

SB

305

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Chenoweth
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HOUSE CS FOR CS FOR SENATE BILL NO. 305(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing the oil production tax and the gas production tax and providing for a
2 production tax on oil and gas; relating to the calculation of the gross value at the point
3 of production of oil and gas and to the determination of the value of oil and gas for
4 purposes of the production tax on oil and gas; providing for tax credits against the
5 production tax on oil and gas; relating to the relationship of the production tax on oil
6 and gas to other taxes, to the dates those tax payments and surcharges are due, to
7 interest on overpayments of the tax, and to the treatment of the tax in a producer's
8 settlement with the royalty owners; relating to flared gas, and to oil and gas used in the
9 operation of a lease or property under the production tax; relating to the prevailing
10 value of oil and gas under the production tax; relating to surcharges on oil; relating to
11 statements or other information required to be filed with or furnished to the
12 Department of Revenue, to the penalty for failure to file certain reports for the tax, to

1 the powers of the Department of Revenue, and to the disclosure of certain information
2 required to be furnished to the Department of Revenue as applicable to the
3 administration of the tax; relating to criminal penalties for violating conditions
4 governing access to and use of confidential information relating to the tax, and to the
5 deposit of tax money collected by the Department of Revenue; amending the definitions
6 of 'gas,' 'oil,' and certain other terms for purposes of the production tax, and as the
7 definition of the term 'gas' applies in the Alaska Stranded Gas Development Act, and
8 adding further definitions; making conforming amendments; and providing for an
9 effective date."

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

11 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
12 to read:

13 LEGISLATIVE INTENT. (a) It is the intent of the legislature through sec. 11 of this
14 Act to confirm by clarification the long-standing interpretation of AS 43.55.020(f) by the
15 Department of Revenue.

16 (b) It is the intent of the legislature that the division or other unit of the Department of
17 Environmental Conservation assigned responsibility for administration of the programs under
18 AS 46.08 that are principally supported by the conservation surcharges on oil levied under
19 AS 43.55.201 - 43.55.299 and 43.55.300 - 43.55.310

20 (1) reduce program costs, including personnel costs, as necessary to operate
21 within the revenue anticipated to be generated by those surcharges, in the amounts of those
22 surcharges as amended by secs. 27 and 29 of this Act; and

23 (2) request appropriations for exceptional program needs and expansions
24 beyond what can be provided from the estimated amounts collected from those surcharges
25 from alternative funding sources.

26 * Sec. 2. AS 43.05.230(f) is amended to read:

27 (f) A willful violation of the provisions of this section or of a condition
28 imposed under AS 43.55.040(1)(B) is punishable by a fine of not more than \$5,000,

1 or by imprisonment for not more than two years, or by both.

2 * Sec. 3. AS 43.20.031(c) is amended to read:

3 (c) In computing the tax under this chapter, the taxpayer is not entitled to
4 deduct any taxes based on or measured by net income. The taxpayer may deduct the
5 tax levied and paid under AS 43.55.

6 * Sec. 4. AS 43.20.072(b) is amended to read:

7 (b) A taxpayer's business income to be apportioned under this section to the
8 state shall be the federal taxable income of the taxpayer's consolidated business for the
9 tax period, except that

10 (1) taxes based on or measured by net income that are deducted in the
11 determination of the federal taxable income shall be added back; the tax levied and
12 paid under AS 43.55 may not be added back;

13 (2) intangible drilling and development costs that are deducted as
14 expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the
15 federal taxable income shall be capitalized and depreciated as if the option to treat
16 them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been
17 exercised;

18 (3) depletion deducted on the percentage depletion basis under 26
19 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income
20 shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612
21 (Internal Revenue Code); and

22 (4) depreciation shall be computed on the basis of 26 U.S.C. 167
23 (Internal Revenue Code) as that section read on June 30, 1981.

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

25 (e) There is levied on the producer of oil or gas a tax for all oil and gas
26 produced each month from each lease or property in the state, less any oil and gas the
27 ownership or right to which is exempt from taxation or constitutes a landowner's
28 royalty interest. Except as otherwise provided under (i) of this section, the tax is equal
29 to 20 percent of the production tax value of the taxable oil and gas as calculated under
30 AS 43.55.160.

31 (f) There is levied on the producer of oil or gas a tax for all oil and gas

1 produced each month from each lease or property in the state the ownership or right to
2 which constitutes a landowner's royalty interest, except for oil and gas the ownership
3 or right to which is exempt from taxation. The provisions of this subsection apply to a
4 landowner's royalty interest as follows:

5 (1) the rate of tax levied on oil is equal to five percent of the gross
6 value at the point of production of the oil;

7 (2) the rate of tax levied on gas is equal to 1.667 percent of the gross
8 value at the point of production of the gas;

9 (3) if the department determines that, for purposes of reducing the
10 producer's tax liability under (1) or (2) of this subsection, the producer has received or
11 will receive consideration from the royalty owner offsetting all or a part of the
12 producer's royalty obligation, other than a deduction under AS 43.55.020(d) of the
13 amount of a tax paid,

14 (A) notwithstanding (1) of this subsection, the tax is equal to

15 (i) for oil that is produced from a lease or property in
16 the Cook Inlet sedimentary basin, five percent of the gross value at the
17 point of production of the oil;

18 (ii) for oil, except oil described in (i) of this
19 subparagraph, 20 percent of the gross value at the point of production
20 of the oil; and

21 (B) notwithstanding (2) of this subsection, for gas the tax is
22 equal to 6.67 percent of the gross value at the point of production of the gas.

23 (g) In addition to the taxes levied under (e) and (f) of this section, during each
24 month for which the price index determined under (h) of this section is greater than
25 zero, there is levied on the producer of oil or gas a tax for all oil and gas produced
26 during that month from each lease or property in the state, less any oil and gas the
27 ownership or right to which is exempt from taxation or constitutes a landowner's
28 royalty interest. Except as otherwise provided under (i) of this section, the tax levied
29 under this subsection is equal to .25 percent of the production tax value of the taxable
30 oil and gas as calculated under AS 43.55.160, multiplied by the price index
31 determined under (h) of this section.

1 (h) For purposes of (g) of this section, the price index for a month is calculated
2 by subtracting 35 from the number that is equal to the quotient of the production tax
3 value of the taxable oil and gas produced during that month, as calculated under
4 AS 43.55.160, divided by the number of barrels of oil equivalent of that oil and gas.
5 For purposes of this subsection, a barrel of oil equivalent is a barrel of oil, in the case
6 of oil, or 6,000 cubic feet of gas, in the case of gas.

7 (i) If a producer produces gas during a month from a lease or property in the
8 Cook Inlet sedimentary basin, and if the imputed gas tax rate for that month under (j)
9 of this section exceeds \$.019 per Mcf, the producer's total tax for that month levied
10 under (e) and (g) of this section is reduced by the amount equal to the number of Mcf
11 produced by the producer from all leases or properties in the Cook Inlet sedimentary
12 basin and taxable under (e) and (g) of this section, multiplied by the difference
13 between that imputed gas rate and \$.019 per Mcf.

14 (j) For purposes of (i) of this section, a producer's imputed gas tax rate for a
15 month is equal to

$$1/6 \times TT/BOE$$

16 where

17
18 (1) TT = the producer's total tax for the month levied under (e) and (g)
19 of this section, calculated without regard to (i) of this section and net of any credits
20 that are available to be applied under this chapter; and

21 (2) BOE = the amount of oil and gas produced by the producer during
22 the month and taxable under (e) of this section, expressed as barrels of oil equivalent;
23 for purposes of this paragraph, a barrel of oil equivalent is

24 (A) one barrel of oil, in the case of oil;

25 (B) six Mcf of gas, in the case of gas.

26 (k) In (i) and (j) of this section, "Mcf" means 1,000 cubic feet.

27 * Sec. 6. AS 43.55.017(a) is amended to read:

28 (a) Except as provided in this chapter, the taxes imposed by this chapter are in
29 place of all taxes now imposed by the state or any of its municipalities, and neither the
30 state nor a municipality may impose a tax on [UPON]

31 (1) producing oil or gas leases;

1 (2) oil or gas produced or extracted in the state;

2 (3) the value of intangible drilling and development costs, as
3 described in 26 U.S.C. 263(c) (Internal Revenue Code), as amended through
4 January 1, 1974 [EXPLORATION EXPENSES].

5 * Sec. 7. AS 43.55.020(a) is repealed and reenacted to read:

6 (a) Ninety-five percent of the total tax levied under AS 43.55.011(e) - (g), net
7 of any credits applied under this chapter, is due on the last day of each calendar month
8 on oil and gas produced from each lease or property during the preceding month. The
9 remaining portion of the tax levied under AS 43.55.011(e) - (g), net of any credits
10 applied under this chapter, is due on March 31 of the year following the calendar year
11 during which the oil and gas were produced. An unpaid amount of tax that is not paid
12 when due in accordance with this subsection becomes delinquent. An overpayment of
13 tax with respect to a month may be applied against the tax due for any later month.
14 Notwithstanding any contrary provision of AS 43.05.280, interest on an overpayment
15 is allowed only from a date that is 90 days after the later of (1) the March 31 described
16 in this subsection, or (2) the date that the statement required under AS 43.55.030(a)
17 and (e) to be filed on or before that March 31 is filed. Interest is not allowed if the
18 overpayment was refunded within the 90-day period.

19 * Sec. 8. AS 43.55.020(b) is amended to read:

20 (b) The production tax on oil and [OR] gas shall be paid by or on behalf of the
21 producer.

22 * Sec. 9. AS 43.55.020(d) is amended to read:

23 (d) In making settlement with the royalty owner for oil and gas that is
24 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on
25 taxable royalty oil and [OR] gas, or may deduct taxable royalty oil or gas equivalent
26 in value at the time the tax becomes due to the amount of the tax paid. Unless
27 otherwise agreed between the producer and the royalty owner, the amount of the
28 tax paid under AS 43.55.011(e) and (g) on taxable royalty oil and gas for a month,
29 other than oil and gas the ownership or right to which constitutes a landowner's
30 royalty interest, is considered to be the gross value at the point of production of
31 the taxable royalty oil and gas produced during the month multiplied by a figure

1 that is a quotient, in which

2 (1) the numerator is the producer's total tax liability under
3 AS 43.55.011(e) and (g) for the month of production; and

4 (2) the denominator is the total gross value at the point of
5 production of the oil and gas taxable under AS 43.55.011(e) and (g) produced by
6 the producer from all leases and properties in the state during the month.

7 * Sec. 10. AS 43.55.020(c) is repealed and reenacted to read:

8 (c) Gas flared, released, or allowed to escape in excess of the amount
9 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
10 purpose of AS 43.55.011 - 43.55.180, as gas produced from a lease or property. Oil or
11 gas used in the operation of a lease or property in the state in drilling for or producing
12 oil or gas, or for repressuring, except to the extent determined by the Alaska Oil and
13 Gas Conservation Commission to be waste, is not considered, for the purpose of
14 AS 43.55.011 - 43.55.180, as oil or gas produced from a lease or property.

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

16 (f) If oil or gas is produced but not sold, or if oil or gas is produced and
17 sold under circumstances where the sale price does not represent the prevailing value
18 for oil or gas of like kind, character, or quality in the field or area from which the
19 product is produced, the department may require the tax to be paid upon the basis of
20 the value of oil or gas of the same kind, quality, and character prevailing for that field
21 or area during the calendar month of production or sale [FOR THAT FIELD OR
22 AREA].

23 * Sec. 12. AS 43.55 is amended by adding a new section to read:

24 **Sec. 43.55.024. Tax credits for certain losses and expenditures.** (a) A
25 producer or explorer may take a tax credit for a qualified capital expenditure as
26 follows:

27 (1) notwithstanding that a qualified capital expenditure may be a
28 deductible lease expenditure for purposes of calculating the production tax value of oil
29 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
30 AS 38.05.180(i), AS 41.09.010, AS 43.26.043, or AS 43.55.025.

31 (A) a producer or explorer that incurs a qualified capital

1 expenditure may also elect to take a tax credit against a tax due under
2 AS 43.55.011(e) in the amount of 20 percent of that expenditure;

3 (B) for a calendar year for which the producer makes an
4 election under AS 43.55.160(f), instead of taking a tax credit at a rate
5 authorized by (A) of this paragraph as to each separate qualified capital
6 expenditure after it has been incurred, a producer that incurs a qualified capital
7 expenditure during that year and that wishes to apply a credit based on that
8 expenditure against a tax due under AS 43.55.011(e) shall calculate and apply
9 every month an annualized tax credit in an amount equal to $1 \frac{2}{3}$ percent of the
10 total qualified capital expenditures incurred during that year and for which the
11 tax credit is taken for that year;

12 (2) a producer or explorer may take a credit for a qualified capital
13 expenditure incurred in connection with geological or geophysical exploration or in
14 connection with an exploration well only if the producer or explorer provides to the
15 department, as part of the statement required under AS 43.55.030(a) for the month for
16 which the credit is sought to be taken, the producer's or explorer's written agreement

17 (A) to notify the Department of Natural Resources, within 30
18 days after completion of the geological or geophysical data processing or
19 completion of the well, or within 30 days after the statement is filed, whichever
20 is the latest, of the date of completion and to submit a report to that department
21 describing the processing sequence and provide a list of data sets available;

22 (B) to provide to the Department of Natural Resources, within
23 30 days after the date of a request, specific data sets, ancillary data, and reports
24 identified in (A) of this paragraph;

25 (C) that, notwithstanding any provision of AS 38, the
26 Department of Natural Resources shall hold confidential the information
27 provided to that department under this paragraph for 10 years following the
28 completion date, after which the department shall publicly release the
29 information after 30 days' public notice.

30 (b) A producer or explorer may elect to take a tax credit in the amount of 20
31 percent of a carried-forward annual loss. A credit under this subsection may be applied

1 against a tax due under AS 43.55.011(e) and may be applied irrespective of whether
2 the producer or explorer also claims a credit for transitional investment expenditures
3 authorized by (i) of this section. For purposes of this subsection, a carried-forward
4 annual loss is the amount of a producer's or explorer's adjusted lease expenditures
5 under AS 43.55.160 for a previous calendar year that was not deductible in any month
6 under AS 43.55.160(a) and (b).

7 (c) A credit or portion of a credit under this section may not be used to reduce
8 a person's tax liability under AS 43.55.011(e) for any month below zero, and any
9 unused credit or portion of a credit not used under this subsection may be applied in a
10 later month.

11 (d) Except as limited by (i) of this section, a person entitled to take a tax credit
12 under this section that wishes to transfer the unused credit to another person may
13 apply to the department for a transferable tax credit certificate. An application under
14 this subsection must be on a form prescribed by the department and must include
15 supporting information and documentation that the department reasonably requires.
16 The department shall grant or deny an application, or grant an application as to a lesser
17 amount than that claimed and deny it as to the excess, not later than 60 days after the
18 latest of (1) March 31 of the year following the calendar year in which the qualified
19 capital expenditure or carried-forward annual loss for which the credit is claimed was
20 incurred; (2) if the applicant is required under AS 43.55.030(a) and (e) to file a
21 statement on or before March 31 of the year following the calendar year in which the
22 qualified capital expenditures or carried-forward annual loss for which the credit is
23 claimed was incurred, the date the statement was filed; or (3) the date the application
24 was received by the department. If, based on the information then available to it, the
25 department is reasonably satisfied that the applicant is entitled to a credit, the
26 department shall issue the applicant a transferable tax credit certificate for the amount
27 of the credit. A certificate issued under this subsection does not expire.

28 (e) A person to which a transferable tax credit certificate is issued under (d) of
29 this section may transfer the certificate to another person, and a transferee may further
30 transfer the certificate. Subject to the limitations set out in (a) - (c) of this section, and
31 notwithstanding any action the department may take with respect to the applicant

1 under (f) of this section, the owner of a certificate may apply the credit or a portion of
2 the credit shown on the certificate only against a tax due under AS 43.55.011(e).
3 However, a credit shown on a transferable tax credit certificate may not be applied to
4 reduce a transferee's total tax due under AS 43.55.011(e) on oil and gas produced
5 during a calendar year to less than 80 percent of the tax that would otherwise be due
6 without applying that credit. Any portion of a credit not used under this subsection
7 may be applied in a later period.

8 (f) The issuance of a transferable tax credit certificate under (d) of this section
9 does not limit the department's ability to later audit a tax credit claim to which the
10 certificate relates or to adjust or deny the claim if the department determines that the
11 applicant was not entitled to the amount of the credit for which the certificate was
12 issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 -
13 43.55.180 is increased by the amount of the credit that exceeds that to which the
14 applicant was entitled. That amount bears interest under AS 43.05.22: from the date
15 the transferable tax credit certificate was issued. For purposes of this subsection, an
16 applicant that is an explorer is considered a producer subject to the tax levied under
17 AS 43.55.011(e).

18 (g) The department may adopt regulations to carry out the purposes of this
19 section, including prescribing reporting, record keeping, and certification procedures
20 and requirements to verify the accuracy of credits claimed and to ensure that a credit is
21 not used more than once, and otherwise implementing this section.

22 (h) A person may not elect to take a tax credit under (a) or (i) of this section
23 for an expenditure incurred to acquire an asset (1) the cost of previously acquiring
24 which was a lease expenditure under AS 43.55.160(c) or would have been a lease
25 expenditure under AS 43.55.160(c) if it had been incurred on or after July 1, 2006; or
26 (2) that has previously been placed in service in the state. An expenditure to acquire an
27 asset is not excluded under this subsection if not more than an immaterial portion of
28 the asset meets a description under (1) or (2) of this subsection. For purposes of this
29 subsection, "asset" includes geological, geophysical, and well data and interpretations.

30 (i) For the purposes of this section,

31 (1) a producer's or explorer's transitional investment expenditures are

1 the sum of the expenditures the producer or explorer incurred on or after July 1, 2001,
2 and before July 1, 2006, that would be qualified capital expenditures if they were
3 incurred on or after July 1, 2006, less the sum of the payments or credits the producer
4 or explorer received before July 1, 2006, for the sale or other transfer of assets,
5 including geological, geophysical, or well data or interpretations, acquired by the
6 producer or explorer as a result of expenditures the producer or explorer incurred
7 before July 1, 2006, that would be qualified capital expenditures, if they were incurred
8 on or after July 1, 2006;

9 (2) a producer or explorer may elect to take a tax credit against a tax
10 due under AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's
11 transitional investment expenditures, but only to the extent that the amount does not
12 exceed

13 (A) one-half of the producer's or explorer's qualified capital
14 expenditures that are incurred during the month for which the credit is taken, if
15 the producer or explorer does not make an election under AS 43.55.160(f);

16 (B) 1/24 of the producer's or explorer's qualified capital
17 expenditures that are incurred during the calendar year that includes the month
18 for which the credit is taken, if the producer or explorer makes an election
19 under AS 43.55.160(f);

20 (3) a producer or explorer may not take a tax credit for a transitional
21 investment expenditure

22 (A) for any month that ends the later of

23 (i) July 31, 2013; or

24 (ii) the seventh anniversary of the last day of the month
25 for which the producer first applies a credit under this subsection
26 against a tax due under AS 43.55.011(e), if the producer did not have
27 commercial production of oil or gas from a lease or property in the state
28 before July 1, 2006;

29 (B) more than once; or

30 (C) if a credit for that expenditure was taken under
31 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025;

1 (4) notwithstanding (d) - (f) of this section, a producer or explorer may
2 not transfer a tax credit or obtain a transferable tax credit certificate for a transitional
3 investment expenditure.

4 (j) As a condition of receiving a tax credit under this section, a producer or
5 explorer that obtains the tax credit for or directly related to a pipeline, facility, or other
6 asset that

7 (1) is or becomes subject to regulation by the Federal Energy
8 Regulatory Commission or the Regulatory Commission of Alaska, or a successor
9 regulatory body shall at all time: support and in all rate proceedings file to flow
10 through 100 percent of the tax credits to ratepayers as a reduction in the costs of
11 service for the pipeline, facility, or other asset;

12 (2) is not regulated by the Federal Energy Regulatory Commission or
13 the Regulatory Commission of Alaska, or a successor regulatory body, and that
14 charges third parties for use of a pipeline, facility, or other asset shall flow through
15 100 percent of the tax credits as a reduction in the costs of service on which the
16 charges set by the producer or explorer for the pipeline, facility, or other asset are
17 based.

18 (k) In this section, "qualified capital expenditure" means, except as otherwise
19 provided in (h) of this section, an expenditure that is a lease expenditure under
20 AS 43.55.160 and is

21 (1) incurred for geological or geophysical exploration; or

22 (2) treated as a capitalized expenditure under 26 U.S.C. (Internal
23 Revenue Code), as amended, regardless of elections made under 26 U.S.C. 263(c)
24 (Internal Revenue Code), as amended, and is

25 (A) treated as a capitalized expenditure for federal income tax
26 reporting purposes by the person incurring the expenditure; or

27 (B) eligible to be deducted as an expense under 26 U.S.C.
28 263(c) (Internal Revenue Code), as amended.

29 * Sec. 13. AS 43.55.025(a) is amended to read:

30 (a) Subject to the terms and conditions of this section, [ON OIL AND GAS
31 PRODUCED ON OR AFTER JULY 1, 2004, FROM AN OIL AND GAS LEASE.

1 OR ON GAS PRODUCED FROM A GAS ONLY LEASE,] a credit against the
2 production tax due under AS 43.55.011(e) [THIS CHAPTER] is allowed for
3 exploration expenditures that qualify under (b) of this section in an amount equal to
4 one of the following:

5 (1) 20 percent of the total exploration expenditures that qualify only
6 under (b) and (c) of this section;

7 (2) 20 percent of the total exploration expenditures for work performed
8 before July 1, 2007, and that qualify only under (b) and (d) of this section;

9 (3) 40 percent of the total exploration expenditures that qualify under
10 (b), (c), and (d) of this section; or

11 (4) 40 percent of the total exploration expenditures that qualify only
12 under (b) and (e) of this section.

13 * Sec. 14. AS 43.55.025(b) is amended to read:

14 (b) To qualify for the production tax credit under (a) of this section, an
15 exploration expenditure must be incurred for work performed on or after July 1, 2003,
16 and before July 1, 2016 [2007], except that an exploration expenditure for a Cook Inlet
17 prospect must be incurred for work performed on or after July 1, 2005, [AND
18 BEFORE JULY 1, 2010, AND EXCEPT THAT AN EXPLORATION
19 EXPENDITURE, IN WHOLE OR IN PART, SOUTH OF 68 DEGREES, 15
20 MINUTES, NORTH LATITUDE, AND NOT PART OF A COOK INLET
21 PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR AFTER
22 JULY 1, 2003, AND BEFORE JULY 1, 2010,] and

23 (1) may be for seismic or geophysical exploration costs not connected
24 with a specific well;

25 (2) if for an exploration well,

26 (A) must be incurred by an explorer that holds an interest in the
27 exploration well for which the production tax credit is claimed;

28 (B) may be for either an oil or gas discovery well or a dry hole;

29 and

30 (C) must be for goods, services, or rentals of personal property
31 reasonably required for the surface preparation, drilling, casing, cementing,

1 and logging of an exploration well, and, in the case of a dry hole, for the
2 expenses required for abandonment if the well is abandoned within 18 months
3 after the date the well was spudded;

4 (3) may not be for testing, stimulation, or completion costs;
5 administration, supervision, engineering, or lease operating costs; geological or
6 management costs; community relations or environmental costs; bonuses, taxes, or
7 other payments to governments related to the well; or other costs that are generally
8 recognized as indirect costs or financing costs; and

9 (4) may not be incurred for an exploration well or seismic exploration
10 that is included in a plan of exploration or a plan of development for any unit on
11 May 13, 2003.

