

**SB**

**2001**

**(FILE 6)**

**PASSAGE &**

**AMEND'S**

**FINAL DOCUM'TS**

Subject	CS House Bill 2001 (P&G am)	SOS CS House Bill 2001 (P&G am)
		White = no difference between H & S
		SENATE SECTION NUMBERS ARE NOT UPDATED
Intent, Savings	<p>AS 38.05.035(a) - Intent to ensure that the Department of Natural Resources and the Department of Revenue have the authority to share information regarding oil and gas production.</p> <p>(b) Confirmation of DOR's interpretation of statute of limitations for alternative tax changes.</p> <p>(c) Intent that non-deductible costs under AS 43.55.011 include costs incurred for storage, processing and management of oil and gas to properly consider changing operating conditions.</p>	<p>CS Sec 1. Legislative intent.</p> <p>(a) House version intent with reference to the Department of Natural Resources and the Department of Revenue have the authority to share information regarding oil and gas production.</p> <p>(b) Confirmation of DOR's interpretation of statute of limitations for alternative tax changes (same as House).</p> <p>(c) ADDS Intent that costs include storage, processing and management of oil and gas to properly consider changing operating conditions.</p> <p>AS ADDS Intent that costs include storage, processing and management of oil and gas to properly consider changing operating conditions in order to properly consider changing operating conditions.</p> <p>DELETED House (c).</p>
DNR-DOR Information Sharing	Sec. 2. Amends AS 38.05.035(a). Adds authority for DNR to share oil & gas info with DOR.	CS Sec. 2. SAME AS HOUSE
Conforming Amendments	Secs. 3-9. Conforming technical amendments.	CS Secs. 3-9. SAME AS HOUSE
Auditors	CS Sec. 10. Amends AS 39.25.110. Adds oil and gas audit masters employed in a professional capacity by DOR & DNR to the exempt service.	CS Sec. 10. SAME AS HOUSE -- In separate sections, both House and Senate limit the number of audit masters to four for DOR and two for DNR.
Conforming Amendments	CS Sec. 11. Amends AS 41.09.010(d). Conforming technical amendments.	CS Sec. 11. SAME AS HOUSE
Energy Assistance	CS Sec. 12. Add new section AS 42.65.040. LIMEAP funding option.	DELETED
Information Disclosure	NOT IN HOUSE VERSION	CS Sec. 12. Change from House version Amends AS 43.55.230(a). Adds AS 43.55.230(b) language in tax rate, effective under AS 43.55.230(a) (original language). -- Language was in original bill.
DOR-DNR Information Sharing	CS Sec. 13. Amends AS 43.05.230(h). Adds authority for DOR to share production tax info with DNR.	CS Sec. 13. SAME AS HOUSE
Assessments Statute of Limitations	CS Sec. 14. Amends AS 43.05.260(a). Creates an exemption to allow DOR to conduct production tax assessments beyond three years after a return is filed. -- In separate section, DOR is given six years to conduct the assessments.	CS Sec. 14. SAME AS HOUSE
Tax Rate	CS Sec. 15. 20% tax rate Effective 1/1/2008	CS Sec. 15. SAME AS HOUSE: 20% tax rate CHANGE FROM HOUSE: Retrospective to 7/1/2007
Tax Floor	CS Sec. 16. Amends AS 43.55.011(f). Retains current tax floor, exempts private royalty interests (AS 43.55.011(i)) and gas used instate from the floor.	CS Sec. 16. SAME AS HOUSE (with slight wording changes).
Progressivity AS 43.55.011(g) & (h)	CS Sec. 17 and 18. Repeals & reenacts AS 43.55.011(g) and (h). Progressivity is triggered at \$30 net value on a monthly basis with 0.4% increase per dollar; progressivity tax rate is capped at 20% for a month. Effective 1/1/2008	CS Sec 17. CHANGE FROM HOUSE Progressivity is triggered at \$25 net value on a monthly basis with 0.4% increase per dollar; at \$2.50 net value, the rate of increase changes to 0.1% per dollar; capped at 20% effective tax rate (including progressivity). Retrospective to 7/1/2007
Cook Inlet Conforming Amendments	CS Sec. 19. Amends AS 43.55.011(j) (Cook Inlet tax ceiling). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable.	CS Sec. 18. SAME AS HOUSE

Subject	CS House Bill 2001 (FIN) am	SCS CS House Bill 2001 (FIN) am
Cook Inlet Conforming Amendments	CS Sec. 20. Amends AS 43.55.011(k) (Cook Inlet tax ceiling). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable.	CS Sec. 19. SAME AS HOUSE
Cook Inlet Tax Credits	CS Sec. 21. Amends AS 43.55.011(m) (application of tax credits to Cook Inlet gas). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable.	CS Sec. 20. CHANGE FROM HOUSE Repeals & reenacts AS 43.55.011(m). Replaces current language with the requirement that DOR establish by regulation a method for application of Cook Inlet tax credits.
Gas Used Instate	CS Sec. 22. Adds new subsection AS 43.55.011(o). Extends Cook Inlet tax ceilings in .011(j)(2) to gas used instate.	CS Sec. . SAME AS HOUSE - conforming changes made throughout bill
Tax Payment	CS Sec. 23. Repeals & reenacts AS 43.55.020(a). Conforming amendments to make installment payment calculations consistent with changes to the production tax.	CS Sec. 21. CHANGE FROM HOUSE Repeals & reenacts AS 43.55.020(a). Conforming amendments to make installment payment consistent with changes to the production tax in the Senate version.
Tax Payment	CS Sec. 24. Amends AS 43.55.020(g) (interest on unpaid installment payments). Conforming technical amendment.	CS Sec. 22. SAME AS HOUSE
Tax Payment	CS Sec. 25. Amends AS 43.55.020(h) (interest on overpayment of installment payments). Conforming technical amendment.	CS Sec. 23. SAME AS HOUSE
Capital Expenditure (Cap Ex) Tax Credits	NOT IN HOUSE VERSION	CS Sec. 24. CHANGE FROM HOUSE Amends AS 43.55.023(a). 20% tax credit for qualified capital expenditures (same as current law); spreads use of tax credits over two years; moves and adds to info requirements; requires submission of information that is required under AS 43.55.023(f)(2).
Cap Ex Tax Credits Carried-forward Annual Loss	CS Sec. 26. Amends AS 43.55.023(b). Matches carried-forward annual loss to production tax rate of 25%.	CS Sec. 25. SAME AS HOUSE
Cap Ex Tax Credits Transfer of Credits	NOT IN HOUSE VERSION	CS Sec. 26. CHANGE FROM HOUSE Amends AS 43.55.023(d) (transferable tax credit certificates). Adds option to obtain cash payment under the new oil and gas tax credit fund and more time for agency approval; modifies reporting requirements; spreads use of tax credits over two years.
Cap Ex Tax Credits Transfer of Credits	NOT IN HOUSE VERSION	CS Sec. 27. CHANGE FROM HOUSE Amends AS 43.55.023(e) (transfer of tax credits). Conforming technical amendment.
Cap Ex Tax Credits Purchase	NOT IN HOUSE VERSION	CS Sec. . CHANGE FROM HOUSE Amends AS 43.55.023(g). Adds language to reflect DOR authority to purchase tax credits granted under new oil and gas tax credit fund. - Language in original bill.
Cap Ex Tax Credits TIE Credits	CS Sec. 27. Amends AS 43.55.023(i). Limits transitional investment credits to taxpayers that did not have commercial production before January 1, 2008, and to 1/10 of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008.	CS Sec. . SAME AS HOUSE
Cap Ex Tax Credits Tax Exempt Entities	CS Sec. 28. Amends AS 43.55.023. Adds subsection (l). Exempts Alaska Retirement Management Board from limitations under AS 43.55.023(e) regarding transferable tax credits.	CS Sec. 29. CHANGE FROM HOUSE Amends AS 43.55.023. Adds subsection (l). Makes clear a tax exempt entity may not obtain a transferable tax credit (language in original bill). DELETES House language
Mid-Alaska Tax Credits	NOT IN HOUSE VERSION	CS Secs. 30-33. CHANGE FROM HOUSE Amends AS 43.55.024 (small producer tax credit for production outside Cook Inlet and North Slope). Subsection (a): technical correction; (c), (e), (g): conforming technical amendments. - Language in original bill.

Subject	CS House Bill 2001 (FH) am	SCS CS House Bill 2001 (FH) am
Exploration Tax Credits	CS Sec. 29. Amends AS 43.55.025(a). Raises the 20% exploration tax credit to 30%, and makes the existing 2016 sunset of the tax program uniformly applied.	CS Sec. 34. SAME AS HOUSE
Exploration Tax Credits	CS Sec. 30. Amends AS 43.55.025(b). Applies to exploration expenditures incurred for work performed after 12/31/2007; extends eligibility to delinquent wells drilled within 60 days; requires that an exploration well be completed, suspended, or shut down to qualify for a tax credit; disallows tax credits for specified costs.	CS Sec. 35. CHANGE FROM HOUSE Amends AS 43.55.025(b). House language except extends to exploration expenditures performed after 12/31/2007.
Exploration Tax Credits	CS Sec. 31. Repeals & reenacts AS 43.55.025(c). Provides a clearer definition for new exploration objectives and requires DNR evaluation; allows DNR to request specified information.	CS Sec. 36. CHANGE FROM HOUSE Repeals & reenacts AS 43.55.025(c). Generally House language.
Exploration Tax Credits	CS Sec. 32. Amends AS 43.55.025(f). Requires submission of information the DNR commissioner finds necessary; limits well data confidentiality to 24 months; gives DNR commissioner discretion to maintain confidentiality of information; provides for confidentiality of data acquired from private land; provides confidentiality for 30 days for seismic data; clarifies public availability of basic credit info.	CS Sec. 37. CHANGE FROM HOUSE Amends AS 43.55.025(f). House language except expands description of information required to be submitted.
Exploration Tax Credits	NOT IN HOUSE VERSION	CS Sec. 38. CHANGE FROM HOUSE Amends AS 43.55.025(g). Clarifies a tax-exempt entity may not transfer a credit certificate. - Language in original bill.
Exploration Tax Credits	NOT IN HOUSE VERSION	CS Sec. 39. CHANGE FROM HOUSE Amends AS 43.55.025(h). Conforming technical change.
Exploration Tax Credits	CS Sec. 33. Repeals & reenacts AS 43.55.025(i). Prohibits application of tax credit to reduce tax liability below zero; allows carry forward of tax credits.	CS Sec. 40. SAME AS HOUSE
Exploration Tax Credits	CS Sec. 34. Amends AS 43.55.025(k). Defines "preexisting well."	CS Sec. 41. SAME AS HOUSE
Exploration Tax Credits	CS Sec. 35. Amends AS 43.55.025. Adds a new subsection (l). Provides for a new five percent tax credit for seismic data that DNR determines is in state's interest to acquire. Adds new subsection (m) relating to AFMB tax credit refunds.	CS Sec. 42. CHANGE FROM HOUSE Amends AS 43.55.025. House language except deletes new subsection (m).
Oil & Gas Tax Credit Fund	NOT IN HOUSE VERSION	CS Sec. . CHANGE FROM HOUSE Adds AS 43.55.026. Creates an oil and gas tax credit fund funded by an appropriation of a percentage of production tax revenues. - In a separate section, repeals AS 43.55.023(f) (limits cash refunds by the state to \$25,000,000 for tax credits issued to small producers). - Language was in original bill
Reporting Requirements	CS Sec. 36. Amends AS 43.55.030(a). Makes clear every taxpayer must file an annual return; expands info requirements.	CS Sec. 43. SAME AS HOUSE
Reporting Requirements Penalties	CS Sec. 37. Amends AS 43.55.030(d). Adds late filing penalty of \$1,000/day.	CS Sec. 44. SAME AS HOUSE
Reporting Requirement	CS Sec. 38. Amends AS 43.55.030. Adds new subsections. (e) requires annual expenditure statement; and (f) authorizes DOR to require monthly filing of info.	CS Sec. 45. SAME AS HOUSE
Reporting Requirements and Penalties	CS Sec. 39. Amends AS 43.55.040. Clarifies DOR has authority to require filing of reports necessary to forecast state revenue; adds additional \$1,000 per day penalty after DOR provides notice of failure to file; also adds that interest accrues to the penalty.	CS Sec. 46. CHANGE FROM HOUSE Amends AS 43.55.040. Same as House except adds a requirement for a producer of more than 100,000 barrels a day to report Alaska oil and gas gross value and deductible lease expenditures.

Subject	CS House Bill 2001 (FIS) am	SCS CS House Bill 2001 (FIS) am
Tax Understatement Penalty	CS Sec. 36. Adds new section AS 43.55.704. Prohibits a producer or explorer from receiving tax credits if certain judgments are not satisfied.	
Assessment Statute of Limitations	CS Sec. 41. Amends AS 43.55. Adds a new section, AS 43.55.075, that expands statute of limitations for conducting tax assessments from three years to six years.	CS Sec. 47. SAME AS HOUSE
Prohibition on Tax Credits	CS Sec. 41. Adds new section AS 43.55.075. Prohibits a producer or explorer from receiving tax credits if certain judgments are not satisfied.	NOT IN SENATE VERSION
Electronic Filing Advisory Bulletins Whistle-blowers	CS Sec. 42. Amends AS 43.55.116. Adds new language (e) & (f) that authorizes DOR to require electronic filings and payments; (g) that gives DOR authority to issue advisory bulletins; and (h) adds whistleblower language: limit of \$1,000,000 compensation or 10% of additional amount collected; penalizes bad faith action by whistleblower.	CS Sec. 48. CHANGE FROM HOUSE Amends AS 43.55.116. Same as House except changes whistleblower compensation limit to \$80,000 (or 10% of additional amount collected).
Transportation Costs	CS Sec. 43. Amends AS 43.55.150(a) and (b). Provides for DOR to determine reasonable costs of transportation; limits tariffs treated as prima facie reasonable to those adjudicated just and reasonable.	CS Sec. 49. SAME AS HOUSE
Tax Determination	CS Sec. 44. Amends AS 43.55.160(a). Provides separate calculation of taxable value for gas used in state and conforms to changes in the progressivity tax; deletes monthly calculation language.	CS Sec. 50. CHANGE FROM HOUSE Amends AS 43.55.160(a). Retains monthly calculation language.
Tax Determination	NOT IN HOUSE VERSION	CS Sec. 51. CHANGE FROM HOUSE Amends AS 43.55.160(a). Conforms amendment.
Tax Determination	CS Sec. 45. Amends AS 43.55.160(e). Conforming amendment.	CS Sec. 52. CHANGE FROM HOUSE Amends AS 43.55.160(e). Conforming amendment and adds language that requires DOR to establish by regulation a method for application of Cook, West tax credits.
Lease Expenditures	CS Sec. 46. Repeals & reenacts AS 43.55.165(a). Describes deductible lease expenditures; requires that costs must be incurred in the state; requires that deductible lease expenditures be affirmatively allowed through regulation; allows overhead expenses.	CS Sec. 53. SAME AS HOUSE
Lease Expenditures	CS Sec. 47. Amends AS 43.55.165(b). Provides standards DOR may consider for determining lease expenditures; deletes overhead expenses (moved to 165(a)).	CS Sec. 54. SAME AS HOUSE
Lease Expenditures	CS Sec. 48. Amends AS 43.55.165(e) (non-deductible lease expenditures). Changed to include the following excluded costs: (a)(8) deductions for repair and replacement costs that arise from criminal negligence and violations of law, including the Clean Water Act, (a)(19) costs to construct, acquire or operate a refinery or topping plant, (a)(20) lobbying, public relations, public relations advertising, and public advocacy; (a)(12) for internal transactions, taxpayer must show any costs do not exceed market value. - AS 43.55.165(c) and (d) repealed in separate section (allowed DOR to substitute costs that are billable or actually billed through unit operating agreements in place of regulations enacted using the general lease expenditure standards).	CS Sec. 55. CHANGE FROM HOUSE Amends AS 43.55.165(e). Under (a)(2), allows deduction of net profits paid to the state under net profit share leases; (a)(8) changed to original bill language to disallow costs incurred for violations of law, or failure to comply with leases, permits or licenses; (a)(12) House retained transaction requirements retained with wording changes; (a)(19) has original bill's original cost language; retains House disallowance refinery costs and costs of lobbying, public relations, public relations advertising and public advocacy. - (a)(8) and (a)(19) retroactive to April 1, 2006.
Lease Expenditures	CS Sec. 49. Amends AS 43.55.165(h). Conforming amendments to be consistent with tax provisions relating to gas used in state and other changes.	CS Sec. 56. SAME AS HOUSE
Standard Deduction	CS Sec. 50. Adds 43.55.165(k) and (l). Adds a standard deduction for operating costs on legacy fields. (House floor amendment also added AS 43.55.180(b) that required a report in 2010 but missing from bill).	CS Sec. 57. SAME AS HOUSE with 2010 sunset and technical changes.
Lease Expenditure Adjustments	CS Sec. 51. Amends AS 43.55.170(a). Conforming amendment necessitated by repeal of AS 43.55.165(c) and (d).	CS Sec. 58. SAME AS HOUSE

	CS House BM 2007 (FIN) am	SCS CS House BM 2007 (FIN) am
Information Disclosure	CS Sec. 52. Amends AS 43.55. Adds new section AS 43.55.890; makes clear DOR may publish production tax info that is aggregated among at least three taxpayers.	CS Sec. 58. SAME AS HOUSE
Applicability to Municipal Entities	NOT IN HOUSE VERSION	CS Sec. 53. CHANGE FROM HOUSE Adds new section AS 43.55.925. Municipal entities are subject to the same production tax that it sets to another party; a municipal entity subject to this tax is subject to the same tax.
Definitions	CS Sec. 54. Amends AS 43.55.901. Defines for "producer," "use," "progressivity tax rate" and "used in the state."	CS Sec. 59. CHANGE FROM HOUSE Amends AS 43.55.900. Defines House definitions for "progressivity tax rate" and "used in the state."
Conforming Sections	Repeals and Applicability -- of note, repealed report due in 2011 (not in Senate version)	Repeals and Applicability
Auditors Intent	CS Sec. 55. Provides legislative intent that the maximum number of exempt audit masters is four for DOR and two for DNR; allows DOA to develop a classification plan.	CS Sec. 63. SAME AS HOUSE regarding number of audit masters. CS Sec. 64. CHANGE FROM HOUSE: retains House language regarding a classification plan with changes to the wording so that audit masters are not supervised.
Transition Payment of Tax	NOT IN HOUSE VERSION	CS Sec. 61. Adds language giving taxpayer to April 1, 2008 to pay balance of tax due for June 30, 2007 and before effective date.
Transition Retroactivity of Regulations	CS Sec. 57. Allows regulations adopted by DNR to apply retroactively to April 1, 2008.	CS Sec. 62. CHANGE FROM HOUSE Allows regulations adopted by both DOR and DNR to be applied retroactively to the effective date of the statutory provisions being implemented.
Transition Regulations	CS Sec. 58. Authorizes DNR and DOR to proceed with adopting regulations.	CS Sec. 63. SAME AS HOUSE
Retroactivity	NO RETROACTIVE SECTIONS.	CS Sec. 64. Provides for the retroactivity of certain provisions. -- of note, production tax is retroactive to July 1, 2007.
Revisor's Instructions	CS Sec. 59. Revisor's instructions.	NOT IN SENATE VERSION
Effective Dates	CS Sec. 60. Specified sections take effect January 1, 2008.	CS Sec. 65. Amended TIE credit language takes effect January 1, 2008.
Effective Dates	CS Sec. 61. Provisions that contain sections take effect immediately.	CS Sec. 66. All sections except sec. 26 (TIE credits) take effect immediately.

