

Original sponsor(s): REP. COTTEN, Navarre, Davidson, Gruenberg, Boyer,  
Sharp

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
2 SENATE CS FOR CS FOR HOUSE BILL NO. 541 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to certain agreements, compromises,  
7 and settlements entered into by the Departments of  
8 Natural Resources and Revenue; to legislative audit  
9 of those departments and the release of a report of  
10 the audits, that may include or refer to confidential  
11 information, to the legislature and public; and to  
12 collection and payments of royalties from state  
13 resources, the interest rate on unpaid taxes and  
14 royalties from state resources, and the interest rate  
15 on overpaid taxes."

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

17 \* Section 1. AS 24.20.271 is amended to read:

18 Sec. 24.20.271. POWERS AND DUTIES. The legislative audit divi-  
19 sion shall

20 (1) conduct a performance post-audit of boards and com-  
21 missions designated in AS 44.66.010 and of those programs and activ-  
22 ities of agencies subject to termination as determined in the manner  
23 set out in AS 44.66.020 and 44.66.030, and submit the audit, together  
24 with a written report, not later than the first day of the regular  
25 session of the legislature convening in each year set out with refer-  
26 ence to boards, commissions, or agency programs whose activities are  
27 subject to termination as prescribed in AS 44.66;

28 (2) audit at least once every three years the books and  
29 accounts of all custodians of public funds and all disbursing officers

1 of the state;

2 (3) at the direction of the Legislative Budget and Audit  
3 Committee, conduct performance post-audits on any agency of state  
4 government;

5 (4) cooperate with state agencies by offering advice and  
6 assistance as requested in establishing or improving the accounting  
7 systems used by state agencies;

8 (5) require the assistance and cooperation of all state  
9 officials and other state employees in the inspection, examination,  
10 and audit of state agency books and accounts;

11 (6) have access at all times to the books, accounts, re-  
12 ports, or other records, whether confidential or not, of every state  
13 agency;

14 (7) ascertain, as necessary for audit verification, the  
15 amount of agency funds on deposit in any bank as shown on the books of  
16 the bank; a [NO] bank may not be held liable for making information  
17 required under this paragraph available to the legislative audit  
18 division;

19 (8) complete studies and prepare reports, memoranda, or  
20 other materials as directed by the Legislative Budget and Audit Com-  
21 mittee;

22 (9) have direct access to any information related to the  
23 management of the University of Alaska and have the same right of  
24 access as exists with respect to every other state agency;

25 (10) periodically

26 (A) conduct a performance audit of the tax functions  
27 of the Department of Revenue; and

28 (B) submit the audit to the legislature not later than  
29 the first day of the next regular legislative session;

1                   (11) annually

2                   (A) conduct an audit of the resolution of disputed  
3                   royalties by the Department of Natural Resources and the resolu-  
4                   tion of disputed taxes by the Department of Revenue under AS 43.-  
5                   05.060 and 43.05.070; and

6                   (B) prepare a report summarizing the results of the  
7                   audit and submit the audit and the report to the legislature not  
8                   later than the first day of the next regular legislative session;  
9                   the legislative auditor may disclose information made confiden-  
10                   tial by AS 43.05.230 to a committee of the legislature meeting in  
11                   executive session if the committee has adopted procedures to  
12                   protect the confidentiality of the information.

13 \* Sec. 2. AS 38.05.035 is amended by adding new subsections to read:

14                   (g) If the department enters into negotiations to compromise or  
15                   settle a dispute between the department and a person as to a royalty  
16                   or net profit payment involving a claim that totals, with applicable  
17                   interest, \$10,000,000 or more, the commissioner shall, not later than  
18                   14 days after commencement of negotiations, advise the governor that  
19                   negotiations have commenced, and shall provide notice to the governor  
20                   at least once during each subsequent 30-day period that the nego-  
21                   tiations continue.