12 * Sec. 15. AS 43.55.025(f) is amended to read:

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

14 (1) an explorer shall, in a form prescribed by the department and
15 within six months of the completion of the exploration activity, claim the credit and
16 submit information sufficient to demonstrate to the department's satisfaction that the
17 claimed exploration expenditures qualify under this section;

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

19 (A) to notify the Department of Natural Resources, within 30
20 days after completion of seismic or geophysical data processing, completion of
21 a well, or filing of a claim for credit, whichever is the latest, for which
22 exploration costs are claimed, of the date of completion and submit a report to
23 that department describing the processing sequence and providing a list of data
24 sets available; if, under (c)(2)(B) of this section, an explorer submits a claim
25 for a credit for expenditures for an exploration well that is located within three
26 miles of a well already drilled for oil and gas, in addition to the submissions
27 required under (1) of this subsection, the explorer shall submit the information
28 necessary for the commissioner of natural resources to evaluate the validity of
29 the explorer's claim that the well is directed at a distinctly separate exploration
30 target, and the commissioner of natural resources shall, upon receipt of all
31 evidence sufficient for the commissioner to evaluate the explorer's claim, make

1 that determination within 60 days;

2 (B) to provide to the Department of Natural Resources, within
3 30 days after the date of a request, specific data sets, ancillary data, and reports
4 identified in (A) of this paragraph;

5 (C) that, notwithstanding any provision of AS 38, information
6 provided under this paragraph will be held confidential by the Department of
7 Natural Resources for 10 years following the completion date, at which time
8 that department will release the information after 30 days' public notice;

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

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

15 (5) if the department is satisfied that the explorer's claimed
16 expenditures are qualified under this section, the department shall issue to the explorer
17 a production tax credit certificate for the amount of credit to be allowed against
18 production taxes due under AS 43.55.011(e) [THIS CHAPTER]; however,
19 notwithstanding any other provision of this section, after the end of the calendar
20 year following the calendar year in which the total of production tax credit
21 certificates issued by the department under this section based on exploration
22 expenditures for Cook Inlet prospects reaches \$20,000,000, the department may
23 not issue to an explorer a production tax credit certificate [IF THE TOTAL OF
24 PRODUCTION TAX CREDITS SUBMITTED FOR COOK INLET
25 PRODUCTION,] based on an exploration expenditure for a Cook Inlet prospect
26 [EXPENDITURES FOR WORK PERFORMED DURING THE PERIOD
27 DESCRIBED IN (b) OF THIS SECTION FOR THAT PRODUCTION, THAT HAVE
28 BEEN APPROVED BY THE DEPARTMENT EXCEEDS \$20,000,000].

29 * Sec. 16. AS 43.55.025(h) is amended to read:

30 (h) A producer that purchases a production tax credit certificate may apply the
31 credits against its production tax liability under AS 43.55.011(e) [THIS CHAPTER].

1 Regardless of the price the producer paid for the certificate, the producer may receive
2 a credit against its production tax liability for the full amount of the credit, but for not
3 more than the amount for which the certificate is issued. A production tax credit
4 allowed under this section may not be applied more than once.

5 * Sec. 17. AS 43.55.025(i) is amended to read:

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

7 (1) the amount of the credit that may be applied against the production
8 tax for each tax month may not exceed the total production tax liability under
9 AS 43.55.011(e) of the taxpayer applying the credit for the same month; and

10 (2) an amount of the production tax credit that is greater than the total
11 tax liability under AS 43.55.011(e) of the taxpayer applying the credit for a tax month
12 may be carried forward and applied against the taxpayer's production tax liability
13 under AS 43.55.011(e) in one or more immediately following months.

14 * Sec. 18. AS 43.55.030(a) is amended to read:

15 (a) The tax shall be paid to the department, and the person paying the tax shall
16 file with the department at the time the tax or a portion of the tax is required to be
17 paid a statement, under oath, on forms prescribed by or acceptable to the department,
18 giving, with other information required, the following:

19 (1) a description of each [THE] lease or property from which the oil
20 and [OR] gas were [WAS] produced, by name, legal description, lease number, or
21 [BY] accounting codes [CODE NUMBERS] assigned by the department;

22 (2) the names of the producer and the person paying the tax;

23 (3) the gross amount of oil and the gross amount of [OR] gas
24 produced from each [THE] lease or property, and the percentage of the gross amount
25 of oil and gas owned by each producer for whom the tax is paid;

26 (4) the gross [TOTAL] value at the point of production of the oil
27 and of the [OR] gas produced from each [THE] lease or property owned by each
28 producer for whom the tax is paid; [AND]

29 (5) the name of the first purchaser and the price received for the oil
30 and for the [OR] gas, unless relieved from this requirement in whole or in part by
31 the department; and

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(6) the producer's lease expenditures and adjustments as calculated under AS 43.55.160 [IF SOLD IN THE STATE].

* Sec. 19. AS 43.55.030(d) is amended to read:

(d) Reports by or on behalf of the producer are delinquent the first day following the day the tax is due. [EACH PRODUCER IS SUBJECT TO A PENALTY OF \$25 A DAY FOR EACH LEASE OR PROPERTY UPON WHICH THE REPORT IS NOT FILED. THE PENALTY FOR FAILURE TO FILE A REPORT IS IN ADDITION TO THE PENALTY FOR DELINQUENT TAXES, AND IS A LIEN AGAINST THE ASSETS OF THE PRODUCER.]

* Sec. 20. AS 43.55.030 is amended by adding a new subsection to read:

(e) In addition to other required information, the statement required to be filed on or before March 31 of a year must show any adjustments or corrections to the statements that were required under (a) of this section to be filed for the months of the preceding calendar year during which the oil or gas was produced.

* Sec. 21. AS 43.55.040 is amended to read:

Sec. 43.55.040. Powers of Department of Revenue. Except as provided in AS 43.05.405 - 43.05.499, the department may

(1) require a person engaged in production and the agent or employee of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil or gas to furnish, whether by the filing of regular statements or reports or otherwise, additional information that is considered by the department as necessary to compute the amount of the tax; notwithstanding any contrary provision of law, the disclosure of additional information under this paragraph to the producer obligated to pay the tax does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information under this paragraph that is otherwise required to be held confidential under AS 40.25.100(a) or AS 43.05.230(a), the department shall

(A) provide the person that furnished the information a reasonable opportunity to be heard regarding the proposed disclosure and the conditions to be imposed under (B) of this paragraph; and

(B) impose appropriate conditions limiting

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(i) access to the information to those legal counsel, consultants, employees, officers, and agents of the producer who have a need to know that information for the purpose of determining or contesting the producer's tax obligation: and

(ii) the use of the information to use for that purpose;

(2) examine the books, records, and files of such a person;

(3) conduct hearings and compel the attendance of witnesses and the production of books, records, and papers of any person; and

(4) make an investigation or hold an inquiry that is considered necessary to a disclosure of the facts as to

(A) the amount of production from any oil or gas location, or of a company or other producer of oil or gas; and

(B) the rendition of the oil and gas for taxing purposes.

* Sec. 22. AS 43.55.080 is amended to read:

Sec. 43.55.080. Collection and deposit of revenue. Except as otherwise provided under art. IX, sec. 17, Constitution of the State of Alaska, the [THE] department shall deposit in the general fund the money collected by it under AS 43.55.011 - 43.55.180 [AS 43.55.011 - 43.55.150].

* Sec. 23. AS 43.55.135 is amended to read:

Sec. 43.55.135. Measurement. For the purposes of AS 43.55.011 - 43.55.180 [AS 43.55.011 - 43.55.150], oil is [SHALL BE] measured in terms of a "barrel of oil" and gas is [SHALL BE] measured in terms of a "cubic foot of gas."

* Sec. 24. AS 43.55.150(a) is amended to read:

(a) For the purposes of AS 43.55.011 - 43.55.180 [AS 43.55.011 - 43.55.150], the gross value at the point of production is [SHALL BE] calculated using the reasonable costs of transportation of the oil or gas. The reasonable costs of transportation are [SHALL BE] the actual costs, except when the

(1) [WHEN THE] parties to the transportation of oil or gas are affiliated;

(2) [WHEN THE] contract for the transportation of oil or gas is not an

1 arm's length transaction or is not representative of the market value of that
2 transportation; and

3 (3) [WHEN THE] method of transportation of oil or gas is not
4 reasonable in view of existing alternative methods of transportation.

5 * Sec. 25. AS 43.55.150 is amended by adding a new subsection to read:

6 (d) Under regulations adopted by the department, the department may allow a
7 producer, subject to limitations prescribed by the department as to the frequency of
8 making elections, to elect prospectively to calculate the gross value at the point of
9 production of oil or gas based in whole or part on

10 (1) a royalty value determined under a royalty settlement agreement
11 between the producer and the state, with adjustments if appropriate;

12 (2) a formula prescribed by the department that uses, with adjustments
13 if appropriate, a royalty value or valuation methodology accepted by the

14 (A) Department of Natural Resources under AS 38.05, in the
15 case of oil and gas produced from a lease issued by the Department of Natural
16 Resources or produced from a lease or property that is part of a unit approved
17 by the Department of Natural Resources;

18 (B) United States Department of the Interior under applicable
19 federal oil and gas leasing statutes, in the case of oil and gas produced from a
20 lease issued by the United States Department of the Interior that is not part of a
21 unit approved by the Department of Natural Resources, or produced from a
22 lease or property that is part of a unit approved by the United States
23 Department of the Interior but not approved by the Department of Natural
24 Resources; or

25 (3) another formula prescribed by the Department of Revenue that
26 reasonably estimates a value for the oil or gas at a specific geographical location, such
27 as the point of tender or delivery into a common carrier pipeline; the formula may use
28 factors such as published price indices for oil or gas in or outside the state, quality
29 differentials for oil or gas, transportation costs between markets, and inflation
30 adjustments.

31 * Sec. 26. AS 43.55 is amended by adding new sections to article 1 to read:

1 **Sec. 43.55.160. Determination of production tax value of oil and gas. (a)**

2 Except as provided in (f) of this section, for purposes of AS 43.55.011(e) and (g), the
3 production tax value of the taxable oil and gas produced during a month is (1) the total
4 of (A) the gross value at the point of production of the oil taxable under
5 AS 43.55.011(e) and (g) and produced by the producer from all leases or properties in
6 the state, less three-quarters of the gross value at the point of production of the oil
7 taxable under AS 43.55.011(e) and (g) and produced by the producer from leases or
8 properties in the Cook Inlet sedimentary basin, and (B) one-third of the gross value at
9 the point of production of the gas taxable under AS 43.55.011(e) and (g) and produced
10 by the producer from all leases or properties in the state, (2) less the producer's lease
11 expenditures for the month as adjusted under (e) of this section. However, the
12 production tax value calculated under this subsection may not be less than zero. If a
13 producer does not produce taxable oil or gas during a month, the producer is
14 considered to have generated a positive production tax value if the calculation
15 described in this subsection yields a positive number because the producer's adjusted
16 lease expenditures for a month are less than zero as a result of the producer's receiving
17 a payment or credit under (e) of this section or otherwise.

18 (b) For purposes of administration of (a) of this section,

19 (1) any adjusted lease expenditures that would otherwise be deductible
20 in a month but whose deduction would cause the production tax value calculated under
21 (a) of this section of the taxable oil and gas produced during the month to be less than
22 zero may be added to the producer's adjusted lease expenditures for one or more other
23 months in the same calendar year; the total of any adjusted lease expenditures that are
24 not deductible in any month during a calendar year because their deduction would
25 cause the production tax value calculated under (a) of this section of the taxable oil
26 and gas produced during one or more months to be less than zero may be used to
27 establish a carried-forward annual loss under AS 43.55.024(b);

28 (2) an explorer that has taken a tax credit under AS 43.55.024(b) or
29 that has obtained a transferable tax credit certificate under AS 43.55.024(d) for the
30 amount of a tax credit under AS 43.55.024(b) is considered a producer, subject to the
31 tax levied under 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
2 described in (e) of this section.

3 (c) For purposes of this section,

4 (1) a producer's lease expenditures for a period are the total costs
5 upstream of the point of production of oil and gas that are incurred on or after July 1,
6 2006, by the producer during the period and that are direct, ordinary, and necessary
7 costs of exploring for, developing, or producing oil or gas deposits located within the
8 producer's leases or properties in the state or, in the case of land in which the producer
9 does not own a working interest, direct, ordinary, and necessary costs of exploring for
10 oil or gas deposits located within other land in the state; however, lease expenditures
11 do not include the costs incurred to satisfy a work commitment under an exploration
12 license under AS 38.05.132; in determining whether costs are direct, ordinary, and
13 necessary costs of exploring for, developing, or producing oil or gas deposits located
14 within a lease or property or other land in the state.

15 (A) the department shall give substantial weight to the typical
16 industry practices and standards in the state and in the United States in
17 determining costs that an operator is allowed to bill a working interest owner
18 that is not the operator, under unit operating agreements or similar operating
19 agreements that were in effect on or before December 1, 2005, and were
20 subject to negotiation with at least one working interest owner with substantial
21 bargaining power, other than the operator; and

22 (B) as to matters that are not addressed by the industry
23 practices and standards described in (A) of this paragraph or as to which those
24 practices and standards are not clear or are not uniform, the department shall
25 give substantial weight to the standards adopted by the Department of Natural
26 Resources that determine the costs, other than interest, that a lessee is allowed
27 to deduct from revenue in calculating net profits under a lease issued under
28 AS 38.05.180(f)(3)(B), (D), or (E);

29 (2) the Department of Revenue may authorize a producer, including a
30 producer that is an operator, to treat as its lease expenditures under this section the
31 costs paid by the producer that are billed to the producer by an operator in accordance

1 with the terms of a unit operating agreement or similar operating agreement if the
2 Department of Revenue finds that

3 (A) the pertinent provisions of the operating agreement are
4 substantially consistent with the Department of Revenue's determinations and
5 standards otherwise applicable under this subsection; and

6 (B) at least one working interest owner party to the agreement,
7 other than the operator, has substantial incentive and ability to effectively audit
8 billings under the agreement;

9 (3) an activity does not need to be physically located on or near the
10 premises of the lease or property from which oil or gas is recovered in order for the
11 cost of the activity to be a cost upstream of the point of production of the oil or gas.

12 (d) For purposes of (c) of this section, "direct costs"

13 (1) includes

14 (A) an expenditure, when incurred, to acquire an item if the
15 acquisition cost is otherwise a direct cost, notwithstanding that the expenditure
16 may be required to be capitalized rather than treated as an expense for financial
17 accounting or federal income tax purposes;

18 (B) payments of property taxes, sales and use taxes, motor fuel
19 taxes, and excise taxes;

20 (C) a reasonable allowance, as determined under regulations
21 adopted by the department, for overhead expenses directly related to exploring
22 for, developing, and producing oil or gas deposits located within leases or
23 properties or other land in the state;

24 (2) does not include

25 (A) depreciation, depletion, or amortization;

26 (B) oil or gas royalty payments, production payments, lease
27 profit shares, or other payments or distributions of a share of oil or gas
28 production, profit, or revenue;

29 (C) taxes based on or measured by net income;

30 (D) interest or other financing charges or costs of raising equity
31 or debt capital;

1 (E) acquisition costs for a lease or property or exploration
2 license;

3 (F) costs arising from fraud, wilful misconduct, or negligence;

4 (G) fines or penalties imposed by law;

5 (H) costs of arbitration, litigation, or other dispute resolution
6 activities that involve the state or concern the rights or obligations among
7 owners of interests in, or rights to production from, one or more leases or
8 properties or a unit;

9 (I) donations;

10 (J) costs incurred in organizing a partnership, joint venture, or
11 other business entity or arrangement;

12 (K) amounts paid to indemnify the state; the exclusion
13 provided by this paragraph does not apply to the costs of obtaining insurance
14 or a surety bond from a third-party insurer or surety;

15 (L) surcharges levied under AS 43.55.201 or 43.55.300;

16 (M) for a transaction that is an internal transfer or is otherwise
17 not an arm's length transaction, expenditures incurred that are in excess of fair
18 market value;

19 (N) an expenditure incurred to purchase an interest in any
20 corporation, partnership, limited liability company, business trust, or any other
21 business entity, whether or not the transaction is treated as an asset sale for
22 federal income tax purposes;

23 (O) a tax levied under AS 43.55.011;

24 (P) the portion of costs incurred for dismantlement, removal,
25 surrender, or abandonment of a well, facility, pipeline, platform, or other
26 structure, or for the restoration of a lease, field, unit, area, body of water, or
27 right-of-way in conjunction with dismantlement, removal, surrender, or
28 abandonment, that is attributable to production of oil or gas occurring before
29 July 1, 2006; the portion is calculated as a ratio of the amount of oil and gas
30 production associated with the well, facility, pipeline, platform, or other
31 structure, lease, field, unit, area, body of water, or right-of-way occurring

1 before July 1, 2006 to the total amount of oil and gas production associated
2 with that well, facility, pipeline, platform, or other structure, lease, field, unit,
3 area, body of water, or right-of-way through the end of the calendar month
4 before commencement of the dismantlement, removal, surrender, or
5 abandonment; for purposes of the ratio calculated under this subparagraph,
6 6,000 cubic feet of gas is considered to be equivalent to one barrel of oil.

7 (e) A producer's lease expenditures must be adjusted by subtracting certain
8 payments or credits received by the producer, as provided in this subsection. If one or
9 more payments or credits subject to this subsection are received by a producer during
10 a month or, under (f) of this section, during a calendar year, and if either the total
11 amount of the payments or credits exceeds the amount of the producer's lease
12 expenditures or the producer has no lease expenditures, the producer shall nevertheless
13 subtract those payments or credits from the lease expenditures or from zero,
14 respectively, and the producer's adjusted lease expenditures for that month or calendar
15 year are a negative number and shall be applied to the calculation under (a) of this
16 section as a negative number. The payments or credits that a producer shall subtract
17 from the producer's lease expenditures, or from zero, under this subsection are
18 payments or credits, other than tax credits, received by the producer for

19 (1) the use by another person of a production facility in which the
20 producer has an ownership interest or the management by the producer of a production
21 facility under a management agreement providing for the producer to receive a
22 management fee;

23 (2) a reimbursement or similar payment that offsets the producer's
24 lease expenditures, including a payment from the state or federal government for
25 reimbursement of the producer's upstream costs, including costs for gathering,
26 separating, cleaning, dehydration, compressing, or other field handling associated with
27 the production of oil or gas upstream of the point of production;

28 (3) the sale or other transfer of

29 (A) an asset, including geological, geophysical, or well data or
30 interpretations, acquired by the producer as a result of a lease expenditure or an
31 expenditure that would be a lease expenditure if it were incurred on or after

1 July 1, 2006; for purposes of this subparagraph,

2 (i) if a producer removes from the state, for use outside
3 the state, an asset described in this subparagraph, the value of the asset
4 at the time it is removed is considered a payment received by the
5 producer for sale or transfer of the asset;

6 (ii) for a transaction that is an internal transfer or is
7 otherwise not an arm's length transaction, if the sale or transfer of the
8 asset is made for less than fair market value, the amount subtracted
9 must be the fair market value; and

10 (B) oil or gas

11 (i) that is not considered produced from a lease or
12 property under AS 43.55.020(e); and

13 (ii) the cost of acquiring which is a lease expenditure
14 incurred by the person that acquires the oil or gas.

15 (f) In place of the adjusted lease expenditures for a month under (a) of this
16 section, a producer may, at any time, elect to substitute, for every month of a calendar
17 year, 1/12 of the producer's adjusted lease expenditures for the calendar year. An
18 election made under this subsection applies to calculation of the tax under
19 AS 43.55.011(e) and (g).

20 (g) The department shall specify or approve a reasonable allocation method
21 for determining the portion of a cost that is appropriately treated as a lease expenditure
22 under (e) of this section if a cost that would otherwise constitute a lease expenditure
23 under (e) of this section is incurred to explore for, develop, or produce

24 (1) both an oil or gas deposit located within land outside the state and
25 an oil or gas deposit located within a lease or property, or other land, in the state; or

26 (2) an oil or gas deposit located partly within land outside the state and
27 partly within a lease or property, or other land, in the state.

28 (h) For purposes of AS 43.55.024(a) and (b) and only as to expenditures
29 incurred to explore for an oil or gas deposit located within land in which an explorer
30 does not own a working interest, the term "producer" in (b), (c), and (e) of this section
31 includes "explorer."

1 (i) The department may adopt regulations that establish additional standards
2 necessary to carrying out the purposes of this section, including the incorporation of
3 the concepts of 26 U.S.C. 482 (Internal Revenue Code), as amended, the related or
4 accompanying regulations of each of that section, and any ruling or guidance issued
5 by the United States Internal Revenue Service that relates to that section.

6 (j) For purposes of this section,

7 (1) "explore" includes conducting geological or geophysical
8 exploration, including drilling a stratigraphic test well;

9 (2) "ordinary and necessary" has the meaning given to "ordinary and
10 necessary" in 26 U.S.C. 162 (Internal Revenue Code), as amended, and regulations
11 adopted under that section;

12 (3) "stratigraphic test well" means a well drilled for the sole purpose of
13 obtaining geological information to aid in exploring for an oil or gas deposit and the
14 target zones of which are located in the state.

15 **Sec. 43.55.170. Additional nontransferable tax credit.** (a) For a month for
16 which a producer's tax liability under AS 43.55.011(e) exceeds zero before application
17 of any credits under this chapter, a producer that is qualified under (c) of this section
18 and, during the calendar year, has incurred a qualified capital expenditure, as that term
19 is defined in AS 43.55.024, may apply a tax credit under this section, in an amount
20 that does not exceed one-half of the amount of that expenditure, against that liability.
21 An unused portion of a tax credit may be applied to the extent otherwise allowed
22 under this section for one or more months during the same calendar year. A tax credit
23 authorized by this subsection may not be applied

24 (1) to reduce a producer's tax liability under AS 43.55.011(e) for any
25 month below zero;

26 (2) if application of the credit would cause the total of the tax credits
27 applied by the producer under this subsection during a calendar year to exceed
28 \$12,000,000; or

29 (3) by a producer that

30 (A) had commercial production of oil or gas from at least one
31 lease or property in the state before July 1, 2006, if, during 2016, application of

1 the credit would cause the total of the tax credits applied by the producer under
2 this section to exceed \$6,000,000; or

3 (B) did not have commercial production from a lease or
4 property in the state before July 1, 2006, if application of the credit would
5 cause the total of all tax credits applied by the producer under this section to
6 exceed \$120,000,000.