CS/SCS for Calendar Back-up

RE: HB 2001

To Be Published Today

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**SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - SECOND SPECIAL SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on  
2 oil; relating to the sharing between agencies of certain information relating to the  
3 production tax and to oil and gas or gas only leases; expanding the period in which the  
4 Department of Revenue may assess the amount of oil and gas production tax and  
5 conservation surcharges; relating to state oil and gas audit masters; relating to oil and  
6 gas auditors and certain oil and gas auditor supervisors; making conforming  
7 amendments; and providing for an effective date."

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

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

11 **LEGISLATIVE INTENT.** (a) It is the intent of the legislature that AS 43.55.075(b),  
12 enacted by sec. 47 of this Act, confirm by clarification the long-standing interpretation of  
13 AS 43.05.260 by the Department of Revenue relating to limitation of assessments for the

1 production tax on oil and gas and conservation surcharges on oil.

2 (b) It is the intent of the legislature that the amount of money received by the state as  
3 a result of the retroactivity of certain provisions under sec. 68 of this Act that exceeds the  
4 amount of money the state would have received if those provisions had not taken effect until  
5 January 1, 2008, will be appropriated to the public education fund (AS 14.17.300).

6 (c) It is the intent of the legislature that the legislature will responsibly invest the  
7 amounts received after December 31, 2007, as the result of the enactment of this Act that  
8 exceed the amounts that would have been received under AS 43.55.011 - 43.55.180, as those  
9 provisions read on June 30, 2007, as if those provisions had been applied after December 31,  
10 2007, by making appropriations to the following:

11 (1) the public education fund (AS 14.17.300);

12 (2) the budget reserve fund (art. IX, sec. 17, Constitution of the State of  
13 Alaska);

14 (3) to extinguish the amount of the employers' unfunded liability in the  
15 teachers' defined benefit retirement plan and the public employees' defined benefit retirement  
16 plan;

17 (4) the development and implementation of a long-range fiscal plan for the  
18 state; and

19 (5) for statewide energy needs of Alaskans to assist with rising energy costs.

20 \* **Sec. 2.** AS 38.05.035(a) is amended to read:

21 (a) The director shall

22 (1) have general charge and supervision of the division and may  
23 exercise the powers specifically delegated to the director; the director may employ  
24 and fix the compensation of assistants and employees necessary for the operations of  
25 the division; the director [AND] is the certifying officer of the division, with the  
26 consent of the commissioner, and may approve vouchers for disbursements of money  
27 appropriated to the division;

28 (2) manage, inspect, and control state land and improvements on it  
29 belonging to the state and under the jurisdiction of the division;

30 (3) execute laws, rules, regulations, and orders adopted by the  
31 commissioner;



1 (4) prescribe application procedures and practices for the sale, lease,  
2 or other disposition of available land, resources, property, or interest in them;

3 (5) prescribe fees or service charges, with the consent of the  
4 commissioner, for any public service rendered;

5 (6) under the conditions and limitations imposed by law and the  
6 commissioner, issue deeds, leases, or other conveyances disposing of available land,  
7 resources, property, or any interests in them;

8 (7) have jurisdiction over state land, except that land acquired by the  
9 Alaska World War II Veterans Board and the Agricultural Loan Board or the  
10 departments or agencies succeeding to their respective functions through foreclosure  
11 or default; to this end, the director possesses the powers and, with the approval of the  
12 commissioner, shall perform the duties necessary to protect the state's rights and  
13 interest in state land, including the taking of all necessary action to protect and  
14 enforce the state's contractual or other property rights;

15 (8) [REPEALED]

16 (9) maintain the [SUCH] records [AS] the commissioner considers  
17 necessary, administer oaths, and do all things incidental to the authority imposed; the  
18 following records and files shall be kept confidential upon request of the person  
19 supplying the information:

20 (A) the name of the person nominating or applying for the  
21 sale, lease, or other disposal of land by competitive bidding;

22 (B) before the announced time of opening, the names of the  
23 bidders and the amounts of the bids;

24 (C) all geological, geophysical, and engineering data supplied,  
25 whether or not concerned with the extraction or development of natural  
26 resources;

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

30 (E) applications for rights-of-way or easements;

31 (F) requests for information or applications by public agencies

1 for land ~~that~~ [WHICH] is being considered for use for a public purpose;

2 ~~(9)~~ [(10)] account for the fees, licenses, taxes, or other money  
3 received in the administration of this chapter including the sale or leasing of land,  
4 identify their source, and promptly transmit them to the proper fiscal department after  
5 crediting them to the proper fund; receipts from land application filing fees and  
6 charges for copies of maps and records shall be deposited immediately in the general  
7 fund of the state by the director;

8 ~~(10)~~ [(11)] select and employ or obtain at reasonable compensation  
9 cadastral, appraisal, or other professional personnel the director considers necessary  
10 for the proper operation of the division;

11 ~~(11)~~ [(12)] be the certifying agent of the state to select, accept, and  
12 secure by whatever action is necessary in the name of the state, by deed, sale, gift,  
13 devise, judgment, operation of law, or other means any land, of whatever nature or  
14 interest, available to the state; and be the certifying agent of the state, to select,  
15 accept, or secure by whatever action is necessary in the name of the state any land, or  
16 title or interest to land available, granted, or subject to being transferred to the state  
17 for any purpose;

18 (12) on request, furnish records, files, and other information  
19 related to the administration of AS 38.05.180 to the Department of Revenue for  
20 use in forecasting state revenue under or administering AS 43.55, whether or not  
21 those records, files, and other information are required to be kept confidential  
22 under (8) of this subsection; in the case of records, files, or other information  
23 required to be kept confidential under (8) of this subsection, the Department of  
24 Revenue shall maintain the confidentiality that the Department of Natural  
25 Resources is required to extend to records, files, and other information under (8)  
26 of this subsection

27 [(13) REPEALED

28 (14) REPEALED].

29 \* Sec. 3. AS 38.05.036(b) is amended to read:

30 (b) The Department of Revenue may obtain from the department information  
31 relating to royalty and net profits payments and to exploration incentive credits under

1 this chapter or under AS 41.09, whether or not that information is confidential. The  
 2 Department of Revenue may use the information in carrying out its functions and  
 3 responsibilities under AS 43, and shall hold that information confidential to the extent  
 4 required by an agreement with the department or by AS 38.05.035(a)(8)  
 5 [AS 38.05.035(a)(9)], AS 41.09.010(d), or AS 43.05.230.

6 \* Sec. 4. AS 38.05.036(f) is amended to read:

7 (f) Except as otherwise provided in this section or in connection with official  
 8 investigations or proceedings of the department, it is unlawful for a current or former  
 9 officer, employee, or agent of the state to divulge information obtained by the  
 10 department as a result of an audit under this section that is required by an agreement  
 11 with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or  
 12 AS 41.09.010(d) to be kept confidential.

13 \* Sec. 5. AS 38.05.036(g) is amended to read:

14 (g) Nothing in this section prohibits the publication of statistics in a manner  
 15 that maintains the confidentiality of information to the extent required by an  
 16 agreement with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or  
 17 AS 41.09.010(d).

18 \* Sec. 6. AS 38.05.123(f) is amended to read:

19 (f) As part of the timber sale negotiations authorized by this section, the  
 20 commissioner may require a prospective purchaser negotiating a timber sale contract  
 21 to submit financial and technical data that demonstrates that the requirements of this  
 22 section have been or will be met. Upon the prospective purchaser's request, the  
 23 commissioner shall keep data provided by the purchaser confidential in accordance  
 24 with the requirements of AS 38.05.035(a)(8) [AS 38.05.035(a)(9)].

25 \* Sec. 7. AS 38.05.133(e) is amended to read:

26 (e) The commissioner may make a written request to a prospective licensee  
 27 for additional information on the prospective licensee's proposal. The commissioner  
 28 shall keep confidential information described in AS 38.05.035(a)(8)  
 29 [AS 38.05.035(a)(9)] that is voluntarily provided if the prospective licensee has made  
 30 a written request that the information remain confidential.

31 \* Sec. 8. AS 38.05.180(j) is amended to read:

1 (j) The commissioner

2 (1) may provide for modification of royalty on individual leases,  
3 leases unitized as described in (p) of this section, leases subject to an agreement  
4 described in (s) or (t) of this section, or interests unitized under AS 31.05

5 (A) to allow for production from an oil or gas field or pool if

6 (i) the oil or gas field or pool has been sufficiently  
7 delineated to the satisfaction of the commissioner;

8 (ii) the field or pool has not previously produced oil or  
9 gas for sale; and

10 (iii) oil or gas production from the field or pool would  
11 not otherwise be economically feasible;

12 (B) to prolong the economic life of an oil or gas field or pool  
13 as per barrel or barrel equivalent costs increase or as the price of oil or gas  
14 decreases, and the increase or decrease is sufficient to make future production  
15 no longer economically feasible; or

16 (C) to reestablish production of shut-in oil or gas that would  
17 not otherwise be economically feasible;

18 (2) may not grant a royalty modification unless the lessee or lessees  
19 requesting the change make a clear and convincing showing that a modification of  
20 royalty meets the requirements of this subsection and is in the best interests of the  
21 state;

22 (3) shall provide for an increase or decrease or other modification of  
23 the state's royalty share by a sliding scale royalty or other mechanism that shall be  
24 based on a change in the price of oil or gas and may also be based on other relevant  
25 factors such as a change in production rate, projected ultimate recovery, development  
26 costs, and operating costs;

27 (4) may not grant a royalty reduction for a field or pool

28 (A) under (1)(A) of this subsection if the royalty modification  
29 for the field or pool would establish a royalty rate of less than five percent in  
30 amount or value of the production removed or sold from a lease or leases  
31 covering the field or pool;

1 (B) under (1)(B) or (1)(C) of this subsection if the royalty  
2 modification for the field or pool would establish a royalty rate of less than  
3 three percent in amount or value of the production removed or sold from a  
4 lease or leases covering the field or pool;

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

11 (6) shall require the lessee or lessees to submit, with the application  
12 for the royalty reduction, financial and technical data that demonstrate that the  
13 requirements of this subsection are met; the commissioner

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

18 (B) shall keep the data confidential under AS 38.05.035(a)(8)  
19 [AS 38.05.035(a)(9)] at the request of the lessee or lessees making application  
20 for the royalty reduction; the confidential data may be disclosed by the  
21 commissioner to legislators and to the legislative auditor and as directed by  
22 the chair or vice-chair of the Legislative Budget and Audit Committee to the  
23 director of the division of legislative finance, the permanent employees of  
24 their respective divisions who are responsible for evaluating a royalty  
25 reduction, and to agents or contractors of the legislative auditor or the  
26 legislative finance director who are engaged under contract to evaluate the  
27 royalty reduction, if they sign an appropriate confidentiality agreement;

28 (7) may

29 (A) require the lessee or lessees making application for the  
30 royalty reduction under (1)(A) of this subsection to pay for the services of an  
31 independent contractor, selected by the lessee or lessees from a list of

1 qualified consultants compiled by the commissioner, to evaluate hydrocarbon  
2 development, production, transportation, and economics and to assist the  
3 commissioner in evaluating the application and financial and technical data;  
4 if, under this subparagraph, the commissioner requires payment for the  
5 services of an independent contractor, the total cost of the services to be paid  
6 for by the lessee or lessees may not exceed \$150,000 for each application, and  
7 the commissioner shall determine the relevant scope of the work to be  
8 performed by the contractor; selection of an independent contractor under this  
9 subparagraph is not subject to AS 36.30;

10 (B) with the mutual consent of the lessee or lessees making  
11 application for the royalty reduction under (1)(B) or (1)(C) of this subsection,  
12 request payment for the services of an independent contractor, selected from a  
13 list of qualified consultants to evaluate hydrocarbon development, production,  
14 transportation, and economics by the commissioner to assist the commissioner  
15 in evaluating the application and financial and technical data; if, under this  
16 subparagraph, the commissioner requires payment for the services of an  
17 independent contractor, the total cost of the services that may be paid for by  
18 the lessee or lessees may not exceed \$150,000 for each application, and the  
19 commissioner shall determine the relevant scope of the work to be performed  
20 by the contractor; selection of an independent contractor under this  
21 subparagraph is not subject to AS 36.30;

22 (8) shall make and publish a preliminary findings and determination  
23 on the royalty reduction application, give reasonable public notice of the preliminary  
24 findings and determination, and invite public comment on the preliminary findings  
25 and determination during a 30-day period for receipt of public comment;

26 (9) shall offer to appear before the Legislative Budget and Audit  
27 Committee, on a day that is not earlier than 10 days and not later than 20 days after  
28 giving public notice under (8) of this subsection, to provide the committee a review of  
29 the commissioner's preliminary findings and determination on the royalty reduction  
30 application and administrative process; if the Legislative Budget and Audit  
31 Committee accepts the commissioner's offer, the committee shall give notice of the

1 committee's meeting to all members of the legislature;

2 (10) shall make copies of the preliminary findings and determination  
3 available to

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

5 (B) the chairs of the legislature's standing committees on  
6 resources; and

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

9 (11) shall, within 30 days after the close of the public comment period  
10 under (8) of this subsection,

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

13 (B) make a final findings and determination; the  
14 commissioner's final findings and determination prepared under this  
15 subparagraph regarding a royalty reduction is final and not appealable to the  
16 court;

17 (C) transmit a copy of the final findings and determination to  
18 the lessee;

19 (D) with the applicant's consent, amend the applicant's lease or  
20 unitization agreement consistent with the commissioner's final decision; and

21 (E) make copies of the final findings and determination  
22 available to each person who submitted comment under (8) of this subsection  
23 and who has filed a request for the copies;

24 (12) is not limited by the provisions of AS 38.05.134(3) or (i) of this  
25 section in the commissioner's determination under this subsection.

26 \* **Sec. 9.** AS 38.05.275(c) is amended to read:

27 (c) Subsection (b) of this section may not be construed to limit the director in  
28 the exercise of authority granted by AS 38.05.035(a)(11) [AS 38.05.035(a)(12)].

29 \* **Sec. 10.** AS 39.25.110 is amended by adding a new paragraph to read:

30 (42) oil and gas audit masters employed in a professional capacity by  
31 the Department of Revenue and the Department of Natural Resources to collect oil

1 and gas revenue by developing policy, conducting studies, drafting proposed  
2 regulations, enforcing regulations, and directing audits by oil and gas revenue  
3 auditors.

4 \* Sec. 11. AS 41.09.010(d) is amended to read:

5 (d) Data derived from drilling a stratigraphic test well or exploratory well that  
6 is provided to the commissioner under (c)(3) of this section shall be kept confidential  
7 for 24 months after receipt by the commissioner unless the owner of the well gives  
8 written permission to the state to release the well data at an earlier date, and,  
9 notwithstanding AS 31.05.035(c), confidentiality may not be extended beyond 24  
10 months. The provisions of AS 38.05.035(a)(8)(C) [AS 38.05.035(a)(9)(C)] apply to  
11 other data provided to the commissioner under (c)(3) of this section, except that the  
12 commissioner, under appropriate confidentiality provisions and without preference or  
13 discrimination, may display to all interested third parties, but may not distribute or  
14 transfer in hard copy or electronic form, those data with respect to all land if the  
15 commissioner determines that the limited disclosure is necessary to further the  
16 interest of the state in evaluating or developing its land.

17 \* Sec. 12. AS 43.05.230(a) is amended to read:

18 (a) It is unlawful for a current or former officer, employee, or agent of the  
19 state to divulge the amount of income or the particulars set out or disclosed in a report  
20 or return made under this title, except

21 (1) in connection with official investigations or proceedings of the  
22 department, whether judicial or administrative, involving taxes due under this title;

23 (2) in connection with official investigations or proceedings of the  
24 child support enforcement agency, whether judicial or administrative, involving child  
25 support obligations imposed or imposable under AS 25 or AS 47;

26 (3) as provided in AS 38.05.036 pertaining to audit functions of the  
27 Department of Natural Resources;

28 (4) as provided in AS 43.05.405 - 43.05.499; and

29 (5) as otherwise provided in this section or AS 43.55.890.

30 \* Sec. 13. AS 43.05.230(h) is amended to read:

31 (h) The commissioner shall, upon request, furnish to the Department of



1 Natural Resources copies of tax returns, reports, and other documents filed under  
2 AS 43.55 or AS 43.65, and the Department of Revenue's determinations and  
3 workpapers under those chapters. The Department of Natural Resources shall  
4 maintain the confidentiality that the Department of Revenue is required to extend to  
5 the returns, reports, documents, determinations, and workpapers furnished to the  
6 Department of Natural Resources under this subsection.

7 \* Sec. 14. AS 43.05.260(a) is amended to read:

8 (a) Except as provided in (c) of this section, [AND] AS 43.20.200(b), and  
9 AS 43.55.075, the amount of a tax imposed by this title must be assessed within three  
10 years after the return was filed, whether or not a return was filed on or after the date  
11 prescribed by law. If the tax is not assessed before the expiration of the applicable  
12 [THREE-YEAR] period, proceedings may not be instituted in court for the collection  
13 of the tax.

14 \* Sec. 15. AS 43.55.011(e) is repealed and reenacted to read:

15 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
16 produced each calendar year from each lease or property in the state, less any oil and  
17 gas the ownership or right to which is exempt from taxation or constitutes a  
18 landowner's royalty interest. Except as otherwise provided under (f), (j), and (k) of  
19 this section, the tax is equal to the sum, over all the months of the calendar year, of  
20 the production tax value for the month of the taxable oil and gas as calculated under  
21 AS 43.55.160 multiplied by the tax rate for the month determined under (g) of this  
22 section.

23 \* Sec. 16. AS 43.55.011(f) is amended to read:

24 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas  
25 produced north of 68 degrees North latitude, other than oil and gas production  
26 subject to (i) of this section, may not be less than

27 (1) four percent of the gross value at the point of production when the  
28 average price per barrel for Alaska North Slope crude oil for sale on the United States  
29 West Coast during the calendar year for which the tax is due is more than \$25;

30 (2) three percent of the gross value at the point of production when the  
31 average price per barrel for Alaska North Slope crude oil for sale on the United States

1 West Coast during the calendar year for which the tax is due is over \$20 but not over  
2 \$25;

3 (3) two percent of the gross value at the point of production when the  
4 average price per barrel for Alaska North Slope crude oil for sale on the United States  
5 West Coast during the calendar year for which the tax is due is over \$17.50 but not  
6 over \$20;

7 (4) one percent of the gross value at the point of production when the  
8 average price per barrel for Alaska North Slope crude oil for sale on the United States  
9 West Coast during the calendar year for which the tax is due is over \$15 but not over  
10 \$17.50; or

11 (5) zero percent of the gross value at the point of production when the  
12 average price per barrel for Alaska North Slope crude oil for sale on the United States  
13 West Coast during the calendar year for which the tax is due is \$15 or less.

14 \* Sec. 17. AS 43.55.011(g) is repealed and reenacted to read:

15 (g) The tax rate applied to the monthly production tax value of oil and gas  
16 under (e) of this section for each month of the calendar year in which the tax is levied  
17 is 25 percent plus, for each month for which the monthly average production tax  
18 value for each BTU equivalent barrel is more than

19 (1) \$30 but not more than \$90, 0.4 percent multiplied by the number  
20 that represents the difference between the average production tax value for each BTU  
21 equivalent barrel of the taxable oil and gas for that month and \$30;

22 (2) \$90, the sum of 24 percent and the product of 0.1 percent  
23 multiplied by the number that represents the difference between the average  
24 production tax value for each BTU equivalent barrel of the taxable oil and gas for that  
25 month and \$90, except that the sum determined under this paragraph may not exceed  
26 50 percent.

