

Introduced: 3/19/80
Referred: Resources and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 963

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Oil and Gas Corporate Income Tax
7 Act; and providing for an effective date."

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

9 * Section 1. AS 43.21.010 is amended to read:

10 Sec. 43.21.010. APPLICATION. This chapter applies to every
11 corporation doing business in the state which derives income from the
12 production of oil or gas from a lease or property in [OR DIRECTLY
13 ASSOCIATED WITH] the state, or from the pipeline transportation of oil
14 or gas in the state. The tax calculated under this chapter is mea-
15 sured by the total taxable income of the corporation as defined in AS
16 43.21.020 -- 43.21.040 and is determined at the rates established
17 under AS 43.20.011(e).

18 * Sec. 2. AS 43.21.020(c)(7) is amended to read:

19 (7) interest expense of the corporation not capitalized
20 during construction [OF THE CORPORATION], to the extent that it does
21 not exceed that portion of the total interest paid by the consolidated
22 business of which the corporation is a part, determined by multiplying
23 the total interest (reduced by intercompany transactions within the
24 consolidated business) by a fraction, the numerator of which is the
25 value of the corporation's real and tangible personal property used
26 directly in the production of oil or gas from a lease or property in
27 the state and the denominator of which is the value of all real and
28 tangible personal property of the consolidated business;

29 * Sec. 3. AS 43.21.040 is amended to read:

1 Sec. 43.21.040. DETERMINATION OF INCOME FROM ACTIVITIES OTHER
2 THAN OIL AND GAS PRODUCTION OR PIPELINE TRANSPORTATION. (a) Taxable
3 income of a corporation subject to this chapter from activities in
4 this state other than the production of oil or gas from a lease or
5 property in the state or the pipeline transportation of oil or gas in
6 the state shall be determined in accordance with the method estab-
7 lished in art. IV of AS 43.19.010 and in AS 43.20.071, as modified by
8 (b) -- (f) [(e)] of this section.

9 (b) The total taxable income of the consolidated business shall
10 be the net income determined and certified by an independent certified
11 public accountant for the purposes of a report to shareholders covering
12 its earnings and profits for the taxable year (calculated without
13 regard to any taxes on or measured by net income), less the earnings
14 and profits of the consolidated business gained directly from oil and
15 gas production and pipeline transportation [TAXABLE INCOME OF THE
16 CORPORATION AS DETERMINED UNDER SECS. 20 AND 30 OF THIS CHAPTER].

17 (c) The numerator and denominator of the property factor, of the
18 payroll factor and of the sales factor shall be calculated without
19 reference to that portion of property, payroll or sales directly
20 related to the production of oil or gas from a lease or property in
21 the state or the pipeline transportation of oil or gas in the state.

22 (d) Compensation earned by employees of the consolidated busi-
23 ness who are employed in the United States but not in any state shall
24 be included in the numerator of the payroll factor if the employees
25 are directly supplied from a base of operations maintained in this
26 state.

27 (e) The value of oil or gas production facilities or other
28 properties of the consolidated business which are located in the
29 United States but not in any state shall be included in the numerator

1 of the property factor if the property is serviced or supplied from a
2 base of operations maintained in the state or if that property relies
3 on onshore facilities in this state for storage of the oil or gas
4 produced.

5 (f) The value attributed to vessels transporting Alaskan oil or
6 gas of the consolidated business which are not owned or effectively
7 owned by the consolidated business shall be excluded from the property
8 factor.

9 * Sec. 4. AS 43.21.120(2) is amended to read:

10 (2) "consolidated business" means a corporation or group of
11 corporations having more than [AT LEAST] 50 percent common ownership,
12 direct or indirect, or a group of corporations in which there is
13 common control either direct or indirect as evidenced by any arrange-
14 ment, contract or agreement.

15 * Sec. 5. Sections 1, 3 and 4 of the Act apply to income earned and
16 deductions paid or incurred after December 31, 1977. Section 2 applies to
17 income earned and deductions paid or incurred after December 31, 1979.

18 * Sec. 6. This Act takes effect July 1, 1980.
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