7 (b) The producer may take the tax credit under this section for a period of not
8 more than 120 consecutive months. The 120-month period commences in the first
9 month that begins on or after July 1, 2006, and during which the producer has
10 commercial production of oil or gas from a lease or property in the state.

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

19 (d) An unused tax credit or portion of a tax credit under this section is not
20 transferable under AS 43.55.024(d), and may not be carried forward to or used in a
21 later calendar year.

22 (e) The use of a tax credit under this section does not prevent a producer from
23 taking a tax credit under AS 43.55.024(a) or 43.55.025 for the same qualified capital
24 expenditure.

25 **Sec. 43.55.180. Required reports.** (a) The Department of Revenue shall

26 (1) study

27 (A) the effects of the tax rates under AS 43.55.011(f) and of
28 potential changes in those tax rates on state revenue and on oil and gas
29 exploration, development, and production on private land; and

30 (B) the fairness of the tax rates under AS 43.55.011(f) and of
31 potential changes in those tax rates for private landowners; and

1 (2) prepare a report on or before the first day of the 2013 regular
2 session of the legislature on the results of the study made under (1) of this subsection,
3 including a recommendation as to whether those tax rates should be changed; the
4 department shall notify the legislature that the report prepared under this paragraph is
5 available.

6 (b) The Department of Revenue shall

7 (1) study the effects of the credits authorized by AS 43.55.025 and
8 43.55.170 on state revenue, on the encouragement of exploration, development, and
9 production of oil and gas deposits located in the state, and on the encouragement of
10 new entrants into the oil and gas industry in the state; and

11 (2) prepare a report on or before the first day of the 2015 regular
12 session of the legislature on the results of the study made under (1) of this subsection,
13 and shall include with the report a recommendation as to whether the legislature
14 should extend the availability of the credit under AS 43.55.025 beyond June 30, 2016;
15 the department shall notify the legislature that the report prepared under this paragraph
16 is available.

17 * Sec. 27. AS 43.55.201 is amended to read:

18 Sec. 43.55.201. Surcharge levied. (a) Every producer of oil shall pay a
19 surcharge of \$.01 [\$.02] per barrel of oil produced from each lease or property in the
20 state, less any oil the ownership or right to which is exempt from taxation.

21 (b) The surcharge imposed by (a) of this section is in addition to the tax
22 imposed by AS 43.55.011 and is due on the last day of the month on oil produced
23 from each lease or property during the preceding month. The surcharge [SHALL
24 BE PAID IN THE SAME MANNER AS THE TAX IMPOSED BY AS 43.55.011 -
25 43.55.150; AND] is in addition to the surcharge imposed by AS 43.55.300 -
26 43.55.310.

27 (c) A producer of oil shall make reports of production in the same manner and
28 under the same penalties as required under AS 43.55.011 - 43.55.180 [AS 43.55.011 -
29 43.55.150].

30 * Sec. 28. AS 43.55.201 is amended by adding a new subsection to read:

31 (d) Oil not considered under AS 43.55.020(e) to be produced from a lease or

1 property is not considered to be produced from a lease or property for purposes of this
2 section.

3 * Sec. 29. AS 43.55.300 is amended to read:

4 Sec. 43.55.300. Surcharge levied. (a) Every producer of oil shall pay a
5 surcharge of \$.04 [\$.03] per barrel of oil produced from each lease or property in the
6 state, less any oil the ownership or right to which is exempt from taxation.

7 (b) The surcharge imposed by (a) of this section is in addition to the tax
8 imposed by AS 43.55.011 and is due on the last day of the month on oil produced
9 from each lease or property during the preceding month. The surcharge [SHALL
10 BE PAID IN THE SAME MANNER AS THE TAX IMPOSED BY AS 43.55.011 -
11 43.55.150; AND] is in addition to the surcharge imposed by AS 43.55.201 -
12 43.55.231.

13 (c) A producer of oil shall make reports of production in the same manner and
14 under the same penalties as required under AS 43.55.011 - 43.55.180 [AS 43.55.011 -
15 43.55.150].

16 * Sec. 30. AS 43.55.300 is amended by adding a new subsection to read:

17 (d) Oil not considered under AS 43.55.020(e) to be produced from a lease or
18 property is not considered to be produced from a lease or property for purposes of this
19 section.

20 * Sec. 31. AS 43.55.900(6) is repealed and reenacted to read:

21 (6) "gas" means

22 (A) all natural, associated, or casinghead gas;

23 (B) all hydrocarbons that

24 (i) are recovered by mechanical separation of well
25 fluids or by gas processing in a gas processing plant; and

26 (ii) exist in a gaseous phase at the completion of
27 mechanical separation and any gas processing in a gas processing plant;
28 and

29 (C) all other hydrocarbons produced from a well not defined as

30 oil;

31 * Sec. 32. AS 43.55.900(7) is repealed and reenacted to read:

1 (7) "gross value at the point of production" means

2 (A) for oil, the value of the oil at its point of production
3 without deduction of any costs upstream of that point of production;

4 (B) for gas, the value of the gas at its point of production
5 without deduction of any costs upstream of that point of production;

6 * Sec. 33. AS 43.55.900(10) is repealed and reenacted to read:

7 (10) "oil" means

8 (A) crude petroleum oil; and

9 (B) all liquid hydrocarbons that are recovered by mechanical
10 separation of well fluids or by gas processing in a gas processing plant;

11 * Sec. 34. AS 43.55.900 is amended by adding new paragraphs to read:

12 (17) "Cook Inlet sedimentary basin" has the meaning given in
13 regulations adopted to implement AS 38.05.180(f)(4);

14 (18) "explorer" means a person who, in exploring for new oil or gas
15 reserves, incurs expenditures;

16 (19) "gas processing"

17 (A) means processing a gaseous mixture of hydrocarbons

18 (i) by means of absorption, adsorption, externaly
19 applied refrigeration, artificial compression followed by adiabatic
20 expansion using the Joule-Thomson effect, or another physical process
21 that is not mechanical separation; and

22 (ii) for the purpose of extracting and recovering liquid
23 hydrocarbons;

24 (B) does not include gas treatment;

25 (20) "gas processing plant" means a facility that

26 (A) extracts and recovers liquid hydrocarbons from a gaseous
27 mixture of hydrocarbons by gas processing; and

28 (B) is located upstream of any gas treatment and upstream of
29 the inlet of any gas pipeline system transporting gas to a market;

30 (21) "gas treatment"

31 (A) means conditioning gas and removing from gas

1 nonhydrocarbon substances for the purpose of rendering the gas acceptable for
2 tender and acceptance into a gas pipeline system;

3 (B) includes incidentally removing liquid hydrocarbons from
4 the gas;

5 (C) does not include

6 (i) dehydration required to facilitate the movement of
7 gas from the well to the point where gas processing takes place;

8 (ii) the scrubbing of liquids from gas to facilitate gas
9 processing;

10 (22) "landowner's royalty interest" means

11 (A) a lessor's royalty interest under an oil and gas lease; or

12 (B) a royalty interest that is

13 (i) held by a surface owner of land from which oil or
14 gas is produced; and

15 (ii) granted in exchange for the right to use the surface
16 of that land or as compensation for damage to the surface of that land;

17 (23) "oil and gas lease" includes an oil and gas lease, a gas only lease,
18 and an oil only lease:

19 (24) "point of production" means

20 (A) for oil, the automatic custody transfer meter or device
21 through which the oil enters into the facilities of a carrier pipeline or other
22 transportation carrier in a condition of pipeline quality; in the absence of an
23 automatic custody transfer meter or device, "point of production" means the
24 mechanism or device to measure the quantity of oil that has been approved by
25 the department for that purpose, through which the oil is tendered and accepted
26 in a condition of pipeline quality into the facilities of a carrier pipeline or other
27 transportation carrier or into a field topping plant;

28 (B) for gas, other than gas described in (C) of this paragraph,
29 that is

30 (i) not subjected to or recovered by mechanical
31 separation or run through a gas processing plant, the first point where

1 the gas is accurately metered;

2 (ii) subjected to or recovered by mechanical separation
3 but not run through a gas processing plant, the first point where the gas
4 is accurately metered after completion of mechanical separation;

5 (iii) run through a gas processing plant, the first point
6 where the gas is accurately metered downstream of the plant;

7 (C) for gas run through an integrated gas processing plant and
8 gas treatment facility that does not accurately meter the gas after the gas
9 processing and before the gas treatment, the first point where gas processing is
10 completed or where gas treatment begins, whichever is further unstream.

11 * Sec. 35. AS 43.55.011(a), 43.55.011(b), 43.55.011(c), 43.55.012, 43.55.013, 43.55.016,
12 43.55.025(k)(1), 43.55.025(k)(3), 43.55.900(1), 43.55.900(8), 43.55.900(11), 43.55.900(12),
13 and 43.55.900(16) are repealed.

14 * Sec. 36. The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 APPLICABILITY. (a) Sections 5, 7 - 10, 12, 13, 15 - 18, 20, 24, 25, and 27 - 35 of
17 this Act and AS 43.55.160 and 43.55.170, enacted by sec. 26 of this Act, apply to oil and gas
18 produced on or after July 1, 2006.

19 (b) Section 11 of this Act applies to oil and gas produced before, on, or after the
20 effective date of sec. 11 of this Act.

21 * Sec. 37. The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

23 TRANSITIONAL PROVISIONS. (a) Notwithstanding any contrary provision of
24 AS 43.55.024(a), enacted by sec. 12 of this Act, for oil and gas produced on or after July 1,
25 2006, and before January 1, 2007, the phrase "every month an annualized tax credit in an
26 amount equal to 1 2/3 percent" in AS 43.55.024(a)(1)(B), enacted by sec. 12 of this Act, shall
27 be replaced by the phrase "every month during the period July 1, 2006, through December 31,
28 2006, an annualized tax credit in an amount equal to 3 1/3 percent."

29 (b) Notwithstanding any contrary provision of AS 43.55.024(e), enacted by sec. 12 of
30 this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the
31 phrase "a calendar year" in AS 43.55.024(e), enacted by sec. 12 of this Act, shall be replaced

1 by the phrase "the last six months of the calendar year."

2 (c) Notwithstanding any contrary provision of AS 43.55.024(i)(2), enacted by sec. 12
3 of this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007,

4 (1) the number "1/24" in AS 43.55.024(i)(2)(B), enacted by sec. 12 of this
5 Act, shall be replaced by the number "1/12";

6 (2) the phrase "calendar year" in AS 43.55.024(i)(2)(B), enacted by sec. 12 of
7 this Act, shall be replaced by the phrase "last six months of the calendar year."

8 (d) Notwithstanding any contrary provision of AS 43.55.160(f), enacted by sec. 26 of
9 this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the
10 phrase "for every month of a calendar year, 1/12 of the producer's adjusted lease expenditures
11 for the calendar year" in AS 43.55.160(f), enacted by sec. 26 of this Act, shall be replaced by
12 the phrase "for each of the last six months of 2006, one-sixth of the producer's adjusted lease
13 expenditures for that six-month period."

14 (e) Notwithstanding any contrary provision of AS 43.55.170(a), enacted by sec. 26 of
15 this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the
16 amount of "\$12,000,000" in AS 43.55.170(a)(2), enacted by sec. 26 of this Act, shall be
17 replaced by "\$6,000,000."

18 (f) For oil and gas produced before July 1, 2006, the provisions of AS 43.55, and
19 regulations adopted under AS 43.55, that were in effect before July 1, 2006, and that were
20 applicable to the oil and gas continue to apply to that oil and gas.

21 (g) Notwithstanding any contrary provision of AS 43.55.020(a), as repealed and
22 reenacted by sec. 7 of this Act, for oil and gas produced on or after July 1, 2006, and before
23 the first day of the first month that begins at least 180 days after the effective date of sec. 7 of
24 this Act,

25 (1) the amount of the taxes that would have been levied on the producer under
26 AS 43.55, as the provisions of that chapter read on June 30, 2006, is due on the last day of
27 each calendar month on the oil and gas that was produced from each lease or property during
28 the preceding month;

29 (2) the portion, if any, of the taxes levied under AS 43.55.011(e) - (g), enacted
30 by sec. 5 of this Act, that is due under AS 43.55.020(a), as repealed and reenacted by sec. 7 of
31 this Act, and that remains unpaid, net of any credits applied as allowed by law, is due on the

1 last day of the first month that begins at least 180 days after the effective date of sec. 5 of this
2 Act.

3 (h) Notwithstanding any contrary provision of AS 43.55.030(a), as amended by sec.
4 18 of this Act, for oil and gas produced on or after July 1, 2006, and before the first day of the
5 first month that begins at least 180 days after the effective date of sec. 18 of this Act, the
6 person paying the tax shall file with the Department of Revenue, at the time an amount of tax
7 is due

8 (1) under (g)(1) of this section, the statement required under former
9 AS 43.55.030(a), as that subsection read on June 30, 2006; and

10 (2) under (g)(2) of this section, the statements required under
11 AS 43.55.030(a), as amended by sec. 18 of this Act.

12 (i) Notwithstanding any contrary provision of AS 43.55.201(a) or (b), as amended by
13 sec. 27 of this Act, or AS 43.55.300(a) or (b), as amended by sec. 29 of this Act, for oil
14 produced on or after July 1, 2006, and before the first day of the first month that begins at
15 least 180 days after the effective date of secs. 27 and 29 of this Act,

16 (1) the amount of the surcharges that would have been imposed on the
17 producer under AS 43.55, as the provisions of that chapter read on June 30, 2006, is due on
18 the last day of each calendar month on oil produced from each lease or property during the
19 preceding month;

20 (2) the portion, if any, of the surcharges imposed under AS 43.55.201(a), as
21 amended by sec. 27 of this Act, and AS 43.55.300(a), as amended by sec. 29 of this Act, and
22 that remains unpaid is due on the last day of the first month that begins at least 180 days after
23 the effective date of secs. 27 and 29 of this Act.

24 (j) Notwithstanding any contrary provision of AS 43.55.201(c), as amended by sec.
25 27 of this Act, or AS 43.55.300(c), as amended by sec. 29 of this Act, for oil produced on or
26 after July 1, 2006, and before the first day of the first month that begins at least 180 days after
27 the effective date of secs. 27 and 29 of this Act, at the time an amount of surcharge is due,

28 (1) under (i)(1) of this section, the producer shall file the report of production
29 required under former AS 43.55.201(c) and 43.55.300(c), as those provisions read on June 30,
30 2006; and

31 (2) under (i)(2) of this section, the producer shall file the report of production

1 required under former AS 43.55.201(c), as amended by sec. 27 of this Act, and
2 AS 43.55.300(c), as amended by sec. 29 of this Act.

3 (k) For purposes of taxes to be calculated and due under (g)(1) of this section and
4 statements to be filed under (h)(1) of this section, regulations that were adopted by the
5 Department of Revenue under AS 43.55, as the provisions of that chapter read on June 30,
6 2006, and that were in effect on that date apply to those taxes and statements.

7 * Sec. 38. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 TRANSITION: REGULATIONS AND RETROACTIVITY OF REGULATIONS. (a)
10 The Department of Revenue may proceed to adopt regulations to implement the changes
11 made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act),
12 but not before the effective date of the law implemented by the regulation.

13 (b) Notwithstanding any contrary provision of AS 44.62.240, a regulation adopted by
14 the Department of Revenue to implement, interpret make specific, or otherwise carry out the
15 provisions of secs. 5, 7 - 10, 12, 13, 15 - 18, 20, 24 - 35, and 37 of this Act may apply
16 retroactively as of July 1, 2006, if the Department of Revenue expressly designates in the
17 regulation that the regulation applies retroactively to that date.

18 * Sec. 39. The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the
21 heading of

22 (1) AS 43.55 from "Oil and Gas Production Taxes and Oil Surcharge" to "Oil
23 and Gas Production Tax and Oil Surcharge";

24 (2) article 1 of AS 43.55 from "Oil and Gas Properties Production Taxes" to
25 "Oil and Gas Production Tax";

26 (3) AS 43.55.011 from "Oil production tax" to "Oil and gas production tax";

27 (4) AS 43.55.025 from "Tax credit for oil and gas exploration or gas only
28 exploration" to "Alternative tax credit for oil and gas exploration";

29 (5) AS 43.55.150 from "Determination of gross value" to "Determination of
30 gross value at the point of production."

31 * Sec. 40. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 CONTINGENT RETROACTIVITY OF PROVISIONS OF ACT. If, under sec. 40 of
3 this Act, this Act takes effect on or after July 1, 2006, sections 5, 7 - 10, 12, 13, 15 - 18, 20,
4 24 - 37 of this Act are retroactive to July 1, 2006.

5 * Sec. 41. This Act takes effect July 1, 2006.

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MEMORANDUM

May 6, 2006

SUBJECT: HCS CSSB 305(Fin)
(Work Order No. 24-GS-2052\B)

TO: Representative Mike Chenault, Co-Chair
House Finance Committee

FROM: Jack Chenoweth
Assistant Revisor



The "B" version is based on material transmitted by fax by the House Finance Committee secretary in the early hours of Saturday morning and the amendment identified as N.4, adopted this morning.

In light of the committee's adoption of material identified as amendment 15A, language in former sec. 36(e) draft ("Notwithstanding any contrary provision of AS 43.55.170(a), enacted by sec. 26 of this Act, for oil and gas produced on or after July 1, 2006, and before January 1, 2007, the amount of "\$12,000,000" in AS 43.55.170(a)(2), enacted by sec. 26 of this Act, shall be replaced by "\$6,000,000.") seems no longer relevant, so I have deleted it, relettered later subsections within sec. 36 accordingly, and corrected internal cross-references. Amendment 15A did not address the matter.

In light of a committee amendment to committee amendment 2 dropping reference to "and necessary" in the phrase "ordinary and necessary," I have recast the definition of the term set out in AS 43.55.160(j)(2) to refer only to "ordinary." Note, however, that the federal statute cited in AS 43.55.160(j)(2) refers to "ordinary and necessary" expenses, so the cross-reference to the federal statute may not still work.

JBC:lmb
06-165.lmb

Enclosure

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCS for SB 305(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____ Revenue
Title An Act Relating to the Production Tax on RDU Tax and Treasury
Oil and Gas Component Tax
Sponsor Rules Committee
Requester House Finance Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	577.6	589.2	600.9	613.0	625.2	637.7
Travel						
Contractual	517.5	487.9	118.2	118.6	121.0	123.4
Supplies	42.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous (OH office, etc)	37.1	37.1	37.1	37.1	37.1	37.1
TOTAL OPERATING	1,174.2	1,114.1	756.2	768.7	783.3	798.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	See analysis section					
------------------------	----------------------	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,174.2	1,114.1	756.2	768.7	783.3	798.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	1,174.2	1,114.1	756.2	768.7	783.3	798.2

Estimate of any current year (FY2006) cost: 275.0

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	7	7	7	7	7	7
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Relative to Status Quo

This bill would amend the oil and gas production tax by basing the tax on the net value of the oil and gas. The net value is the wellhead value (net of royalty) less all qualified lease expenditures, including capital and operating costs, property taxes. The net income would be subject to a 20% tax, less a credit of 20% which applies to capital costs upstream of the point of production. There would also be a progressive surcharge based on .25% of the difference between actual per barrel net income and \$35, applied to net income. The surcharge would not be considered a deductible lease expenditure. There would be an additional allowance of up to \$12 million per company for companies producing less than 50,000 barrels per day, which is scaled down to zero between 50,000 and 100,000 barrels per day. This allowance is limited to one-half of qualified capital expenditures. The allowance expires in 2016. In addition, as a transition provision, there would be a 20% credit for capital costs incurred over the period April 1, 2001 through April 1, 2006, recoverable at \$1 for every \$2 in capital expenditures. Transition costs cannot be recovered after 2013.

Prepared by: Robynn Wilson, Michael Williams, Roger Marks, and Cheryl Nienhuis
Division: Tax Division

Phone 269-1019
Date/Time 4/26/06 12:00 AM

Approved by: Jerry Burnett
Agency: Department of Revenue

Date 5/6/2006

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION

The conservation surcharge on oil is decreased from 2 cents/bbl to 1 cent/bbl, while the additional conservation surcharge on oil is increased from 3 cents to 4 cents. The net impact of this, assuming that the oil and hazardous substance release prevention account is at capacity, would be a 1 cent/bbl increase in revenues.

The bill would be effective April 1, 2006.

Relative to Governor's Bill

The Governor's bill had no progressive surcharge. There was an deductible allowance of up to \$73 million of net income per company per year. There was a transition provision where all qualified capital expenditures incurred between July 1, 2001 through July 1, 2006 would be deductible over six years. The 3 cent conservation surcharge on oil would have been a credit against the oil tax.

The bill would have been effective July 1, 2006.

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices. Columns 1-3 reflect the original fiscal note for the bill. Columns 4-5 reflect adjustments to the original fiscal note that correspond with net adjustments in state corporate income tax from changes in the severance tax, the recognition of the credit for the additional conservation surcharge on oil, the re-assessment of the number of full allowances from 7 company equivalents to nine, and minor model changes. Columns 6-8 reflect changes from converting from the Fall 2005 Department of Revenue Source Book data to Spring 2006. The volumes for the last quarter have been adjusted to reflect short-term production impacts resulting from the North Slope oil spill in March. Columns 9-11 reflect the House Resources CS. Columns 12-14 reflect the Senate Finance CS. Columns 15-17 reflect the House Finance CS. The figures reflect North Slope activity; the impact on Cook Inlet is expected to be modest. The status quo assumes the January 2005 ELF aggregation decision by the Department of Revenue for Prudhoe Bay continues.

The cost assumptions are as follows:

- \$100 mm/yr exploration
- \$1/bbl on-going capital on all barrels
- \$3.50/bbl developmental capital on 2/3 of existing conventional oil
- \$8/bbl developmental capital on 2/3 of existing heavy oil
- \$3.50/bbl developmental capital on new conventional oil
- \$8/bbl developmental capital on new heavy oil
- \$3/bbl operating cost on conventional oil
- \$5/bbl operating cost on heavy oil

The table shows the 2006-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Spring 2006 Revenue Sources Book because of volume adjustments from the oil spill, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

Operating expenditures include costs for 5 additional positions for auditors: 1 O & G Specialist (Range 23), 1 O & G Revenue Auditor IV (Range 22), and 3 O & G Revenue Auditor III (Range 20). These positions would be used to fulfill additional audit responsibilities inherent in a net profits tax, an amendment in the Senate regarding requires additional staff. In addition, we request 2 additional Tax Tech III positions (Range 14) to process additional information and tax returns that will be required, and additional credit applications anticipated. Personal Services reflect a 2% yearly increase.

