

Introduced: 5/19/81
Referred: Special Gas Pipeline
Committee and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 200

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas taxes; and providing
7 for an effective date."

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

9 * Section 1. AS 43.20.011(e) is amended to read:

10 (e) There is imposed for each taxable year upon the entire tax-
11 able income of every corporation derived from sources within the state
12 a tax consisting of a normal tax equal to 5.4 percent of taxable in-
13 come, and a surtax which is equal to 4.0 percent of taxable income, ex-
14 cept that the tax on a corporation doing business in the state which
15 derives income from [ENGAGED IN] the production or pipeline transporta-
16 tion of crude oil or natural gas in the state shall be determined and
17 paid in accordance with AS 43.21. Income from sharing in the 70 per-
18 cent of a regional Native corporation's revenue that is required to be
19 divided under sec. 7(i) of the Alaska Native Claims Settlement Act
20 (P.L. 92-203) is taxable income of the recipient under this chapter.
21 For tax years beginning after December 31, 1979, the surtax exemption
22 is \$50,000. For controlled corporations described in secs. 1561 - 1563
23 of the Internal Revenue Code only one surtax exemption may be allowed
24 for the controlled group.

25 * Sec. 2. AS 43.21.010 is amended to read:

26 Sec. 43.21.010. APPLICATION. This chapter applies to every cor-
27 poration doing business in the state which derives income from the pro-
28 duction of oil or gas from a lease or property in the state [,] or from
29 the pipeline transportation of oil or gas in the state. The tax calcu-

1 lated under this chapter is measured by the total taxable income of the
2 corporation during the tax period as determined under [DEFINED IN]
3 AS 43.21.020 - 43.21.040 and is calculated [DETERMINED] at the rates
4 established under AS 43.20.011(e).

5 * Sec. 3. AS 43.21.020(c) is amended to read:

6 (c) Net income from oil and gas production shall be determined by
7 the department by deducting from gross income the following:

8 (1) royalties paid in kind or in value;

9 (2) taxes imposed under AS 43.55 and AS 43.57 which are ac-
10 tually paid or incurred by the corporation on the production from a
11 lease or property in the state;

12 (3) taxes imposed under AS 43.56 and AS 29.53 which are ac-
13 tually paid or incurred by the corporation on property used directly in
14 the production of oil or gas from a lease or property in the state, in-
15 cluding property used in production, gathering, treatment, or prepara-
16 tion of the oil or gas for pipeline transportation, but only if those
17 property tax payments were due and payable only after the date of com-
18 mercial production from the lease or property with which the property
19 was associated;

20 (4) the direct costs incurred by or for the corporation in
21 operating the lease or property, including the direct costs of produc-
22 ing, gathering, treating, or preparing the oil or gas for pipeline
23 transportation, but not of any payments received for those activities
24 and not including any indirect costs or overhead expense;

25 (5) depreciation (using the unit of production method or
26 such other reasonable methods as the department may by regulation es-
27 tablish) on property used directly in the production, gathering, treat-
28 ment, or preparation of the oil or gas for pipeline transportation in-
29 cluding amortization of capitalized interest for investments in this

1 property at a rate not to exceed the average cost of borrowed capital
2 to the taxpayer during the year in which it is capitalized;

3 (6) the amortization of lease acquisition payments and taxes
4 paid or incurred under AS 43.56 and AS 29.53 (including capitalized in-
5 terest on both) for or on producing properties before the commencement
6 of commercial production from the lease or property for which the prop-
7 erty is being used;

8 (7) interest expense of the corporation, not capitalized
9 during construction, that was paid or incurred in connection with prop-
10 erty in Alaska; however, unless (f) of this section applies, the inter-
11 est expense may [TO THE EXTENT THAT IT DOES] not exceed that portion of
12 the total interest paid by the consolidated business of which the cor-
13 poration is a part, determined by multiplying the total interest [(RE-
14 DUCED BY INTERCOMPANY TRANSACTIONS WITHIN THE CONSOLIDATED BUSINESS)]
15 by a fraction, the numerator of which is the value of the corpora-
16 tion's real and tangible personal property used directly in the produc-
17 tion of oil or gas from a lease or property in the state and the denom-
18 inator of which is the value of all real and tangible personal property
19 of the consolidated business; in this subsection, "total interest paid
20 by the consolidated business" does not include interest expense arising
21 from intercompany obligations within the consolidated business except
22 to the extent that the interest expense reflects a pass-through of in-
23 terest on a third-party borrowing by the parent or other member of the
24 consolidated business with the purpose, expressed at the time of the
25 third-party borrowing, of financing Alaska business activity of the
26 taxpayer corporation;