27 \* Sec. 18. AS 43.55.011(j) is amended to read:

28 (j) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND (g)]  
29 of this section for [ON] gas produced from a lease or property in the Cook Inlet  
30 sedimentary basin may not exceed

31 (1) for a lease or property that first commenced commercial

1 production of gas before April 1, 2006, the product obtained by multiplying (A) the  
2 amount of taxable gas produced during the calendar year from the lease or property,  
3 times (B) the average rate of tax that was imposed under this chapter for [ON]  
4 taxable gas produced from the lease or property for the 12-month period ending on  
5 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at  
6 the point of production of the taxable gas produced from the lease or property during  
7 the 12-month period ending on March 31, 2006, by the total amount of that gas;

8 (2) for a lease or property that first commences commercial  
9 production of gas after March 31, 2006, the product obtained by multiplying (A) the  
10 amount of taxable gas produced during the calendar year from the lease or property,  
11 times (B) the average rate of tax that was imposed under this chapter for [ON]  
12 taxable gas produced from all leases or properties in the Cook Inlet sedimentary basin  
13 for the 12-month period ending on March 31, 2006, times (C) the average prevailing  
14 value for gas delivered in the Cook Inlet area for the 12-month period ending  
15 March 31, 2006, as determined by the department under AS 43.55.020(f).

16 \* Sec. 19. AS 43.55.011(k) is amended to read:

17 (k) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND  
18 (g)] of this section for [ON] oil produced from a lease or property in the Cook Inlet  
19 sedimentary basin may not exceed

20 (1) for a lease or property that first commenced commercial  
21 production of oil before April 1, 2006, the product obtained by multiplying (A) the  
22 amount of taxable oil produced during the calendar year from the lease or property,  
23 times (B) the average rate of tax that was imposed under this chapter for [ON]  
24 taxable oil produced from the lease or property for the 12-month period ending on  
25 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at  
26 the point of production of the taxable oil produced from the lease or property during  
27 the 12-month period ending on March 31, 2006, by the total amount of that oil;

28 (2) for a lease or property that first commences commercial  
29 production of oil after March 31, 2006, the product obtained by multiplying (A) the  
30 amount of taxable oil produced during the calendar year from the lease or property,  
31 times (B) the average rate of tax that was imposed under this chapter for [ON]

1 taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin  
2 for the 12-month period ending on March 31, 2006, times (C) the average prevailing  
3 value for oil produced and delivered in the Cook Inlet area for the 12-month period  
4 ending on March 31, 2006, as determined by the department under AS 43.55.020(f).

5 \* Sec. 20. AS 43.55.011(m) is repealed and reenacted:

6 (m) Notwithstanding any contrary provision of AS 38.05.180(i),  
7 AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by  
8 regulation a method to ensure that for a calendar year for which a producer's tax  
9 liability is limited by AS 43.55.011(j) or (k), tax credits otherwise available under  
10 AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to oil or  
11 gas subject to the limitations in AS 43.55.011(j) and (k) are accounted for as though  
12 the credits had been applied first against a tax liability calculated without regard to  
13 the limitations under AS 43.55.011(j) and (k) so as to reduce the tax liability to the  
14 maximum amount provided for under AS 43.55.011(j) for the production of gas or  
15 AS 43.55.011(k) for the production of oil. The regulation must provide for a  
16 reasonable method to allocate tax credits to oil or gas subject to AS 43.55.011(j) and  
17 (k). Only the amount of a tax credit remaining after the accounting provided for under  
18 this subsection may be used for a later calendar year, transferred to another person, or  
19 applied against a tax levied on the production of oil or gas not subject to  
20 AS 43.55.011(j) or (k) to the extent otherwise allowed.

21 \* Sec. 21. AS 43.55.020(a) is repealed and reenacted to read:

22 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)  
23 shall pay the tax as follows:

24 (1) an installment payment of the estimated tax levied by  
25 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
26 month of the calendar year on the last day of the following month; except as  
27 otherwise provided under (2) of this subsection, the amount of the installment  
28 payment is the sum of the following amounts, less 1/12 of the tax credits that are  
29 allowed by law to be applied against the tax levied by AS 43.55.011(e) for the  
30 calendar year, but the amount of the installment payment may not be less than zero:

31 (A) for oil and gas produced from leases or properties in the

1 state outside the Cook Inlet sedimentary basin, other than leases or properties  
2 subject to AS 43.55.011(f), the greater of

3 (i) zero; or

4 (ii) the total tax rate for the month determined in  
5 AS 43.55.011(g) multiplied by the remainder obtained by subtracting  
6 1/12 of the producer's adjusted lease expenditures for the calendar year  
7 of production under AS 43.55.165 and 43.55.170 that are deductible  
8 for the leases or properties under AS 43.55.160 from the gross value at  
9 the point of production of the oil and gas produced from the leases or  
10 properties during the month for which the installment payment is  
11 calculated;

12 (B) for oil and gas produced from leases or properties subject  
13 to AS 43.55.011(f), the greatest of

14 (i) zero;

15 (ii) zero percent, one percent, two percent, three  
16 percent, or four percent, as applicable, of the gross value at the point of  
17 production of the oil and gas produced from all leases or properties  
18 during the month for which the installment payment is calculated; or

19 (iii) the total tax rate for the month determined in  
20 AS 43.55.011(g) multiplied by the remainder obtained by subtracting  
21 1/12 of the producer's adjusted lease expenditures for the calendar year  
22 of production under AS 43.55.165 and 43.55.170 that are deductible  
23 for those leases or properties under AS 43.55.160 from the gross value  
24 at the point of production of the oil and gas produced from those leases  
25 or properties during the month for which the installment payment is  
26 calculated;

27 (C) for oil and gas produced from each lease or property  
28 subject to AS 43.55.011(j) or (k), the greater of

29 (i) zero; or

30 (ii) the total tax rate for the month determined in  
31 AS 43.55.011(g) multiplied by the remainder obtained by subtracting

1 1/12 of the producer's adjusted lease expenditures for the calendar year  
2 of production under AS 43.55.165 and 43.55.170 that are deductible  
3 under AS 43.55.160 for oil or gas, respectively, produced from the  
4 lease or property from the gross value at the point of production of the  
5 oil or gas, respectively, produced from the lease or property during the  
6 month for which the installment payment is calculated;

7 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
8 produced from a lease or property subject to AS 43.55.011(j) or (k) may not exceed  
9 the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or  
10 (2), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for  
11 oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A), as applicable, the amount of  
12 taxable gas produced during the month for the amount of taxable gas produced during  
13 the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable,  
14 the amount of taxable oil produced during the month for the amount of taxable oil  
15 produced during the calendar year;

16 (3) an installment payment of the estimated tax levied by  
17 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
18 on the last day of the following month; the amount of the installment payment is the  
19 sum of

20 (A) the applicable tax rate for oil provided under  
21 AS 43.55.011(i), multiplied by the gross value at the point of production of  
22 the oil taxable under AS 43.55.011(i) and produced from the lease or property  
23 during the month; and

24 (B) the applicable tax rate for gas provided under  
25 AS 43.55.011(i), multiplied by the gross value at the point of production of  
26 the gas taxable under AS 43.55.011(i) and produced from the lease or property  
27 during the month;

28 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any  
29 credits applied as allowed by law, that exceeds the total of the amounts due as  
30 installment payments of estimated tax is due on March 31 of the year following the  
31 calendar year of production.

1 \* Sec. 22. AS 43.55.020(g) is amended to read:

2 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
3 amount of an installment payment required under (a)(1) - (3) [(a)(1) - (4)] of this  
4 section that is not paid when due bears interest (1) at the rate provided for an  
5 underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,  
6 compounded daily, from the date the installment payment is due until [THE]  
7 March 31 following the calendar year of production [DESCRIBED IN  
8 AS 43.55.030(a)], and (2) as provided for a delinquent tax under AS 43.05.225 after  
9 that March 31. Interest accrued under (1) of this subsection that remains unpaid after  
10 that March 31 is treated as an addition to tax that bears interest under (2) of this  
11 subsection. An unpaid amount of tax due under (a)(4) [(a)(5)] of this section that is  
12 not paid when due bears interest as provided for a delinquent tax under AS 43.05.225.

13 \* Sec. 23. AS 43.55.020(h) is amended to read:

14 (h) Notwithstanding any contrary provision of AS 43.05.280,

15 (!) an overpayment of an installment payment required under (a)(1) -  
16 (3) [(a)(1) - (4)] of this section bears interest at the rate provided for an overpayment  
17 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from  
18 the later of the date the installment payment is due or the date the overpayment is  
19 made, until the earlier of

20 (A) the date it is refunded or is applied to an underpayment; [,]

21 or

22 (B) [THE] March 31 following the calendar year of  
23 production [DESCRIBED IN AS 43.55.030(a)];

24 (2) except as provided under (1) of this subsection, interest with  
25 respect to an overpayment is allowed only on any net overpayment of the payments  
26 required under (a) of this section that remains after the later of [THE] March 31  
27 following the calendar year of production [DESCRIBED IN AS 43.55.030(a)] or  
28 the date that the statement required under AS 43.55.030(a) is filed;

29 (3) interest is allowed under (2) of this subsection only from a date  
30 that is 90 days after the later of [THE] March 31 following the calendar year of  
31 production [DESCRIBED IN AS 43.55.030(a)] or the date that the statement

1 required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment  
2 was refunded within the 90-day period;

3 (4) interest under (2) and (3) of this subsection is paid at the rate and  
4 in the manner provided in AS 43.05.225(1).

5 \* Sec. 24. AS 43.55.023(a) is amended to read:

6 (a) A producer or explorer may take a tax credit for a qualified capital  
7 expenditure as follows:

8 (1) notwithstanding that a qualified capital expenditure may be a  
9 deductible lease expenditure for purposes of calculating the production tax value of  
10 oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
11 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
12 explorer that incurs a qualified capital expenditure may also elect to apply [TAKE] a  
13 tax credit against a tax levied by [DUE UNDER] AS 43.55.011(e) in the amount of  
14 20 percent of that expenditure; however, not more than half of the tax credit may  
15 be applied for a single calendar year;

16 (2) a producer or explorer may take a credit for a qualified capital  
17 expenditure incurred in connection with geological or geophysical exploration or in  
18 connection with an exploration well only if the producer or explorer [PROVIDES TO  
19 THE DEPARTMENT, AS PART OF THE STATEMENT REQUIRED UNDER  
20 AS 43.55.030(a) FOR THE CALENDAR YEAR FOR WHICH THE CREDIT IS  
21 SOUGHT TO BE TAKEN, THE PRODUCER'S OR EXPLORER'S WRITTEN  
22 AGREEMENT]

23 (A) agrees, in writing, to the applicable provisions of  
24 AS 43.55.025(f)(2) [TO NOTIFY THE DEPARTMENT OF NATURAL  
25 RESOURCES, BEFORE THE LATER OF 30 DAYS AFTER  
26 COMPLETION OF THE GEOLOGICAL OR GEOPHYSICAL DATA  
27 PROCESSING OR COMPLETION OF THE WELL, OR 30 DAYS AFTER  
28 THE STATEMENT IS FILED, OF THE DATE OF COMPLETION AND TO  
29 SUBMIT A REPORT TO THAT DEPARTMENT DESCRIBING THE  
30 PROCESSING SEQUENCE AND PROVIDE A LIST OF DATA SETS  
31 AVAILABLE];



1 (B) submits [TO PROVIDE] to the Department of Natural  
2 Resources all data that would be required to be submitted under  
3 AS 43.55.025(f)(2) [, WITHIN 30 DAYS AFTER THE DATE OF A  
4 REQUEST, SPECIFIC DATA SETS, ANCILLARY DATA, AND  
5 REPORTS IDENTIFIED IN (A) OF THIS PARAGRAPH;

6 (C) THAT, NOTWITHSTANDING ANY PROVISION OF  
7 AS 38, THE DEPARTMENT OF NATURAL RESOURCES SHALL HOLD  
8 CONFIDENTIAL THE INFORMATION PROVIDED TO THAT  
9 DEPARTMENT UNDER THIS PARAGRAPH FOR 10 YEARS  
10 FOLLOWING THE COMPLETION DATE, AFTER WHICH THE  
11 DEPARTMENT SHALL PUBLICLY RELEASE THE INFORMATION  
12 AFTER 30 DAYS' PUBLIC NOTICE].

13 \* Sec. 25. AS 43.55.023(b) is amended to read:

14 (b) A producer or explorer may elect to take a tax credit in the amount of 25  
15 [20] percent of a carried-forward annual loss. A credit under this subsection may be  
16 applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For purposes of this  
17 subsection, a carried-forward annual loss is the amount of a producer's or explorer's  
18 adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous  
19 calendar year that was not deductible in calculating production tax values for that  
20 calendar year under AS 43.55.160 [AS 43.55.160(b) AND (e)].

21 \* Sec. 26. AS 43.55.023(d) is amended to read:

22 (d) Except as limited by (i) of this section, a person that is entitled to take a  
23 tax credit under this section that wishes to transfer the unused credit to another person  
24 or obtain a cash payment may apply to the department for [A] transferable tax credit  
25 certificates [CERTIFICATE]. An application under this subsection must be in a form  
26 prescribed by the department and must include supporting information and  
27 documentation that the department reasonably requires. The department shall grant or  
28 deny an application, or grant an application as to a lesser amount than that claimed  
29 and deny it as to the excess, not later than 120 [60] days after the latest of (1)  
30 March 31 of the year following the calendar year in which the qualified capital  
31 expenditure or carried-forward annual loss for which the credit is claimed was

1 incurred; (2) [IF THE APPLICANT IS REQUIRED UNDER AS 43.55.030(a) TO  
 2 FILE A STATEMENT ON OR BEFORE MARCH 31 OF THE YEAR  
 3 FOLLOWING THE CALENDAR YEAR IN WHICH THE QUALIFIED CAPITAL  
 4 EXPENDITURES OR CARRIED-FORWARD ANNUAL LOSS FOR WHICH THE  
 5 CREDIT IS CLAIMED WAS INCURRED,] the date the statement required under  
 6 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified  
 7 capital expenditure or carried-forward annual loss for which the credit is  
 8 claimed was incurred; or (3) the date the application was received by the  
 9 department. If, based on the information then available to it, the department is  
 10 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
 11 the applicant two [A] transferable tax credit certificates, each [CERTIFICATE] for  
 12 half of the amount of the credit. The credit shown on one of the two certificates is  
 13 available for immediate use. The credit shown on the second of the two  
 14 certificates may not be applied against a tax for a calendar year earlier than the  
 15 calendar year following the calendar year in which the certificate is issued, and  
 16 the certificate must contain a conspicuous statement to that effect. A certificate  
 17 issued under this subsection does not expire.

18 \* Sec. 27. AS 43.55.023(e) is amended to read:

19 (e) A person to which a transferable tax credit certificate is issued under (d)  
 20 of this section may transfer the certificate to another person, and a transferee may  
 21 further transfer the certificate. Subject to the limitations set out in (a) - (d) [(a) - (c)]  
 22 of this section, and notwithstanding any action the department may take with respect  
 23 to the applicant under (g) of this section, the owner of a certificate may apply the  
 24 credit or a portion of the credit shown on the certificate only against a tax levied by  
 25 [DUE UNDER] AS 43.55.011(e). However, a credit shown on a transferable tax  
 26 credit certificate may not be applied to reduce a transferee's total tax liability [DUE]  
 27 under AS 43.55.011(e) for [ON] oil and gas produced during a calendar year to less  
 28 than 80 percent of the tax that would otherwise be due without applying that credit.  
 29 Any portion of a credit not used under this subsection may be applied in a later  
 30 period.

31 \* Sec. 28. AS 43.55.023(i) is amended to read:

1 (i) For the purposes of this section,

2 (1) a producer's or explorer's transitional investment expenditures are  
3 the sum of the expenditures the producer or explorer incurred after March 31, 2001,  
4 and before April 1, 2006, that would be qualified capital expenditures if they were  
5 incurred after March 31, 2006, less the sum of the payments or credits the producer or  
6 explorer received before April 1, 2006, for the sale or other transfer of assets,  
7 including geological, geophysical, or well data or interpretations, acquired by the  
8 producer or explorer as a result of expenditures the producer or explorer incurred  
9 before April 1, 2006, that would be qualified capital expenditures, if they were  
10 incurred after March 31, 2006;

11 (2) a producer or explorer that did not have commercial production  
12 of oil or gas from a lease or property in the state before April 1, 2006, may elect  
13 to take a tax credit against a tax levied by [DUE UNDER] AS 43.55.011(e) in the  
14 amount of 20 percent of the producer's or explorer's transitional investment  
15 expenditures, but only to the extent that the amount does not exceed 1/10 of the  
16 producer's or explorer's qualified capital expenditures that are incurred during the  
17 calendar year for which the credit is taken;

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

20 (A) for any calendar year after [THE LATER OF

21 (i)] 2013; [OR

22 (ii) THE SIXTH CALENDAR YEAR AFTER THE  
23 CALENDAR YEAR FOR WHICH THE PRODUCER FIRST  
24 APPLIES A CREDIT UNDER THIS SUBSECTION AGAINST A  
25 TAX DUE UNDER AS 43.55.011(e), IF THE PRODUCER DID NOT  
26 HAVE COMMERCIAL PRODUCTION OF OIL OR GAS FROM A  
27 LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006;]

28 (B) more than once; or

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

31 (4) notwithstanding (d), (e), and (g) of this section, a producer or

1 explorer may not transfer a tax credit or obtain a transferable tax credit certificate for  
2 a transitional investment expenditure.

3 \* **Sec. 29.** AS 43.55.023 is amended by adding a new subsection to read:

4 (f) An entity that is exempt from taxation under this chapter may not apply  
5 for a transferable tax credit certificate.

6 \* **Sec. 30.** AS 43.55.024(a) is amended to read:

7 (a) For a calendar year for which a producer's tax liability under  
8 AS 43.55.011(e) [OR (f)] on oil and gas produced from leases or properties outside  
9 the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North  
10 latitude, exceeds zero before application of any credits under this chapter, a producer  
11 that is qualified under (e) of this section may apply a tax credit against that liability of  
12 not more than \$6,000,000.

13 \* **Sec. 31.** AS 43.55.024(c) is amended to read:

14 (c) For a calendar year for which a producer's tax liability under  
15 AS 43.55.011(e) [OR (f)] exceeds zero before application of any credits under this  
16 chapter, other than a credit under (a) of this section but after application of any credit  
17 under (a) of this section, a producer that is qualified under (e) of this section and  
18 whose average amount of oil and gas produced a day and taxable under  
19 AS 43.55.011(e) [OR (f)] is less than 100,000 BTU equivalent barrels a day may  
20 apply a tax credit under this subsection against that liability. A producer whose  
21 average amount of oil and gas produced a day and taxable under AS 43.55.011(e)  
22 [OR (f)] is

23 (1) not more than 50,000 BTU equivalent barrels may apply a tax  
24 credit of not more than \$12,000,000 for the calendar year;

25 (2) more than 50,000 and less than 100,000 BTU equivalent barrels  
26 may apply a tax credit of not more than \$12,000,000 multiplied by the following  
27 fraction for the calendar year:

$$28 \quad 1 - [2 \times (AP - 50,000)] \div 100,000$$

29 where AP = the average amount of oil and gas taxable under AS 43.55.011(e) [OR  
30 (f)], produced a day during the calendar year in BTU equivalent barrels.

31 \* **Sec. 32.** AS 43.55.024(e) is amended to read:

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

\* Sec. 33. AS 43.55.024(g) is amended to read:

(g) A tax credit authorized by (c) of this section may not be applied to reduce a producer's tax liability for any calendar year under AS 43.55.011(e) [OR (f)] below zero.