Contractual expenditures include \$100,000 and \$70,000 for programming in FY 07 and FY 08, respectively, \$300,000 in each of FY 07 and FY 08 for help in writing regulations, \$100,000 in each year for consulting services and an estimate of chargeback costs. Supplies include computers and other supplies necessary for new positions.

See Page 3 for revenue estimates

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

GOVERNOR'S BILL
ORIGINAL FISCAL NOTE

GOVERNOR'S BILL
WITH CORPORATE INCOME TAX,
CONSERVATION SURCHARGE
NINE COMPANY ALLOWANCES
MINOR MODEL CHANGES

Fiscal Year	DOR Forecast	Col. 1 Status Quo Tax	Col. 2 Tax from Bill	Col. 3 Gain from Bill	Col. 4 Tax from Bill	Col. 5 Gain from Bill
2006	na	na	na	na	na	na
2007	\$49.20	934	1,363	429	1,317	383
2008	\$40.95	697	915	217	876	179
2009	\$25.50	404	349	-55	320	-84
2010	\$25.50	387	339	-48	310	-77
2011	\$25.50	362	351	-11	319	-43
2012	\$25.50	343	332	-10	300	-42

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill	Tax from Bill	Gain from Bill
2006	na	na	na	na	na	na
2007	\$40.00	737	1,038	301	997	260
2008	\$40.00	679	1,031	353	988	309
2009	\$40.00	673	1,118	445	1,070	397
2010	\$40.00	646	1,106	460	1,058	411
2011	\$40.00	606	1,138	532	1,086	480
2012	\$40.00	576	1,112	536	1,059	483

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill	Tax from Bill	Gain from Bill
2006	na	na	na	na	na	na
2007	\$60.00	1,165	1,938	773	1,879	714
2008	\$60.00	1,069	1,917	848	1,855	786
2009	\$60.00	1,042	2,007	965	1,939	897
2010	\$60.00	1,003	1,992	989	1,923	921
2011	\$60.00	941	2,051	1,110	1,977	1,036
2012	\$60.00	896	2,014	1,117	1,939	1,043

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

GOVERNOR'S BILL
CHANGES FROM FALL 2005 FORECAST
TO SPRING 2006 FORECAST

FISCAL NOTE
HOUSE RESOURCES CS

Fiscal Year	DOR Forecast	Col. 6 Status Quo Tax	Col. 7 Tax from Bill	Col. 8 Gain from Bill	Col. 9 Status Quo Tax	Col. 10 Tax from Bill	Col. 11 Gain from Bill
2006	na	na	na	na	262	517	255
2007	\$53.60	989	1,514	526	989	1,825	836
2008	\$46.90	759	1,136	377	759	1,318	559
2009	\$25.50	355	302	-52	355	323	-32
2010	\$25.50	315	283	-32	315	304	-11
2011	\$25.50	281	291	10	281	312	31
2012	\$25.50	271	291	20	271	312	41

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill	Status Quo Tax	Tax from Bill	Gain from Bill
2006	na	na	na	na	174	227	53
2007	\$40.00	708	978	270	708	967	259
2008	\$40.00	655	953	293	655	974	319
2009	\$40.00	631	1,021	390	631	1,042	411
2010	\$40.00	582	990	408	582	1,011	429
2011	\$40.00	544	1,012	468	544	1,033	489
2012	\$40.00	536	1,021	485	536	1,042	506

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill	Status Quo Tax	Tax from Bill	Gain from Bill
2006	na	na	na	na	275	572	297
2007	\$60.00	1,120	1,840	720	1,120	2,380	1,260
2008	\$60.00	1,032	1,786	754	1,032	2,350	1,318
2009	\$60.00	978	1,848	871	978	2,427	1,443
2010	\$60.00	901	1,800	899	901	2,366	1,465
2011	\$60.00	842	1,841	999	842	2,414	1,572
2012	\$60.00	831	1,861	1,029	831	2,438	1,607

INCLUDES VOLUMES, PRICE, TAPS, MARINE, UPSTREAM, WELLS

SPRING 2006 VOLUMES FOR THE LAST QUARTER OF FY 2006 HAVE BEEN REDUCED TO REFLECT SHORT TERM ADJUSTMENTS FROM THE NORTH SLOPE OIL SPILL

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

FISCAL NOTE
SENATE FINANCE CS

Fiscal Year	DOR Forecast	Col. 12 Status Quo Tax	Col. 13 Tax from Bill	Col. 14 Gain from Bill
2006	\$57.45	262	546	284
2007	\$53.60	989	1,937	948
2008	\$46.90	759	1,404	645
2009	\$25.50	355	377	22
2010	\$25.50	315	341	26
2011	\$25.50	281	337	56
2012	\$25.50	271	332	61

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$40.00	174	255	81
2007	\$40.00	708	1,050	342
2008	\$40.00	655	1,022	367
2009	\$40.00	631	1,099	468
2010	\$40.00	582	1,065	483
2011	\$40.00	544	1,090	546
2012	\$40.00	536	1,099	563

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$60.00	275	580	305
2007	\$60.00	1,120	2,382	1,262
2008	\$60.00	1,032	2,317	1,285
2009	\$60.00	978	2,393	1,415
2010	\$60.00	901	2,334	1,433
2011	\$60.00	842	2,384	1,542
2012	\$60.00	831	2,409	1,578

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS for SB 305 (FIN)

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

FISCAL NOTE
HOUSE FINANCE CS

Fiscal Year	DOR Forecast	Col. 15 Status Quo Tax	Col. 16 Tax from Bill	Col. 17 Gain from Bill
2006	\$57.45	262	524	262
2007	\$53.60	989	1,829	840
2008	\$46.90	759	1,296	537
2009	\$25.50	355	309	-46
2010	\$25.50	315	277	-38
2011	\$25.50	281	273	-8
2012	\$25.50	271	269	-2

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$40.00	174	234	60
2007	\$40.00	708	961	253
2008	\$40.00	655	935	280
2009	\$40.00	631	1,003	372
2010	\$40.00	582	973	391
2011	\$40.00	544	995	451
2012	\$40.00	536	1,004	468

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2006	\$60.00	275	559	284
2007	\$60.00	1,120	2,284	1,164
2008	\$60.00	1,032	2,228	1,196
2009	\$60.00	978	2,342	1,364
2010	\$60.00	901	2,281	1,380
2011	\$60.00	842	2,326	1,484
2012	\$60.00	831	2,346	1,515

AMENDMENT

adopted

#1

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 21, lines 16-17, following "United States"
- 2 Delete "in determining"
- 3 Insert "that determine the"
- 4
- 5 Page 28, line 14, following "of the"
- 6 Delete "credit"
- 7 Insert "credits"
- 8
- 9 Page 28, line 14, following "43.55.025"
- 10 Delete "beyond June 30, 2016"
- 11 Insert "and 43.55.170"

AMENDMENT

Adopted

#2

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

*amendment to amend
lines 3, 7, 11 delete
"and necessary"*

- 1 Page 21, line 6, following "direct"
- 2 Delete ", ordinary,"
- 3 Insert "and ordinary ~~and necessary~~"
- 4
- 5 Page 21, line 9, following "direct"
- 6 Delete ", ordinary,"
- 7 Insert "and ordinary ~~and necessary~~"
- 8
- 9 Page 21, line 12, following "direct"
- 10 Delete ", ordinary,"
- 11 Insert "and ordinary ~~and necessary~~"
- 12

AMENDMENT

adopted

#3

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

- 1 Page 22, line 18, following "payments of"
- 2 Insert "or in lieu of"
- 3

AMENDMENT

#4

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

with drawn

- 1 Page 22, line 5, following “;”
- 2 Delete “and”
- 3 Insert “or”
- 4

AMENDMENT

Withdrawn #5

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

- 1 Page 23, line 3, following "misconduct,"
- 2 Insert "gross"
- 3

New

AMENDMENT

~~§~~ failed
5-6

~~§~~
5a

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 23, line 3, following "misconduct, or"
- 2 Insert "gross"
- 3

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 5a

MEMBER	Favor	Oppose
MOSES	✓	
STOLTZE		✓
WEYHRAUCH		✓
FOSTER	✓	
HAWKER	✓	
HOLM		✓
JOULE		✓
KELLY		✓
KERTTULA		✓
MEYER	✓	
CHENAULT	✓	

5 - 6

CONCEPTUAL AMENDMENT

adopted

#6

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 TO AS 43.55.130 (c), which begins on page 24
- 2 Add language, where appropriate, to include "insurance recoveries" as mandatory
- 3 subtractions to a producer's lease expenditures.

AMENDMENT

adopted

#7

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 26, line 4, following "regulations"
- 2 Delete "of each"

This amendment makes a grammatical change made necessary by the deletion of language referring to federal code sections in the Finance CS.

AMENDMENT

adopted

12-4

#8

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

8-2

- 1 Page 33, line 23, following "at least"
- 2 Delete "180 days"
- 3 Insert "10 months"
- 4
- 5 Page 34, line 1, following "at least"
- 6 Delete "180 days"
- 7 Insert "10 months"
- 8
- 9 Page 34, line 5, following "at least"
- 10 Delete "180 days"
- 11 Insert "10 months"
- 12
- 13 Page 34, line 15, following "at least"
- 14 Delete "180 days"
- 15 Insert "10 months"
- 16
- 17 Page 34, line 22, following "at least"
- 18 Delete "180 days"
- 19 Insert "10 months"
- 20
- 21 Page 34, line 26, following "at least"
- 22 Delete "180 days"
- 23 Insert "10 months"

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-5-06

Amendment: 8

MEMBER

Favor

Oppose

MOSES	✓	
STOLTZE		✓
WEYHRAUCH	—	
FOSTER	✓	
HAWKER	✓	
HOLM	✓	
JOULE	✓	
KELLY	✓	
KERTTULA		✓
MEYER	✓	
CHENAULT	✓	

8

2

AMENDMENT

adopted

#9

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

- 1 Page 12, lines 12-17
- 2 Delete all material
- 3

The amendment would eliminate entities that are not regulated by FERC from credit pass through requirements.

AMENDMENT

*Adopted
10-1 #10*

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052\N

- 1 Page 19, lines 5 through 30
- 2 Delete all material
- 3
- 4 Renumber following sections accordingly
- 5

The amendment deletes RSA language.

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5-5-06

Amendment: 10

MEMBER

Favor

Oppose

STOLTZE	✓	
WEYHRAUCH		✓
FOSTER	✓	
HAWKER	✓	
HOLM	✓	
JOULE	✓	
KELLY	✓	
KERTTULA	✓	
MOSES	✓	
CHENAULT	✓	
MEYER	✓	

10

1

AMENDMENT

Adopted

#11

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

/Kelly

TO: HCS CS SB 305 (FIN) Work Draft 24-GS2052N

1 Page 10, following line 7

2 Insert a new subsection to read:

3 “(f) Under standards established in regulations adopted by the department and
4 subject to appropriations made by law, the department, on the written application of the
5 person to whom a transferable tax credit has been issued under (d) of this section and
6 whose average amount of oil and gas produced a day taxable under AS 43.55.011(e) is
7 not more than 50,000 barrels of oil equivalent per day for the preceding calendar year,
8 shall issue a cash refund, in whole or in part, for the certificate if the department finds

9 (1) after investigation and audit of the tax credit claim by the department, the
10 applicant is entitled to the credit to the extent of the refund amount;

11 (2) within 24 months after having applied for the transferable tax credit
12 certificate, the applicant incurred a qualified capital expenditure or was the successful
13 bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

14 (3) the amount of the refund would not exceed the total of qualified capital
15 expenditures and successful bids described in (2) of this subsection that have not been the
16 subject of a finding made under this paragraph for purposes of a previous refund;

17 (4) the applicant does not have an outstanding liability to the state for unpaid
18 delinquent taxes under this title; and

19 (5) the sum of the amount of the refund applied for and amounts previously
20 refunded to the applicant during the calendar year under this subsection would not exceed
21 \$25,000,000.”

22

23 Renumber the following sections accordingly

not offered

#12

Weyhrauch

AMENDMENT _____

CSHB 488(FIN)

Page 24 line 7 insert the following:

- (Q) costs associated with a catastrophic oil discharge, the containment and clean up expenses incurred by the producer or any damages incurred by the producer.

40

24-GS2052\N.20
Chenoweth
5/5/06

failed
3-8

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 5, line 4, following "gas":

2 Insert ", except that, for years beginning after December 31, 2007, the commissioner
3 shall adjust the number to be subtracted to account for inflation"

5 Page 5, lines 5 - 6:

6 Delete all material and insert:

7 "For purposes of this subsection,

8 (1) a barrel of oil equivalent is a barrel of oil, in the case of oil, or
9 6,000 cubic feet of gas, in the case of gas; and

10 (2) the commissioner shall adjust the figure to be subtracted according
11 to and to the extent of changes in the Consumer Price Index for all Urban Consumers
12 for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics,
13 United States Department of Labor and applied to the rate specified in this subsection,
14 for purposes of this subsection, the index for January of 2007, is the reference base
15 index."

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 40

MEMBER	Favor	Oppose
MOSES		✓
STOLTZE		✓
WEYHRAUCH	✓	
FOSTER	✓	
HAWKER		✓
HOLM		✓
JOULE		✓
KELLY		✓
KERTTULA		✓
MEYER	✓	
CHENAULT		✓

3 - 8

#13

AMENDMENT

Chenault

OFFERED IN THE HOUSE BY REPRESENTATIVE ~~ROKBERG~~
TO: HCS CSSB 305(FIN), Draft Version "N"

Page 19, following line 30:

Insert: ^(e) Costs of transportation of gas include underground gas storage costs for gas that has been produced from a lease or property in the Cook Inlet sedimentary basin and is stored for purposes of meeting demand by consumers of the gas."

not taking up

13a

AMENDMENT #13a

Chenault

OFFERED IN THE HOUSE BY REPRESENTATIVE ROKEBERG
TO: HCS CSSB 305(FIN), Draft Version "N"

Page 19, line 5:

Insert new **Section 25**: AS 43.55.150 is amended to by adding a new subsection to read:

(d) In determining the gross value of gas under (a) of this section, the department may allow as reasonable costs of transportation underground gas storage costs for gas that has been produced from a lease or property in the Cook Inlet sedimentary basin and is stored for purposes of meeting demand by consumers of the gas."

[Handwritten signature]

adopted

#14

24-GS2052N.4
Chenoweth
5/5/06

AMENDMENT

Chenault

OFFERED IN THE HOUSE

BY REPRESENTATIVE ~~JOHN B. CHENOWETH~~

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 15, lines 18 - 28:

2 Delete "]; however, notwithstanding any other provision of this section, after the end
3 of the calendar year following the calendar year in which the total of production tax
4 credit certificates issued by the department under this section based on exploration
5 expenditures for Cook Inlet prospects reaches \$20,000,000, the department may not issue
6 to an explorer a production tax credit certificate [IF THE TOTAL OF PRODUCTION TAX
7 CREDITS SUBMITTED FOR COOK INLET PRODUCTION,] based on an exploration
8 expenditure for a Cook Inlet prospect [EXPENDITURES FOR WORK PERFORMED
9 DURING THE PERIOD DESCRIBED IN (b) OF THIS SECTION FOR THAT
10 PRODUCTION, THAT HAVE BEEN APPROVED BY THE DEPARTMENT EXCEEDS
11 \$20,000,000]"

12 Insert "; HOWEVER, NOTWITHSTANDING ANY OTHER PROVISION OF THIS
13 SECTION, THE DEPARTMENT MAY NOT ISSUE TO AN EXPLORER A
14 PRODUCTION TAX CREDIT CERTIFICATE IF THE TOTAL OF PRODUCTION TAX
15 CREDITS SUBMITTED FOR COOK INLET PRODUCTION, BASED ON
16 EXPLORATION EXPENDITURES FOR WORK PERFORMED DURING THE PERIOD
17 DESCRIBED IN (b) OF THIS SECTION FOR THAT PRODUCTION, THAT HAVE BEEN
18 APPROVED BY THE DEPARTMENT EXCEEDS \$20,000,000]"

adopted

#15A

5/5/2006
(5:00 P.M.)

AMENDMENT

Hawker
Chenault

OFFERED IN THE HOUSE

BY _____

TO: HCS CSSB 305(FIN) (24-GS2052\N Work Draft: 5/4/06)

1 Page 26, line 18, following "and":

2 Delete all material

3 Insert "whose average amount of oil and gas produced a day and taxable under
4 AS 43.55.011(e) is less than 100,000 barrels of oil equivalent a day"

5

6 Page 26, line 19:

7 Delete "is defined in AS 43.55.024,"

8 Delete ", in an amount"

9

10 Page 26, line 20:

11 Delete "that does not exceed one-half of the amount of that expenditure,"

12

13 Page 26, line 20, following "liability.":

14 Insert the following new material:

15 "A producer whose average amount of oil and gas produced a day and taxable
16 under AS 43.55.011(e) is

17 (1) not more than 50,000 barrels of oil equivalent may apply a tax
18 credit of up to \$1,000,000 for the month;

19 (2) more than 50,000 and less than 100,000 barrels of oil
20 equivalent may apply a tax credit of up to the following fraction of
21 \$1,000,000 for the month:

22
$$1 - [2 \times (AP - 50,000)] / 100,000,$$

23 where AP = the average amount of oil and gas, expressed as barrels of oil
24 equivalent, produced a day during the month and taxable under AS 43.55.011(e)."

1

2 Page 26, line 21, through page 27, line 10:

3 Delete all material

4 Insert the following new material:

5 “(b) A producer may not take a tax credit under this section for any month that
6 ends the later of

7 (1) July 31, 2016; or

8 (2) the tenth anniversary of the last day of the month for which the
9 producer first has commercial oil or gas production from at least one lease or property in
10 the state, if the producer did not have commercial oil or gas production from a lease or
11 property in the state before July 1, 2006.”

12

13 Page 27, line 18, following “exist.”:

14 Insert the following new material:

15 “(d) A tax credit authorized by this section may not be applied to reduce a
16 producer’s tax liability under AS 43.55.011(e) for any month below zero. An unused
17 portion of a tax credit that could otherwise be applied for a month but whose application
18 would cause the producer’s tax liability under AS 43.55.011(e) for the month to be less
19 than zero may be applied for one or more other months in the same calendar year to the
20 extent otherwise allowed under this section.”

21

22 Page 27, line 19:

23 Delete “(d)”

24 Insert “(e)”

25

26 Page 27, line 20:

27 Delete “under AS 43.55.024(d)”

28

29 Page 27, line 22, through page 27, line 24:

30 Delete all material

31 Insert the following new material:

1
2
3

“(f) For the purposes of this section, a barrel of oil equivalent is
(1) one barrel of oil, in the case of oil;
(2) 6,000 cubic feet of gas, in the case of gas.”

#16

passed 7-4

24G-2
5/5/2006
(1:21 P.M.)

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault

TO: HCS CSSB 305(FIN) (24-GS2052\N Work Draft: 5/4/06)

1 Page 10, line 25:

2 Delete "July 1"

3 Insert "April 1"

4

5 Page 11, line 1:

6 Delete "July 1"

7 Insert "April 1"

8

9 Page 11, line 2:

10 Delete "July 1"

11 Insert "April 1"

12

13 Page 11, line 3:

14 Delete "July 1"

15 Insert "April 1"

16

17 Page 11, line 4:

18 Delete "July 1"

19 Insert "April 1"

20

21 Page 11, line 7:

22 Delete "July 1"

[Handwritten note: January 1 2007 - 7-2-06 to 4/1/06]

- 1 Insert "April 1"
- 2
- 3 Page 11, line 8:
- 4 Delete "July 1"
- 5 Insert "April 1"
- 6
- 7 Page 11, line 23:
- 8 Delete "July 31"
- 9 Insert "April 30"
- 10
- 11 Page 11, line 28:
- 12 Delete "July 1"
- 13 Insert "April 1"
- 14
- 15 Page 21, line 5:
- 16 Delete "July 1"
- 17 Insert "April 1"
- 18
- 19 Page 23, line 29:
- 20 Delete "July 1"
- 21 Insert "April 1"
- 22
- 23 Page 24, line 1:
- 24 Delete "July 1"
- 25 Insert "April 1"
- 26
- 27 Page 25, line 1:
- 28 Delete "July 1"
- 29 Insert "April 1"
- 30
- 31 Page 26, line 31:

- 1 Delete "July 1"
- 2 Insert "April 1"
- 3
- 4 Page 27, line 4:
- 5 Delete "July 1"
- 6 Insert "April 1"
- 7
- 8 Page 27, line 9:
- 9 Delete "July 1"
- 10 Insert "April 1"
- 11
- 12 Page 32, line 18:
- 13 Delete "July 1"
- 14 Insert "April 1"
- 15
- 16 Page 32, line 24:
- 17 Delete "July 1"
- 18 Insert "April 1"
- 19
- 20 Page 32, line 27:
- 21 Delete "July 1"
- 22 Insert "April 1"
- 23
- 24 Page 32, line 28:
- 25 Delete "3 1/3"
- 26 Insert "2.222"
- 27
- 28 Page 32, line 30:
- 29 Delete "July 1"
- 30 Insert "April 1"
- 31

1 Page 33, line 1:
2 Delete "six"
3 Insert "nine"
4
5 Page 33, line 3:
6 Delete "July 1"
7 Insert "April 1"
8
9 Page 33, line 5:
10 Delete ""1/12""
11 Insert ""1/18""
12
13 Page 33, line 7:
14 Delete "six"
15 Insert "nine"
16
17 Page 33, line 9:
18 Delete "July 1"
19 Insert "April 1"
20
21 Page 33, line 12:
22 Delete "six"
23 Insert "nine"
24
25 Delete "one-sixth"
26 Insert "one-ninth"
27
28 Page 33, line 13:
29 Delete "six-month"
30 Insert "nine-month"
31

- 1 Page 33, line 15:
- 2 Delete "July 1"
- 3 Insert "April 1"
- 4
- 5 Page 33, line 17:
- 6 Delete ""\$6,000,000""
- 7 Insert ""\$9,000,000""
- 8
- 9 Page 33, line 18:
- 10 Delete "July 1"
- 11 Insert "April 1"
- 12
- 13 Page 33, line 19:
- 14 Delete "July 1"
- 15 Insert "April 1"
- 16
- 17 Page 33, line 22:
- 18 Delete "July 1"
- 19 Insert "April 1"
- 20
- 21 Page 33, line 26:
- 22 Delete "June 30"
- 23 Insert "March 31"
- 24
- 25 Page 34, line 4:
- 26 Delete "July 1"
- 27 Insert "April 1"
- 28
- 29 Page 34, line 9:
- 30 Delete "June 30"
- 31 Insert "March 31"