27 (8) expenses incurred by the corporation after December 31,
28 1977 of unsuccessful exploration of oil or gas in the state including
29 the acquisition costs of abandoned properties, dry hole costs, and the

1 costs of geologic and geophysical exploration related to those aban-
2 doned properties;

3 (9) general overhead or administrative expense incurred by
4 the corporation attributable to the production of oil or gas from a
5 lease or property in the state to the extent, except as provided in (f)
6 of this section, that it does not exceed [THE LESSER OF:

7 (A)] that portion of the total general overhead or ad-
8 ministrative expense incurred by the consolidated business of
9 which the corporation is a part, determined by multiplying the
10 total general overhead or administrative expense by a fraction,
11 the numerator of which is the value of the corporation's real and
12 tangible personal property used directly in the production of oil
13 or gas from a lease or property in the state and the denominator
14 of which is the value of all real and tangible personal property
15 of the consolidated business;

16 (10) the amount of income from the production of oil and gas
17 from a lease or property that is divided among the 12 regional corpora-
18 tions under sec. 7(i) of the Alaska Native Claims Settlement Act (P.L.
19 92-203);

20 (11) the amount by which the total tax paid or incurred by
21 the taxpayer under AS 43.58 for leases or properties in the state ex-
22 ceeds the amount of credit allowed to the taxpayer under AS 43.58.041;

23 (12) the tax imposed by sec. 4986 of the Internal Revenue
24 Code that is paid or incurred by the taxpayer for oil production from
25 leases or properties in the state [, OR

26 (B) THE SUM OF \$0.12 FOR EACH BARREL OF OIL AND \$0.02
27 FOR EACH THOUSAND CUBIC FEET OF GAS PRODUCED FROM A LEASE OR PROP-
28 ERTY IN THE STATE].

29 * Sec. 4. AS 43.21.020 is amended by adding a new subsection to read:

1 (f) If a corporation demonstrates to the satisfaction of the de-
2 partment that it paid or incurred actual expenses for interest or for
3 general overhead or administration attributable to the production of
4 oil or gas from a lease or property in the state in an amount greater
5 than the amount determined under (c)(7) or (c)(9) of this section, the
6 department may allow the corporation to deduct the greater amount.

7 * Sec. 5. AS 43.21.040(b) is repealed and reenacted to read:

8 (b) The total taxable income of the consolidated business is its
9 entire income less the portion of that entire income attributable to
10 worldwide production and pipeline transportation of oil and gas. In
11 this section, "entire income" is taxable income under Subtitle F and
12 chapter 1 of Subtitle A of the Internal Revenue Code of 1954, as
13 amended, except that those provisions adopted after December 31, 1975
14 which change or modify exemptions from tax are not adopted by reference
15 as a part of this section until the second January 1 following the ef-
16 fective date of the federal law. In computing taxable income under
17 this section, the taxpayer is not entitled to deduct any taxes based on
18 or measured by net income.

19 * Sec. 6. AS 43.21.050 is amended by adding a new subsection to read:

20 (d) If the methods of allocation and apportionment provided in
21 this chapter do not fairly represent the extent of a corporation's
22 business activity in the state, the corporation may petition for or the
23 department may require, in respect to all or any part of the corpora-
24 tion's business activity, if reasonable, the employment of any method
25 authorized under art. IV, sec. 18, of the multistate tax compact
26 (AS 43.19.010) to effectuate an equitable allocation and apportionment
27 of the corporation's income. The commissioner shall include in his
28 annual report required in AS 43.21.110 a report on all relief granted
29 under this subsection, including for each case a statement of the

1 changes in tax liability resulting from the granting of relief, the tax
2 years involved and a description of the method of determining taxable
3 income that was substituted for those provided in this chapter.

