil or gas produced from a lease, [OR]
31 property, or major oil field north of 68 degrees North latitude meeting one or more of

the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease, [OR] property, or major oil field that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. For oil and gas first produced from a lease or property after December 31, 2016, a reduction allowed under this subsection applies from the date of commencement of regular production of oil and gas from that lease or property and expires after three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than \$70 or after seven years, whichever occurs first. For oil and gas first produced from a lease or property before January 1, 2017, a reduction allowed under this subsection expires on the earlier of January 1, 2023, or January 1 following three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than \$70. The Alaska Oil and Gas Conservation Commission shall determine the commencement of regular production of oil and gas for purposes of this subsection. A reduction under this subsection may not reduce the gross value at the point of production below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources.

* **Sec. 33.** AS 43.55.160(g) is amended to read:

(g) On and after January 1, 2014, in addition to the reduction under (f) of this section, in the calculation of an annual production tax value of a producer under (a)(1)(A), [OR] (h)(1), (i)(1) or (8), or (j) of this section, the gross value at the point

of production of oil or gas produced from a lease, [OR] property, or major oil field north of 68 degrees North latitude that does not contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if the oil or gas is produced from a unit made up solely of leases that have a royalty share of more than 12.5 percent in amount or value of the production removed or sold from the lease as determined under AS 38.05.180(f). This subsection does not apply if the royalty obligation for one or more of the leases in the unit has been reduced to 12.5 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the annual production tax value is calculated. This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. For oil and gas first produced from a lease or property after December 31, 2016, a reduction allowed under this subsection applies from the date of commencement of regular production of oil and gas from that lease or property and expires after three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than \$70 or after seven years, whichever occurs first. For oil and gas first produced from a lease or property before January 1, 2017, a reduction allowed under this subsection expires on the earlier of January 1, 2023, or January 1 following three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than \$70. The Alaska Oil and Gas Conservation Commission shall determine the commencement of regular production for purposes of this subsection. A reduction under this subsection may not reduce the gross value at the point of production below zero.

* **Sec. 34.** 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 [AS 43.55.011(e)(3)], the annual production tax value of oil taxable under AS 43.55.011 [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, other than major oil fields, is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for

1 the calendar year incurred to explore for, develop, or produce oil and gas deposits
 2 located in the state north of 68 degrees North latitude or located in leases or properties
 3 in the state that include land north of 68 degrees North latitude, as adjusted under
 4 AS 43.55.170;

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

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

23 (4) from leases or properties in the state no part of which is north of 68
 24 degrees North latitude, other than leases or properties subject to (2) or (3) of this
 25 subsection, is the gross value at the point of production of that oil less the producer's
 26 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 27 develop, or produce oil and gas deposits located in the state south of 68 degrees North
 28 latitude, other than oil and gas deposits located in a lease or property in the state that
 29 includes land north of 68 degrees North latitude, and excluding lease expenditures that
 30 are deductible under (2) or (3) of this subsection or would be deductible under (2) or
 31 (3) of this subsection if not prohibited by (b) of this section, as adjusted under

AS 43.55.170; a separate annual production tax value shall be calculated for

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

(B) oil produced from each lease or property outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to (3) of this subsection;

(5) for each major oil field in the state is the gross value at the point of production of that oil, less the lease expenditures allocated to the major oil field under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in the major oil field, as adjusted under AS 43.55.170.

* **Sec. 35.** AS 43.55.160 is amended by adding new subsections to read:

(i) For oil and gas produced on and after January 1, 2021, and before January 1, 2022, except as provided in (b), (f), and (g) of this section, for the purposes of AS 43.55.011, the annual production tax value of taxable oil or gas produced during a calendar year in a category for which a separate annual production tax value is required to be calculated under this subsection is the gross value at the point of production of that oil or gas taxable under AS 43.55.011, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil or 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

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

(A) oil produced from a major oil field; and

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

(2) 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 paragraph does not apply to

(A) gas produced on and after January 1, 2021, and before 2022 and used in the state; or

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

(3) oil produced on and after January 1, 2021, and before 2022 from each lease or property in the Cook Inlet sedimentary basin;

(4) gas produced on and after January 1, 2021, and before 2022 from each lease or property in the Cook Inlet sedimentary basin;

(5) gas produced on and after January 1, 2021, and 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);

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

(7) 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 (2), (3), (4), (5), or (6) of this subsection;

(8) oil produced from a major oil field.

(j) Except as provided in (b), (f), and (g) of this section, for the purposes of AS 43.55.011(q) and AS 43.55.020(a)(7)(E), the monthly production tax value of the taxable oil produced during a month from a major oil field is the gross value at the point of production of the oil produced by the producer from the major oil field and taxable under AS 43.55.011, 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 major oil field, as adjusted under AS 43.55.170. For the purposes of the calculation under this subsection, a reduction in the gross value at the point of production may apply for oil subject to AS 43.55.160(f) and (g).

* **Sec. 36.** AS 43.55.165(a) is amended to read:

(a) For purposes of this chapter, a producer's lease expenditures for a calendar year are

(1) costs, other than items listed in (e) of this section, that are

(A) incurred by the producer during the calendar year after March 31, 2006, to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties in the state, a major oil field in the state, or, in the case of land in which the producer does not own an operating

right, operating interest, or working interest, to explore for oil or gas deposits within other land in the state; and

(B) allowed by the department by regulation, based on the department's determination that the costs satisfy the following three requirements:

(i) the costs must be incurred upstream of the point of production of oil and gas;

(ii) the costs must be ordinary and necessary costs of exploring for, developing, or producing, as applicable, oil or gas deposits; and

(iii) the costs must be direct costs of exploring for, developing, or producing, as applicable, oil or gas deposits;

(2) a reasonable allowance for that calendar year, as determined under regulations adopted by the department, for overhead expenses that are directly related to exploring for, developing, or producing, as applicable, the oil or gas deposits; and

(3) lease expenditures incurred in a previous calendar year, subject to (l) - (r) of this section, that

(A) met the requirements of AS 43.55.160(e) in the year in which the lease expenditures were incurred;

(B) have not been deducted in the determination of the production tax value of oil and gas under AS 43.55.160(a), [OR] (h), (i), or (i) in a previous calendar year;

(C) were not the basis of a credit under this title; and

(D) were incurred to explore for, develop, or produce an oil or gas deposit located in the state outside the Cook Inlet sedimentary basin.