- 1
- 2 Page 34, line 14:
- 3 Delete "July 1"
- 4 Insert "April 1"
- 5
- 6 Page 34, line 17:
- 7 Delete "June 30"
- 8 Insert "March 31"
- 9
- 10 Page 34, line 26:
- 11 Delete "July 1"
- 12 Insert "April 1"
- 13
- 14 Page 34, line 29:
- 15 Delete "June 30"
- 16 Insert "March 31"
- 17
- 18 Page 35, line 5:
- 19 Delete "June 30"
- 20 Insert "March 31"
- 21
- 22 Page 35, line 9:
- 23 Delete "REGULATIONS AND"
- 24
- 25 Delete "(a)"
- 26
- 27 Page 35, lines 10 - 12:
- 28 Delete all material.
- 29
- 30 Page 35, line 13:
- 31 Delete "(b)'

- 1 Page 35, line 16:
2 Delete "July 1"
3 Insert "April 1"
4
- 5 Page 36, lines 2 - 4:
6 Delete all material and insert the following:
7 "RETROACTIVITY OF PROVISIONS OF ACT. Sections 5, 7 - 10, 12, 13, 15 - 18, 20,
8 and 24 - 37 of this Act are retroactive to April 1, 2006."
9
- 10 Page 36, line 5:
11 Delete "July 1, 2006"
12 Insert "immediately under AS 01.10.070(c)"

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5-5-06

Amendment: # 16
to amend

MEMBER

Favor

Oppose

WEYHRAUCH		✓
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE		✓
KELLY	✓	
KERTTULA	✓	
MOSES	✓	
STOLTZE	✓	
MEYER		✓
CHENAULT		✓

4 7

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5-5-06

Amendment: #16

MEMBER

Favor

Oppose

FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY	✓	
KERTTULA	✓	
MOSES	✓	
STOLTZE	✓	
WEHYRAUCH		✓
MEYER	✓	
CHENAULT	✓	

7 4

Withdrawal

24-GS2052N.7
Chenoweth
5/5/06

#17

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 10, line 25:
2 Delete "July 1"
3 Insert "January 1"

4
5 Page 11, line 1:
6 Delete "July 1"
7 Insert "January 1"

8
9 Page 11, line 2:
10 Delete "July 1"
11 Insert "January 1"

12
13 Page 11, line 3:
14 Delete "July 1"
15 Insert "January 1"

16
17 Page 11, line 4:
18 Delete "July 1"
19 Insert "January 1"

20
21 Page 11, line 7:
22 Delete "July 1"
23 Insert "January 1"

24

1 Page 11, line 8:

2 Delete "July 1"

3 Insert "January 1"

4

5 Page 11, line 23:

6 Delete "July 31, 2013"

7 Insert "January 31, 2013"

8

9 Page 11, line 28:

10 Delete "July 1"

11 Insert "January 1"

12

13 Page 21, line 5:

14 Delete "July 1"

15 Insert "January 1"

16

17 Page 23, line 29:

18 Delete "July 1"

19 Insert "January 1"

20

21 Page 24, line 1:

22 Delete "July 1"

23 Insert "January 1"

24

25 Page 25, line 1:

26 Delete "July 1"

27 Insert "January 1"

28

29 Page 26, line 31:

30 Delete "July 1"

31 Insert "January 1"

1

2 Page 27, line 2:

3 Delete "\$6,000,000"

4 Insert "\$12,000,000"

5

6 Page 27, line 4:

7 Delete "July 1"

8 Insert "January 1"

9

10 Page 27, line 9:

11 Delete "July 1"

12 Insert "January 1"

13

14 Page 32, line 18:

15 Delete "July 1"

16 Insert "January 1"

17

18 Page 32, line 23, through page 33, line 17:

19 Delete all material.

20

21 Reletter the following subsections accordingly.

22

23 Page 33, following line 17:

24 Insert "TRANSITIONAL PROVISIONS."

25

26 Page 33, line 19:

27 Delete "July 1"

28 Insert "January 1"

29

30 Page 33, line 22:

31 Delete "July 1"

1 Insert "January 1"

2

3 Page 33, line 26:

4 Delete "June 30, 2006"

5 Insert "December 31, 2005"

6

7 Page 34, line 4:

8 Delete "July 1"

9 Insert "January 1"

10

11 Page 34, line 8:

12 Delete "(g)(1)"

13 Insert "(b)(1)"

14

15 Page 34, line 9:

16 Delete "June 30, 2006"

17 Insert "December 31, 2005"

18

19 Page 34, line 10:

20 Delete "(g)(2)"

21 Insert "(b)(2)"

22

23 Page 34, line 14:

24 Delete "July 1"

25 Insert "January 1"

26

27 Page 34, line 17:

28 Delete "June 30, 2006"

29 Insert "December 31, 2005"

30

31 Page 34, line 26:

1 Delete "July 1"

2 Insert "January 1"

3

4 Page 34, line 28:

5 Delete "(i)(1)"

6 Insert "(d)(1)"

7

8 Page 34, lines 29 - 30:

9 Delete "June 30, 2006"

10 Insert "December 31, 2005"

11

12 Page 34, line 31:

13 Delete "(i)(2)"

14 Insert "(d)(2)"

15

16 Page 35, line 3:

17 Delete "(g)(1)"

18 Insert "(b)(1)"

19

20 Page 35, line 4:

21 Delete "(h)(1)"

22 Insert "(c)(1)"

23

24 Page 35, lines 5 - 6:

25 Delete "June 30, 2006"

26 Insert "December 31, 2005"

27

28 Page 35, line 16:

29 Delete "July 1"

30 Insert "January 1"

31

1 Page 36, lines 2 - 5:

2 Delete all material and insert:

3 "RETROACTIVITY OF PROVISIONS OF ACT. Sections 5, 7 - 10, 12, 13, 15 - 18,
4 20, and 24 - 37 are retroactive to January 1, 2006.

5 * Sec. 41. This Act takes effect immediately under AS 01.10.070(c)."

#18

24-GS2052N.9
Chenoweth
5/5/06

Failed 4-7

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 305(FIN), Draft Version "N"

- 1 Page 3, line 29:
- 2 Delete "20 percent"
- 3 Insert "22.5 percent"
- 4
- 5 Page 4, line 19:
- 6 Delete "20 percent"
- 7 Insert "22.5 percent"

[30]

**HOUSE FINANCE
COMMITTEE
ROLL CALL**

DATE: 5/5/06

Amendment: # 18
amend + amend

MEMBER

Favor

Oppose

HAWKER		✓
HOLM		✓
JOULE		✓
KELLY		✓
KERTTULA	✓	
MOSES		✓
STOLTZE		✓
WEYHRAUCH	✓	
FOSTER		✓
CHENAULT		✓
MEYER		✓

2 - 9

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5/5/06

Amendment: # 10

MEMBER	Favor	Oppose
HOLM	✓	
JOULE		✓
KELLY	✓	
KERTTULA	-	✓
MOSES	✓	
STOLTZE	✓	
WEYHRAUCH		✓
FOSTER		✓
HAWKER		✓
MEYER		✓
CHENAULT		✓

4

7

#19

Withdrawn

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 2, line 8, following "amendments;":

2 Insert "amending the powers of the board of trustees of the Alaska Retirement
3 Management Board to authorize purchase and sale of transferable tax credit certificates
4 issued in conjunction with the production tax on oil and gas;"

5

6 Page 2, following line 25:

7 Insert a new bill section to read:

8 **** Sec. 2. AS 37.10.220(b) is amended to read:**

9 (b) The board may

10 (1) employ outside investment advisors to review investment policies;

11 (2) enter into an agreement with the fiduciary of another state fund in
12 order to assume the management and investment of those assets;

13 (3) contract for other services necessary to execute the board's powers
14 and duties;

15 (4) enter into confidentiality agreements that would exempt records
16 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
17 the value of investment by the board or that could impair the ability of the board to
18 acquire, maintain, or dispose of investments;

19 (5) purchase transferable tax credit certificates issued under
20 AS 43.55.024 for 90 percent of the face value of a certificate, and sell transferable
21 tax credit certificates to the Department of Revenue under AS 43.55.024(k) for a
22 cash refund; the board may, under this paragraph, sell a transferable tax credit
23 only if the commissioner of revenue determines that economic conditions are

1 acceptable for the state to purchase and pay for the credit; the board shall apply
2 the proceeds from a sale made under this paragraph to defray the unfunded
3 pension liabilities of the systems for which the board has responsibility."
4

5 Renumber the following bill sections accordingly.

6
7 Page 12, following line 17:

8 Insert a new subsection to read:

9 "(k) Under standards established in regulations adopted by the department and
10 subject to appropriations made by law, the department, on the written application of
11 the person to whom a transferable tax credit has been issued under (e) of this section,
12 shall issue a cash refund, in whole or in part, for the certificate if the department finds

13 (1) after investigation and audit of the tax credit claim by the
14 department, the applicant is entitled to the credit to the extent of the refund amount;

15 (2) within 24 months after having applied for the transferable tax credit
16 certificate, the applicant incurred a qualified capital expenditure or was the successful
17 bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

18 (3) the amount of the refund would not exceed the total of qualified
19 capital expenditures and successful bids described in (2) of this subsection that have
20 not been the subject of a finding made under this paragraph for purposes of a previous
21 refund;

22 (4) the applicant does not have an outstanding liability to the state for
23 unpaid delinquent taxes under this title; and

24 (5) the sum of the amount of the refund applied for and amounts
25 previously refunded to the applicant during the calendar year under this subsection
26 would not exceed \$10,000,000."

27
28 Reletter the following subsection accordingly.

29
30 Conform internal references to bill sections in accordance with this amendment.

Am to Am #1 - conform dates
~~Am to Am #2 add words~~

24-GS2052N.14
Chenoweth
5/5/06

20
2006
SH

Held

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE ROKEBERG
TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 3, lines 28 - 30:

2 Delete "Except as otherwise provided under (i) of this section, the tax is equal to 20
3 percent of the production tax value of the taxable oil and gas as calculated under
4 AS 43.55.160."

5 Insert "The tax is equal to

6 (1) for oil that is produced in the Cook Inlet sedimentary basin, five
7 percent of the production tax value of the taxable oil as calculated under
8 AS 43.55.160;

9 (2) for gas that is produced in the Cook Inlet sedimentary basin, 20
10 percent of the production tax value of the taxable gas as calculated under
11 AS 43.55.160, except that,

12 (A) for gas that is produced from a lease or property that first
13 entered commercial production before July 1, 2006, notwithstanding another
14 provision of this chapter, until June 30, 2021, the tax may not exceed the rate
15 of tax imposed under this chapter on gas produced from that lease on June 30,
16 2006, multiplied by the average prevailing value of gas for the 12-month
17 period ending June 30, 2006, and the volume of gas produced; and

18 (B) for gas that is produced from a lease or property that first
19 enters commercial production on or after July 1, 2006, notwithstanding another
20 provision of this chapter, for a period of 180 months from the first day of the
21 month in which the producer first pays tax on the gas under this chapter, the
22 tax may not exceed the average rate of tax imposed under this chapter on gas
23 produced from all leases in the Cook Inlet sedimentary basin on June 30, 2006,

OR property
for the
12 month
period
ending

or properties

For the 12 month
period ending

leases or properties

1 multiplied by the average prevailing value of gas for the 12-month period
2 ending June 30, 2006, and the volume of gas produced; or

3 (3) except as to oil described in (1) of this subsection and gas
4 described in (2) of this subsection, 20 percent of the production tax value of the
5 taxable oil and gas as calculated under AS 43.55.160."
6

7 Page 4, line 28:

8 Delete "Except as otherwise provided under (i) of this section. the"

9 Insert "The"

10
11 Page 5, lines 7 - 26:

12 Delete all material and insert:

13 "(i) To carry out the purpose of (e) of this section, the department shall adopt
14 regulations that, notwithstanding any contrary provision of AS 43.55.160, establish a
15 reasonable basis for the allocation of costs between production of oil and production
16 of gas from the Cook Inlet sedimentary basin and production of oil and production of
17 gas elsewhere in the state."
18

19 Page 20, lines 6 - 8:

20 Delete "less three-quarters of the gross value at the point of production of the oil
21 taxable under AS 43.55.011(e) and (g) and produced by the producer from leases or properties
22 in the Cook Inlet sedimentary basin."

206

h

*note
subcommittee*

24G-2
5/6/2006
(11:00 A.M.)

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault *for*
Rothberg

TO: HCS CSSB 305(FIN) (24-GS2052N Work Draft: 5/4/06)

1 Page 3, line 29, following "to" through line 30:

2 Delete all material and insert the following new material:

3 "(1) for oil that is produced from a lease or property in the Cook Inlet
4 sedimentary basin, five percent of the production tax value of the taxable oil as calculated
5 under AS 43.55.160; and

6 (2) for oil and gas other than oil described in (1) of this subsection, 20
7 percent of the production tax value of the taxable oil and gas as calculated under
8 AS 43.55.160."
9

10 Page 5, lines 7 - 26:

11 Delete all material and insert the following new material:

12 "(i) For a month that ends before April 30, 2021, the total tax levied by
13 (e) and (g) of this section on gas produced from a lease or property in the Cook
14 Inlet sedimentary basin may not exceed

15 (1) for a lease or property that first commenced commercial
16 production before April 1, 2006, the product of (A) the amount of gas produced
17 from the lease or property, (B) multiplied by the average rate of tax that was
18 imposed under this chapter on gas produced from the lease or property for the 12
19 month period ending on March 31, 2006, and (C) multiplied by the average
20 prevailing value for gas delivered in the Cook Inlet area for the 12 month period
21 ending March 31, 2006, as determined by the department under AS 43.55.020(f);

1 (2) for a lease or property that first commences commercial
2 production on or after April 1, 2006, the product of (A) the amount of gas
3 produced from the lease or property, (B) multiplied by the average rate of tax that
4 was imposed under this chapter on gas produced from all leases or properties in
5 the Cook Inlet sedimentary basin for the 12 month period ending on March 31,
6 2006, and (C) multiplied by the average prevailing value for gas delivered in the
7 Cook Inlet area for the 12 month period ending March 31, 2006, as determined by
8 the department under AS 43.55.020(f)."
9

10 Page 20, lines 2 - 11:

11 Delete all material and insert "Except as provided in (f) of this section, for purposes of
12 AS 43.55.011(e) and (g), the production tax value of the taxable (1) oil produced during a month
13 is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and (g), less
14 the producer's applicable lease expenditures for the month as adjusted under (e) of this section;
15 (2) gas produced during a month is one-third of the gross value of the gas at the point of
16 production of the gas taxable under AS 43.55.011(e) and (g), less the producer's applicable lease
17 expenditures for the month as adjusted under (e) of this section. However, the"
18

19 Page 22, line 11:

20 Delete "."

21 Insert the following material:

22 ";

23 (4) the lease expenditures that are applicable to oil or gas
24 produced from an area of the state shall be determined under regulations adopted
25 by the department that provide for reasonable methods of allocating costs between
26 oil and gas and between areas of the state."

Failed 3-8

21

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

Kerthula

TO: HCS CSSB 305(FIN) Version N

Page 3, lines 25-30:

Delete all material and insert:

“(e) There is levied on the producer of oil a tax for all oil produced each month from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation or constitutes a landowner’s royalty interest. Except as otherwise provided under (i) of this section, the tax is equal to 20 percent of the production tax value of the taxable oil as calculated under AS 43.55.160.”

Page 3, lines 31 through page 4, line 4:

Delete all material and insert:

“(f) There is levied on the producer of oil a tax for all oil produced each month from each lease or property in the state the ownership or right to which constitutes a landowner’s royalty interest, except for oil the ownership or right to which is exempt from taxation. The provisions of this subsection apply to a landowner’s royalty interest as follows:”

Page 20, lines 8-10:

Delete “one-third of the gross value at the point of production of the gas taxable under AS 43.55.011(e) and (g) and produced by the producer from all leases or properties in the state,”

Page 26, line 6:

Insert a new subsection (j) to read:

“(j) If a cost that would otherwise constitute a lease expenditure under (c) of this section is incurred to explore for, develop, or produce both oil and gas, the department shall allocate the cost between oil and gas to determine the amount applicable to oil and deductible under (c) of this section by (1) a ratio of the volume of oil production to the volume of gas

production for the applicable lease or property, (2) the predominant purpose of the expenditure between oil and gas, or (3) other reasonable allocation method to determine the portion of the cost that is appropriately treated as a lease expenditure for oil under (c) of this section. For purposes of the ratio calculated under this subsection, 6,000 cubic feet of gas are considered to be equivalent in amount to one barrel of oil.”

Renumber the following subsection accordingly.

All other references to “gas” are deleted so that the oil production tax does not apply to gas production.

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: # 21

MEMBER

Favor

Oppose

JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES	✓	
STOLTZE		✓
WEYHRAUCH		✓
FOSTER		✓
HAWKER		✓
HOLM		✓
CHENAULT		✓
MEYER		✓

3 - 0

Failed 4-6

22

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

Ker Hule

TO: HCS CSSB 305(FIN) Version N

Page 20, line 4:

Delete "(A)"

Page 20, lines 8-10:

Delete "and "(B) one-third of the gross value at the point of production of the gas taxable under AS 43.55.011(e) and (g) and produced by the producer from all leases or properties in the state."

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5/5/06

Amendment: # 22

MEMBER

Favor

Oppose

KELLY		✓
KERTTULA	✓	
MOSES	✓	
STOLTZE	✓	
WEYHRAUCH	—	—
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
MEYER		✓
CHENAULT		✓

4 6

withdrawn

23

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KerHula*

TO: HCS CSSB 305(FIN) Version N

Page 19, lines 5-30:

Delete all material.

Failed 2-7

24

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

KF-Hule

TO: HCS CSSB 305(FIN) Version N

Page 9, line 8:

Following "for any month below zero" insert "for oil that is produced in the Cook Inlet sedimentary basin and 6 percent of the gross value at the point of production for all other oil and gas production"

Page 20, line 12:

Following "may not be less than zero" insert "for oil that is produced in the Cook Inlet sedimentary basin and 6 percent of the gross value at the point of production for all other oil and gas production"

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5/8/06
Amendment: Amnd #24

MEMBER	Favor	Oppose
KERTTULA	✓	
MOSES		
STOLTZE		✓
WEYHRAUCH		
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
CHENAULT		✓
MEYER		✓

2 7

withdrawn

25

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

Ker Holen

TO: HCS CSSB 305(FIN) Version N

Page-36, line 4:

Delete "July 1, 2006" and insert "January 1, 2006"

Failed 3-6

26

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kerr Hull*

TO: HCS CSSB 305(FIN) Version N

Add a new section to AS 43.55 to read:

The Regulatory Commission of Alaska, in consultation with the Alaska Oil and Gas Conservation Commission, may require working interest owners to provide access to production and other facilities whenever necessary to

- (1) maximize the economic and physical recovery of the state's oil or gas resources;
- (2) maximize competition among parties seeking to explore and develop the resources;
- (3) minimize the adverse effects of exploration, development, production and transportation activity; or
- (4) otherwise protect the best interests of the state.

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: #26

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
MOSES		
STOLTZE	✓	
WEYHRAUCH		
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MEYER		✓
CHENAULT		✓

3 6

Failed

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kerthule*

TO: HCS CSSB 305(FIN) Version N

Page 4, line 31:

Following "section." insert:

"The legislature may appropriate amounts from the annual estimated balance of the account maintained under AS 37.05.142 for deposits into the general fund of the proceeds of the tax levied under this subsection to the high energy cost offset fund established by AS 43.55.420."

Page 29, following line 19:

Insert new Sec. 43.55.420:

"Sec. 43.55.420. High energy cost offset fund. (a) The high energy cost offset fund is established as a separate fund in the general fund. The fund consists of all money appropriated to it.

(b) The high energy cost offset fund shall be invested by the Department of Revenue so as to yield competitive market rates, as provided in AS 37.10.071. Money in the fund may be appropriated to provide cost offsets for higher energy costs of consumers.

(c) Nothing in this section creates a dedication of funds."

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: # 27

MEMBER

Favor

Oppose

STOLTZE		<input checked="" type="checkbox"/>
WEYHRAUCH		<input checked="" type="checkbox"/>
FOSTER		<input checked="" type="checkbox"/>
HAWKER		<input checked="" type="checkbox"/>
HOLM		<input checked="" type="checkbox"/>
JOULE	<input checked="" type="checkbox"/>	
KELLY	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
KERTTULA	<input checked="" type="checkbox"/>	
MOSES		
CHENAULT		<input checked="" type="checkbox"/>
MEYER		<input checked="" type="checkbox"/>

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5

Amendment: 23

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
WEYHRAUCH	✓	
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES		
STOLTZE	✓	
MEYER		✓
CHENAULT		✓

Saved

28

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KerHule*

TO: HCS CSSB 305(FIN) Version N

Page 23, lines 16-18 :

Delete:

“(M) for a transaction that is an internal transfer or is otherwise not an arm’s length transaction, expenditures incurred that are in excess of fair market value”

And insert:

“(M) any lease expenditure otherwise deductible under (c) of this section that is the result of an internal transfer, inter-affiliate transaction, a transaction between related parties, or otherwise a non-arms length transaction, unless the producer establishes to the satisfaction of the department ~~by clear and convincing evidence~~ that the amount of lease expenditure does not exceed the fair market value of the expenditure”

AMENDMENT

failed
2-8

29

OFFERED IN THE HOUSE
TO: HCS CSSB 305(FIN) Version N

BY REPRESENTATIVE Kethula

Page 21, line 12 through page 22, line 11:

After "license under AS 38.05.132" insert "." and delete all following material.

Page 22, lines 14-23:

- Delete all material; and insert:

"(A) production supplies;

(B) purchased fuel;

(C) routine maintenance;

(D) wages and benefits of employees working on production operations;

and

(E) payment of property taxes, sales and use taxes, motor fuel taxes, and excise taxes;"

Page 22, line 25:

After "(A)" insert "overhead, administrative costs and expenses, and indirect costs;"

Renumber the following subparagraphs accordingly.

Page 23, line 24 through page 24, line 6:

Delete all material; and insert:

"(P) the portion of costs incurred for dismantlement, removal, surrender, or abandonment of a well, facility, pipeline, platform, or other structure, or for the restoration of a lease, field, unit, area, body of water, or right-of-way in conjunction with dismantlement, removal, surrender, or abandonment, that is attributable to production of oil or gas or any money paid or set aside (or booked as being paid or set aside) to cover the cost of terminating production operations of the lease or property;"

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: 29

MEMBER

Favor

Oppose

FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES		
STOLTZE		✓
WEHYRAUCH		✓
MEYER		✓
CHENAULT		✓

Failed

30

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kerthule*

TO: HCS CSSB 305(FIN) Version N

Page 22, lines 9-11:

Delete all material.

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: 30

MEMBER

Favor

Oppose

HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES		
STOLTZE		✓
WEYHRAUCH		✓
FOSTER		✓
CHENAULT		✓
MEYER		✓

w/D

31

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Ke-Hu*

TO: HCS CSSB 305(FIN) Version N

Page 23, line 24 through page 24, line 6:

* Delete all material and insert:

“(P) money paid or set aside (or booked as being paid or set aside) to cover the cost of terminating production operations of the lease or property.”