4 * Sec. 7. AS 43.21.070 is amended to read:

5 Sec. 43.21.070. PAYMENT OF TAX. The tax levied under this chap-
6 ter is payable to the department on or before September 30 of each year
7 or in installments, including prepayments of estimated tax, at the
8 times and under the conditions the department may by regulation re-
9 quire. This tax is payable on the due date set out in this section
10 even though the assessment is under appeal or the validity, enforce-
11 ability or application of this chapter or any provision of this chapter
12 is challenged before the department or in the courts.

13 * Sec. 8. AS 43.58 is amended by adding new sections to read:

14 Sec. 43.58.011. FINDINGS AND PURPOSES. (a) The legislature
15 finds:

16 (1) that since Statehood, the level of public services and
17 public facilities provided by the state government to its citizens has
18 been much below the level provided by other states to their citizens,
19 and that this inadequacy has been the result of insufficient state rev-
20 enues;

21 (2) that there exists in Alaska today a level of public ser-
22 vices and public facilities far below that which Alaskans are reason-
23 ably entitled to expect, and that these unmet needs include inadequate
24 public transportation facilities, inadequate public health care facil-
25 ities and programs, inadequate communications facilities, inadequate
26 public education facilities, inadequate levels of police protection,
27 overburdened justice facilities, and inadequate energy facilities, and
28 an economy overly dependent on nonrenewable resource development;

29 (3) that with the increased revenues that have resulted from

1 increased development of oil resources in Alaska, this legislature,
2 acting on behalf of all the people of Alaska, has embarked upon a leg-
3 islative program intended to begin fulfilling some of the unmet public
4 needs described in (2) of this subsection, and that it will take many
5 years of expenditures at current or increased levels to meet these
6 needs;

7 (4) that a part of this program includes preparing for the
8 time when the revenues derived from Alaska's nonrenewable resources
9 begin to decline and that such preparation includes funding of the Per-
10 manent Fund, encouraging development of renewable resources and encour-
11 aging economic diversification efforts;

12 (5) that there is presently pending in the courts litigation
13 brought by certain taxpayers challenging the constitutionality of the
14 Oil and Gas Corporate Income Tax (AS 43.21), and that if the taxpayers
15 in that litigation are successful, the future revenues available to
16 meet the important public needs described in (2) of this subsection
17 will be significantly diminished;

18 (6) that it is in the public interest to provide an alterna-
19 tive means of generating revenues sufficient to meet the state's pres-
20 ent and future needs in the event that the constitutional challenge to
21 AS 43.21 is successful;

22 (7) that imposing additional or alternative state taxes upon
23 small businesses and newly-developing industries in Alaska would have a
24 significantly adverse impact upon those businesses and would be coun-
25 terproductive to efforts to encourage economic diversification;

26 (8) that the level of taxation currently imposed by the
27 state on the oil industry does not impose an undue burden on that in-
28 dustry and has not discouraged exploration and development of oil re-
29 sources in Alaska;

1 (9) that development of natural gas resources in Alaska has
2 lagged behind oil development in the state and that additional or al-
3 ternative taxes on the natural gas industry may discourage future na-
4 tural gas development;

5 (10) that the imposition of a property tax on oil reserves
6 with a credit for income taxes paid will best provide sufficient alter-
7 native revenues without discouraging economic diversification and with-
8 out discouraging present or future exploration and development of oil
9 resources;

10 (11) that it appears that the Congress of the United States
11 has affirmatively granted the authority to tax developed and leased
12 property received under the Alaska Native Claims Settlement Act only to
13 local governments, for a 20-year period, and that a state tax on devel-
14 oped or leased property received under the Alaska Native Claims Settle-
15 ment Act would be in conflict with the intent and purpose of that Act.

