

Introduced: 2/22/80
Referred: Resources and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 904

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the auditing of oil and gas
7 royalty and net profits payments and reports; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 38.05.035(a)(9)(D) is amended to read:

11 (D) except as provided in AS 38.05.036, cost data and
12 financial information submitted in support of applications,
13 bonds, leases and similar items;

14 * Sec. 2. AS 38.05 is amended by adding a new section to read:

15 Sec. 38.05.036. AUDIT OF ROYALTY AND NET PROFIT PAYMENTS. (a)
16 The Department of Revenue shall audit reports, payments, and payments
17 due relating to royalty and net profits under oil and gas contracts,
18 agreements, or leases under this chapter.

19 (b) The Department of Revenue may inspect all reports and other
20 information filed in support of or relating to royalty and net profits
21 payments, whether or not that information is confidential, and shall
22 hold that information confidential to the extent required under oil and
23 gas agreements, contracts, or leases, or by this chapter or AS 43.05.-
24 230.

25 (c) All information obtained by the Department of Revenue relating
26 to royalty and net profits payments, including information obtained
27 under AS 43, may be made available to the department, in the form of
28 summaries and, when in furtherance of the department's royalty and net
29 profits functions, relevant portions of the audits. Information made

1 available to the department that was obtained under AS 43 is confiden-
2 tial and subject to the provisions of AS 43.05.230.

3 (d) The Department of Revenue may conduct audits under this
4 section concurrently with audits or investigations under AS 43, and may
5 use information obtained from the department in tax audits, investiga-
6 tions, or proceedings under AS 43.

7 (e) In this section, "audit" means the process of obtaining suf-
8 ficient competent evidentiary matter through inspection, observation,
9 inquiry, and confirmation to afford a reasonable basis for ascertaining
10 the compliance by the subject of the audit with the applicable law,
11 regulation, lease, agreement, and contract terms; it does not include
12 any other actions necessary to administer AS 38.05 pertaining to oil
13 and gas royalty and net profits payments, including daily accounting
14 functions, certification procedures associated with those accounting
15 functions, and enforcement of payments of royalties and net profits.

16 * Sec. 3. AS 43.05.010 is amended by adding a new paragraph to read:

17 (16) audit reports, payments, and payments due relating to
18 royalty and net profits under oil and gas contracts, agreements, or
19 leases under AS 38.05.

20 * Sec. 4. AS 43.05.040(a) is amended to read:

21 (a) The department may examine the books, papers, records, or
22 memoranda of any person to ascertain the correctness of a return filed
23 or to determine whether a tax or a payment for oil or gas royalty or
24 net profits shares under a contract, agreement, or lease under AS
25 38.05 is due, or in an investigation or inspection in connection with
26 tax matters or matters relating to oil and gas royalty or net profits
27 under contracts, agreements, or leases under AS 38.05. The records
28 and the premises where a business is conducted shall be open at all
29 reasonable times for official inspection, and the department may

1 summon any person to appear and produce books, records, papers, or
2 memoranda bearing upon tax matters or matters relating to oil and gas
3 royalty or net profits under contracts, agreements, or leases under AS
4 38.05, and to give testimony or answer interrogatories under oath
5 respecting tax matters or matters related to oil and gas royalty or
6 net profits under contracts, agreements, or leases under AS 38.05, and
7 the department may administer oaths to persons who are so summoned.

8 * Sec. 5. AS 43.05.230(a) is repealed and re-enacted to read:

9 (a) It is unlawful for an officer, employee, or agent of the
10 state to divulge the amount of income or the particulars set out or
11 disclosed in a report or return made under this title, except

12 (1) in connection with official investigations or proceed-
13 ings of the department, whether judicial or administrative, involving
14 taxes due under this title;

15 (2) in connection with official investigations or proceed-
16 ings of the child support enforcement agency, whether judicial or
17 administrative, involving child support obligations imposed or impos-
18 able under AS 25 or AS 47;

19 (3) as provided in AS 38.05.036 pertaining to audit func-
20 tions; and

21 (4) as otherwise provided in this section.

22 * Sec. 6. This Act takes effect immediately in accordance with AS
23 01.10.070(c).

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