W/D

32

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE *KeHule*
TO: HCS CSSB 305(FIN) Version N

Page 22, lines 20-23:

Delete all material.

Page 22, line 25

Insert: "(A) overhead, administrative costs and expenses, and indirect costs;"

Renumber the following subparagraphs accordingly.

W/D

33

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Ker-Hule*

TO: HCS CSSB 305(FIN) Version N

Page 22, lines 20-23 , is amended to read:

“(C) [A REASONABLE ALLOWANCE, AS DETERMINED UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR] overhead expenses directly related to exploring for, developing, and producing oil or gas deposits located within leases or properties or other land in the state at the rate of three percent of the qualified lease expenditures;

Failed
27

34

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kr-Hul*

TO: HCS CSSB 305(FIN) Version N

Page 7, lines 27-29:

Delete "notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a),"

Page 8, line 1:

After "expenditure may" delete "also"

Page 12, line 20:

Following "AS 43.55.160" insert ", but which is not deducted by the producer under AS 43.55.160,"

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/00

Amendment: 34

MEMBER

Favor

Oppose

HOLM		✓
JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES		
STOLTZE		✓
WEYHRAUCH		
FOSTER		✓
HAWKER		✓
MEYER		✓
CHENAULT		✓

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/

Amendment: 35

MEMBER

Favor

Oppose

JOULE	✓	
KELLY		✓
KERTTULA	✓	
MOSES		
STOLTZE		✓
WEYHRAUCH	✓	
FOSTER		✓
HAWKER		✓
HOLM		✓
CHENAULT		✓
MEYER		✓

failed

35

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE *Kethulu*
TO: HCS CSSB 305(FIN) Version N

Add a new section to AS 43.55 as follows:

“Imposition of accuracy related penalties on underpayment. (a) If there is a substantial understatement of tax required to be shown on a return under this chapter or a substantial valuation misstatement under this chapter for any tax year, there shall be added to the tax an amount equal to 20 percent of the substantial understatement of tax.

(b) For purposes of this section, there is a substantial understatement of tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of 10 percent of the tax required to be shown on the return for the taxable year or \$10,000,000. For purposes of this section, the term “understatement” means the excess of the amount of the tax required to be shown on the return for the taxable year over the amount of the tax imposed that is shown on the return. There is a substantial valuation misstatement under this chapter if the net taxable value required to be reported on a return under this chapter is 200 percent or more of the amount shown on the return.

(c) If there is an understatement of tax under this chapter that is attributable to one or more gross valuation misstatements, there shall be added to the tax an amount equal to 40 percent of the understatement of tax attributable to gross valuation misstatements. There is a gross valuation misstatement if the net taxable value required to be reported on a return under this chapter is 400 percent or more of the amount show on the return.”

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5

Amendment: 34

MEMBER

Favor

Oppose

KELLY		✓
KERTTULA	✓	
MOSES		
STOLTZE	✓	
WEYHRAUCH	✓	
FOSTER		✓
HAWKER		✓
HOLM	✓	
JOULE	✓	
MEYER		✓
CHENAULT		✓

failed

36

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KE-HUL*

TO: HCS CSSB 305(FIN) Version N

Insert a new section to read:

“The uncodified law of the State of Alaska is amended by adding a new section to read:

- SEVERABILITY. If any provision of this Act regarding a lease
- expenditure deduction or any credit allowed under this Act is ruled unconstitutional in a final court decision from which no further appeal is made or available, it is the intent of the legislature that the unconstitutional deduction or credit provision be severed from the Act and the remainder of the Act remain unaffected rather than invalidating the entire Act or an expansion of the application of deduction or credit beyond that set out in the Act.”

Held
New AMENDMENT ~~#34~~

37a dr

OFFERED IN HOUSE FINANCE BY REPRESENTATIVE KERTTULA
TO: HCS CSSB 305 (FIN), Draft Version "N"

Page 12, line 1

Insert "(D) for costs incurred for containment, control, clean-up or removal in connection with any un-permitted release of oil or hazardous substance and any liability for damages, fines and penalties imposed on the producer."

Page 24, after line 6

Insert a new subsection to read:

"(Q) the costs incurred for containment, control, clean-up or removal in connection with any un-permitted release of oil or hazardous substance and any liability for damages, fines and penalties imposed on the producer."

Held
New AMENDMENT

~~#38~~

38a
sk

OFFERED IN THE HOUSE
TO: HCSSB 305(FIN), Draft Version "N"

BY REPRESENTATIVE KERTTULA

1 Page 1, line 1 through page 2, line 9:

2 Delete all material.

3 Insert: "An Act relating to the oil and gas properties production (severance)
4 tax as it applies to oil; establishing a minimum rate of tax for certain fields of five
5 percent; providing for an adjustment to increase the tax collected when oil prices
6 exceed \$20 per barrel and to reduce the tax collected when oil prices fall below \$16
7 per barrel; providing for relief from the tax when the price per barrel is low or
8 when the taxpayer demonstrates that a reduction in the tax is necessary to establish
9 or reestablish production from an oil field or pool that would not otherwise be
10 economically feasible; and delaying until July 1, 2016, the deadline for certain
11 exploration expenditures that form the basis for a credit against the tax on oil and
12 gas produced from a lease or property in the state."
13

14 Page 2, line 11 through page 36, line 5

15 Delete all material.

16 Insert:

17 "Section 1. AS 36.30.850(33) is amended to read:

18 (33) contracts between the Department of Natural Resources or the

19 Department of Revenue, as appropriate, and contractors qualified to evaluate
20 hydrocarbon development, production, transportation, and economics, to assist the
21 commissioner of natural resources or the commissioner of revenue, as appropriate, in
22 evaluating applications for

23 (A) royalty increases or decreases or other royalty adjustments,
24 and evaluating the related financial and technical data, entered into under

25 AS 38.05.180(j); or

26 (B) tax reductions, and evaluating the related financial and
27 technical data, as authorized by AS 43.55.011(i) and (j);

28 • Sec. 2. AS 43.55.011(a) is amended to read:

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1 (a) There is levied upon the producer of oil a tax for all oil produced from
2 each lease or property in the state, less any oil the ownership or right to which is
3 exempt from taxation. The tax is equal to,

4 (1) in the case of North Slope oil, either the percentage-of-value
5 amount calculated under (b)(1) [(b)] of this section or the cents-per-barrel
6 amount calculated under (c)(1) [(c)] of this section, whichever is greater; if [,
7 MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR
8 THE OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS
9 43.55.013. IF] the amounts calculated under (b)(1) and (c)(1) [(b) AND (c)] of
10 this section are equal, the amount calculated under (b)(1) [(b)] of this section
11 shall be treated as if it were the greater for purposes of this section;

12 (2) in the case of oil that is not North Slope oil, either the percentage-of-value amount
13 calculated under (b)(2) of this section or the cents-per-barrel amount calculated
14 under (c)(2) of this section, whichever is greater, multiplied by the economic limit
15 factor determined for the oil production of the lease or property under AS
16 43.55.013; if the amounts calculated under (b)(2) and (c)(2) of this section are
17 equal, the amount calculated under (b)(2) of this section shall be treated as if it
18 were the greater for purposes of this section.

- 19 • Sec. 3. AS 43.55.011(b) is amended to read:

20 (b) The percentage-of-value amount equals,

21 (1) in the case of North Slope oil, the tax rate set out in (e) of this
22 section multiplied by the gross value at the point of production of
23 taxable oil produced from the lease or property;

24 (2) in the case of oil that is not North Slope oil, 12.25 percent of the
25 gross value at the point of production of taxable oil produced on or before June
26 30, 1981, from the lease or property and 15 percent of the gross value at the
27 point of production of taxable oil produced from the lease or property after June
28 30, 1981; except that, for a lease or property coming into commercial oil
29 production after June 30, 1981, the percentage-of-value amount equals 12.25
30 percent of the gross value at the point of production of taxable oil produced from
31 the lease or property in the first five years after the start of commercial oil
32 production and equals 15 percent of the gross value at the point of production of
33 taxable oil produced [THEREAFTER] from the lease or property.

- 34 • Sec. 4. AS 43.55.011© is amended to read:

35 (c) The cents-per-barrel amount equals,

36 (1) in the case of North Slope oil, \$0 80 per barrel of taxable crude oil produced
37 from the lease or property, as adjusted by AS 43.55.012, multiplied by the

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- 1 economic limit factor determined for oil production of the lease or property
2 under AS 43.55.013 and by the price adjustment factor set out in (e)(2)© of
3 this section;
- 4 (2) in the case of oil that is not North Slope oil, \$0.60 per barrel of taxable old
5 crude oil produced from the lease or property, and \$0.80 per barrel for all other
6 taxable oil produced from the lease or property, both as adjusted by AS
7 43.55.012.
- 8 • Sec. 5. AS 43.55.011 is amended by adding new subsections to read:
- 9 (c) This subsection and (f) - (k) of this section apply only to North Slope oil.
10 Except as provided in (h) of this section for heavy oil, the tax rate is the lesser of
- 11 (1) 25 percent; or
12 (2) the product of the volume adjusted tax rate multiplied by the price adjustment
13 factor; for purposes of
- 14 (A) this paragraph, the volume adjusted tax rate is the greater of
15 (i) five percent; or
16 (ii) the economic limit factor determined for the oil
17 production of the lease or property under AS 43.55.013 multiplied by the
18 nominal tax rate;
- 19 (B) subparagraph (A) of this paragraph, the nominal tax rate is
- 20 (i) 12.25 percent during the first five years from the date that is the start of
21 commercial oil production; and
22 (ii) 15 percent after the first five years from the date
23 that is the start of commercial oil production; and
- 24 (C) this paragraph and for the purpose of determining the cents-per-barrel amount under
25 © of this section, the price adjustment factor is one, except that the price
26 adjustment factor is the West Coast prevailing value divided by
- 27 (i) 16 during each month in which the West Coast prevailing value for oil under AS
28 43.55.020(f) averages less than \$16 per barrel;
- 29 (ii) 20 during each month in which the West Coast prevailing value for oil under
30 AS 43.55.020(f) averages more than \$20 per barrel.
- 31 (f) During a month in which the West Coast prevailing value for oil determined
32 under AS 43.55.020(f) on which tax is due under this chapter averages less
33 than \$10 per barrel, the payment of
- 34 (1) one-half of the tax due and payable under this chapter is waived; and
35 (2) the remaining one-half of the tax due and payable under this chapter
36 is deferred, subject to the following:
- 37 (A) the amount of tax payment that is deferred under this paragraph is payable by the
38 taxpayer
- 39 (B) (i) during each month in which the West Coast prevailing value for oil on which
40 tax is due under this chapter averages

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- 1 at least \$16 per barrel; and
- 2 (ii) sequentially on a month-for-month basis in the order in which the tax payment was
3 deferred based on payment of one month's deferred tax during each month that the
4 West Coast prevailing value for oil on which tax is due under this chapter averages at
5 least \$16 per barrel; and
- 6 (B) amounts due and payable by reason of a payment deferral under this paragraph bear
7 interest at the rate of a 10-year note of the United States treasury at the time of the
8 deferral.
- 9 (g) On and after July 1, 2006, the commissioner shall
- 10 (1) annually revise the dollar prices described in (e) and (f) of this
11 section and the related denominators set out in (e)(2)(i) and (ii) of this section to
12 reflect inflation as defined by regulation adopted by the department; and
- 13 (2) promptly report the application of the revisions to all taxpayers subject to the tax
14 levied and collected under this chapter.
- 15 (h) Notwithstanding (e) of this section, the tax rate for heavy oil is the volume adjusted
16 tax rate. The volume adjusted tax rate for heavy oil is determined by
17 multiplying the economic limit factor determined for the oil production of the lease
18 or property under AS 43.55.013 by the nominal tax rate set out in (e)(2)(A)(i) and (ii)
19 of this section. In this subsection, "heavy oil" means oil equal to or less than 20
20 degrees API gravity.
- 21 (i) A producer of oil that is North Slope oil may apply for a reduction of the tax
22 due under (e), (j), and (k) of this section on the production of the oil
- 23 (1) if and to the extent that the amount calculated under (A) of this
24 paragraph is greater than the amount calculated under (B) of this
25 paragraph, but a reduction of the tax may not result in collection of tax
26 due under this section that is less than the amount calculated under (B) of
27 this paragraph:
- 28 (A) the amount of tax on the production of the oil that results from applying
29 the provisions of (e) of this section;
- 30 (B) the amount of tax on the production of the oil that would result from
31 not applying the provisions of (e) of this section; and
- 32 (2) if the commissioner determines that the application meets the
33 requirements of AS 38.05.180(j)(1)(A), (j)(1)(B), or (j)(1)(C).
- 34 (j) When the commissioner receives an application under (i) of this section,
35 the commissioner
- 36 (1) may not approve a tax reduction

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- 1 (A) unless the applicant makes a clear and convincing showing
2 that the tax reduction meets the requirements of (i) of this section and
3 this subsection and is in the best interests of the state;
- 4 (B) that reduces the amount of the tax recovered to less than the amount
5 determined under (i)(1)(B) of this section;
- 6 (C) without including an explicit condition that the tax
7 reduction is not assignable without the prior written approval, which may not
8 be unreasonably withheld, by the commissioner; the commissioner shall, in
9 the preliminary and final findings and determinations, set out the conditions
10 under which the tax reduction may be assigned;
- 11 (2) shall require the applicant to submit, with the application for the tax
12 reduction, financial and technical data that demonstrate that the requirements of
13 (i) of this section and this subsection are met; the commissioner
- 14 (A) may require disclosure of only the financial and technical data related to
15 development, production, and transportation of oil and gas or gas only from the
16 field or pool that are reasonably available to the applicant; and
- 17 (B) (B) shall keep the data confidential under AS 38.05.035(a)(9) at the request of
18 the applicant; the confidential data may be disclosed by the commissioner to
19 legislators and to the legislative auditor and as directed by the chair or vice-
20 chair of the Legislative Budget and Audit Committee to the director of the
21 division of legislative finance, the permanent employees of their respective
22 divisions who are responsible for evaluating a tax reduction, and to agents or
23 contractors of the legislative auditor or the legislative finance director who are
24 engaged under contract to evaluate the tax reduction, if they sign an appropriate
25 confidentiality agreement;
- 26 (3) may require the applicant for the tax reduction under (i) of this section and this
27 subsection to pay for the services of an independent contractor, selected by the
28 applicant from a list of qualified consultants compiled by the commissioner,
29 to evaluate hydrocarbon development, production, transportation, and economics
30 and to assist the commissioner in evaluating the application and financial and
31 technical data; if, under this paragraph, the commissioner requires payment for
32 the services of an independent contractor, the total cost of the services to be paid
33 for by the applicant may not exceed \$150,000 for each application, and the
34 commissioner shall determine the relevant scope of the work to be
35 performed by the contractor; selection of an independent contractor under this
36 paragraph is not subject to AS 36.30;
- 37 (4) shall make and publish a preliminary findings and determination on
38 the tax reduction application, give reasonable public notice of the preliminary
39 findings and determination, and invite public comment on the preliminary
40 findings and determination during a 30-day period for receipt of public comment;

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- 1 (5) shall offer to appear before the Legislative Budget and Audit Committee, on a
2 day that is not earlier than 10 days and not later than 20 days after giving public
3 notice under (4) of this subsection, to provide the committee a review of
4 the commissioner's preliminary findings and determination on the tax
5 reduction application and administrative process; if the Legislative Budget and
6 Audit Committee accepts the commissioner's offer, the committee shall give
7 notice of the committee's meeting to all members of the legislature;
- 8 (6) shall make copies of the preliminary findings and determination available to
9 (A) the presiding officer of each house of the legislature;
10 (B) the chairs of the legislature's standing committees on resources; and
11 (C) the chairs of the legislature's special committees on oil and gas, if any; and
12 (7) shall, within 30 days after the close of the public comment period under (4) of this
13 subsection,
14 (A) prepare a summary of the public response to the commissioner's preliminary
15 findings and determination;
16 (B) make a final findings and determination; the commissioner's final findings
17 and determination prepared under this subparagraph regarding a tax reduction
18 is final and not appealable to the court;
19 (C) transmit a copy of the final findings and determination to the lessee; and
20 (D) make copies of the final findings and determination available to each
21 person who submitted comment under (4) of this subsection and who has filed
22 a request for the copies.
- 23 (k) In this section, "North Slope oil" means oil produced from a portion of a
24 reservoir located north of 68 degrees North latitude.
- 25 • Sec. 6. AS 43.55.012(b) is amended to read:
26 (b) The cents-per-barrel amount set out in AS 43.55.011(c)(1) and (2) [AS
27 43.55.011c] applies to oil of 27 degrees API gravity. For each degree of API
28 gravity less than 27 degrees, the cents-per-barrel amount shall be reduced by
29 \$.005 and for each degree of API gravity greater than 27 degrees the cents-per-
30 barrel amount shall be increased by \$.005 except that oil above 40 degrees API
31 gravity shall be taxed as 40 degree oil. In applying the gravity adjustment under
32 this subsection, fractional degrees of API gravity shall be disregarded.
- 33 *Sec 7. AS 43.55.025(b) is amended to read:
34 (b) To qualify for the production tax credit under (a) of this section, an
35 exploration expenditure must be incurred for work performed on or after July
36 1, 2003, and before July 1, 2016 [2007], except that an exploration
37 expenditure for Cook Inlet prospect must be incurred for work performed on
38 or after July 1, 2005, [AND BEFORE JULY 1, 2010, AND EXCEPT THAT
39 AN EXPLORATION EXPENDITURE, IN WHOLE OR IN PART, SOUTH

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BY REPRESENTATIVE KERTTULA

1 OF 68 DEGREES, 15 MINUTES, NORTH LATITUDE, AND NOT PART
2 OF COOK INLET PROSPECT MUST BE INCURRED FOR WORK
3 PERFORMED ON OR AFTER JULY 1, 2003, AND BEFORE JULY 1,
4 2010.] AND

5 (1) may be for seismic or geophysical exploration costs no connected with
6 a specific well;

7 (2) if for an exploration well,

8 (A) must be incurred by an explorer that holds an interest in the
9 exploration well for which the production tax credit is
10 claimed;

11 (B) may be fore either an oil or gas discovery well or a dry hole;
12 and

13 (C) must be for goods, services, or rentals of personal property
14 reasonably required for the surface preparation, drilling,
15 casing, cementing and logging of an exploration well, and, in
16 the case of a dry hole, for the expenses required for
17 abandonment if the well is abandoned with 18 months after
18 the date the well was spudded;

19 (3) may not be for testing, stimulation, or completion costs;
20 administration, supervision, engineering, or lease operating costs;
21 geological or management costs; community relations or environment
22 costs; bonuses, taxes, or other payments to governments related to the
23 well; or other costs that are generally recognized as indirect costs or
24 financing costs; and

25 (4) may not be incurred for an exploration well or seismic exploration that
26 is included in a plan of exploration or a plan of development for any
27 unit on May 13, 2003.

28
29 *Sec 8. Add a new section to AS 43.55 to read:

30 The Regulatory Commission of Alaska, in consultation with the Alaska Oil and
31 Gas Conservation Commission, may require working interest owners, at a commercially
32 reasonable rate of return, to provide access to production and other facilities whenever
33 necessary to

34 (1) maximize the economic and physical recovery of the state's oil or gas
35 resources;

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- 1 (2) maximize the competition among parties seeking to explore and develop
- 2 the resources;
- 3 (3) maximize the adverse effects of exploration, development, production and
- 4 transportation activity; or
- 5 (4) otherwise protect the best interests of the state.
- 6
- 7

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AMENDMENT

REPRESENTATIVE KELLY

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1 Page 22, lines 20 – 23

Delete all material

Insert: "a reasonable allowance for overhead expenses directly related to exploring for, developing, and producing oil or gas deposits located within leases or properties or other land in the state, as determined under regulations adopted by the department, but not to exceed 2 percent of those overhead expenses;"

38(b)

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AMENDMENT

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1 Page 1, line 1, through page 2, line 9:

2 Delete all material.

3 Insert "'An Act relating to oil and gas, the oil and gas properties production
4 (severance) tax as it applies to oil; providing for an adjustment to increase the tax
5 collected when oil prices exceed \$20 per barrel and to reduce the tax collected when oil
6 prices fall below \$16 per barrel; providing for relief from the tax when the price per
7 barrel is low or when the taxpayer demonstrates that a reduction in the tax is necessary
8 to establish or reestablish production from an oil field or pool that would not otherwise
9 be economically feasible; delaying until July 1, 2016, the deadline for certain exploration
10 expenditures that form the basis for a credit against the tax on oil and gas produced
11 from a lease or property in the state; and amending the powers and duties of the Alaska
12 Oil and Gas Conservation Commission.'"

13

14 Page 2, line 11, through page 36, line 5:

15 Delete all material and insert:

16 "* Section 1. AS 31.05.030(d) is amended to read:

17 (d) The commission may require

18 (1) identification of ownership of wells, producing leases, tanks, plants
19 and drilling structures;

20 (2) the making and filing of reports, well logs, drilling logs, electric
21 logs, lithologic logs, directional surveys, and all other subsurface information on a
22 well drilled for oil or gas, or for the discovery of oil or gas, or for geologic
23 information, and the required reports and information shall be filed within 30 days

1 after the completion, abandonment, or suspension of the well;

2 (3) the drilling, casing, and plugging of wells in a manner that will
3 prevent the escape of oil or gas out of one stratum into another, the intrusion of water
4 into an oil or gas stratum, the pollution of fresh water supplies by oil, gas, or salt
5 water, and prevent blowouts, cavings, seepages and fires;

6 (4) the furnishing of a reasonable bond with sufficient surety
7 conditions for the performance of the duty to plug each dry or abandoned well or the
8 repair of wells causing waste;

9 (5) the operation of wells with efficient gas-oil and water-oil ratios,
10 and may fix these ratios;

11 (6) the gauging or other measuring of oil and gas to determine the
12 quality and quantity of oil and gas;

13 (7) every person who produces oil or gas in the state to keep and
14 maintain for a period of five years in the state complete and accurate records of the
15 quantities of oil and gas produced, which shall be available for examination by the
16 Department of Natural Resources or its agents at all reasonable times;

17 (8) the measuring and monitoring of oil and gas pool pressures;

18 (9) the filing and approval of a plan of development and operation for
19 a field or pool in order to prevent waste, ensure [INSURE] a greater ultimate recovery
20 of oil and gas, and protect the correlative rights of persons owning interests in the
21 tracts of land affected.

22 (10) working interest owners to provide, at a commercially
23 reasonable rate of return, not to exceed costs plus 10 percent, access to
24 production and other facilities whenever necessary; the commission may act
25 under this paragraph

26 (A) to

27 (i) maximize the economic and physical recovery of
28 the state's oil and gas resources;

29 (ii) maximize competition among parties seeking to
30 explore and develop the state's oil and gas resources;

31 (iii) minimize the adverse affects of exploration.