\* Sec. 34. AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section, a credit against the production tax levied by [DUE UNDER] AS 43.55.011(e) [OR (f)] is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 [20] percent of the total exploration expenditures that qualify only under (b) and (c) of this section;

(2) 30 [20] percent of the total exploration expenditures [FOR WORK PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under (b) and (d) of this section;

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

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

\* Sec. 35. AS 43.55.025(b) is amended to read:

(b) To qualify for the production tax credit under (a) of this section, an exploration expenditure must be incurred for work performed [ON OR] after December 31, 2007 [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT AN EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST BE

1 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005,] and

2 (1) may be for seismic or other geophysical exploration costs not  
3 connected with a specific well;

4 (2) if for an exploration well,

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

7 (B) may be for either a [AN OIL OR GAS DISCOVERY]  
8 well that encounters an oil or gas deposit or a dry hole; [AND]

9 (C) must be for a well that has been completed, suspended,  
10 or abandoned at the time the explorer claims the tax credit under (f) of  
11 this section; and

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

17 (3) may not be for [TESTING, STIMULATION, OR COMPLETION  
18 COSTS;] administration, supervision, engineering, or lease operating costs;  
19 geological or management costs; community relations or environmental costs;  
20 bonuses, taxes, or other payments to governments related to the well; costs, including  
21 repairs and replacements, arising from or associated with fraud, wilful  
22 misconduct, gross negligence, criminal negligence, or violation of law, including  
23 a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or other costs  
24 that are generally recognized as indirect costs or financing costs; and

25 (4) may not be incurred for an exploration well or seismic exploration  
26 that is included in a plan of exploration or a plan of development for any unit before  
27 May 14, 2003 [ON MAY 13, 2003].

28 \* Sec. 36. AS 43.55.025(c) is repealed and reenacted to read:

29 (c) To be eligible for the 30 percent production tax credit authorized by (a)(1)  
30 of this section or the 40 percent production tax credit authorized by (a)(3) of this  
31 section, exploration expenditures must

1 (1) qualify under (b) of this section; and

2 (2) be for an exploration well, subject to the following:

3 (A) before spudding the well,

4 (i) the explorer shall submit to the commissioner of  
5 natural resources the information necessary to determine whether the  
6 geological objective of the well is a potential oil or gas trap that is  
7 distinctly separate from any trap that has been tested by a preexisting  
8 well; and

9 (ii) the commissioner of natural resources must make  
10 an affirmative determination on that question; the commissioner of  
11 natural resources shall decide whether to make that determination  
12 within 60 days after receiving all the necessary information from the  
13 explorer and based on the information received and on other  
14 information the commissioner of natural resources may consider  
15 relevant;

16 (B) for an exploration well other than a well to explore a Cook  
17 Inlet prospect, the well must be located and drilled in such a manner that the  
18 bottom hole is located not less than three miles away from the bottom hole of  
19 a preexisting well drilled for oil or gas, irrespective of whether the preexisting  
20 well has been completed, suspended, or abandoned;

21 (C) after completion, suspension, or abandonment of the  
22 exploration well, the commissioner of natural resources must determine that  
23 the well adequately achieved the explorer's stated geological objective.

24 \* Sec. 37. AS 43.55.025(f) is amended to read:

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

26 (1) an explorer shall, in a form prescribed by the department and,  
27 except for a credit under (f) of this section, within six months of the completion of  
28 the exploration activity, claim the credit and submit information sufficient to  
29 demonstrate to the department's satisfaction that the claimed exploration expenditures  
30 qualify under this section;

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

1 (A) to notify the Department of Natural Resources, within 30  
 2 days after completion of seismic or geophysical data processing, completion  
 3 of [A] well drilling, or filing of a claim for credit, whichever is the latest, for  
 4 which exploration costs are claimed, of the date of completion and submit a  
 5 report to that department describing the processing sequence and providing a  
 6 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN  
 7 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES  
 8 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE  
 9 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN  
 10 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS  
 11 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION  
 12 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES  
 13 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT  
 14 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE  
 15 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL  
 16 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE  
 17 SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE  
 18 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60  
 19 DAYS;]

20 (B) to provide to the Department of Natural Resources, within  
 21 30 days after the date of a request, unless a longer period is provided by the  
 22 Department of Natural Resources, specific data sets, ancillary data, and  
 23 reports identified in (A) of this paragraph; in this subparagraph,

24 (i) a seismic or geophysical data set includes the  
 25 data for an entire seismic survey, irrespective of whether the  
 26 survey area covers nonstate land in addition to state land or land  
 27 in a unit in addition to land outside a unit;

28 (ii) well data include all derivative products, results,  
 29 and copies of data collected and data analyses for the well; well  
 30 logs; sample analyses; geophysical and velocity data including  
 31 vertical seismic profiles and check shot surveys; and tangible



1 material including, for each whole core collected, a lengthwise cut  
2 slab that is at least 1/3 of the whole core volume, and  
3 representative samples, as specified by the Department of Natural  
4 Resources, of other gaseous, liquid, or solid material collected  
5 from drilling or testing the well;

6 (C) that, notwithstanding any provision of AS 38, information  
7 provided under this paragraph will be held confidential by the Department of  
8 Natural Resources

9 (i) in the case of well data, until the expiration of the  
10 24-month period of confidentiality described in AS 31.05.035(c)  
11 [FOR 10 YEARS FOLLOWING THE COMPLETION DATE], at  
12 which time the Department of Natural Resources [THAT  
13 DEPARTMENT] will release the information after 30 days' public  
14 notice unless, in the discretion of the commissioner of natural  
15 resources, it is necessary to protect information relating to the  
16 valuation of unleased acreage in the same vicinity, or unless the  
17 well is on private land and the owner, including the lessor but not  
18 the lessee, of the oil and gas resources has not given permission to  
19 release the well data;

20 (ii) in the case of seismic or other geophysical data,  
21 other than seismic data acquired by seismic exploration subject to  
22 (i) of this section, for 10 years following the completion date, at  
23 which time the Department of Natural Resources will release the  
24 information after 30 days' public notice, except as to seismic or  
25 other geophysical data acquired from private land, unless the  
26 owner, including a lessor but not a lessee, of the oil and gas  
27 resources in the private land gives permission to release the  
28 seismic or other geophysical data associated with the private land;

29 (iii) in the case of seismic data obtained by seismic  
30 exploration subject to (i) of this section, only until the expiration of  
31 30 days' public notice issued on or after the date the production

1 tax credit certificate is issued under (5) of this subsection:

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

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

8 (5) if the department is satisfied that the explorer's claimed  
9 expenditures are qualified under this section and that all data required to be  
10 submitted under this section have been submitted, the department shall issue to the  
11 explorer a production tax credit certificate for the amount of credit to be allowed  
12 against production taxes levied by AS 43.55.011(e); notwithstanding any contrary  
13 provision of AS 38, AS 40.25.100, or AS 43.05.230, the following information is  
14 not confidential:

15 (A) the explorer's name;

16 (B) the date of the application;

17 (C) the location of the well or seismic exploration;

18 (D) the date of the department's issuance of the certificate;

19 and

20 (E) the date on which the information required to be  
21 submitted under this section will be released [DUE UNDER  
22 AS 43.55.011(e) OR (f)].

23 \* Sec. 38. AS 43.55.025(g) is amended to read:

24 (g) An explorer, other than an entity that is exempt from taxation under  
25 this chapter, may transfer, convey, or sell its production tax credit certificate to any  
26 person, and any person who receives a production tax credit certificate may also  
27 transfer, convey, or sell the certificate.

28 \* Sec. 39. AS 43.55.025(h) is amended to read:

29 (h) A producer that purchases a production tax credit certificate may apply  
30 the credits against its production tax levied by [LIABILITY UNDER]  
31 AS 43.55.011(e) [OR (f)]. Regardless of the price the producer paid for the

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

5 \* **Sec. 40.** AS 43.55.025(i) is repealed and reenacted to read:

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

7 (1) a credit may not be applied to reduce a taxpayer's tax liability  
8 under AS 43.55.011(e) below zero for a calendar year; and

9 (2) an amount of the production tax credit in excess of the amount that  
10 may be applied for a calendar year under this subsection may be carried forward and  
11 applied against the taxpayer's tax liability under AS 43.55.011(e) in one or more later  
12 calendar years.

13 \* **Sec. 41.** AS 43.55.025(k) is amended by adding a new paragraph to read:

14 (4) "preexisting well" means a well that was spudded more than 540  
15 days but less than 35 years before the date on which the exploration well to which it  
16 is compared is spudded.

17 \* **Sec. 42.** AS 43.55.025 is amended by adding a new subsection to read:

18 (l) Subject to the terms and conditions of this section, if a claim is filed under  
19 (f)(1) of this section before January 1, 2016, a credit against the production tax levied  
20 by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
21 expenditure under this subsection incurred for seismic exploration performed before  
22 July 1, 2003. To be eligible under this subsection, an expenditure must

23 (1) have been for seismic exploration that

24 (A) obtained data that the commissioner of natural resources  
25 considers to be in the best interest of the state to acquire for public  
26 distribution; and

27 (B) was conducted outside the boundaries of a production unit;  
28 however, the amount of the expenditure that is otherwise eligible under this  
29 section is reduced proportionately by the portion of the seismic exploration  
30 activity that crossed into a production unit; and

31 (2) qualify under (b)(3) of this section.

1 \* Sec. 43. AS 43.55.030(a) is amended to read:

2 (a) A producer that produces oil or gas from a lease or property in the  
 3 state during a calendar year, whether or not any tax payment is due under  
 4 AS 43.55.020(a) for that oil or gas. [THE PERSON PAYING THE TAX] shall file  
 5 with the department on March 31 of the following year [FOLLOWING THE  
 6 CALENDAR YEAR FOR WHICH THE TAX WAS LEVIED] a statement, under  
 7 oath, in a form prescribed by the department, giving, with other information required,  
 8 the following:

9 (1) a description of each lease or property from which [THE] oil or  
 10 [AND] gas was [WERE] produced, by name, legal description, lease number, or  
 11 accounting codes assigned by the department;

12 (2) the names of the producer and, if different, the person paying the  
 13 tax, if any;

14 (3) the gross amount of oil and the gross amount of gas produced from  
 15 each lease or property, and the percentage of the gross amount of oil and gas owned  
 16 by the [EACH] producer [FOR WHOM THE TAX IS PAID];

17 (4) the gross value at the point of production of the oil and of the gas  
 18 produced from each lease or property owned by the [EACH] producer and the costs  
 19 of transportation of the oil and gas [FOR WHOM THE TAX IS PAID];

20 (5) the name of the first purchaser and the price received for the oil  
 21 and for the gas, unless relieved from this requirement in whole or in part by the  
 22 department; [AND]

23 (6) the producer's qualified capital expenditures, as defined in  
 24 AS 43.55.023, other lease expenditures [AND ADJUSTMENTS AS  
 25 CALCULATED] under AS 43.55.165, and adjustments or other payments or  
 26 credits under AS 43.55.170;

27 (7) the production tax values of the oil and gas under  
 28 AS 43.55.160;

29 (8) any claims for tax credits to be applied; and

30 (9) calculations showing the amounts, if any, that were or are due  
 31 under AS 43.55.020(a) and interest on any underpayment or overpayment

1 [AS 43.55.160 - 43.55.170].

2 \* Sec. 44. AS 43.55.030(d) is amended to read:

3 (d) Reports required under this section [BY OR ON BEHALF OF THE  
4 PRODUCER] are delinquent the first day following the day the report is due. The  
5 person required to file the report is liable for a penalty, as determined by the  
6 department under standards adopted in regulation by the department, of not  
7 more than \$1,000 for each day the person fails to file the report at the time  
8 required. The penalty is in addition to the penalties in AS 43.05.220 and  
9 43.05.290 and is assessed, collected, and paid in the same manner as a tax  
10 deficiency under this title. In this subsection, "report" includes a statement.

11 \* Sec. 45. AS 43.55.030 is amended by adding new subsections to read:

12 (e) An explorer or producer that incurs a lease expenditure under  
13 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar  
14 year but does not produce oil or gas from a lease or property in the state during the  
15 calendar year shall file with the department on March 31 of the following year a  
16 statement, under oath, in a form prescribed by the department, giving, with other  
17 information required, the following:

18 (1) the producer's qualified capital expenditures, as defined in  
19 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other  
20 payments or credits under AS 43.55.170; and

21 (2) if the explorer or producer receives a payment or credit under  
22 AS 43.55.170, calculations showing whether the explorer or producer is liable for a  
23 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount.

24 (f) The department may require a producer, an explorer, or an operator of a  
25 lease or property to file monthly reports, as applicable, of

26 (1) the amounts and gross value at the point of production of oil and  
27 gas produced;

28 (2) transportation costs of the oil and gas;

29 (3) any unscheduled interruption of, or reduction in the rate of, oil or  
30 gas production;

31 (4) lease expenditures and adjustments under AS 43.55.165 and

1 43.55.170;

2 (5) joint interest billings;

3 (6) contracts for the sale or transportation of oil or gas;

4 (7) information and calculations used in determining monthly  
5 installment payments of estimated tax under AS 43.55.020(a); and

6 (8) other records and information the department considers necessary  
7 for the administration of this chapter.

8 \* Sec. 46. AS 43.55.040 is amended to read:

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

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

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

23 (B) impose appropriate conditions limiting

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

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

29 (2) examine the books, records, and files of the [SUCH A] person;

30 (3) conduct hearings and compel the attendance of witnesses and the  
31 production of books, records, and papers of any person; [AND]

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

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

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

6 (5) require a producer, an explorer, or an operator of a lease or  
7 property to file reports and copies of records that the department considers  
8 necessary to forecast state revenue under this chapter; in the case of reports and  
9 copies of records relating to proposed, expected, or approved unit expenditures  
10 for a unit for which one or more working interest owners other than the  
11 operator have authority to approve unit expenditures, the required reports and  
12 copies of records are limited to those reports or copies of records that constitute  
13 or disclose communications between the operator and the working interest  
14 owners relating to unit budget matters;

15 (6) require a producer that has an average total production in the  
16 state of more than 100,000 barrels a day for a calendar year to report the gross  
17 value at the point of production of the producer's taxable oil and gas in the state  
18 for a calendar year and the total amount of lease expenditures in the state for  
19 that calendar year; and

20 (7) assess against a person required under this section to file a  
21 report, statement, or other document a penalty, as determined by the  
22 department under standards adopted in regulation by the department, of not  
23 more than \$1,000 for each day the person fails to file the report, statement, or  
24 other document after notice by the department; the penalty is in addition to any  
25 penalties under AS 43.05.220 and 43.05.290 and is assessed, collected, and paid  
26 in the same manner as a tax deficiency under this title; the penalty shall bear  
27 interest at the rate specified under AS 43.05.225(1).

28 \* Sec. 47. AS 43.55 is amended by adding a new section to read:

29 **Sec. 43.55.075. Limitation on assessment and amended returns.** (a) Except  
30 as provided in AS 43.05.260(c), the amount of a tax imposed by this chapter must be  
31 assessed within four years after the latest return was filed.

amended  
#5

1 (b) A decision of a regulatory agency, court, or other body with authority to  
 2 resolve disputes that results in a retroactive change to a lease expenditure, to an  
 3 adjustment to a lease expenditure, to costs of transportation, to sale price, to  
 4 prevailing value, or to consideration of quality differentials relating to the  
 5 commingling of oils has a corresponding effect, either an increase or decrease, as  
 6 applicable, on the production tax value of oil or gas or the amount or availability of a  
 7 tax credit as determined under this chapter. For purposes of this section, a change to a  
 8 lease expenditure includes a change in the categorization of a lease expenditure as a  
 9 qualified capital expenditure or as not a qualified capital expenditure. The producer  
 10 shall

11 (1) within 60 days after the change, notify the department in writing;

12 and

13 (2) within 120 days after the change, file amended returns covering all  
 14 periods affected by the change, unless the department agrees otherwise or a stay is in  
 15 place that affects the filing or payment, regardless of the pendency of appeals of the  
 16 decision.

17 (c) If an alteration in or modification of a producer's federal income tax return  
 18 or a recomputation of the producer's federal income tax or determination of  
 19 deficiency occurs that affects the amount of a tax imposed on the producer under this  
 20 chapter, the producer shall

21 (1) within 60 days after the final determination of the alteration,  
 22 modification, recomputation, or deficiency, notify the department in writing; and

23 (2) within 120 days after the final determination of the alteration,  
 24 modification, recomputation, or deficiency, file amended returns covering all affected  
 25 periods.

26 (d) In this section,

27 (1) "qualified capital expenditure" has the meaning given in  
 28 AS 43.55.023;

29 (2) "return" includes a report, a statement, and an amended return,  
 30 report, or statement.

31 \* Sec. 48. AS 43.55.110 is amended by adding new subsections to read:



1 (e) The department may require that returns, statements, reports, notifications,  
2 and applications filed under this chapter be filed electronically in a form and manner  
3 approved or prescribed by the department.

4 (f) The department may require that payments required under this chapter be  
5 made electronically in a form and manner approved or prescribed by the department.

6 (g) Notwithstanding AS 44.62, the department may issue, for the information  
7 and guidance of producers, explorers, and other interested persons, advisory bulletins  
8 stating the department's interpretation of provisions of this chapter and of regulations  
9 adopted under this chapter. Unless otherwise provided by the department by  
10 regulation, interpretations stated in the advisory bulletins are not binding on the  
11 department or others.

12 (h) Subject to legislative appropriation, the department may compensate a  
13 person who provides information to the department about noncompliance with the  
14 provisions of this chapter by an explorer or a producer of oil or gas if that information  
15 leads to the collection of additional taxes, penalties, or interest from the producer. The  
16 amount of compensation under this subsection may not exceed the lesser of \$500,000  
17 or 10 percent of the additional tax, penalty, or interest collected as a result of the  
18 information. A state employee or an agent of the state is not eligible for compensation  
19 under this subsection.

20 (i) A person who, under (h) of this section, provides, in bad faith, to the  
21 department erroneous information about noncompliance with the provisions of this  
22 chapter by an explorer or producer of oil or gas shall pay to the

23 (1) department all expenses related to the department's investigation  
24 of the alleged noncompliance; and

25 (2) explorer or producer about whom the noncompliance was alleged  
26 all expenses that are incurred by the explorer or producer relating to the department's  
27 investigation of the alleged noncompliance.

28 \* Sec. 49. AS 43.55.150 is amended to read:

29 **Sec. 43.55.150. Determination of gross value at the point of production.**

30 (a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point of  
31 production is calculated using the actual [REASONABLE] costs of transportation of

1 the oil or gas [. THE REASONABLE COSTS OF TRANSPORTATION ARE THE  
2 ACTUAL COSTS], except when the

3 (1) shipper [PARTIES TO THE TRANSPORTATION] of oil or gas  
4 is [ARE] affiliated with the transportation carrier or with a person that owns an  
5 interest in the transportation facility;

6 (2) contract for the transportation of oil or gas is not an arm's length  
7 transaction [OR IS NOT REPRESENTATIVE OF THE MARKET VALUE OF  
8 THAT TRANSPORTATION]; or [AND]

9 (3) method or terms of transportation of oil or gas are [IS] not  
10 reasonable in view of existing alternative [METHODS OF] transportation options.

11 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1),  
12 (2), or [AND] (3) of this section is [ARE] present, the gross value at the point of  
13 production is calculated using the actual costs of transportation, or the  
14 reasonable costs of transportation as determined under this subsection,  
15 whichever is lower. The [THE] department shall determine the reasonable costs of  
16 transportation, using the fair market value of like transportation, the fair market value  
17 of equally efficient and available alternative modes of transportation, or other  
18 reasonable methods. Transportation costs fixed by tariff rates that have been  
19 adjudicated as just and reasonable by [PROPERLY ON FILE WITH] the  
20 Regulatory Commission of Alaska or another [OTHER] regulatory agency and  
21 transportation costs in an arm's length transaction paid by parties not affiliated  
22 with an owner of the method of transportation shall be considered prima facie  
23 reasonable.