16 (b) The purposes of this Act are

17 (1) to enact a tax which will generate sufficient revenues
18 (A) to meet any judgment that might be rendered against the state in
19 the litigation concerning the Oil and Gas Corporate Income Tax and (B)
20 to provide revenue comparable to the present and projected future reve-
21 nues derived from AS 43.21 in the event that tax is found to be uncon-
22 stitutional;

23 (2) to avoid imposing cumulative tax liability on taxpayers
24 subject to the Oil and Gas Corporate Income Tax (AS 43.21), by granting
25 a credit of taxes paid under AS 43.21 for those persons subject to the
26 oil reserves property tax;

27 (3) to avoid discouraging future exploration and development
28 of oil resources by imposing the tax only on property having commercial
29 production;

1 (4) to avoid discouraging the development of economic diver-
2 sification and the development of natural gas production in the state;

3 (5) to avoid creating a conflict with federal law by exempt-
4 ing from this tax property received under the Alaska Native Claims Set-
5 tlement Act.

6 Sec. 43.58.021. AD VALOREM TAX. (a) Beginning July 1, 1981, an
7 annual tax is levied each tax year on the full and true value of tax-
8 able property under this chapter.

9 (b) The rate of levy is 25 mills, unless a different rate is en-
10 acted for a tax year no later than the last day of February in that tax
11 year.

12 Sec. 43.58.031. EXEMPTIONS. The following property that would
13 otherwise be taxable property is exempt from taxation under this chap-
14 ter:

15 (1) an interest of the United States or the state;

16 (2) property exempt from state taxation under the laws of
17 the United States including the exemption of property, whether devel-
18 oped or leased to third-parties, under sec. 21(d) of the Alaska Native
19 Claims Settlement Act (P.L. 92-203, 85 Stat. 688, 43 USC 1601, et.
20 seq.), except that leaseholds and similar interests held in the exempt
21 property by third-parties shall be taxable to the extent of those in-
22 terests;

23 (3) that portion of the full and true value of taxable prop-
24 erty attributable to gas reserves.

25 Sec. 43.58.041. CREDITS. (a) The amount of tax under AS 43.21
26 paid during a tax year (as defined in AS 43.58.151(9)) by a taxpayer or
27 the taxpayer's consolidated business for tax periods under AS 43.21 be-
28 ginning after December 31, 1980, is allowed as a credit against the tax
29 levied under this chapter in the tax year for the taxpayer's taxable

1 property. The credit may not exceed the total amount of tax due for
2 the tax year under this chapter for all of the taxpayer's taxable prop-
3 erties.

4 (b) In addition to the credit allowed under (a) of this section,
5 the amount of tax paid under AS 43.21 by a taxpayer or the taxpayer's
6 consolidated business before July 1, 1981, is allowed as a credit
7 against the tax levied under this chapter for the taxpayer's taxable
8 properties.

9 (c) In applying the credits under (a) and (b) of this section,
10 the credit allowed under (a) of this section shall be applied before
11 applying any credit under (b) of this section. Credit under (b) of
12 this section shall be applied only to the extent that the combined
13 amount of applied credit under (a) and (b) of this section does not ex-
14 ceed three-quarters of the total amount of tax levied under this chap-
15 ter for all of the taxpayer's taxable properties. If the amount of the
16 credit under (b) of this section exceeds the amount that may be applied
17 for a tax year against the tax levied under this chapter, then the ex-
18 cess credit under (b) of this section may be carried forward and ap-
19 plied in subsequent tax years until it has been exhausted.

20 (d) For purposes of determining and applying credits under this
21 section, tax paid by a taxpayer under AS 43.20 shall be treated the
22 same as if it had been paid under AS 43.21, but only if the taxpayer
23 would have been subject to AS 43.21 had the taxpayer been a corporation.

24 (e) If the income tax liability of a taxpayer or the taxpayer's
25 consolidated business under AS 43.20 or AS 43.21 for a tax period is
26 redetermined and adjusted after the credit for that tax period has been
27 applied under this section, or if the income tax liability of the tax-
28 payer or the taxpayer's consolidated business is redetermined under
29 AS 43.20 and adjusted after the credit for that tax period has been ap-

1 plied under this section, then the taxpayer's tax liability under this
2 chapter for the tax year in which the credit was applied shall be rede-
3 termined, taking into account the adjustment to the taxpayer's income
4 tax liability.