1 development, production, and transportation activity; or

2 (iv) otherwise protect the best interest of the state;

3 and

4 (B) only if the commission finds that the facility has excess
 5 capacity and that directing the working interest owner to provide access
 6 by or for the benefit of others would not materially interfere with the
 7 owner's paramount use of the facility.

8 * Sec. 2. AS 36.30.850(b)(33) is amended to read:

9 (33) contracts between the Department of Natural Resources or the
 10 Department of Revenue, as appropriate, and contractors qualified to evaluate
 11 hydrocarbon development, production, transportation, and economics, to assist the
 12 commissioner of natural resources or the commissioner of revenue, as appropriate,
 13 in evaluating applications for

14 (A) royalty increases or decreases or other royalty adjustments,
 15 and evaluating the related financial and technical data, entered into under
 16 AS 38.05.180(j); or

17 (B) tax reductions, and evaluating the related financial and
 18 technical data, as authorized by AS 43.55.011(i) and (j);

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

20 (a) There is levied upon the producer of oil a tax for all oil produced from
 21 each lease or property in the state, less any oil the ownership or right to which is
 22 exempt from taxation. The tax is equal to,

23 (1) in the case of North Slope oil, either the percentage-of-value
 24 amount calculated under (b)(1) [(b)] of this section or the cents-per-barrel amount
 25 calculated under (c)(1) [(c)] of this section, whichever is greater; if [, MULTIPLIED
 26 BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE OIL
 27 PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013. IF] the
 28 amounts calculated under (b)(1) and (c)(1) [(b) AND (c)] of this section are equal, the
 29 amount calculated under (b)(1) [(b)] of this section shall be treated as if it were the
 30 greater for purposes of this section;

31 (2) in the case of oil that is not North Slope oil, either the

1 percentage-of-value amount calculated under (b)(2) of this section or the cents-
 2 per-barrel amount calculated under (c)(2) of this section, whichever is greater,
 3 multiplied by the economic limit factor determined for the oil production of the
 4 lease or property under AS 43.55.013; if the amounts calculated under (b)(2) and
 5 (c)(2) of this section are equal, the amount calculated under (b)(2) of this section
 6 shall be treated as if it were the greater for purposes of this section.

7 * Sec. 4. AS 43.55.011(b) is amended to read:

8 (b) The percentage-of-value amount equals,

9 (1) in the case of North Slope oil, the tax rate set out in (e) of this
 10 section multiplied by the gross value at the point of production of taxable oil
 11 produced from the lease or property;

12 (2) in the case of oil that is not North Slope oil, 12.25 percent of the
 13 gross value at the point of production of taxable oil produced on or before June 30,
 14 1981, from the lease or property and 15 percent of the gross value at the point of
 15 production of taxable oil produced from the lease or property after June 30, 1981;
 16 except that, for a lease or property coming into commercial oil production after
 17 June 30, 1981, the percentage-of-value amount equals 12.25 percent of the gross value
 18 at the point of production of taxable oil produced from the lease or property in the first
 19 five years after the start of commercial oil production and equals 15 percent of the
 20 gross value at the point of production of taxable oil produced [THEREAFTER] from
 21 the lease or property.

22 * Sec. 5. AS 43.55.011(c) is amended to read:

23 (c) The cents-per-barrel amount equals,

24 (1) in the case of North Slope oil, \$0.80 per barrel of taxable crude
 25 oil produced from the lease or property, as adjusted by AS 43.55.012, multiplied
 26 by the economic limit factor determined for oil production of the lease or
 27 property under AS 43.55.013 and by the price adjustment factor set out in
 28 (e)(2)(D) of this section;

29 (2) in the case of oil that is not North Slope oil, \$0.60 per barrel of
 30 taxable old crude oil produced from the lease or property, and \$0.80 per barrel for all
 31 other taxable oil produced from the lease or property, both as adjusted by

1 AS 43.55.012.

2 * Sec. 6. AS 43.55.011 is amended by adding new subsections to read:

3 (e) This subsection and (f) - (k) of this section apply only to North Slope oil.

4 Except as provided in (h) of this section for heavy oil, the tax rate is the lesser of

5 (1) 25 percent; or

6 (2) the product of the volume adjusted tax rate multiplied by the price
7 adjustment factor; for purposes of

8 (A) this paragraph, the volume adjusted tax rate is the greater

9 of

10 (i) the applicable tax rate, not to exceed five percent,
11 determined under (C) of this paragraph, except that, if during a month
12 in which the West Coast prevailing value for oil under AS 43.55.020(f)
13 is less than \$12, the applicable tax rate is zero and the volume adjusted
14 tax rate is determined only by the application of (ii) of this
15 subparagraph; or

16 (ii) the economic limit factor determined for the oil
17 production of the lease or property under AS 43.55.013 multiplied by
18 the nominal tax rate;

19 (B) subparagraph (A) of this paragraph, the nominal tax rate is

20 (i) 12.25 percent during the first five years from the
21 date that is the start of commercial oil production; and

22 (ii) 15 percent after the first five years from the date
23 that is the start of commercial oil production;

24 (C) sub-subparagraph (A)(i) of this paragraph, during each
25 month in which the West Coast prevailing value for oil under AS 43.55.020(f)
26 averages

27 (i) at least \$16, the applicable rate is five percent;

28 (ii) at least \$15 but not \$16, the applicable rate is four
29 percent;

30 (iii) at least \$14 but not \$15, the applicable rate is three
31 percent;

1 (iv) at least \$13 but not \$14, the applicable rate is two percent;

2 and

3 (v) at least \$12 but not \$13, the applicable rate is one percent;

4 and

5 (D) this paragraph and for the purpose of determining the
6 cents-per-barrel amount under (c) of this section, the price adjustment factor is
7 one, except that the price adjustment factor is the West Coast prevailing value
8 divided by

9 (i) 16 during each month in which the West Coast
10 prevailing value for oil under AS 43.55.020(f) averages less than \$16
11 per barrel;

12 (ii) 20 during each month in which the West Coast
13 prevailing value for oil under AS 43.55.020(f) averages more than \$20
14 per barrel.

15 (f) During a month in which the West Coast prevailing value for oil
16 determined under AS 43.55.020(f) on which tax is due under this chapter averages less
17 than \$10 per barrel, the payment of

18 (1) one-half of the tax due and payable under this chapter is waived;

19 and

20 (2) the remaining one-half of the tax due and payable under this
21 chapter is deferred, subject to the following:

22 (A) the amount of tax payment that is deferred under this
23 paragraph is payable by the taxpayer

24 (i) during each month in which the West Coast
25 prevailing value for oil on which tax is due under this chapter averages
26 at least \$16 per barrel; and

27 (ii) sequentially on a month-for-month basis in the
28 order in which the tax payment was deferred based on payment of one
29 month's deferred tax during each month that the West Coast prevailing
30 value for oil on which tax is due under this chapter averages at least
31 \$16 per barrel; and

1 (B) amounts due and payable because of a payment deferral
2 under this paragraph bear interest at the rate of a 10-year note of the United
3 States treasury at the time of the deferral.

4 (g) On and after July 1, 2006, the commissioner shall

5 (1) annually revise the dollar prices described in (e) and (f) of this
6 section and the related denominators set out in (e)(2)(D)(i) and (ii) of this section to
7 reflect inflation as defined by regulation adopted by the department; and

8 (2) promptly report the application of the revisions to all taxpayers
9 subject to the tax levied and collected under this chapter.

10 (h) Notwithstanding (e) of this section, the tax rate for heavy oil is the volume
11 adjusted tax rate. The volume adjusted tax rate for heavy oil is determined by
12 multiplying the economic limit factor determined for the oil production of the lease or
13 property under AS 43.55.013 by the nominal tax rate set out in (e)(2)(A)(i) and (ii) of
14 this section. In this subsection, "heavy oil" means oil equal to or less than 20 degrees
15 API gravity.

16 (i) A producer of oil that is North Slope oil may apply for a reduction of the
17 tax due under (e), (j), and (k) of this section on the production of the oil

18 (1) if and to the extent that the amount calculated under (A) of this
19 paragraph is greater than the amount calculated under (B) of this paragraph, but a
20 reduction of the tax may not result in collection of tax due under this section that is
21 less than the amount calculated under (B) of this paragraph:

22 (A) the amount of tax on the production of the oil that results
23 from applying the provisions of (e) of this section;

24 (B) the amount of tax on the production of the oil that would
25 result from not applying the provisions of (e) of this section; and

26 (2) if the commissioner determines that the application meets the
27 requirements of AS 38.05.180(j)(1)(A), (j)(1)(B), or (j)(1)(C).

28 (j) When the commissioner receives an application under (i) of this section,
29 the commissioner

30 (1) may not approve a tax reduction

31 (A) unless the applicant makes a clear and convincing showing

1 that the tax reduction meets the requirements of (i) of this section and this
2 subsection and is in the best interests of the state;

3 (B) that reduces the amount of the tax recovered to less than the
4 amount determined under (i)(1)(B) of this section;

5 (C) without including an explicit condition that the tax
6 reduction is not assignable without the prior written approval, which may not
7 be unreasonably withheld, by the commissioner; the commissioner shall, in the
8 preliminary and final findings and determinations, set out the conditions under
9 which the tax reduction may be assigned;

10 (2) shall require the applicant to submit, with the application for the
11 tax reduction, financial and technical data that demonstrate that the requirements of (i)
12 of this section and this subsection are met; the commissioner

13 (A) may require disclosure of only the financial and technical
14 data related to development, production, and transportation of oil and gas or
15 gas only from the field or pool that are reasonably available to the applicant;
16 and

17 (B) shall keep the data confidential under AS 38.05.035(a)(9)
18 at the request of the applicant; the confidential data may be disclosed by the
19 commissioner to legislators and to the legislative auditor and as directed by the
20 chair or vice-chair of the Legislative Budget and Audit Committee to the
21 director of the division of legislative finance, the permanent employees of their
22 respective divisions who are responsible for evaluating a tax reduction, and to
23 agents or contractors of the legislative auditor or the legislative finance director
24 who are engaged under contract to evaluate the tax reduction, if they sign an
25 appropriate confidentiality agreement;

26 (3) may require the applicant for the tax reduction under (i) of this
27 section and this subsection to pay for the services of an independent contractor,
28 selected by the applicant from a list of qualified consultants compiled by the
29 commissioner, to evaluate hydrocarbon development, production, transportation, and
30 economics and to assist the commissioner in evaluating the application and financial
31 and technical data; if, under this paragraph, the commissioner requires payment for the

1 services of an independent contractor, the total cost of the services to be paid for by
 2 the applicant may not exceed \$150,000 for each application, and the commissioner
 3 shall determine the relevant scope of the work to be performed by the contractor;
 4 selection of an independent contractor under this paragraph is not subject to AS 36.30;

5 (4) shall make and publish a preliminary findings and determination on
 6 the tax reduction application, give reasonable public notice of the preliminary findings
 7 and determination, and invite public comment on the preliminary findings and
 8 determination during a 30-day period for receipt of public comment;

9 (5) shall offer to appear before the Legislative Budget and Audit
 10 Committee, on a day that is not earlier than 10 days and not later than 20 days after
 11 giving public notice under (4) of this subsection, to provide the committee a review of
 12 the commissioner's preliminary findings and determination on the tax reduction
 13 application and administrative process; if the Legislative Budget and Audit Committee
 14 accepts the commissioner's offer, the committee shall give notice of the committee's
 15 meeting to all members of the legislature;

16 (6) shall make copies of the preliminary findings and determination
 17 available to

18 (A) the presiding officer of each house of the legislature;

19 (B) the chairs of the legislature's standing committees on
 20 resources; and

21 (C) the chairs of the legislature's special committees on oil and
 22 gas, if any; and

23 (7) shall, within 30 days after the close of the public comment period
 24 under (4) of this subsection,

25 (A) prepare a summary of the public response to the
 26 commissioner's preliminary findings and determination;

27 (B) make a final findings and determination; the
 28 commissioner's final findings and determination prepared under this
 29 subparagraph regarding a tax reduction is final and not appealable to the court;

30 (C) transmit a copy of the final findings and determination to
 31 the lessee; and

1 (D) make copies of the final findings and determination
2 available to each person who submitted comment under (4) of this subsection
3 and who has filed a request for the copies.

4 (k) In this section, "North Slope oil" means oil produced from a portion of a
5 reservoir located north of 68 degrees North latitude.

6 * Sec. 7. AS 43.55.012(b) is amended to read:

7 (b) The cents-per-barrel amount set out in AS 43.55.011(c)(1) and (2)
8 [AS 43.55.011(c)] applies to oil of 27 degrees API gravity. For each degree of API
9 gravity less than 27 degrees, the cents-per-barrel amount shall be reduced by \$.005
10 and for each degree of API gravity greater than 27 degrees the cents-per-barrel amount
11 shall be increased by \$.005 except that oil above 40 degrees API gravity shall be taxed
12 as 40 degree oil. In applying the gravity adjustment under this subsection, fractional
13 degrees of API gravity shall be disregarded.

14 * Sec. 8. AS 43.55.025(b) is amended to read:

15 (b) To qualify for the production tax credit under (a) of this section, an
16 exploration expenditure must be incurred for work performed on or after July 1, 2003,
17 and before July 1, 2016 [2007], except that an exploration expenditure for a Cook Inlet
18 prospect must be incurred for work performed on or after July 1, 2005, [AND
19 BEFORE JULY 1, 2010, AND EXCEPT THAT AN EXPLORATION
20 EXPENDITURE, IN WHOLE OR IN PART, SOUTH OF 68 DEGREES, 15
21 MINUTES, NORTH LATITUDE, AND NOT PART OF A COOK INLET
22 PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR AFTER
23 JULY 1, 2003, AND BEFORE JULY 1, 2010,] and

24 (1) may be for seismic or geophysical exploration costs not connected
25 with a specific well;

26 (2) if for an exploration well,

27 (A) must be incurred by an explorer that holds an interest in the
28 exploration well for which the production tax credit is claimed;

29 (B) may be for either an oil or gas discovery well or a dry hole;

30 and

31 (C) must be for goods, services, or rentals of personal property

1 reasonably required for the surface preparation, drilling, casing, cementing,
2 and logging of an exploration well, and, in the case of a dry hole, for the
3 expenses required for abandonment if the well is abandoned within 18 months
4 after the date the well was spudded;

5 (3) may not be for testing, stimulation, or completion costs;
6 administration, supervision, engineering, or lease operating costs; geological or
7 management costs; community relations or environmental costs; bonuses, taxes, or
8 other payments to governments related to the well; or other costs that are generally
9 recognized as indirect costs or financing costs; and

10 (4) may not be incurred for an exploration well or seismic exploration
11 that is included in a plan of exploration or a plan of development for any unit on
12 May 13, 2003."

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 386

MEMBER	Favor	Oppose
KERTTULA	✓	
MOSES	✓	
STOLTZE		✓
WEYHRAUCH		✓
FOSTER		✓
HAWKER		✓
HOLM		✓
JOULE	✓	
KELLY		✓
CHENAULT		✓
MEYER		✓

3-8

Withdrawn

41

24-GS2052N.16
Chenoweth
5/5/06

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 2, line 8, following "amendments";

2 Insert "relating to the disposition of state income affected by a provision of this
3 Act;"

4

5 Page 2, following line 25:

6 Insert a new bill section to read:

7 "** Sec. 2, AS 37.13.145 is amended by adding a new subsection to read:

8 (e) Notwithstanding (b) of this section, income earned on money awarded in
9 or received as a result of litigation arising out of this Act, including settlement,
10 summary judgment, or a tax adjustment that is tied to the outcome of that litigation, or
11 interest earned on the money, or on the earnings of the money, shall be treated in the
12 same manner as other income of the Alaska permanent fund, except that it is not
13 available for distribution to the dividend fund or for transfers to the principal under (c)
14 of this section, and shall be annually deposited into the Alaska capital income fund
15 (AS 37.05.565)."

16

17 Renumber the following bill sections accordingly.

18

19 Renumber internal references to bill sections in accordance with this amendment. Below are
20 all internal bill section references in this bill:

21 Page 2, line 13 and 22:

22 Page 32, lines 16, 17, 19, 20, 24, 26, 29, and 31

23 Page 33, lines 2, 4, 6, 8, 11, 14, 16, 22, 23, and 30

- 1 Page 34, lines 1, 4, 5, 11, 13, 15, 21, 23, 25, and 27
- 2 Page 35, lines 1, 2, and 15
- 3 Page 36, lines 2, 3, and 4

42

filed 2-9

24-GS2052N.21
Chenoweth
5/6/06

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 4, line 31, following "section.":

2 Insert "However, application of this subsection may not, when added to the tax levied
3 under (e) (or (f)) of this section, impose a total tax levy of more than 25 percent of the
4 production tax value of taxable oil and gas as calculated under AS 43.55.160."

Note

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 42

MEMBER

Favor

Oppose

STOLTZE		✓
WEYHRAUCH	✓	
FOSTER	✓	
HAWKER		✓
HOLM		✓
JOULE		✓
KELLY		✓
KERTTULA		✓
MOSES		✓
CHENAULT		✓
MEYER		✓

2-

9

Withdrawn

#43
24-GS2052N.17
Chenoweth
5/5/06

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE WEYHRAUCH
TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 2, line 8, following "amendments;":

2 Insert "amending the powers of the board of trustees of the Alaska Retirement
3 Management Board to authorize purchase and sale of transferable tax credit certificates
4 issued in conjunction with the production tax on oil and gas;"

5
6 Page 2, following line 25:

7 Insert a new bill section to read:

8 **** Sec. 2. AS 37.10.220(b) is amended to read:**

9 (b) The board may

10 (1) employ outside investment advisors to review investment policies;

11 (2) enter into an agreement with the fiduciary of another state fund in
12 order to assume the management and investment of those assets;

13 (3) contract for other services necessary to execute the board's powers
14 and duties;

15 (4) enter into confidentiality agreements that would exempt records
16 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
17 the value of investment by the board or that could impair the ability of the board to
18 acquire, maintain, or dispose of investments;

19 (5) purchase transferable tax credit certificates issued under
20 AS 43.55.024 for 90 percent of the face value of a certificate, and sell transferable
21 tax credit certificates to the Department of Revenue under AS 43.55.024(k) for a
22 cash refund; the board may, under this paragraph, sell a transferable tax credit
23 only if the commissioner of revenue determines that economic conditions are

1 acceptable for the state to purchase and pay for the credit; the board shall apply
2 the proceeds from a sale made under this paragraph to defray the unfunded
3 pension liabilities of the systems for which the board has responsibility."
4

5 Renumber the following bill sections accordingly.

6
7 Page 12, following line 17:

8 Insert a new subsection to read:

9 "(k) Under standards established in regulations adopted by the department and
10 subject to appropriations made by law, the department, on the written application of
11 the person to whom a transferable tax credit has been issued under (e) of this section,
12 shall issue a cash refund, in whole or in part, for the certificate if the department finds

13 (1) after investigation and audit of the tax credit claim by the
14 department, the applicant is entitled to the credit to the extent of the refund amount;

15 (2) within 24 months after having applied for the transferable tax credit
16 certificate, the applicant incurred a qualified capital expenditure or was the successful
17 bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

18 (3) the amount of the refund would not exceed the total of qualified
19 capital expenditures and successful bids described in (2) of this subsection that have
20 not been the subject of a finding made under this paragraph for purposes of a previous
21 refund;

22 (4) the applicant

23 (A) does not have an outstanding liability to the state for
24 unpaid delinquent taxes under this title; or

25 (B) has an outstanding liability to the state for unpaid
26 delinquent taxes under this title, but the department may issue a cash refund for
27 the certificate to the applicant only if

28 (i) the applicant's outstanding liability is more than one
29 year old and is the subject of a proceeding before an administrative law
30 judge or court to resolve a dispute about the applicant's liability for the
31 tax; and

1 (ii) the applicant agrees in writing that, if, as a result of
2 a final order or judgment in a proceeding described in (i) of this
3 subparagraph, the applicant is found to be liable for payment of the tax,
4 the applicant shall remit the tax payment to the department within 30
5 days after the order or judgment, together with interest at the rate of 18
6 percent, calculated as for a tax that has become delinquent under this
7 title; and

8 (5) the sum of the amount of the refund applied for and amounts
9 previously refunded to the applicant during the calendar year under this subsection
10 would not exceed \$10,000,000."

11
12 Reletter the following subsection accordingly.

13

14 Conform internal references to bill sections in accordance with this amendment.

withdrawn

#43
24-GS2052AN.17
Chenoweth
5/5/06

A M E N D M E N T

OFFERED IN THE HOUSE BY REPRESENTATIVE WEYHRAUCH
TO: HCS CSSB 305(FIN), Draft Version "N"

1 Page 2, line 8, following "amendments;":

2 Insert "amending the powers of the board of trustees of the Alaska Retirement
3 Management Board to authorize purchase and sale of transferable tax credit certificates
4 issued in conjunction with the production tax on oil and gas;"

5
6 Page 2, following line 25:

7 Insert a new bill section to read:

8 "* Sec. 2. AS 37.10.220(b) is amended to read:

9 (b) The board may

10 (1) employ outside investment advisors to review investment policies;

11 (2) enter into an agreement with the fiduciary of another state fund in
12 order to assume the management and investment of those assets;

13 (3) contract for other services necessary to execute the board's powers
14 and duties;

15 (4) enter into confidentiality agreements that would exempt records
16 from AS 40.25.110 and 40.25.120 if the records contain information that could affect
17 the value of investment by the board or that could impair the ability of the board to
18 acquire, maintain, or dispose of investments;

19 (5) purchase transferable tax credit certificates issued under
20 AS 43.55.024 for 90 percent of the face value of a certificate, and sell transferable
21 tax credit certificates to the Department of Revenue under AS 43.55.024(k) for a
22 cash refund; the board may, under this paragraph, sell a transferable tax credit
23 only if the commissioner of revenue determines that economic conditions are

1 acceptable for the state to purchase and pay for the credit: the board shall apply
 2 the proceeds from a sale made under this paragraph to defray the unfunded
 3 pension liabilities of the systems for which the board has responsibility."
 4

5 Renumber the following bill sections accordingly.

6
 7 Page 12, following line 17:

8 Insert a new subsection to read:

9 "(k) Under standards established in regulations adopted by the department and
 10 subject to appropriations made by law, the department, on the written application of
 11 the person to whom a transferable tax credit has been issued under (e) of this section,
 12 shall issue a cash refund, in whole or in part, for the certificate if the department finds

13 (1) after investigation and audit of the tax credit claim by the
 14 department, the applicant is entitled to the credit to the extent of the refund amount:

15 (2) within 24 months after having applied for the transferable tax credit
 16 certificate, the applicant incurred a qualified capital expenditure or was the successful
 17 bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

18 (3) the amount of the refund would not exceed the total of qualified
 19 capital expenditures and successful bids described in (2) of this subsection that have
 20 not been the subject of a finding made under this paragraph for purposes of a previous
 21 refund;

22 (4) the applicant

23 (A) does not have an outstanding liability to the state for
 24 unpaid delinquent taxes under this title; or

25 (B) has an outstanding liability to the state for unpaid
 26 delinquent taxes under this title, but the department may issue a cash refund for
 27 the certificate to the applicant only if

28 (i) the applicant's outstanding liability is more than one
 29 year old and is the subject of a proceeding before an administrative law
 30 judge or court to resolve a dispute about the applicant's liability for the
 31 tax; and

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(ii) the applicant agrees in writing that, if, as a result of a final order or judgment in a proceeding described in (i) of this subparagraph, the applicant is found to be liable for payment of the tax, the applicant shall remit the tax payment to the department within 30 days after the order or judgment, together with interest at the rate of 18 percent, calculated as for a tax that has become delinquent under this title; and

(5) the sum of the amount of the refund applied for and amounts previously refunded to the applicant during the calendar year under this subsection would not exceed \$10,000,000."