22                   (h) If the department proposes to compromise or settle a dispute  
23                   between the department and a person as to a royalty or net profit  
24                   payment involving a claim that totals, with applicable interest,  
25                   \$10,000,000 or more, the commissioner may not enter into an agreement  
26                   to compromise or settle the dispute without first reviewing the pro-  
27                   posed compromise or settlement with the governor.

28                   (i) The commissioner may not enter into a settlement or compro-  
29                   mise of a dispute between the department and a person as to a royalty

1 or net profit payment if the settlement or compromise provides that  
2 information relevant to the settlement or compromise, or the terms of  
3 the settlement or compromise, are confidential beyond the confiden-  
4 tiality otherwise provided for by law.

5 (j) The commissioner shall maintain for review full documenta-  
6 tion of a settlement or compromise of a dispute between the department  
7 and a person as to a royalty or net profit payment.

8 \* Sec. 3. AS 38.05.145 is amended by adding a new subsection to read:

9 (c) Payment of the royalty to the state under the provisions of  
10 AS 38.05.145 - 38.05.181 becomes due on the date and in the manner  
11 specified in the lease or in a regulation adopted by the commissioner,  
12 and, if not paid when it becomes due, bears interest at the rate  
13 specified in the royalty agreement or as otherwise provided by law.

14 \* Sec. 4. AS 43.05.060 is amended by adding new subsections to read:

15 (b) If the department enters into negotiations to resolve a tax  
16 dispute between the department and a taxpayer involving a claim that  
17 totals, with applicable penalty and interest, \$10,000,000 or more, the  
18 commissioner shall, not later than 14 days after commencement of  
19 negotiations, advise the governor that negotiations have commenced,  
20 and shall provide notice to the governor at least once during each  
21 subsequent 30-day period that the negotiations continue.

22 (c) If the department proposes to enter into an agreement under  
23 (a) of this section to resolve a tax dispute between the department  
24 and a taxpayer involving a claim that totals, with applicable penalty  
25 and interest, \$10,000,000 or more, the commissioner may not enter into  
26 the agreement without first reviewing the proposed agreement with the  
27 governor.

28 (d) In making an agreement under (a) of this section, neither  
29 the department nor the attorney general may agree that information

1 relevant to the agreement, or the terms of the agreement, are confi-  
2 dential beyond the confidentiality otherwise provided for by law. The  
3 department must maintain for review full documentation of the agree-  
4 ment.

5 \* Sec. 5. AS 43.05.070 is amended by adding new subsections to read:

6 (c) If the department enters into negotiations to compromise or  
7 settle a tax dispute between the department and a taxpayer involving a  
8 claim that totals, with applicable penalty and interest, \$10,000,000  
9 or more, the commissioner shall, not later than 14 days after com-  
10 mencement of negotiations, advise the governor that negotiations have  
11 commenced, and shall provide notice to the governor at least once  
12 during each subsequent 30-day period that the negotiations continue.

13 (d) If the department proposes to compromise or settle a tax  
14 dispute between the department and a taxpayer involving a claim that  
15 totals, with applicable penalty and interest, \$10,000,000 or more, the  
16 commissioner may not enter into the agreement without first reviewing  
17 the proposed compromise or settlement agreement with the governor.

18 (e) In compromising a tax or penalty under this section, neither  
19 the department nor the attorney general may agree that information  
20 relevant to the compromise, or the terms of the compromise, are confi-  
21 dential beyond the confidentiality otherwise provided for by law. The  
22 department must maintain for review full documentation of the compro-  
23 mise.

24 \* Sec. 6. AS 43.05.225 is amended to read:

25 Sec. 43.05.225. INTEREST ON TAXES. Unless otherwise provided,  
26 when a tax levied in this title is not paid on or before the date  
27 prescribed for its payment, [BECOMES DELINQUENT] it bears interest at  
28 the rate of 12 percent a year.

29 \* Sec. 7. AS 43.05.280(a) is amended to read:

1           (a) Simple interest [INTEREST] shall be allowed and paid on any  
2 overpayment of a tax under this title at the rate prescribed in  
3 AS 43.05.225.  
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