* **Sec. 37.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, [AND] between leases or properties, between leases or properties and major oil fields, and between major oil fields in those circumstances where an allocation of costs is required to determine lease expenditures

that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within a different lease, property, or major oil field. A producer shall report to the department lease expenditures separately for oil subject to taxation under either AS 43.55.011(q) or (s) [LEASES OR PROPERTIES].

* **Sec. 38.** AS 43.55.165(m) is amended to read:

(m) During a calendar year in which a taxpayer's liability under AS 43.55.011(e) is determined under AS 43.55.011(f), the maximum amount of carried-forward annual loss that a taxpayer may apply in that year is equal to the amount, when combined with the lease expenditures of the current year and any credits under this chapter, necessary to reduce the amount calculated under AS 43.55.011(e) to the equivalent amount of tax due under AS 43.55.011(f) before the application of any credits under this chapter. During a calendar year in which a taxpayer's liability under AS 43.55.011(q) is determined under AS 43.55.011(s), the maximum amount of carried-forward annual loss that a taxpayer may apply in that year is equal to the amount, when combined with the lease expenditures of the current year and any credits under this chapter, necessary to reduce the amount calculated under AS 43.55.011(q) to the equivalent amount of tax due under AS 43.55.011(s) before the application of any credits under this chapter.

An amount of carried-forward annual loss not applied under this subsection may continue to be carried forward.

* **Sec. 39.** AS 43.55.165(n) is amended to read:

(n) A carried-forward annual loss may only be applied

(1) to determine the production tax value of oil or gas for a category for which a separate annual production tax value is required to be calculated under AS 43.55.160(a), [OR] (h), (i), or (j) if the lease expenditure resulting in the carried-forward annual loss was incurred in the same category;

(2) beginning in the calendar year in which regular production of oil or gas from the lease or property where the lease expenditure resulting in the carried-forward [CARRIED- FORWARD] annual loss was incurred commences.

1 * **Sec. 40.** AS 43.55.165(o) is amended to read:

2 (o) A carried-forward annual loss for a lease expenditure incurred on a lease,
3 [OR] property, or major oil field that

4 (1) did not commence regular production of oil or gas before or during
5 the year the lease expenditure was incurred decreases in value each year by one-tenth
6 of the value of the carried-forward annual loss in the preceding year, beginning
7 January 1 of the 11th calendar year after the lease expenditure is carried forward under
8 (a)(3) of this section; a decrease in value under this paragraph does not apply for a
9 year in which the department determines that regular production of oil or gas did not
10 commence because of a natural disaster, an injunction or other court order, or an
11 administrative order;

12 (2) commenced regular production of oil or gas before or during the
13 year the lease expenditure was incurred decreases in value each year by one-tenth of
14 the value of the carried-forward annual loss in the preceding year, beginning January 1
15 of the eighth calendar year after the lease expenditure is carried forward under (a)(3)
16 of this section.

17 * **Sec. 41.** AS 43.55.165(r) is amended to read:

18 (r) In adopting a regulation that defines the lease, [OR] property, or major oil
19 field where a lease expenditure resulting in a carried-forward annual loss is incurred
20 for purposes of (n) and (o) of this section, the department shall include an exploration
21 lease expenditure that is reasonably related to the lease, [OR] property, or major oil
22 field.

23 * **Sec. 42.** AS 43.55.170 is amended by adding a new subsection to read:

24 (d) The department shall adopt regulations that provide for reasonable
25 methods of allocating adjustments to lease expenditures for oil produced from a major
26 oil field subject to taxation under AS 43.55.011(q). A producer shall report to the
27 department adjustments to lease expenditures separately for oil subject to taxation
28 under AS 43.55.011(q).

29 * **Sec. 43.** AS 43.55.895(b) is amended to read:

30 (b) A municipal entity subject to taxation because of this section

31 (1) is eligible for tax credits proportionate to its production taxable

1 under **AS 43.55.011** [AS 43.55.011(e)]; and

2 (2) shall allocate its lease expenditures in proportion to its production
3 taxable under **AS 43.55.011** [AS 43.55.011(e)].

4 * **Sec. 44.** AS 43.55.900 is amended by adding a new paragraph to read:

5 (27) "major oil field" means a field all or part of which is north of 68
6 degrees North latitude that

7 (A) produced an average of more than 40,000 barrels of oil a
8 day in the previous calendar year; and

9 (B) has produced more than 400,000,000 barrels of oil in
10 cumulative production.

11 * **Sec. 45.** The uncoded law of the State of Alaska is amended by adding a new section to
12 read:

13 MONTHLY PAYMENTS. Notwithstanding AS 43.55.020(g), as amended by sec. 9
14 of this Act, an unpaid amount of an installment payment due under AS 43.55.020, as amended
15 by sec. 9 of this Act, as a result of the retroactivity of this Act does not accrue interest until
16 after December 31, 2021.

17 * **Sec. 46.** The uncoded law of the State of Alaska is amended by adding a new section to
18 read:

19 RETROACTIVITY. This Act is retroactive to January 1, 2021.

20 * **Sec. 47.** This Act takes effect immediately under AS 01.10.070(c).