Reletter the following subsection accordingly.

Conform internal references to bill sections in accordance with this amendment.

Withdrawn

44

24-GS2052\N.18
Chenoweth
5/5/06

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE WEYHRAUCH
TO: HCS CSSB 305(FIN), Draft Version "N"

- 1 Page 24, line 6, following "oil"
- 2 Insert ";
- 3 (Q) costs, expenses, and damages associated with unpermitted
- 4 oil discharges"

**HOUSE FINANCE
COMMITTEE
ROLL CALL**

DATE: 5-6-04

Moved from Committee
Amendment: SB 305

MEMBER

Favor

Oppose

STOLTZE	✓	
WEYHRAUCH	✓	
FOSTER		✓
HAWKER	✓	
HOLM	✓	
JOULE	✓	
KELLY	✓	
KERTTULA		✓
MOSES	✓	
CHENAULT	✓	
MEYER	✓	

9 - 2

COMPARISON OF PPT BILL VERSIONS--HIGHLIGHTS

DRAFT 5/4/06 4:00pm.

5/4/2006

source: DOR

	governor's bill	House Resources CS Version L	SENATE (page refs = S. Fin. CS)	House Finance CS Version
tax rate	20%	20%	22.5% general 5% on Cook Inlet oil	20.0% .011(e)-page 3 3/4 rev. excl. for Cook Inlet oil .160(a) --page 20 tax ceiling on Cook Inlet gas .011(f) --page 5
credit rate	.011(a)-page 3 20%	.011(a)-page 3 20%	.011(e)-pages 3-4 25%	.011(f) --page 5 20%
private royalty tax rate	.024(a)-page 5 no special rate	.024(a)-page 8 5%	.024(a)-page 7 5% oil & 1.67% gas Report from Commish .011(f)-page 4 & .180 pg 26	.024(a)-page 7 5% oil & 1.67% gas Report from Commish .011(f)-page 3 & .180 pg 27
Gas (GRE)	n/a	.011(e)-page 3-4	Gas Revenue Exclusion in 160 equivalent to rate approximating 7%(also applies to private royalty rate creating equivalent rate below 1.5%) .160(a) page 19	Gas Revenue Exclusion in 160 equivalent to rate approximating 7%(also applies to private royalty rate creating equivalent rate below 1.5%) .160(a) page 20
progressivity surcharge	none	over \$50/bbl WTI, (.3% x (WTI - \$50) x gross; <\$110 rate is 37.5% .011(f)-page 4	over \$50/bbl, (ANSwc - \$50) x .002 x ANSw h x .775 x bbls (oil only) .011(g) and (h)-pages 4-5	over \$35/bbl (net value/boe) x .0025 x net value .011(g) and (h) page 4-5
special gas progressivity?	n/a	yes .011(i)-page 4-5	no	n/a
progressivity deductible?	n/a	yes .160(a)-page 18	no .160(d)(2)(O)-page 22	no .160(d)(2)(O)-page 23
transition	5 yr lookback of capex .160(g)-page 15	3 mo. of capex & opex. ? Sec. 42 uncodified--page 30	5 yrs.lookback capex 2 for 1 recoupment .024(i)-pages 10-11	5 yrs.lookback capex 2 for 1 recoupment .024(i)-page 10
transition treatment	deduction over 6 yr, if ANSwc >=\$40 .160(g)-page 15	deduction over 9 mo, no oil price test Sec. 42 uncodified--page 30	20% credit; no oil price test .024(i)-pages 10-11	20% credit; no oil price test .024(i)-page 11
sunset of transition	no	n/a	3/31/2013 .024(i)-page 11	7 yr rolling .024(i)(3) page 11
base allowance	\$73M deduction .160(ii)-page 16	\$12M credit (equates to \$60M ded.) .170(a)-page 23	Revised 5000 bbl equivalent credit capped at 14 million .170(a)-pages 25-26	\$12M credit (equates to \$60M ded.) .170(a)-page 26
gold-plating solution				avail. up to 1/2 curr invest .170(a)-page 26
sunset of base allowance	none	3/31/2016 (exp incurred) .170(e)-page 24	3/31/2016 w/commissioner report .170(a)-page 25. .180 pg 26-27	10 yr rolling .170(a)-page 27
safe harbor	90%, annual true-up, no interest .020(a)-page 3	90% with interest .020(g)-page 7	95%, annual true-up, no interest .020(a)-pages 5-6	95%, annual true-up, no interest .020(a)-page 6
pmt < safe harbor??	interest only .020(a)-page 3	5% penalty + interest .020(h)-page 7	interest only .020(a)-pages 5-6	interest only .020(a)-page 6
effective date	7/1/2006 page 20	4/1/2006 Section 45--page 30	4/1/2006 Sec. 40 -page 33	7/1/2006 Sec. 40 --page 35

19k mas
Sec. 160(a)
2/3 of gross value
excluded
5% net
down to 3% net

5 yr lookback
lookback 5 yr in up
claw back

does not last until
opening of production

base of credit
work up to 30%
small company

SEC 40 - impossible

COMPARISON OF PPT BILL VERSIONS--HIGHLIGHTS

DRAFT 5/4/06 4:00pm.

5/4/2006

source: DOR

	governor's bill	House Resources CS Version L	SENATE (page refs = S. Fin. CS)	House Finance CS Version
transition payment	none	6 mos. pymt on old system; true-up in 7th mo. sec. 39--page 28	6 mos. pymt on old system; true-up in 7th mo. sec. 37(g)--pages 31-32	6 mos. pymt on old system; true-up in 7th mo. Sec. 36(h)--page 34
spill surcharge total spill surcharge split (.201/.300) spill surcharge payable	no change (5 cents) 2/3 no change	no change (5 cents) 1/4 increase 1 cent page 24-25	increase 1 cent, to 6 cents 1/5 increase 2 cent .201, .300 pages 27-28	no change (5 cents) 1/4 increase 1 cent pages 28-29
surcharge treatment	creditable against PPT page 17-18	not creditable, not ded. .160(d)(2)(L)--page 21	not creditable, not ded. .160(d)(2)(L)--page 22	not creditable, not ded. .160(d)(2)(L)--page 23
SB 185 credit	no change	extends 10 years; only usable against PPT .025(b), .025(f)--page 11-12	extends 10 years; fixes \$20 m issue .025(b), .025(f)--page 12-14	extends 10 years; fixes \$20 m issue .025(b), .025(f)--pages 13-14
abandonment	no provision	no credit .024(i)(2)--page 11	no deduction or credit for abandonment on old production .160(d)(2)(P) page 22	no deduction or credit for abandonment on old production (improved language) .160(d)(2)(P)--page 22
credits usable	against PPT only .024(a)--page 3	against PPT only .024(a)--page 8	against PPT only .024(a)--page 7	against PPT only .024(a)--page 7
credits transferable	yes--20% tax limit .024(d)-(e)--page 6	yes--20% tax limit .024(d)-(e)--page 8-9	yes--20% tax limit .024(d)-(e)--page 8-9	yes--20% tax limit .024(d)-(e)--page 9-10
credits refundable?	no	up to \$10M depends on investment .024(f)(5)--page 9-10	no	no
credits for annual loss	yes, at 20% .024(b)--page 5	yes, at 20% .024(b)--page 8	yes, at 22.5% .024(b)--page 8	yes, at 20% .024(b)--page 8-9
point of production	upstream of gas treatment upstream .900(7)--page 19	upstream of gas treatment upstream .900(7)--page 25-26	upstream of gas treatment upstream .900(7)--pages 28-29	upstream of gas treatment upstream (definition added) .900(7)--page 29-30
DNR royalty value	yes .150(d)--page 11	yes .150(d)--page 17-18	no	yes .150(d)--page 19
IRC sec. 482 as a tool	no	no	yes (incl. §6662) .160(i)--page 24	yes (w/ §6662) <i>ITB</i> .160(i)--page 26
catastrophic oil spill deductible?	yes, if on lease (not precluded)	no .160(c)--page 19	yes, if on lease (not precluded)	yes, if on lease (not precluded)
DNR gets exploration Data			yes .024(a) page 8	yes .024(a)--page 7
020 (f) Sales Language			yes .020(f) page 7	yes .020(f)--page 7
NPSL regs after industry practice			yes .160(c)(1)(B) page 20	yes .160(c)(1)(B)--page 21

from 3/6/06

exploration credit

yes treatment redifined

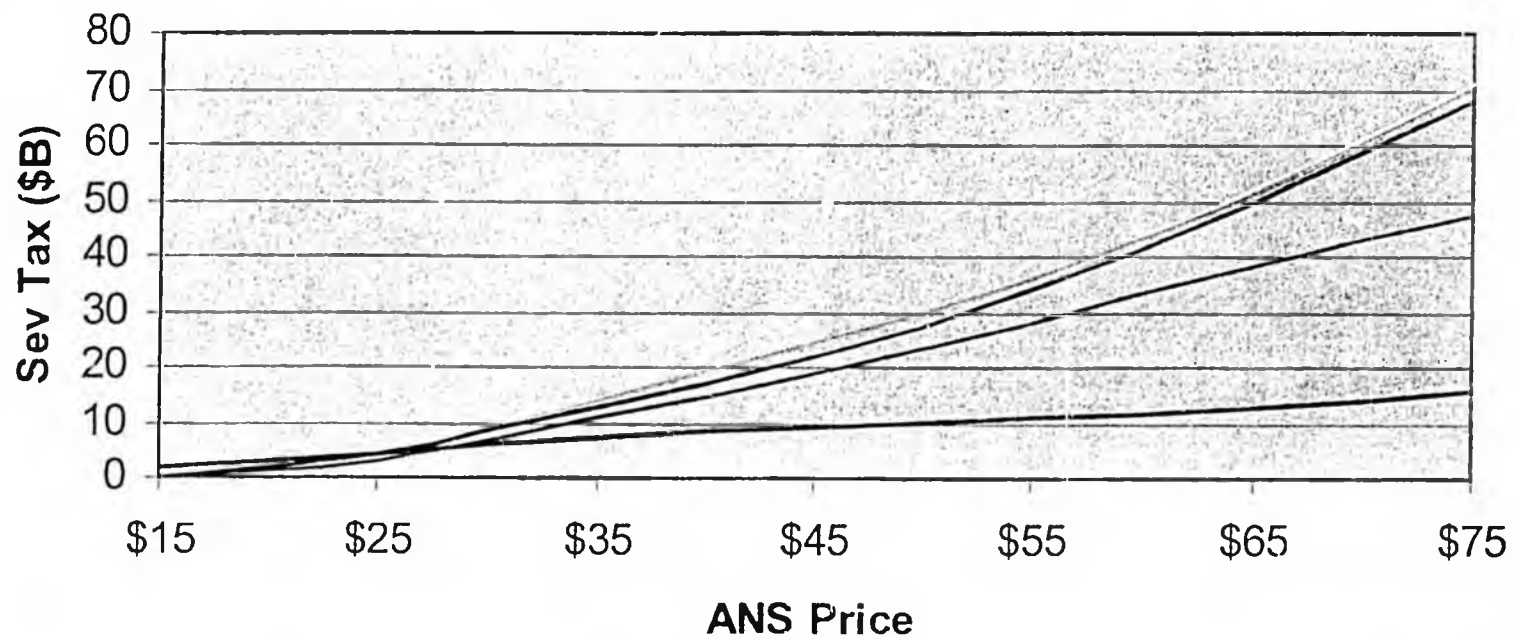
investing in local production

removed

clarified

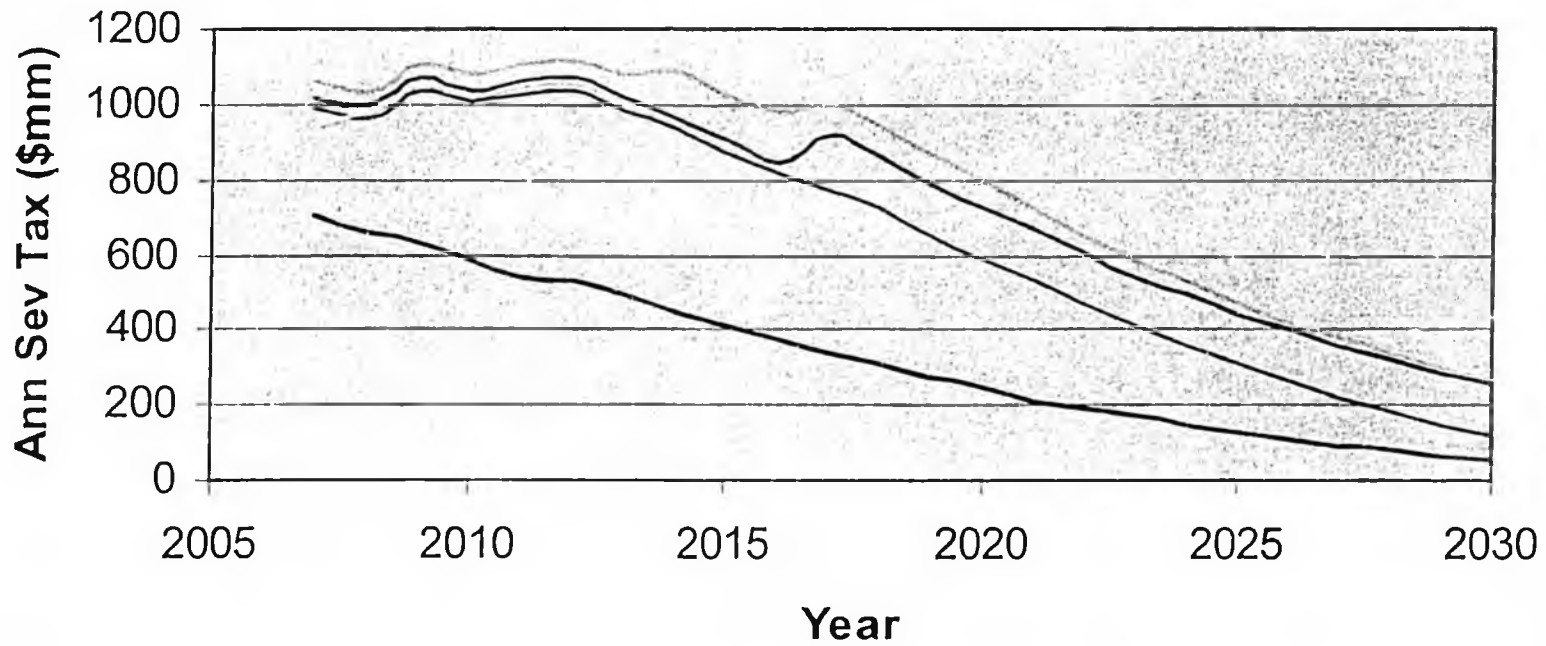
DRAFT
HB 488 House Finance CS
Comparative Revenues
Alaska Department of Revenue
May 5, 2006

Cumulative Severance Tax 2007-2030 (\$Billions)



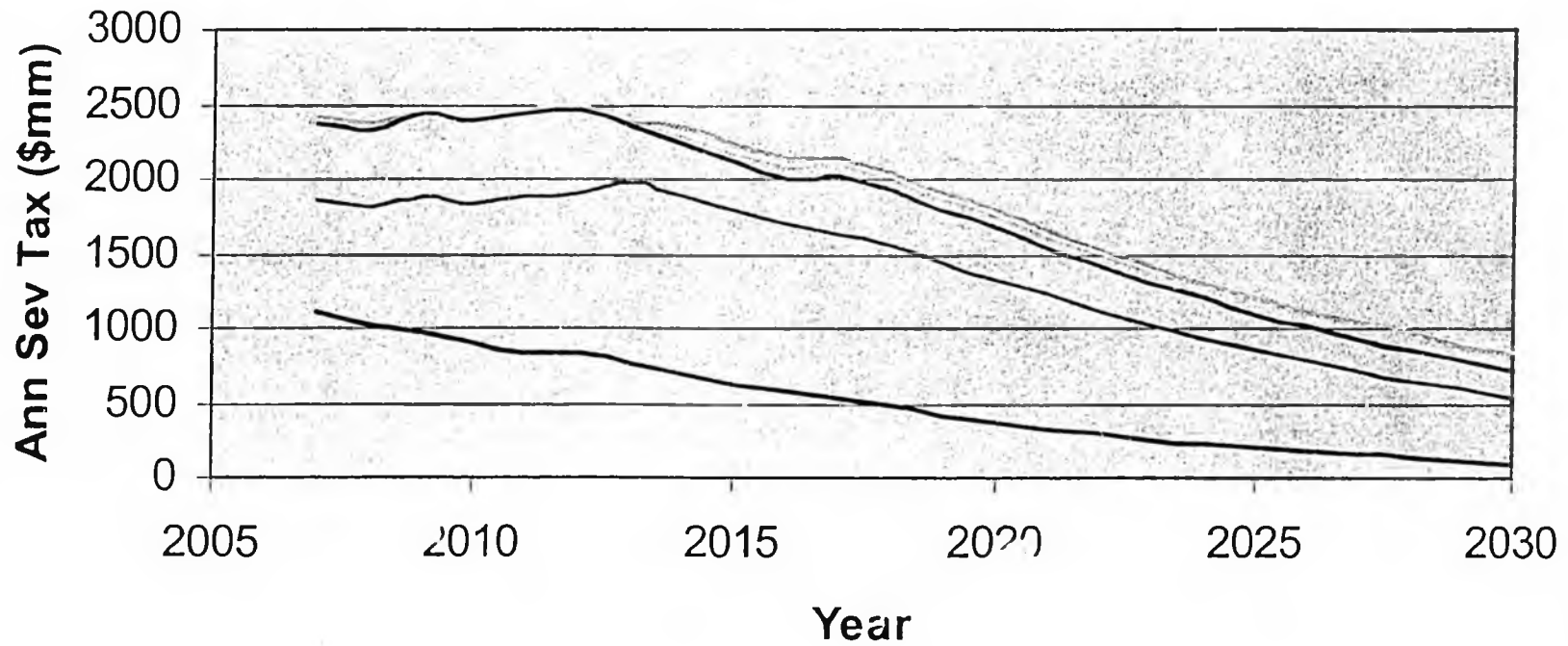
— sq — gov house res cs — sb 305 — house fin cs

Annual Severance Tax @ \$40 2007-2030 (\$Millions)



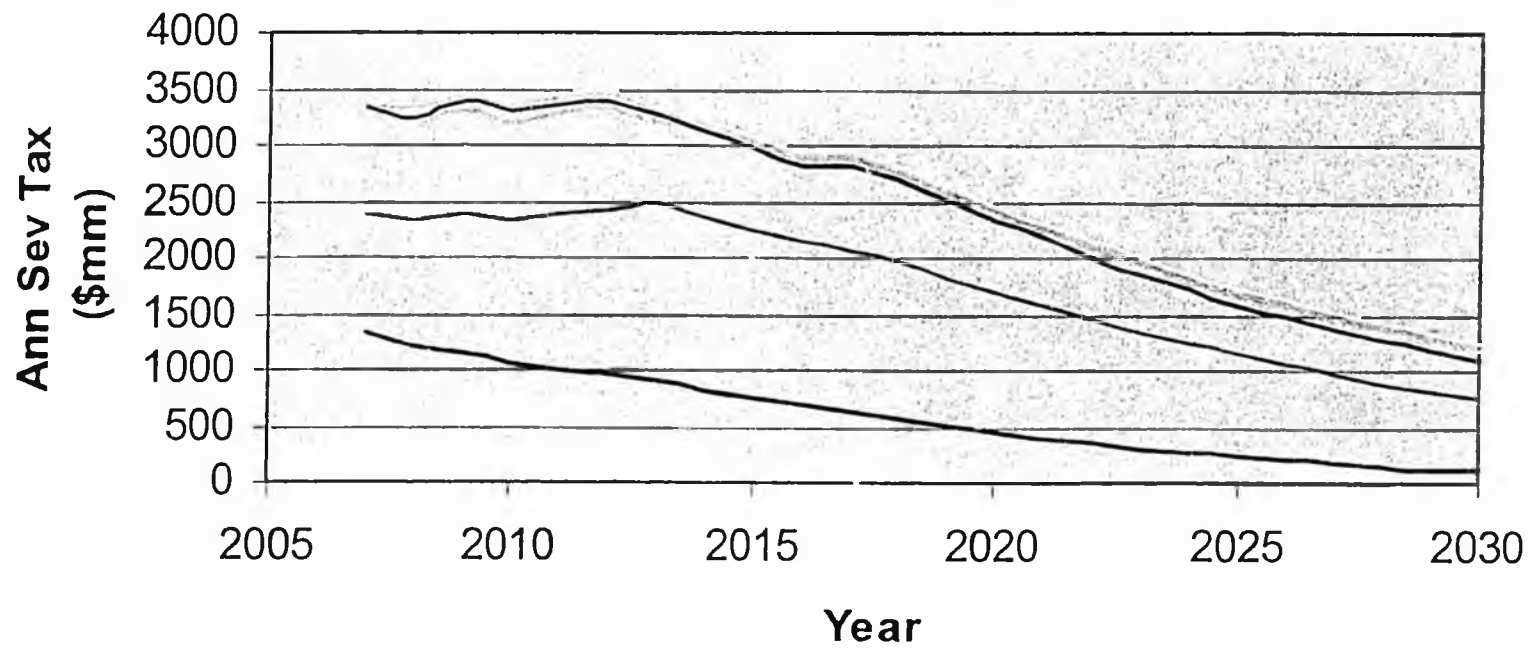
— sq — gov house res cs sb 305 — house fin cs

Annual Severance Tax @ \$60 2007-2030 (\$Millions)



sq
 gov
 house res cs
 sb 305
 house fin cs

Annual Severance Tax @ \$70 2007-2030 (\$Millions)



— sq — gov house res cs - - sb 305 — house fin cs

Per Barrel Progressivity Surcharge on Net \$35 at 0.21% and 0.25%