5 Sec. 43.58.051. ASSESSMENT. (a) The department shall assess
6 taxable property under this chapter to the owner of it at its full and
7 true value as of July 1 of each tax year.

8 (b) The full and true value of taxable property under this chap-
9 ter is the estimated price which the property would bring for its prov-
10 en reserves in an open market and under the then prevailing market con-
11 ditions in a sale between a willing seller and a willing buyer both
12 conversant with the property and with prevailing values. In determin-
13 ing this value, the department shall consider all factors which may be
14 known by the department to affect the value of taxable property, in-
15 cluding but not limited to the discounted present value of the expected
16 future net income from the proven reserves of the taxable property.

17 (c) In assessing taxable property under this chapter, the depart-
18 ment may not include the assessed value of property subject to tax un-
19 der AS 43.56.

20 (d) In discounting the expected future net income from the tax-
21 able property to its present value under (b) of this section, the de-
22 partment shall presume that the appropriate discount rate is 10 per-
23 centage points above the rate of inflation in the implicit GNP deflator
24 over the five calendar years immediately preceding the assessment date.
25 A taxpayer may rebut this presumption only by proving to the department
26 by clear and convincing evidence that the use of the presumed discount
27 rate in the valuation of the property would result in constructive
28 fraud. In this subsection, "implicit GNP deflator" means the deflator
29 for the gross national product published by the United States Depart-

1 ment of Commerce.

2 Sec. 43.58.061. ASSESSMENT ROLL. The department shall prepare
3 annually the assessment roll for taxation under this chapter. The roll
4 shall contain:

- 5 (1) a description of all taxable property;
6 (2) the assessed value of all taxable property; and
7 (3) the names and addresses of persons owning or otherwise
8 holding an interest in taxable property.

9 Sec. 43.58.071. ASSESSMENT NOTICE. On or before October 15 of
10 each tax year, the department shall send to every owner of taxable
11 property named in the assessment roll a notice of assessment showing
12 the assessed value of the property. The notice of assessment is effec-
13 tive on the date of its mailing.

14 Sec. 43.58.081. APPEAL. (a) A person aggrieved by the action of
15 the department in making an assessment may appeal that action and ob-
16 tain a formal hearing upon its validity before the department by filing
17 written objections to the assessment not later than 20 days after the
18 effective date of the assessment notice.

19 (b) The procedures for conduct of the formal hearing shall be in
20 accordance with AS 43.05.240. At the hearing the appellant bears the
21 burden of proof. In the absence of this proof the assessment is to be
22 upheld by the department. If the department, after hearing, determines
23 that a correction of the assessment is warranted, the department shall
24 correct the assessment and the assessment roll.

25 (c) Within 30 days after the decision by the department following
26 the hearing, a person aggrieved by that decision may appeal to the su-
27 perior court.

28 Sec. 43.58.091. CERTIFICATION. On or before February 1 of the
29 tax year, the department shall certify the final assessment roll. The

1 department shall mail to the owner, operator, or other person filing a
2 return and paying tax on the taxable property a statement of the amount
3 of tax due no later than March 15 of the tax year.

4 Sec. 43.58.101. SUPPLEMENTAL ASSESSMENT ROLLS. The department
5 shall include property omitted from the assessment roll on a supple-
6 mental roll, using the procedures set out in this chapter for the
7 original roll.

8 Sec. 43.58.111. INVESTIGATION. (a) The department may make an
9 investigation of property on which a return has been filed or on prop-
10 erty for which no return has been filed. In either case, the depart-
11 ment shall make its own valuation of the taxable property, which is
12 prima facie evidence of full and true value.

13 (b) An employee or agent of the department may enter any premises
14 necessary for the investigation during reasonable hours and may examine
15 property and other appropriate records. The owner of taxable property,
16 upon request, shall furnish to the employee or agent of the department
17 reasonable assistance required for the investigation. If an employee
18 or agent of the department seeking to enter any premises necessary for
19 an investigation under this section or to obtain reasonable assistance
20 required for an investigation under this section is refused such entry
21 or assistance, the superior court may, after reasonable notice to and
22 hearing of the owner, order the owner to allow the entry or to furnish
23 the assistance.