24 (c) In determining the gross value of oil under [(a) OF] this section, the  
25 department may not allow as reasonable costs of transportation

26 (1) the amount of loss of or damage to, or of expense incurred due to  
27 the loss of or damage to, a vessel used to transport oil if the loss, damage, or expense  
28 is incurred in connection with a catastrophic oil discharge from the vessel into the  
29 marine or inland waters of the state;

30 (2) the incremental costs of transportation of the oil that are  
31 attributable to temporary use of or chartered or substituted service provided by

1 another vessel due to the loss of or damage to a vessel regularly used to transport oil  
2 and that are incurred in connection with a catastrophic oil discharge into the marine or  
3 inland waters of the state; and

4 (3) the costs incurred to charter, contract, or hire vessels and  
5 equipment used to contain or clean up a catastrophic oil discharge.

6 \* Sec. 50. AS 43.55.160(a) is amended to read:

7 (a) Except as provided in (b) of this section, for the purposes of

8 (1) AS 43.55.011(e), the annual production tax value of the taxable

9 (A) oil and gas produced during a calendar year from leases or  
10 properties in the state that include land north of 68 degrees North latitude is  
11 the gross value at the point of production of the oil and gas taxable under  
12 AS 43.55.011(e) and produced by the producer from those leases or  
13 properties, less the producer's lease expenditures under AS 43.55.165 for the  
14 calendar year applicable to the oil and gas produced by the producer from  
15 those leases or properties, as adjusted under AS 43.55.170;

16 (B) oil and gas produced during a calendar year from leases or  
17 properties in the state outside the Cook Inlet sedimentary basin, no part of  
18 which is north of 68 degrees North latitude, is the gross value at the point of  
19 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
20 the producer from those leases or properties, less the producer's lease  
21 expenditures under AS 43.55.165 for the calendar year applicable to the oil  
22 and gas produced by the producer from those leases or properties, as adjusted  
23 under AS 43.55.170;

24 (C) oil produced during a calendar year from a lease or  
25 property in the Cook Inlet sedimentary basin is the gross value at the point of  
26 production of the oil taxable under AS 43.55.011(e) and produced by the  
27 producer from that lease or property, less the producer's lease expenditures  
28 under AS 43.55.165 for the calendar year applicable to the oil produced by the  
29 producer from that lease or property, as adjusted under AS 43.55.170;

30 (D) gas produced during a calendar year from a lease or  
31 property in the Cook Inlet sedimentary basin is the gross value at the point of

1 production of the gas taxable under AS 43.55.011(e) and produced by the  
2 producer from that lease or property, less the producer's lease expenditures  
3 under AS 43.55.165 for the calendar year applicable to the gas produced by  
4 the producer from that lease or property, as adjusted under AS 43.55.170;

5 (2) AS 43.55.011(g), the monthly production tax value of the taxable

6 (A) oil and gas produced during a month from leases or  
7 properties in the state that include land north of 68 degrees North latitude is  
8 the gross value at the point of production of the oil and gas taxable under  
9 AS 43.55.011(e) [AS 43.55.011(g)] and produced by the producer from those  
10 leases or properties, less 1/12 of the producer's lease expenditures under  
11 AS 43.55.165 for the calendar year applicable to the oil and gas produced by  
12 the producer from those leases or properties, as adjusted under AS 43.55.170;

13 (B) oil and gas produced during a month from leases or  
14 properties in the state outside the Cook Inlet sedimentary basin, no part of  
15 which is north of 68 degrees North latitude, is the gross value at the point of  
16 production of the oil and gas taxable under AS 43.55.011(e)  
17 [AS 43.55.011(g)] and produced by the producer from those leases or  
18 properties, less 1/12 of the producer's lease expenditures under AS 43.55.165  
19 for the calendar year applicable to the oil and gas produced by the producer  
20 from those leases or properties, as adjusted under AS 43.55.170;

21 (C) oil produced during a month from a lease or property in  
22 the Cook Inlet sedimentary basin is the gross value at the point of production  
23 of the oil taxable under AS 43.55.011(e) [AS 43.55.011(g)] and produced by  
24 the producer from that lease or property, less 1/12 of the producer's lease  
25 expenditures under AS 43.55.165 for the calendar year applicable to the oil  
26 produced by the producer from that lease or property, as adjusted under  
27 AS 43.55.170;

28 (D) gas produced during a month from a lease or property in  
29 the Cook Inlet sedimentary basin is the gross value at the point of production  
30 of the gas taxable under AS 43.55.011(e) [AS 43.55.011(g)] and produced by  
31 the producer from that lease or property, less 1/12 of the producer's lease

1 expenditures under AS 43.55.165 for the calendar year applicable to the gas  
2 produced by the producer from that lease or property, as adjusted under  
3 AS 43.55.170.

4 \* Sec. 51. AS 43.55.160(b) is amended to read:

5 (b) A production tax value calculated under [(a) OF] this section may not be  
6 less than zero.

7 \* Sec. 52. AS 43.55.160(e) is amended to read:

8 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
9 would otherwise be deductible by a producer in a calendar year but whose deduction  
10 would cause a a [AN ANNUAL] production tax value calculated under (a)(1) of this  
11 section of taxable oil or gas produced during the calendar year to be less than zero  
12 may be used to establish a carried-forward annual loss under AS 43.55.023(b).  
13 However, the department shall provide by regulation a method to ensure that,  
14 for a period for which a producer's tax liability is limited by AS 43.55.011(i) or  
15 (k), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
16 would otherwise be deductible by a producer for that period but whose  
17 deduction would cause a production tax value calculated under (a)(1)(C) or (D)  
18 of this section to be less than zero are accounted for as though the adjusted lease  
19 expenditures had first been used as deductions in calculating the production tax  
20 values of oil or gas subject to any of the limitations under AS 43.55.011(i) or (k)  
21 that have positive production tax values so as to reduce the tax liability  
22 calculated without regard to the limitation to the maximum amount provided for  
23 under the applicable provision of AS 43.55.011(j) or (k). Only the amount of  
24 those adjusted lease expenditures remaining after the accounting provided for  
25 under this subsection may be used to establish a carried-forward annual loss  
26 under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

27 \* Sec. 53. AS 43.55.165(a) is amended to read:

28 (a) Except as provided under (c) and (e) [(c) - (e)] of this section, for the  
29 purposes of AS 43.55.160, a producer's lease expenditures for a calendar year are the  
30 ordinary and necessary costs upstream of the point of production of oil and gas that  
31 are incurred during the calendar year by the producer after March 31, 2006, and that

1 are direct costs of exploring for, developing, or producing oil or gas deposits located  
 2 within the producer's leases or properties in the state or, in the case of land in which  
 3 the producer does not own a working interest, that are direct costs of exploring for oil  
 4 or gas deposits located within other land in the state. In determining whether costs are  
 5 lease expenditures, the department shall consider, among other factors,

6 (1) the typical industry practices and standards in the state that  
 7 determine the costs, other than items listed in (e) of this section, that an operator is  
 8 allowed to bill a working interest owner that is not the operator, under unit operating  
 9 agreements or similar operating agreements that were in effect before December 2,  
 10 2005, and were subject to negotiation with at least one working interest owner with  
 11 substantial bargaining power, other than the operator; and

12 (2) the standards adopted by the Department of Natural Resources that  
 13 determine the costs, other than items listed in (e) of this section, that a lessee is  
 14 allowed to deduct from revenue in calculating net profits under a lease issued under  
 15 AS 38.05.180(f)(3)(B), (D), or (E).

16 \* Sec. 54. AS 43.55.165(c) is repealed and reenacted to read:

17 (c) Subject to (g) and (h) of this section, if the department finds that the  
 18 pertinent provisions of a unit operating agreement or similar operating agreement are  
 19 substantially consistent with the department's determinations and standards under (a)  
 20 and (b) of this section concerning whether costs are lease expenditures and, in  
 21 addition, finds that at least one working interest owner party to the agreement, other  
 22 than the operator, with substantial incentive and ability to effectively audit billings  
 23 under the agreement, in fact is effectively auditing billings under the agreement, the  
 24 department may authorize or require a producer, subject to conditions prescribed  
 25 under regulations adopted by the department, to treat as that portion of its lease  
 26 expenditures for a calendar year applicable to oil and gas produced from a lease or  
 27 property in the state only

28 (1) the costs, other than items listed in (e) of this section, that are  
 29 incurred by the operator during the calendar year and that

30 (A) are billed to the producer by the operator under the  
 31 agreement to which that lease or property is subject and are either not disputed

1 by a working interest owner party to the agreement or are finally determined  
2 to be properly billable as a result of dispute resolution; or

3 (B) for a producer that is the operator, would be billable to the  
4 producer by the operator in accordance with the terms of the agreement to  
5 which that lease or property is subject if the producer were not the operator;  
6 and

7 (2) a reasonable percentage, as determined under regulations adopted  
8 by the department, of the costs that are billed under (1) of this subsection as an  
9 allowance for overhead expenses directly related to exploring for, developing, and  
10 producing oil or gas deposits located within the lease or property.

11 \* Sec. 55. AS 43.55.165(e) is amended to read:

12 (e) For purposes of this section, lease expenditures do not include

13 (1) depreciation, depletion, or amortization;

14 (2) oil or gas royalty payments, production payments, lease profit  
15 shares, or other payments or distributions of a share of oil or gas production, profit, or  
16 revenue, except that a producer's lease expenditures applicable to oil and gas  
17 produced from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the  
18 share of net profit paid to the state under that lease;

19 (3) taxes based on or measured by net income;

20 (4) interest or other financing charges or costs of raising equity or  
21 debt capital;

22 (5) acquisition costs for a lease or property or exploration license;

23 (6) costs, including repairs and replacements, arising from or  
24 associated with fraud, wilful misconduct, [OR] gross negligence, criminal  
25 negligence, or violation of law, including a violation of 33 U.S.C. 1319(c)(1) or  
26 1321(b)(3) (Clean Water Act);

27 (7) fines or penalties imposed by law;

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

31 (9) costs incurred in organizing a partnership, joint venture, or other

1 business entity or arrangement;

2 (10) amounts paid to indemnify the state; the exclusion provided by  
3 this paragraph does not apply to the costs of obtaining insurance or a surety bond  
4 from a third-party insurer or surety;

5 (11) surcharges levied under AS 43.55.201 or 43.55.300;

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

8 (13) an expenditure incurred to purchase an interest in any  
9 corporation, partnership, limited liability company, business trust, or any other  
10 business entity, whether or not the transaction is treated as an asset sale for federal  
11 income tax purposes;

12 (14) a tax levied under AS 43.55.011;

13 (15) [THE PORTION OF] costs incurred for dismantlement, removal,  
14 surrender, or abandonment of a facility, pipeline, well pad, platform, or other  
15 structure, or for the restoration of a lease, field, unit, area, tract of land, body of  
16 water, or right-of-way in conjunction with dismantlement, removal, surrender, or  
17 abandonment [, THAT IS ATTRIBUTABLE TO PRODUCTION OF OIL OR GAS  
18 OCCURRING BEFORE APRIL 1, 2006; THE PORTION IS CALCULATED AS A  
19 RATIO OF THE AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF  
20 OIL EQUIVALENT, ASSOCIATED WITH THE FACILITY, PIPELINE, WELL  
21 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY  
22 OF WATER, OR RIGHT-OF-WAY OCCURRING BEFORE APRIL 1, 2006, TO  
23 THE TOTAL AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF  
24 OIL EQUIVALENT, ASSOCIATED WITH THAT FACILITY, PIPELINE, WELL  
25 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY  
26 OF WATER, OR RIGHT-OF-WAY THROUGH THE END OF THE CALENDAR  
27 MONTH BEFORE COMMENCEMENT OF THE DISMANTLEMENT,  
28 REMOVAL, SURRENDER, OR ABANDONMENT]; a cost is not excluded under  
29 this paragraph if the dismantlement, removal, surrender, or abandonment for which  
30 the cost is incurred is undertaken for the purpose of replacing, renovating, or  
31 improving the facility, pipeline, well pad, platform, or other structure; [FOR THE



1 PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

2 (A) IN THE CASE OF OIL, ONE BARREL;

3 (B) IN THE CASE OF GAS, 6,000 CUBIC FEET;]

4 (16) costs incurred for containment, control, cleanup, or removal in  
5 connection with any unpermitted release of oil or a hazardous substance and any  
6 liability for damages imposed on the producer or explorer for that unpermitted  
7 release; this paragraph does not apply to the cost of developing and maintaining an oil  
8 discharge prevention and contingency plan under AS 46.04.030;

9 (17) costs incurred to satisfy a work commitment under an exploration  
10 license under AS 38.05.132;

11 (18) that portion of expenditures, that would otherwise be qualified  
12 capital expenditures, as defined in AS 43.55.023 [AS 43.55.023(k)], incurred during a  
13 calendar year that are less than the product of \$0.30 multiplied by the total taxable  
14 production from each lease or property, in BTU equivalent barrels, during that  
15 calendar year, except that, when a portion of a calendar year is subject to this  
16 provision, the expenditures and volumes shall be prorated within that calendar year;

17 (19) costs incurred for repair, replacement, or deferred  
18 maintenance of a facility, a pipeline, a structure, or equipment, other than a well,  
19 that results in or is undertaken in response to a failure, problem, or event that  
20 results in an unscheduled interruption of, or reduction in the rate of, oil or gas  
21 production; or costs incurred for repair, replacement, or deferred maintenance  
22 of a facility, a pipeline, a structure, or equipment, other than a well, that is  
23 undertaken in response to, or is otherwise associated with, an unpermitted  
24 release of a hazardous substance or of gas; however, costs under this paragraph  
25 that would otherwise constitute lease expenditures under (a) and (b) of this  
26 section may be treated as lease expenditures if the department determines that  
27 the repair or replacement is solely necessitated by an act of war, by an  
28 unanticipated grave natural disaster or other natural phenomenon of an  
29 exceptional, inevitable, and irresistible character, the effects of which could not  
30 have been prevented or avoided by the exercise of due care or foresight, or by an  
31 intentional or negligent act or omission of a third party, other than a party or its

1 agents in privity of contract with, or employed by, the producer or an operator  
 2 acting for the producer, but only if the producer or operator, as applicable,  
 3 exercised due care in operating and maintaining the facility, pipeline, structure,  
 4 or equipment, and took reasonable precautions against the act or omission of the  
 5 third party and against the consequences of the act or omission; in this  
 6 paragraph,

7 (A) "costs incurred for repair, replacement, or deferred  
 8 maintenance of a facility, a pipeline, a structure, or equipment" includes  
 9 costs to dismantle and remove the facility, pipeline, structure, or  
 10 equipment that is being replaced;

11 (B) "hazardous substance" has the meaning given in  
 12 AS 46.03.826;

13 (C) "replacement" includes renovation or improvement;

14 (20) costs incurred to construct, acquire, or operate a refinery or  
 15 crude oil topping plant, regardless of whether the products of the refinery or  
 16 topping plant are used in oil or gas exploration, development, or production  
 17 operations; however, if a producer owns a refinery or crude oil topping plant  
 18 that is located on or near the premises of the producer's lease or property in the  
 19 state and that processes the producer's oil produced from that lease or property  
 20 into a product that the producer uses in the operation of the lease or property in  
 21 drilling for or producing oil or gas, the producer's lease expenditures include the  
 22 amount calculated by subtracting from the fair market value of the product used  
 23 the prevailing value, as determined under AS 43.55.020(f), of the oil that is  
 24 processed;

25 (21) costs of lobbying, public relations, public relations  
 26 advertising, or policy advocacy.

27 \* Sec. 56. AS 43.55.165(h) is amended to read:

28 (h) The department shall adopt regulations that provide for reasonable  
 29 methods of allocating costs between oil and gas and between leases or properties in  
 30 those circumstances where an allocation of costs is required to determine [THE  
 31 DETERMINATION OF THE] lease expenditures that are costs of exploring for,

1 developing, or producing oil deposits or costs of exploring for, developing, or  
2 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of  
3 exploring for, developing, or producing oil or gas deposits located within  
4 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or  
5 properties [, REQUIRES AN ALLOCATION OF COSTS].

6 \* Sec. 57. AS 43.55.170(a) is amended to read:

7 (a) Unless the payment or credit has already been subtracted in calculating  
8 billable or billed costs under AS 43.55.165(c) [OR (d)], a producer's lease  
9 expenditures under AS 43.55.165 must be adjusted by subtracting payments or  
10 credits, other than tax credits, received by the producer or by an operator acting for  
11 the producer for

12 (1) the use by another person of a production facility in which the  
13 producer has an ownership interest or the management by the producer of a  
14 production facility under a management agreement providing for the producer to  
15 receive a management fee;

16 (2) a reimbursement or similar payment that offsets the producer's  
17 lease expenditures, including an insurance recovery from a third-party insurer and a  
18 payment from the state or federal government for reimbursement of the producer's  
19 upstream costs, including costs for gathering, separating, cleaning, dehydration,  
20 compressing, or other field handling associated with the production of oil or gas  
21 upstream of the point of production;

22 (3) the sale or other transfer of

23 (A) an asset, including geological, geophysical, or well data or  
24 interpretations, acquired by the producer as a result of a lease expenditure or  
25 an expenditure that would be a lease expenditure if it were incurred after  
26 March 31, 2006; for purposes of this subparagraph,

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

31 (ii) for a transaction that is an internal transfer or is

1 otherwise not an arm's length transaction, if the sale or transfer of the  
 2 asset is made for less than fair market value, the amount subtracted  
 3 must be the fair market value; and

4 (B) oil or gas

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

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

9 \* **Sec. 58.** AS 43.55 is amended by adding new sections to article 4 to read:

10 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary  
 11 provision of AS 40.25.100, and regardless of whether the information is considered  
 12 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of  
 13 particular returns or reports, the department may publish the following information  
 14 under this chapter, if aggregated among three or more producers or explorers,  
 15 showing by month or calendar year and by lease or property, unit, or area of the state:

16 (1) the amount of oil or gas production;

17 (2) the amount of taxes levied under this chapter or paid under this  
 18 chapter;

19 (3) the effective tax rates under this chapter;

20 (4) the gross value of oil or gas at the point of production;

21 (5) the transportation costs for oil or gas;

22 (6) qualified capital expenditures, as defined in AS 43.55.023;

23 (7) exploration expenditures under AS 43.55.025;

24 (8) production tax values of oil or gas under AS 43.55.160;

25 (9) lease expenditures under AS 43.55.165;

26 (10) adjustments to lease expenditures under AS 43.55.170;

27 (11) tax credits applicable or potentially applicable against taxes  
 28 levied by this chapter.

29 **Sec. 43.55.895. Applicability to municipal entities.** (a) Notwithstanding  
 30 AS 29.35.670(a) or other provision of law, a producer that is a municipal entity is  
 31 subject to taxation and payment of surcharges under this chapter for oil and gas that it

1 sells to another party.

2 (b) A municipal entity subject to taxation because of this section is eligible  
3 for all tax credits under this chapter to the same extent as any other producer.

4 (c) In this section, "municipal entity" means a municipality, municipally  
5 owned utility, public corporation of a municipality, or entity established by more than  
6 one municipality.

7 \* Sec. 59. AS 43.55.900 is amended by adding new paragraphs to read:

8 (22) "producer" means an owner of an operating right, operating  
9 interest, or working interest in a mineral interest in oil or gas;

10 (23) "unit" means a group of tracts of land that is

11 (A) subject to a cooperative or a unit plan of development or  
12 operation that has been certified by the commissioner of natural resources  
13 under AS 38.05.180(p);

14 (B) subject to a cooperative or a unit plan of development or  
15 operation that has been certified by the United States Secretary of the Interior  
16 under 30 U.S.C. 226(m);

17 (C) subject to an agreement of the owners of interests in the  
18 tracts of land to validly integrate their interests to provide for the unitized  
19 management, development, and operation of the tracts of land as a unit, within  
20 the meaning of AS 31.05.110(a); or

21 (D) within the unit area of a unit created by order of the  
22 Alaska Oil and Gas Conservation Commission under AS 31.05.110(b).

23 \* Sec. 60. AS 43.55.011(h), 43.55.011(l), 43.55.011(n), 43.55.160(c), and 43.55.165(d) are  
24 repealed.

25 \* Sec. 61. AS 39.25.110(42) is repealed December 31, 2011.

26 \* Sec. 62. The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 **APPLICABILITY.** (a) AS 43.55.165(e)(19), enacted by the amendment to  
29 AS 43.55.165(e) in sec. 55 of this Act, applies to expenditures after March 31, 2006.

30 (b) Except as provided in (a) of this section, secs. 15 - 27, 29 - 42, and 49 - 60 of this  
31 Act apply to oil and gas produced after June 30, 2007.

1 (c) Sections 43 and 45 of this Act apply to statements and reports under  
2 AS 43.55.030(a), as amended by sec. 43 of this Act, and AS 43.55.030(e) and (f), as added  
3 by sec. 45 of this Act, required to be filed after the effective date of secs. 43 and 45 of this  
4 Act.

5 (d) Sections 34 - 37, 39, and 41 of this Act apply to exploration expenditures  
6 incurred for work performed after December 31, 2007, that are the basis of tax credits that  
7 may be claimed against taxes levied for oil and gas produced after December 31, 2007.

8 (e) AS 43.55.075(a), enacted by sec. 47 of this Act, applies to any tax liability under  
9 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260  
10 had not expired before the effective date of secs. 14 and 47 of this Act.

11 (f) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d) in  
12 sec. 44 of this Act, applies to any report required to be filed after the effective date of sec. 44  
13 of this Act that is not filed timely.

14 (g) The penalty in AS 43.55.040(7), enacted by the amendment to AS 43.55.040 in  
15 sec. 46 of this Act, applies to any report, statement, or other document required to be filed  
16 after the effective date of sec. 46 of this Act.

17 \* Sec. 63. The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 OIL AND GAS REVENUE AUDIT MASTER POSITIONS; LEGISLATIVE  
20 INTENT. It is the intent of the legislature that the commissioner of administration shall cause  
21 not more than four oil and gas revenue audit master positions to be created in the Department  
22 of Revenue and not more than two oil and gas revenue audit master positions to be created in  
23 the Department of natural Resources. Oil and gas revenue audit masters shall be employed in  
24 a professional capacity to collect oil and gas revenue by developing policy, conducting  
25 studies, drafting proposed regulations, enforcing regulations, and directing audits by oil and  
26 gas auditors.

27 \* Sec. 64. The uncodified law of the State of Alaska is amended by adding a new section to  
28 read:

29 OIL AND GAS AUDITORS: CLASSIFICATION AND PAY PLANS.  
30 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and  
31 implement a distinct position classification plan and a distinct pay plan for oil and gas

1 auditors and their immediate supervisors, other than revenue audit masters, that perform

2 (1) oil and gas tax audits in the Department of Revenue under the direction of  
3 an oil and gas revenue audit master;

4 (2) royalty audits, including net profit share audits, in the Department of  
5 Natural Resources under the direction of an oil and gas revenue audit master.

6 \* Sec. 65. The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 TRANSITION: PAYMENT OF TAX. A person subject to tax under AS 43.55 that is  
9 required to make one or more installment payments of estimated tax or other payment of tax  
10 under AS 43.55.020(a) during the period after March 31, 2006, and before the effective date  
11 of sec. 21 of this Act, and under AS 43.55.020(a), as amended by sec. 21 of this Act, for the  
12 production of oil or gas during a month after March 31, 2006, and before the effective date of  
13 sec. 21 of this Act but that failed to pay the full amount of the installment payments or other  
14 payment of tax required under AS 43.55 because of the retroactive application of  
15 AS 43.55.165(e)(19), as enacted in the amendment to AS 43.55.165(e) in sec. 55 of this Act,  
16 that is retroactive to April 1, 2006, under sec. 68 of this Act, and the retroactive application  
17 of secs. 15 - 27, 29 - 42, 49 - 54, 56 - 60, and that part of AS 43.55.165(e) in sec. 55 of this  
18 Act under sec. 68 of this Act, shall pay before April 1, 2008, the balance of any tax due under  
19 AS 43.55 for the period after March 31, 2006, and before the effective date of this section.

20 \* Sec. 66. The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any  
23 contrary provision of AS 44.62.240,

24 (1) if the Department of Revenue expressly designates in the regulation that  
25 the regulation applies retroactively to that date, a regulation adopted by the Department of  
26 Revenue to implement, interpret, make specific, or otherwise carry out secs. 15 - 27, 29 - 42,  
27 and 49 - 60 of this Act may apply retroactively to July 1, 2007, except that a regulation  
28 adopted by the Department of Revenue to implement, interpret, make specific, or otherwise  
29 carry out AS 43.55.165(e)(19), as enacted in the amendment to AS 43.55.165(e) in sec. 55 of  
30 this Act, may apply retroactively to April 1, 2006;

31 (2) a regulation adopted by the Department of Natural Resources to

1 implement, interpret, make specific, or otherwise carry out statutory provisions for the  
2 administration of oil and gas leases issued under AS 38.05.180(f)(3)(B), (D), or (E), to the  
3 extent the regulation deals with the treatment of oil and gas production taxes in determining  
4 net profits under those leases, may apply retroactively to April 1, 2006, if the Department of  
5 Natural Resources expressly designates in the regulation that the regulation applies  
6 retroactively to that date.

7 \* Sec. 67. The uncodified law of the State of Alaska is amended by adding a new section to  
8 read:

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

13 \* Sec. 68. The uncodified law of the State of Alaska is amended by adding a new section to  
14 read:

15 RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a) Sections 29  
16 and 38 of this Act are retroactive to July 1, 2003.

17 (b) AS 43.55.165(e)(19), enacted by the amendment to AS 43.55.165(e) in sec. 55 of  
18 this Act, is retroactive to April 1, 2006.

19 (c) Except as provided in (b) of this section, secs. 15 - 27, 29 - 42, and 49 - 60 of this  
20 Act are retroactive to July 1, 2007.

21 \* Sec. 69. Section 28 of this Act takes effect January 1, 2008.

22 \* Sec. 70. Except as provided in sec. 69 of this Act, this Act takes effect immediately under  
23 AS 01.10.070(c).



AMENDMENT #17

OFFERED IN THE SENATE  
TO: SCS CSHB 2001(FIN)

BY SENATOR STEDMAN

*technical amend*

1 Page 1, line 12:

2 Delete "sec. 47"

3 Insert "sec. 48"

4

5 Page 2, line 3:

6 Delete "sec. 68"

7 Insert "sec. 69"

8

9 Page 23, line 30:

10 Delete "December 31, 2007"

11 Insert "June 30, 2007"

12

13 Page 25, following line 23:

14 Insert a new bill section to read:

15 **\*\* Sec. 37. AS 43.55.025(d) is amended to read:**

16 (d) To be eligible for the 30 [20] percent production tax credit authorized by  
17 (a)(2) of this section or the 40 percent production tax credit authorized by (a)(3) of this  
18 section, an exploration expenditure must

19 (1) qualify under (b) of this section; and

20 (2) be for an exploration well that is located no: less than 25 miles  
21 outside of the outer boundary, as delineated on July 1, 2003, of any unit that is under a  
22 plan of development, except that for an exploration well for a Cook Inlet prospect to  
23 qualify under this paragraph, the exploration well must be located not less than 10

1 miles outside the outer boundary, as delineated on July 1, 2003, of any unit that is  
2 under a plan of development."  
3

4 Renumber the following bill sections accordingly.  
5

6 Page 47, line 26, through page 48, line 16:

7 Delete all material and insert:

8 **\*\* Sec. 63.** The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10 **APPLICABILITY.** AS 43.55.075(a), enacted by sec. 48 of this Act, applies to any tax  
11 liability under AS 43.55 for the production of oil and gas after December 31, 2006."  
12

13 Page 49, line 8:

14 Delete "TAX."

15 Insert "TAX; FILING. (a)"  
16

17 Page 49, line 15:

18 Delete "sec. 55"

19 Insert "sec. 56"  
20

21 Page 49, line 16:

22 Delete "sec. 68"

23 Insert "sec. 69"  
24

25 Page 49, line 17:

26 Delete "secs. 15 - 27, 29 - 42, 49 - 54, 56 - 60"

27 Insert "secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61"

28 Delete "sec. 55"

29 Insert "sec. 56"  
30

31 Page 49, line 18:

1 Delete "sec. 68"

2 Insert "sec. 69"

3

4 Page 49, following line 19:

5 Insert a new subsection to read:

6 "(b) A person required to file a statement under AS 43.55.030(a), as amended  
7 by sec. 44 of this Act, or a statement under AS 43.55.030(e) or (f), as enacted by sec.  
8 46 of this Act, but that failed to file a statement required under AS 43.55 because of  
9 the retroactive application of secs. 44 and 46 of this Act under sec. 69 of this Act, shall  
10 file, before April 1, 2008, any statement required to have been filed after June 30,  
11 2007, and before the effective date of this section."  
12

12

13 Page 49, lines 26 - 27:

14 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

15 Insert "secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61"

16

17 Page 49, line 29:

18 Delete "sec. 55"

19 Insert "sec. 56"

20

21 Page 50, lines 13 - 20:

22 Delete all material and insert:

23 "\* Sec. 69. The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a) Section 39 of  
26 this Act, and AS 43.55.297<sup>815</sup>, enacted by sec. 59 of this Act, are retroactive to July 1, 2003.

27 (b) Section 29 of this Act and AS 43.55.165(e)(19), enacted by the  
28 amendment to AS 43.55.165(e) in sec. 56 of this Act, are retroactive to April 1, 2006.

29 (c) Except as provided in (b) of this section, secs. 15 - 27, 30 - 33, 50 - 58, 60,  
30 and 61 of this Act are retroactive to July 1, 2007."  
31

31

1 Page 50, following line 21:

2 Insert a new bill section to read:

3 **"\* Sec. 71. Sections 34 - 38 and 40 - 43 of this Act take effect July 1, 2008."**

4

5 Renumber the following bill section accordingly.

6

7 Page 50, line 22:

8 Delete "sec. 69"

9 Insert "secs. 70 and 71"

speaking in opposition:  
Stedman

25-GH0014\F.24  
Cook/Bullock  
11/15/07

Failed

AMENDMENT # 16

page - 13 nay

Therriault-

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

repeals 2011 date  
in original PPT for  
evaluation of PPT

- 1 Page 2, line 3:
- 2 Delete "sec. 68"
- 3 Insert "sec. 69"
- 4
- 5 Page 47, line 23:
- 6 Delete "and 43.55.165(d)"
- 7 Insert ", 43.55.165(d), and 43.55.180"
- 8
- 9 Page 49, line 16:
- 10 Delete "sec. 68"
- 11 Insert "sec. 69"
- 12
- 13 Page 49, line 18:
- 14 Delete "sec. 68"
- 15 Insert "sec. 69"
- 16
- 17 Page 50, following line 12:
- 18 Insert a new bill section to read:
- 19 **\*\* Sec. 68.** The uncoded law of the State of Alaska is amended by adding a new section to
- 20 read:
- 21 REVISOR'S INSTRUCTION. In the following statute sections, the revisor of statutes
- 22 shall substitute the spanned reference
- 23 (1) "AS 43.55.011 - 43.55.170" for the spanned reference "AS 43.55.011 -

1 43.55.180": AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(c), and  
2 43.55.300(c);

3 (2) "AS 43.55.017 - 43.55.170" for the spanned reference "AS 43.55.017 -  
4 43.55.180": AS 43.55.023(g)."

5

6 Renumber the following bill sections accordingly.

7

8 Page 50, line 22:

9 Delete "sec. 69"

10 Insert "sec. 70"

AMENDMENT

#15

Farked  
ya 6-13 nap

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN), Version "F"

Wagoner  
Bunde

- 1 Page 2, line 9
- 2 Delete: "June 30, 2007"
- 3 Insert: "September 30, 2007"
- 4
- 5 Page 47, line 31
- 6 Delete: "June 30, 2007"
- 7 Insert: "September 30, 2007"
- 8
- 9 Page 49, line 27
- 10 Delete: "July 1, 2007"
- 11 Insert: "October 1, 2007"
- 12
- 13 Page 50, line 20
- 14 Delete: "July 1, 2007"
- 15 Insert: "October 1, 2007"
- 16
- 17

change effective date -  
shortened retroactivity to  
3 months

Speaking against.

Stedman - this would preclude our putting these \$ in ed fund, PRS/TRS, general debt level,

25-GH0014\F.16  
Chenoweth/Bullock  
11/15/07

AMENDMENT #14 <sup>you</sup> 5-14 nap  
Failed

THERRIAULT  
WILKEN  
DYSON  
BUNDE  
WAGONER

OFFERED IN THE SENATE  
TO: SCS CSHB 2001(FIN)

- 1 Page 1, line 12:
- 2 Delete "sec. 47"
- 3 Insert "sec. 48"

- 4
- 5 Page 2, line 3:
- 6 Delete "sec. 68"
- 7 Insert "sec. 69"

- 8
- 9 Page 2, following line 19:
- 10 Insert a new bill section to read:

11 **\*\* Sec. 2. AS 37.10 is amended by adding a new section to read:**

12 **Sec. 37.10.440. Appropriations to the earnings reserve account of**  
 13 **production tax revenue. (a) By February 1 of each year,** the Department of Revenue  
 14 shall determine whether the state received for the general fund, during the immediately  
 15 preceding calendar year, an additional amount of money under AS 43.55.011(g)  
 16 because the monthly average production tax value for each BTU equivalent barrel is  
 17 more than \$30 under that subsection. If the state received an additional amount, the  
 18 department shall notify the legislature of that amount.

19 (b) The legislature may appropriate 50 percent of the amount identified by the  
 20 Department of Revenue under (a) of this section to the earnings reserve account  
 21 established under AS 37.13.145.

22 (c) Nothing in this section requires that money be appropriated or creates a  
 23 dedicated fund."

progressivity \$ x 1/2  
deposited in earnings  
reserve acct.



1

2 **Renumber the following bill sections accordingly.**

3

4 **Page 47, line 29:**

5 **Delete "sec. 55"**

6 **Insert "sec. 56"**

7

8 **Page 47, line 30:**

9 **Delete "secs. 15 - 27, 29 - 42, and 49 - 60"**

10 **Insert "secs. 16 - 28, 30 - 43, and 50 - 61"**

11

12 **Page 48, line 1:**

13 **Delete "Sections 43 and 45"**

14 **Insert "Sections 44 and 46"**

15

16 **Page 48, line 2:**

17 **Delete "sec. 43"**

18 **Insert "sec. 44"**

19

20 **Page 48, line 3:**

21 **Delete "sec. 45"**

22 **Insert "sec. 46"**

23 **Delete "secs. 43 and 45"**

24 **Insert "secs. 44 and 46"**

25

26 **Page 48, line 5:**

27 **Delete "Sections 34 - 37, 39, and 41"**

28 **Insert "Sections 35 - 38, 40, and 42"**

29

30 **Page 48, line 8:**

31 **Delete "sec. 47"**

- 1           Insert "sec. 48"
- 2
- 3   Page 48, line 10:
- 4           Delete "secs. 14 and 47"
- 5           Insert "secs. 15 and 48"
- 6
- 7   Page 48, line 12:
- 8           Delete "sec. 44" in both places
- 9           Insert "sec. 45" in both places
- 10
- 11   Page 48, line 15:
- 12           Delete "sec. 46"
- 13           Insert "sec. 47"
- 14
- 15   Page 48, line 16:
- 16           Delete "sec. 46"
- 17           Insert "sec. 47"
- 18
- 19   Page 49, line 11:
- 20           Delete "sec. 21" in both places
- 21           Insert "sec. 22" in both places
- 22
- 23   Page 49, line 13:
- 24           Delete "sec. 21"
- 25           Insert "sec. 22"
- 26
- 27   Page 49, line 15:
- 28           Delete "sec. 55"
- 29           Insert "sec. 56"
- 30
- 31   Page 49, line 16:

- 1 Delete "sec. 68"
- 2 Insert "sec. 69"
- 3
- 4 Page 49, line 17:
  - 5 Delete "secs. 15 - 27, 29 - 42, 49 - 54, and 56 - 60"
  - 6 Insert "secs. 16 - 28, 30 - 43, 50 - 55, and 57 - 61"
  - 7 Delete "sec. 55"
  - 8 Insert "sec. 56"
  - 9
- 10 Page 49, line 18:
  - 11 Delete "sec. 68"
  - 12 Insert "sec. 69"
  - 13
- 14 Page 49, lines 26 - 27:
  - 15 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"
  - 16 Insert "secs. 16 - 28, 30 - 43, and 50 - 61"
  - 17
- 18 Page 49, line 29 :
  - 19 Delete "sec. 55"
  - 20 Insert "sec. 56"
  - 21
- 22 Page 50, lines 15 - 16:
  - 23 Delete "Sections 29 and 38"
  - 24 Insert "Sections 30 and 39"
  - 25
- 26 Page 50, line 17:
  - 27 Delete "sec. 55"
  - 28 Insert "sec. 56"
  - 29
- 30 Page 50, line 19:
  - 31 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

1           Insert "secs. 16 - 28, 30 - 43, and 50 - 61"

2

3   Page 50, line 21:

4           Delete "Section 28"

5           Insert "Section 29"

6

7   Page 50, line 22:

8           Delete "sec. 69"

9           Insert "sec. 70"

<sup>speaking</sup>  
Opposed: Wielechowski "this amend will cost \$450M"

Failed

AMENDMENT #13 ya 4-12 nay

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN), Version "F"

Bunde  
Wagoner  
add: Dyson

- 1 Page 2, line 9
- 2 Delete: "June 30, 2007"
- 3 Insert: "December 31, 2007"
- 4
- 5 Page 47, line 31
- 6 Delete: "June 30, 2007"
- 7 Insert: "December 31, 2007"
- 8
- 9 Page 49, line 27
- 10 Delete: "July 1, 2007"
- 11 Insert: "January 1, 2008"
- 12
- 13 Page 50, line 20
- 14 Delete: "July 1, 2007"
- 15 Insert: "January 1, 2008"
- 16
- 17

AMENDMENT #12  
Senator French

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

1 Page 1, line 12:

2 Delete "sec. 47"

3 Insert "sec. 48"

4

5 Page 2, line 3.:

6 Delete "sec. 68"

7 Insert "sec. 69"

8

9 Page 33, following line 27:

10 Insert a new bill section to read:

11 "\* Sec. 47. AS 43.55 is amended by adding a new section to read:

12 **Sec. 43.55.055. Penalty for understatement of tax.** (a) In addition to other  
13 penalties prescribed by law, if there is a substantial understatement of tax required to  
14 be shown on a statement required under AS 43.55.030(a), there shall be added to the  
15 tax an amount equal to 10 percent of the substantial understatement of tax.