24 (c) For the purpose of the investigation, the owner, operator, or
25 other person filing a return and paying the tax on the taxable property
26 or his representative may be required to present himself for examina-
27 tion under oath by the department.

28 Sec. 43.58.121. LIMITATIONS ON ASSESSMENT, COLLECTION, AND REFUND
29 OF TAXES. The limitations on assessment, collection, and refund of

1 taxes under AS 43.05.260, 43.05.270, and 43.05.275 apply to the tax
2 levied under this chapter except that a redetermination of tax under
3 AS 43.58.041(d) is not subject to these limitations.

4 Sec. 43.58.131. RETURNS AND PAYMENT OF TAX. (a) A return of
5 taxable property shall be submitted no later than August 1 on the form
6 prescribed by the department based on property values existing on July
7 1 of each tax year

8 (1) by a person who is the owner of the property, or who
9 controls that property as agent, or on account of any other person;

10 (2) by a guardian or other person who has charge of taxable
11 property belonging to a minor or other person;

12 (3) by the trustee of a trust estate holding taxable proper-
13 ty in trust for the benefit of another person;

14 (4) by the executor or administrator of a deceased person's
15 estate which includes taxable property;

16 (5) by the receiver of a corporation having taxable property.

17 (b) The person required to submit the return specified under (a)
18 of this section is primarily liable for payment of the tax levied by
19 this chapter. The persons or estates specified in (a)(2) - (5) of this
20 section in whose behalf the tax levied by this chapter is to be paid
21 are secondarily liable for payment of the tax. With the written
22 approval of the department, an operator or nonoperator of the lease or
23 property may submit returns or make payment of the tax levied under
24 this chapter on behalf of himself and such other persons as the depart-
25 ment may approve.

26 (c) The tax levied under this chapter is payable to the depart-
27 ment on or before June 30 of each tax year or in installments, includ-
28 ing prepayments, at the times and under the conditions the department
29 may by regulation require. This tax is payable on the due date set out

1 in this subsection or at the times required by the department under its
2 regulations even though the assessment is under appeal or the validity,
3 enforceability, or application of this chapter or any provision of this
4 chapter is challenged before the department or in the courts.

5 (d) With the prior written approval of the department, a person
6 submitting returns or making payments as required under this chapter
7 for more than one taxable property may regard those properties as a
8 single taxable property for purposes of submitting those reports or
9 making those payments.

10 (e) Any person making payment of the tax levied under this chap-
11 ter on behalf of one or more other persons owning or otherwise holding
12 an interest in a taxable property may withhold a proportionate share of
13 the payment from any proceeds or other benefits from the taxable prop-
14 erty owed to any person on whose behalf the payment is made. Unless
15 otherwise specifically provided by written contract or agreement, the
16 person so withholding a proportionate share of the tax levied under
17 this chapter incurs no liability to those from whom it is withheld by
18 virtue of having made the withholding.

19 (f) By written notice the department may require a person filing
20 a return to submit additional information to the department within 30
21 days.

22 Sec. 43.58.141. REGULATIONS. The department may adopt regula-
23 tions in accordance with the Administrative Procedure Act (AS 44.62) as
24 appropriate to administer and enforce this chapter.

25 Sec. 43.58.151. DEFINITIONS. In this chapter:

26 (1) "commercial production" means the production of oil or
27 gas for purposes of sale or other beneficial use, except when the sale
28 or beneficial use is incidental to the testing of an unproven well or
29 unproved completion interval;

1 (2) "department" means the Department of Revenue;

2 (3) "gas" means all hydrocarbon substances not defined as
3 oil in this chapter;

4 (4) "oil" means crude petroleum and other hydrocarbons re-
5 gardless of gravity which, when recovered, are recovered at the well-
6 head in liquid form, and the liquid hydrocarbons known as distillate or
7 condensate that are recovered by separation from gas other than at a
8 gas processing plant;

9 (5) "operator" means the person conducting the exploration,
10 development, or production operation for a property;