16 (b) In addition to other penalties prescribed by law, if there is a gross  
17 understatement of tax required to be shown on a statement required under  
18 AS 43.55.030(a), there shall be added to the tax an amount equal to 20 percent of the  
19 gross understatement of tax.

20 (c) In addition to the penalties imposed under (a) or (b) of this section, a  
21 person who has made a substantial or gross understatement of tax is liable to the state  
22 for the reasonable costs of the state's enforcement action, including auditing costs.

23 (d) For purposes of this section,

1                   (1) a substantial understatement of tax for any calendar year exists if  
2                   the amount of the understatement for the calendar year exceeds 10 percent of the tax  
3                   required to be shown on the statement for the calendar year;

4                   (2) a gross understatement of tax for any calendar year exists if the  
5                   amount of the understatement for the calendar year exceeds 20 percent of the tax  
6                   required to be shown on the statement for the calendar year;

7                   (3) "understatement" means the amount by which the tax required to  
8                   be shown on the statement for the calendar year exceeds the amount of the tax  
9                   reported as due by the taxpayer as shown on the statement."  
10

11    Renumber the following bill sections accordingly.  
12

13    Page 47, line 29:

14           Delete "sec. 55"

15           Insert "sec. 56"  
16

17    Page 47, line 30:

18           Delete "49 - 60"

19           Insert "50 - 61"  
20

21    Page 48, following line 4:

22           Insert a new subsection to read:

23           "(d) AS 43.55.055, enacted by sec. 47 of this Act, applies to understatements made  
24           after the effective date of sec. 47 of this Act."  
25

26    Reletter the following subsections accordingly.  
27

28    Page 48, line 8:

29           Delete "sec. 47"

30           Insert "sec. 48"  
31

- 1 Page 48, line 10:
- 2 Delete "47"
- 3 Insert "48"
- 4
- 5 Page 49, line 15:
- 6 Delete "sec. 55"
- 7 Insert "sec. 56"
- 8
- 9 Page 49, line 16:
- 10 Delete "sec. 68"
- 11 Insert "sec. 69"
- 12
- 13 Page 49, line 17:
- 14 Delete "49 - 54, 56 - 60"
- 15 Insert "50 - 55, 57 - 61"
- 16 Delete "sec. 55"
- 17 Insert "sec. 56"
- 18
- 19 Page 49, line 18:
- 20 Delete "sec. 68"
- 21 Insert "sec. 69"
- 22
- 23 Page 49, line 27:
- 24 Delete "49 - 60"
- 25 Insert "50 - 61"
- 26
- 27 Page 49, line 29:
- 28 Delete "sec. 55"
- 29 Insert "sec. 56"
- 30
- 31 Page 50, line 17:



- 1 Delete "sec. 55"
- 2 Insert "sec. 56"
- 3
- 4 Page 50, line 19:
  - 5 Delete "49 - 60"
  - 6 Insert "50 - 61"
  - 7
- 8 Page 50, line 22:
  - 9 Delete "sec. 69"
  - 10 Insert "sec. 70"

AMENDMENT #11

U.C.  
Sen. Stedman

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

appropriately

- 1 Page 12, line 19:
- 2 Delete "\$90"
- 3 Insert "\$92.50"
- 4
- 5 Page 12, line 22:
- 6 Delete "\$90"
- 7 Insert "\$92.50"
- 8 Delete "24"
- 9 Insert "25"
- 10
- 11 Page 12, line 25:
- 12 Delete "\$90"
- 13 Insert "\$92.50"

AMENDMENT # 10

U.C.  
BY SEN. STEEDMAN

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

monthly progressively pyts  
+ annual tax filing  
admin -suppits

1 Page 2, line 3:

2 Delete "sec. 68"

3 Insert "sec. 69"

4

5 Page 11, lines 14 - 22:

6 Delete all material and insert:

7 **\*\* Sec. 15. AS 43.55.011(e) is repealed and reenacted to read:**

8 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
9 produced each calendar year from each lease or property in the state, less any oil and  
10 gas the ownership or right to which is exempt from taxation or constitutes a  
11 landowner's royalty interest. Except as otherwise provided under (f), (j), and (k) of this  
12 section, the tax is equal to the sum of

13 (1) the annual production tax value of the taxable oil and gas as  
14 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

15 (2) the sum, over all months of the calendar year, of the tax amounts  
16 determined under (g) of this section."

17

18 Page 12, lines 14 - 26:

19 Delete all material and insert:

20 **\*\* Sec. 17. AS 43.55.011(g) is repealed and reenacted to read:**

21 "(g) For each month of the calendar year for which the producer's average  
22 monthly production tax value under AS 43.55.160(a)(2) per BTU equivalent barrel of  
23 the taxable oil and gas is more than \$30, the amount of tax for purposes of (c) of this

1 section is determined by multiplying the monthly production tax value of the taxable  
2 oil and gas produced during the month by the tax rate calculated as follows:

3 (1) if the producer's average monthly production tax value per BTU  
4 equivalent barrel of the taxable oil and gas for the month is not more than \$90, the tax  
5 rate is 0.4 percent multiplied by the number that represents the difference between that  
6 average monthly production tax value per BTU equivalent barrel and \$30; or

7 (2) if the producer's average monthly production tax value per BTU  
8 equivalent barrel of the taxable oil and gas for the month is more than \$90, the tax rate  
9 is the sum of 24 percent and the product of 0.1 percent multiplied by the number that  
10 represents the difference between the average monthly production tax value per BTU  
11 equivalent barrel and \$90, except that the sum determined under this paragraph may  
12 not exceed 50 percent."

13  
14 Page 15, line 4:

15 Delete "the total tax rate for the month determined in"

16 Insert "the sum of 25 percent and the tax rate calculated for the month under"

17  
18 Page 15, line 19:

19 Delete "the total tax rate for the month determined in"

20 Insert "the sum of 25 percent and the tax rate calculated for the month under"

21  
22 Page 15, line 30:

23 Delete "the total tax rate for the month determined in"

24 Insert "the sum of 25 percent and the tax rate calculated for the month under"

25  
26 Page 39, following line 6:

27 Insert a new bill section to read:

28 **\*\* Sec. 52.** AS 43.55.160(c) is amended to read:

29 (c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of  
30 calculating a monthly production tax value under (a)(2) of this section, the gross value  
31 at the point of production of the oil and gas [TAXABLE UNDER AS 43.55.011(g)] is

1           calculated under regulations adopted by the department that provide for using an  
2           appropriate monthly share of the producer's costs of transportation for the calendar  
3           year."  
4

5   Renumber the following bill sections accordingly.

6  
7   Page 39, line 10:

8           Delete "a [AN ANNUAL]"

9           Insert "an annual"

10

11   Page 47, line 23:

12           Delete "43.55.160(c),"

13

14   Page 47, line 29:

15           Delete "sec. 55"

16           Insert "sec. 56"

17

18   Page 47, line 30:

19           Delete "49 - 60"

20           Insert "49 - 61"

21

22   Page 49, line 15:

23           Delete "sec. 55"

24           Insert "sec. 56"

25

26   Page 49, line 16:

27           Delete "sec. 68"

28           Insert "sec. 69"

29

30   Page 49, line 17:

31           Delete "49 - 54, 56 - 60"

1           Insert "49 - 55, 57 - 61"

2           Delete "sec. 55"

3           Insert "sec. 56"

4

5   Page 49, line 18:

6           Delete "sec. 68"

7           Insert "sec. 69"

8

9   Page 49, line 27:

10          Delete "49 - 60"

11          Insert "49 - 61"

12

13   Page 49, line 29:

14          Delete "sec. 55"

15          Insert "sec. 56"

16

17   Page 50, line 17:

18          Delete "sec. 55"

19          Insert "sec. 56"

20

21   Page 50, line 19:

22          Delete "49 - 60"

23          Insert "49 - 61"

24

25   Page 50, line 22:

26          Delete "sec. 69"

27          Insert "sec. 70"

11/15/07

AMENDMENT # 9

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 2001(FIN)

U.C.

- 1 Page 14, line 10:
- 2 Delete "oil or"
- 3
- 4 Page 14, line 16:
- 5 Delete "oil or"
- 6
- 7 Page 14, lines 16 - 17:
- 8 Delete "and (k)"
- 9
- 10 Page 50, line 12, following "by the regulation.;
- 11 Insert "The department shall adopt regulations governing the use of tax credits
- 12 under AS 43.55 for a calendar year for which the applicable tax credit provisions of AS
- 13 43.55 differ as between parts of the year as a result of the retroactive application of a
- 14 provision of this Act."

BY SEN. McGUIRE

AMENDMENT #8

PAID 14-5

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

eliminates sunset  
on A-E AUDITORS

Page 47, line 25:

Delete all material.

Renumber the following bill sections accordingly.



*Passed*

AMENDMENT #7 12-7

OFFERED IN THE SENATE

BY SENATOR WIELECHOWSKI

TO: SCS CSHB 2001(FIN)

*Credit payments Fund*

- 1 Page 1, line 6, following "supervisors;":  
2 Insert "establishing an oil and gas tax credit fund and authorizing payment from  
3 that fund;"  
4  
5 Page 1, line 12:  
6 Delete "sec. 47"  
7 Insert "sec. 49"  
8  
9 Page 2, line 3:  
10 Delete "sec. 68"  
11 Insert "sec. 71"  
12  
13 Page 19, line 24, following "payment":  
14 Insert "under AS 43.55.028"  
15  
16 Page 20, following line 30:  
17 Insert a new bill section to read:  
18 **\*\* Sec. 28. AS 43.55.023(g) is amended to read:**  
19 (g) The issuance of a transferable tax credit certificate under (d) of this section  
20 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under  
21 AS 43.55.028 [(f) OF THIS SECTION] does not limit the department's ability to later  
22 audit a tax credit claim to which the certificate relates or to adjust the claim if the  
23 department determines, as a result of the audit, that the applicant was not entitled to

1 the amount of the credit for which the certificate was issued. The tax liability of the  
2 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount  
3 of the credit that exceeds that to which the applicant was entitled, or the applicant's  
4 available valid outstanding credits applicable against the tax levied by  
5 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased  
6 under this subsection, the increase bears interest under AS 43.05.225 from the date the  
7 transferable tax credit certificate was issued. For purposes of this subsection, an  
8 applicant that is an explorer is considered a producer subject to the tax levied by  
9 AS 43.55.011(e)."

10  
11 Renumber the following bill sections accordingly.

12  
13 Page 29, following line 31:

14 Insert a new bill section to read:

15 **\*\* Sec. 44. AS 43.55 is amended by adding a new section to read:**

16 **Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of**  
17 **tax credit certificates. (a) The oil and gas tax credit fund is established as a separate**  
18 **fund of the state. The purpose of the fund is to purchase certain transferable tax credit**  
19 **certificates issued under AS 43.55.023 and certain production tax credit certificates**  
20 **issued under AS 43.55.025.**

21 **(b) The oil and gas tax credit fund consists of**

22 **(1) money appropriated to the fund, including any appropriation of the**  
23 **percentage provided under (c) of this section of all revenue from taxes levied by**  
24 **AS 43.55.011 that is not required to be deposited in the constitutional budget reserve**  
25 **fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and**

26 **(2) earnings on the fund.**

27 **(c) The applicable percentage for a fiscal year under (b)(1) of this section is**  
28 **determined with reference to the average price or value forecast by the department for**  
29 **Alaska North Slope oil sold or otherwise disposed of on the United States West Coast**  
30 **during the fiscal year for which the appropriation of revenue from taxes levied by**  
31 **AS 43.55.011 is made. If that forecast is**

1 (1) \$60 a barrel or higher, the applicable percentage is 10 percent;

2 (2) less than \$60 a barrel, the applicable percentage is 15 percent.

3 (d) The department shall manage the fund.

4 (e) The department, on the written application of the person to whom a  
5 transferable tax credit certificate has been issued under AS 43.55.023(d) or a  
6 production tax credit certificate has been issued under AS 43.55.025(f), may use  
7 available money in the oil and gas tax credit fund to purchase, in whole or in part, the  
8 certificate if the department finds that

9 (1) the calendar year of the purchase is not earlier than the first  
10 calendar year for which the credit shown on the certificate would otherwise be allowed  
11 to be applied against a tax;

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

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

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

22 (5) the applicant's total tax liability under AS 43.55.011(e), after  
23 application of all available tax credits, for the calendar year in which the application is  
24 made is zero;

25 (6) the applicant's average daily production of oil and gas taxable  
26 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
27 the application is made was not more than 50,000 BTU equivalent barrels; and

28 (7) the purchase is consistent with this section and regulations adopted  
29 under this section.

30 (f) Money in the fund remaining at the end of a fiscal year does not lapse and  
31 remains available for expenditure in successive fiscal years.

1 (g) The department may adopt regulations to carry out the purposes of this  
2 section, including standards and procedures to allocate available money among  
3 applications for purchases the total amount of which exceeds the amount of available  
4 money in the fund.

5 (h) Nothing in this section creates a dedicated fund.

6 (i) In this section, "qualified capital expenditure" has the meaning given in  
7 AS 43.55.023."  
8

9 **Renumber the following bill sections accordingly.**

10

11 **Page 47, following line 24:**

12 **Insert a new bill section to read:**

13 **"\* Sec. 63. AS 43.55.023(f) is repealed."**

14

15 **Renumber the following bill sections accordingly.**

16

17 **Page 47, line 29:**

18 **Delete "sec. 55"**

19 **Insert "sec. 57"**

20

21 **Page 47, line 30:**

22 **Delete "29 - 42, and 49 - 60"**

23 **Insert "30 - 43, and 51 - 62"**

24

25 **Page 48, line 1:**

26 **Delete "Sections 43 and 45"**

27 **Insert "Sections 45 and 47"**

28

29 **Page 48, line 2:**

30 **Delete "sec. 43"**

31 **Insert "sec. 45"**

1

2 **Page 48, line 3:**

3 **Delete "sec. 45"**

4 **Insert "sec. 47"**

5 **Delete "secs. 43 and 45"**

6 **Insert "secs. 45 and 47"**

7

8 **Page 48, line 5:**

9 **Delete "Sections 34 - 37, 39, and 41"**

10 **Insert "Sections 35 - 38, 40, and 42"**

11

12 **Page 48, line 8:**

13 **Delete "sec. 47"**

14 **Insert "sec. 49"**

15

16 **Page 48, line 10:**

17 **Delete "47"**

18 **Insert "49"**

19

20 **Page 48, line 12:**

21 **Delete "sec. 44" in both places**

22 **Insert "sec. 46" in both places**

23

24 **Page 48, line 15:**

25 **Delete "sec. 46"**

26 **Insert "sec. 48"**

27

28 **Page 48, line 16:**

29 **Delete "sec. 46"**

30 **Insert "sec. 48"**

31

1 Page 48, following line 16:

2 Insert a new subsection to read:

3 "(h) If an application made under AS 43.55.023(f) is received by the Department of  
4 Revenue before January 1, 2008, and is still outstanding on that date, the application is  
5 considered to be an application under AS 43.55.028, enacted by sec. 44 of this Act."  
6

7 Page 49, line 15:

8 Delete "sec. 55"

9 Insert "sec. 57"

10

11 Page 49, line 16:

12 Delete "sec. 68"

13 Insert "sec. 71"

14

15 Page 49, line 17:

16 Delete "29 - 42, 49 - 54, 56 - 60"

17 Insert "30 - 43, 51 - 56, 58 - 62"

18 Delete "sec. 55"

19 Insert "sec. 57"

20

21 Page 49, line 18:

22 Delete "sec. 68"

23 Insert "sec. 71"

24

25 Page 49, lines 26 - 27:

26 Delete "29 - 42, and 49 - 60"

27 Insert "30 - 43, and 51 - 62"

28

29 Page 49, line 29:

30 Delete "sec. 55"

31 Insert "sec. 57"

- 1
- 2 **Page 50, lines 15 - 16:**
- 3 **Delete "Sections 29 and 38"**
- 4 **Insert "Sections 30 and 39"**
- 5
- 6 **Page 50, line 17:**
- 7 **Delete "sec. 55"**
- 8 **Insert "sec. 57"**
- 9
- 10 **Page 50, line 19:**
- 11 **Delete "29 - 42, and 49 - 60"**
- 12 **Insert "30 - 43, and 51 - 62"**
- 13
- 14 **Page 50, line 21:**
- 15 **Delete "Section 28 of this Act takes"**
- 16 **Insert "Sections 28, 29, 44, and 63 of this Act take"**
- 17
- 18 **Page 50, line 22:**
- 19 **Delete "sec. 69"**
- 20 **Insert "sec. 72"**

AMENDMENT #6

OFFERED IN THE SENATE

BY SENATOR WIELECHOWSKI

TO: SCS CSHB 2001(FIN)

*EIC credits*

*U.C.*

1 Page 25, line 3:

2 Delete "spudding the well"

3 Insert "the well is spudded"

4

5 Page 25, line 8:

6 Delete "and"

7

8 Page 25, lines 9 - 15:

9 Delete all material and insert:

10 (ii) at the time of the submittal of information under (i)  
11 of this subparagraph, the commissioner of natural resources may  
12 request from the explorer that specific data sets, ancillary data, and  
13 reports including all results, and copies of well data collected and data  
14 analyses for the well be provided to the Department of Natural  
15 Resources upon completion of the drilling; in this sub-subparagraph,  
16 well data include all analyses conducted on physical material, and well  
17 logs collected from the well and sample analyses; testing geophysical  
18 and velocity data including vertical seismic profiles and check shot  
19 surveys; testing data and analyses; age data; geochemical analyses; and  
20 access to tangible material; and

21 (iii) the commissioner of natural resources must make  
22 an affirmative determination as to whether the geological objective of  
23 the well is a potential oil or gas trap that is distinctly separate from any



1 trap that has been tested by a preexisting well and what information  
2 under (ii) of this subparagraph must be submitted by the explorer after  
3 completion, abandonment, or suspension under AS 31.05.030; the  
4 commissioner of natural resources shall make that determination within  
5 60 days after receiving all the necessary information from the explorer  
6 based on the information received and on other information the  
7 commissioner of natural resources considers relevant;"

8

9 Page 25, line 21, following "abandonment":

10 Insert "under AS 31.05.030"

11

12 Page 25, line 23:

13 Delete "adequately achieved"

14 Insert "was consistent with achieving"

15

16 Page 25, line 30, following "section;":

17 Insert **"in addition, the explorer shall submit information necessary for the**  
18 **commissioner of natural resources to evaluate the validity of the explorer's compliance**  
19 **with the requirements of this section;"**

20

21 Page 26, line 28, through page 27, line 5:

22 Delete all material and insert:

23 **"(ii) well data include all analyses conducted on**  
24 **physical material, and well logs collected from the well, results, and**  
25 **copies of data collected and data analyses for the well, including**  
26 **well logs; sample analyses; testing geophysical and velocity data**  
27 **including seismic profiles and check shot surveys; testing data and**  
28 **analyses; age data; geochemical analyses; and tangible material;"**

25-GH0014V.8  
Kane/Bullock  
11/15/07

AMENDMENT

#5 *passed* 12-7

OFFERED IN THE SENATE  
TO: SCS CSHB 2001(FIN)

BY SEN.  
WIELECHOWSKI

*statute of limitations*

- 1 Page 33, line 31:
- 2 Delete "four"
- 3 Insert "six"
- 4 Delete "latest"

WG.

25-GH0014F.6  
Mischel/Bullock  
11/15/07

AMENDMENT #4

STEDMAN

OFFERED IN THE SENATE

BY SENATOR ~~WIELECHOWSKI~~

TO: SCS CSHB 2001(FIN)

- 1 Page 21, line 12:
- 2 Delete "April 1, 2006"
- 3 Insert "January 1, 2008"
- 4
- 5 Page 21, lines 16 - 17:
- 6 Delete "are incurred during the calendar year for which the credit is taken"
- 7 Insert "were incurred after March 31, 2006, and before January 1, 2008 [ARE
- 8 INCURRED DURING THE CALENDAR YEAR FOR WHICH THE CREDIT IS TAKEN]"

Stedman  
~~at~~  
Hoffman

yuk!