11 (6) "property" means any right, title, or interest in or the
12 right to produce or recover oil or gas including:

13 (A) a mineral interest;

14 (B) a leasehold interest;

15 (C) a working interest, royalty interest, overriding
16 royalty interest, production payment, net profit interest, or any
17 other interest in a lease, concession, joint venture, or other
18 agreement for oil and gas exploration, development, or production;

19 (D) a working interest, royalty interest, overriding
20 royalty interest, production payment, net profit interest, or any
21 other interest in an agreement for unitization or pooling under
22 the provision of sec. 614(b)(3) of the Internal Revenue Code of
23 1954 as defined on the effective date of this paragraph;

24 (7) "proven reserves" means the volumes of oil and gas in a
25 known deposit which geological and engineering information indicate to
26 be recoverable in the future under prevailing economic conditions and
27 technology;

28 (8) "tax year" means a calendar period beginning on July 1
29 of one calendar year and ending on June 30 of the following calendar

1 year;

2 (9) "taxable property" means a property having commercial
3 production.

4 * Sec. 9. AS 43.58.041 has been included in sec. 8 of this Act so that
5 persons subject to the tax under AS 43.21 will not bear the cumulative bur-
6 den of both the tax under AS 43.21 and AS 43.58. It is the intent of the
7 legislature that the inclusion of this section granting tax credits does not
8 in any manner change the intent, validity, or enforceability of the basic ad
9 valorem tax imposed by this Act. If the inclusion of AS 43.58.041, or any
10 portion of it, results in a judicial decision that the ad valorem tax im-
11 posed by this Act is invalid, then AS 43.58.041, or that portion of it that
12 causes the invalidity, is void and of no effect, and AS 43.58, enacted in
13 sec. 8 of this Act, shall be read as if that section or that portion of it
14 had never been included.

15 * Sec. 10. If an exemption under AS 43.58.031(1), (2), or (3) is held
16 invalid by a final judgment of a court from which an appeal is not taken,
17 then that exemption is void, and AS 43.58, enacted in sec. 8 of this Act,
18 shall be read as if that exemption had never been included.

19 * Sec. 11. If the method of determining taxable income under either
20 AS 43.21.020 or 43.21.030 is held invalid by a final judgment of a court
21 from which an appeal is not taken, and if as a result of that judgment a
22 corporation, whether or not a party named in that judgment, receives a re-
23 fund of taxes or estimated taxes paid under AS 43.21, then the provisions of
24 AS 43.20 apply to that corporation for the entire period for which it re-
25 ceives the refund.

26 * Sec. 12. (a) Notwithstanding the provisions of AS 43.58.021(b), en-
27 acted in sec. 8 of this Act, the rate of levy under AS 43.58 for the tax
28 year beginning July 1, 1981, is 30 mills.

29 (b) Notwithstanding the provisions of AS 43.58.041(c), enacted in sec.

1 8 of this Act, for the tax year beginning July 1, 1981, credit under AS 43.-
2 58.041(b) shall be applied only to the extent that the combined amount of
3 applied credit under AS 43.58.041(a) and (b) does not exceed two-thirds of
4 the total amount of tax levied under AS 43.58 for all of the taxpayer's tax-
5 able properties.

6 * Sec. 13. AS 43.21.040(d) and (e) are repealed.

7 * Sec. 14. AS 43.55.011(d), 43.55.012(a), 43.55.018, 43.58.010, 43.58.-
8 020, 43.58.030, 43.58.040, 43.58.050, 43.58.060, 43.58.070, 43.58.080, 43.-
9 58.090, 43.58.100, 43.58.110, 43.58.150, 43.58.160, 43.58.170, 43.58.180,
10 43.58.190, and 43.58.200 are repealed.

11 * Sec. 15. Sections 1 - 7, 11, and 13 of this Act are retroactive to
12 January 1, 1978, and apply to tax years beginning after December 31, 1977.

13 * Sec. 16. Sections 8, 12, and 14 of this Act take effect July 1, 1981.

14 * Sec. 17. Sections 9, 10, and 15 of this Act take effect immediately in
15 accordance with AS 01.10.070(c).
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