25-GH0014\F.18  
Cook/Bullock  
11/15/07

AMENDMENT #3

OFFERED IN THE SENATE  
TO: SCS CSHB 2001(FIN)

BY SENATOR FRENCH, Elton

passed 11-8

- 1 Page 2, line 3:
- 2 Delete "sec. 68"
- 3 Insert "sec. 69"
- 4
- 5 Page 45, following line 5:
- 6 Insert a new bill section to read:
- 7 **\*\* Sec. 57. AS 43.55.165 is amended by adding new subsections to read:**
- 8 (k) For purposes of AS 43.55.160, for a calendar year after 2006 and before
- 9 2010, a producer's total lease expenditures, before adjustment under AS 43.55.170,
- 10 that are applicable to oil and gas produced by the producer from all leases or
- 11 properties from which 1,000,000,000 BTU equivalent barrels of oil or gas have been
- 12 cumulatively produced by the close of 2006 and from which the average daily oil and
- 13 gas production during 2006 exceeded 100,000 BTU equivalent barrels as the unit
- 14 boundaries were defined on January 1, 2007, are determined under this subsection and
- 15 (l) of this section. Except as otherwise provided under (l) of this section, the
- 16 producer's total lease expenditures, other than qualified capital expenditures, (1) for
- 17 calendar year 2007, are equal to the product of 1.37 multiplied by the total lease
- 18 expenditures for calendar year 2006, other than qualified capital expenditures, that are
- 19 applicable to oil and gas produced by the producer from all leases or properties within
- 20 the unit, as reported on the producer's statement under AS 43.55.030(a) for calendar
- 21 year 2006, and (2) for a calendar year after 2007, are equal to the product of 1.03
- 22 multiplied by the total lease expenditures, other than qualified capital expenditures,
- 23 determined for the previous calendar year under this subsection. The producer's total

1 lease expenditures for a calendar year after 2006 that are applicable to oil and gas  
2 produced by the producer from all leases or properties within a unit subject to this  
3 subsection are the sum of the producer's qualified capital expenditures incurred during  
4 the calendar year that are applicable to that oil and gas plus the lease expenditures,  
5 other than qualified capital expenditures, that are applicable to that oil and gas as  
6 determined under this subsection and (l) of this section. If a producer whose lease  
7 expenditures for 2006 are used to determine lease expenditures for a later calendar  
8 year under this subsection transfers an interest in an affected lease or property to a  
9 different producer or if the unit area of the applicable unit is changed from the area as  
10 it existed on December 31, 2006, the transferee's lease expenditures applicable to oil  
11 and gas produced by the transferee from the lease or property and a producer's lease  
12 expenditures applicable to oil or gas produced from a lease or property within a unit  
13 area as it existed on December 31, 2006, continue to be determined under this  
14 subsection using those 2006 lease expenditures. In this subsection, "qualified capital  
15 expenditures" has the meaning given in AS 43.55.023.

16 (l) If, after audit by the department of a producer's statement or amended  
17 statement under AS 43.55.030(a) for calendar year 2006, the department finally  
18 determines that the reported amount of total lease expenditures, other than qualified  
19 capital expenditures, for calendar year 2006 applicable to oil and gas produced by the  
20 producer from all leases or properties within a unit subject to (k) of this section  
21 exceeds by more than 10 percent the actual amount of those lease expenditures, other  
22 than qualified capital expenditures, the producer or transferee, as applicable, shall (1)  
23 substitute the actual amount of those lease expenditures, other than qualified capital  
24 expenditures, for purposes of the calculations set out in (k) of this section, and (2) file  
25 amended statements for affected past tax periods within 60 days after the final  
26 determination. The commissioner may adjust the deduction applicable under (k) of  
27 this section on changes in unit boundaries."

28  
29 Renumber the following bill sections accordingly.

30

31 Page 47, line 30:

1 Delete "49 - 60"

2 Insert "49 - 61"

3

4 Page 49, line 16:

5 Delete "sec. 68"

6 Insert "sec. 69"

7

8 Page 49, line 17:

9 Delete "56 - 60"

10 Insert "56 - 61"

11

12 Page 49, line 18:

13 Delete "sec. 68"

14 Insert "sec. 69"

15

16 Page 49, line 27:

17 Delete "49 - 60"

18 Insert "49 - 61"

19

20 Page 50, line 19:

21 Delete "49 - 60"

22 Insert "49 - 61"

23

24 Page 50, line 22:

25 Delete "sec. 69"

26 Insert "sec. 70"

passed 10-9

**SENATE AMENDMENT** AM 2 B

BY: FRENCH

TO: CS HB 2001 (VERSION) SENATE BILL NO.: \_\_\_\_\_  
TO: \_\_\_\_\_ (VERSION) HOUSE BILL NO.: \_\_\_\_\_

Add "(e)(6)" to three places:  
After first 43.55.165

- 1.) p 49 line 15
- 2.) p 49 line 29
- 3) p 50 line 17

(PLEASE SUBMIT ORIGINAL AMENDMENT TO THE SENATE SECRETARY'S  
OFFICE FOR NUMBERING, COPYING AND DISTRIBUTION.)

Stedman - oppose

25-GH0014\F.15  
Cook/Bullock  
11/15/07

AMENDMENT # 2A

OFFERED IN THE SENATE

BY SENATOR FRENCH, Clinton

TO: SCS CSHB 2001(FIN)

13 - 6 ~~not~~  
adopted

"the may/shall debate"

1 Page 39, line 27, through page 41, line 10:

2 Delete all material and insert:

3 **"\* Sec. 53. AS 43.55.165(a) is repealed and reenacted to read:**

4 (a) Except as provided in (k) and (l) of this section, for purposes of this  
5 chapter, a producer's lease expenditures for a calendar year are

6 (1) costs, other than items listed in (e) of this section, that are

7 (A) incurred in the state by the producer during the calendar  
8 year after March 31, 2006, to explore for, develop, or produce oil or gas  
9 deposits located within the producer's leases or properties in the state or, in the  
10 case of land in which the producer does not own an operating right, operating  
11 interest, or working interest, to explore for oil or gas deposits within other land  
12 in the state; and

13 (B) allowed by the department by regulation, based on the  
14 department's determination that the costs satisfy the following three  
15 requirements:

16 (i) the costs must be incurred upstream of the point of  
17 production of oil and gas;

18 (ii) the costs must be ordinary and necessary costs of  
19 exploring for, developing, or producing, as applicable, oil or gas  
20 deposits; and

21 (iii) the costs must be direct costs of exploring for,  
22 developing, or producing, as applicable, oil or gas deposits; and

23 (2) a reasonable allowance for that calendar year, as determined under

L amend 2 amend



1 regulations adopted by the department, for overhead expenses that are directly related  
2 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

3 \* Sec. 54. AS 43.55.165(b) is amended to read:

4 (b) For purposes of (a) of this section,

5 (1) direct costs include

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

10 (B) payments of or in lieu of property taxes, sales and use  
11 taxes, motor fuel taxes, and excise taxes;

12 [(C) A REASONABLE ALLOWANCE, AS DETERMINED  
13 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR  
14 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,  
15 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED  
16 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

17 (2) an activity does not need to be physically located on, near, or  
18 within the premises of the lease or property within which an oil or gas deposit being  
19 explored for, developed, or produced is located in order for the cost of the activity to  
20 be a cost upstream of the point of production of the oil or gas;

21 (3) in determining whether costs are lease expenditures, the  
22 department may consider, among other factors, the

23 (A) typical industry practices and standards in the state  
24 that determine the costs, other than items listed in (e) of this section, that  
25 an operator is allowed to bill a producer that is not the operator, under  
26 unit operating agreements or similar operating agreements that were in  
27 effect before December 2, 2005, and were subject to negotiation with at  
28 least one producer with substantial bargaining power, other than the  
29 operator; and

30 (B) standards adopted by the Department of Natural  
31 Resources that determine the costs, other than items listed in (e) of this

1 section, that a lessee is allowed to deduct from revenue in calculating net  
2 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E)."

3  
4 Page 41, lines 23 - 26:

5 Delete all material and insert:

6 "(6) costs arising from fraud, wilful misconduct, [OR] gross  
7 negligence, violation of law, or failure to comply with an obligation under a lease,  
8 permit, or license issued by the state or federal government." ✓

9  
10 Page 42, lines 6 - 7:

11 Delete all material and insert:

12 "(12) an expenditure otherwise deductible under (b) of this section  
13 that is a result of [FOR A TRANSACTION THAT IS] an internal transfer, a  
14 transaction with an affiliate, or a transaction between related parties, or is  
15 otherwise not an arm's length transaction, unless the producer establishes to the  
16 satisfaction of the department that the amount of the expenditure does not exceed  
17 the [EXPENDITURES INCURRED THAT ARE IN EXCESS OF] fair market value  
18 of the expenditure;"

19  
20 Page 45, lines 7 - 8:

21 Delete "(a) Unless the payment or credit has already been subtracted in calculating  
22 billable or billed costs under AS 43.55.165(c) [OR (d)], a"

23 Insert "(a) A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN  
24 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER  
25 AS 43.55.165(c) OR (d), A]"

26  
27 Page 47, line 23, following "43.55.160(c),":

28 Insert "43.55.165(c),"

add  
249  
line 15  
49  
line 29  
50  
line 7  
add  
(e)(6)

19-0

25-GH0014\F.1  
Chenoweth/Bullock  
11/15/07

AMENDMENT # 1

Bunde  
Wagoner

OFFERED IN THE SENATE  
TO: SCS CSHB 2001(FIN)

BY SENATOR THOMAS  
and Senator Olson  
Wilken  
Dyson  
Ferticault

1 Page 1, line 2, following "oil;":

2 Insert "providing a limit on the amount of tax that may be levied on the  
3 production of certain gas that is produced outside of the Cook Inlet sedimentary basin;"

5 Page 1, line 11, following "INTENT.":

6 Insert "(a) It is the intent of the legislature that the provisions of this Act will  
7 (1) ensure a fair and equitable means of assessing and taxing Alaska's oil and  
8 gas resources; and  
9 (2) encourage the availability to Alaska's citizens of affordable gas produced,  
10 transported, and consumed within the state, as one step towards reasonable and  
11 equitable energy costs throughout Alaska."

12 Reletter the following subsections accordingly.

14 Page 1, line 12:

15 Delete "sec. 47"  
16 Insert "sec. 48"

18 Page 2, line 3:

19 Delete "sec. 68"  
20 Insert "sec. 69"

22 Page 11, line 18:

23 Delete "and (k)"

1           Insert "(k), and (o)"

2

3   Page 11, line 26, following "section":

4           Insert "and gas subject to (o) of this section"

5

6   Page 14, line 9:

7           Delete "or (k)"

8           Insert ", (k), or (o)"

9

10   Page 14, line 11:

11           Delete "and (k)"

12           Insert ", (k), and (o)"

13

14   Page 14, line 13:

15           Delete "and (k)"

16           Insert ", (k), and (o)"

17

18   Page 14, line 14, following "AS 43.55.011(j)":

19           Insert "or (o)"

20

21   Page 14, lines 16 - 17:

22           Delete "and (k)"

23           Insert ", (k), and (o)"

24

25   Page 14, line 20:

26           Delete "or (k)"

27           Insert ", (k), or (o)"

28

29   Page 14, following line 20:

30           Insert a new bill section to read:

31        **"\* Sec. 21. AS 43.55.011 is amended by adding a new subsection to read:**

1 (o) Notwithstanding other provisions of this section, for a calendar year before  
 2 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
 3 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
 4 in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is  
 5 determined under (j)(2) of this section."  
 6

7 Renumber the following bill sections accordingly.

8  
 9 Page 15, line 1, following "basin":

10 Insert "or not subject to AS 43.55.011(o)"  
 11

12 Page 15, line 28:

13 Delete "or (k)"

14 Insert ", (k), or (o)"  
 15

16 Page 16, line 8:

17 Delete "or (k)"

18 Insert ", (k), or (o)"  
 19

20 Page 16, line 10, following the first occurrence of "(2)":

21 Insert "or 43.55.011(o)"  
 22

23 Page 16, line 11, following "(2)(A)":

24 Insert "or 43.55.011(o)"  
 25

26 Page 37, line 15, following "AS 43.55.170;":

27 Insert "**this subparagraph does not apply to gas subject to AS 43.55.011(o);**"  
 28

29 Page 37, line 23, following "AS 43.55.170;":

30 Insert "**this subparagraph does not apply to gas subject to AS 43.55.011(o);**"  
 31

1 Page 38, following line 4:

2 Insert new material to read:

3 "(E) gas produced during a calendar year from a lease or property  
4 outside the Cook Inlet sedimentary basin and used in the state is the gross value  
5 at the point of production of that gas taxable under AS 43.55.011(e) and  
6 produced by the producer from that lease or property, less the producer's lease  
7 expenditures under AS 43.55.165 for the calendar year applicable to that gas  
8 produced by the producer from that lease or property, as adjusted under  
9 AS 43.55.170:"

10

11 Page 39, lines 14 - 15:

12 Delete "or (k)"

13 Insert ", (k), or (o)"

14

15 Page 39, line 17:

16 Delete "(a)(1)(C) or (D)"

17 Insert "(a)(1)(C), (D) or (E)"

18

19 Page 39, line 20:

20 Delete "or (k)"

21 Insert ", (k), or (o)"

22

23 Page 39, line 23:

24 Delete "or (k)"

25 Insert ", (k), or (o)"

26

27 Page 44, line 29, following "gas":

28 Insert ", between gas subject to AS 43.55.011(o) and other gas,"

29

30 Page 47, line 22, following "AS 31.05.110(b)":

31 Insert ",

1 (24) "used in the state" means delivered for consumption as fuel in the  
2 state, including as fuel consumed to generate electricity"

3

4 Page 47, line 29:

5 Delete "sec. 55"

6 Insert "sec. 56"

7

8 Page 47, line 30:

9 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

10 Insert "secs. 15 - 28, 30 - 43, and 50 - 61"

11

12 Page 48, line 1:

13 Delete "Sections 43 and 45"

14 Insert "Sections 44 and 46"

15

16 Page 48, line 2:

17 Delete "sec. 43"

18 Insert "sec. 44"

19

20 Page 48, line 3:

21 Delete "sec. 45"

22 Insert "sec. 46"

23 Delete "secs. 43 and 45"

24 Insert "secs. 44 and 46"

25

26 Page 48, line 5:

27 Delete "Sections 34 - 37, 39, and 41"

28 Insert "Sections 35 - 38, 40, and 42"

29

30 Page 48, line 8:

31 Delete "sec. 47"

- 1           Insert "sec. 48"
- 2
- 3   Page 48, line 10:
- 4           Delete "47"
- 5           Insert "48"
- 6
- 7   Page 48, line 12:
- 8           Delete "sec. 44" in both places
- 9           Insert "sec. 45" in both places
- 10
- 11   Page 48, line 15:
- 12           Delete "sec. 46"
- 13           Insert "sec. 47"
- 14
- 15   Page 48, line 16:
- 16           Delete "sec. 46"
- 17           Insert "sec. 47"
- 18
- 19   Page 49, line 11:
- 20           Delete "sec. 21" in both places
- 21           Insert "sec. 22" in both places
- 22
- 23   Page 49, line 13:
- 24           Delete "sec. 21"
- 25           Insert "sec. 22"
- 26
- 27   Page 49, line 15:
- 28           Delete "sec. 55"
- 29           Insert "sec. 56"
- 30
- 31   Page 49, line 16:



- 1 Delete "sec. 68"
- 2 Insert "sec. 69"
- 3
- 4 Page 49, line 17:
  - 5 Delete "secs. 15 - 27, 29 - 42, 49 - 54, and 56 - 60"
  - 6 Insert "secs. 15 - 28, 30 - 43, 50 - 55, and 57 - 61"
  - 7 Delete "sec. 55"
  - 8 Insert "sec. 56"
  - 9
- 10 Page 49, line 18:
  - 11 Delete "sec. 68"
  - 12 insert "sec. 69"
  - 13
- 14 Page 49, lines 26 - 27:
  - 15 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"
  - 16 Insert "secs. 15 - 28, 30 - 43, and 50 - 61"
  - 17
- 18 Page 49, line 29 :
  - 19 Delete "sec. 55"
  - 20 Insert "sec. 56"
  - 21
- 22 Page 50, lines 15 - 16:
  - 23 Delete "Sections 29 and 38"
  - 24 Insert "Sections 30 and 39"
  - 25
- 26 Page 50, line 17:
  - 27 Delete "sec. 55"
  - 28 Insert "sec. 56"
  - 29
- 30 Page 50, line 19:
  - 31 Delete "Sections 15 - 27, 29 - 42, and 49 - 60"

1           Insert "Sections 15 - 28, 30 - 43, and 50 - 61"

2

3   Page 50, line 21:

4           Delete "Section 28"

5           Insert "Section 29"

6

7   Page 50, line 22:

8           Delete "sec. 69"

9           Insert "sec. 70"

*Long*

25-GH0014\W-AR

Bullock  
11/13/07

**SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) am**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SPECIAL SESSION

BY THE HOUSE SENATE FINANCE COMMITTEE

~~Amended: 11/11/07~~

~~Offered: 11/11/07~~

Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR  
A BILL

**FOR AN ACT ENTITLED**

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on  
 2 oil; ~~providing a limit on the amount of tax that may be levied on the production of~~  
 3 ~~certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the~~  
 4 issuance of advisory bulletins and the disclosure of certain information relating to the  
 5 production tax and the sharing between agencies of certain information relating to the  
 6 production tax and to oil and gas or gas only leases; expandingamending the  
 7 periodState Personnel Act to create in which the Department of Revenue may assess the  
 8 ~~amount of oil and gas production tax and conservation surcharges; prohibiting a~~  
 9 ~~producer or explorer from receiving tax credits if certain judgments are not satisfied~~  
 10 ~~and requiring, as a condition of receiving the tax credits, the deposit of the amount of~~  
 11 ~~certain unpaid judgments and certain interest on those judgments in the court during~~  
 12 ~~an appeal and relating to that interest; relating to~~ exempt service state oil and gas audit

L

1 masters; relating to oil and gas auditors and certain oil and gas auditor supervisors;  
2 providing for civil penalties relating to the oil and gas production tax; providing for  
3 retroactive application of certain statutory and regulatory provisions relating to the  
4 production tax on oil and gas; making conforming amendments; and providing for an  
5 effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

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

9 **LEGISLATIVE INTENT.** (a) It is the intent of the legislature that ~~the provisions of~~  
10 ~~this Act will~~

11 (1) ~~ensure a fair and equitable means of assessing and taxing Alaska's oil and~~  
12 ~~gas resources; and~~

13 (2) ~~encourage the availability to Alaska's citizens of affordable gas produced,~~  
14 ~~transported, and consumed within the state.~~

15 (b) ~~It is the intent of the legislature that AS 43.55.075(b), enacted by sec. 4143 of this~~  
16 ~~Act, confirm by clarification the long-standing interpretation of AS 43.05.260 by the~~  
17 ~~Department of Revenue relating to the limitation of assessments for the production tax on oil~~  
18 ~~and gas and conservation surcharges on oil, confirms by clarification the long-standing~~  
19 ~~interpretation of AS 43.05.260 by the Department of Revenue.~~

20 (b) It is the intent of the legislature that the amount of money received by the state as  
21 a result of the retroactivity of certain provisions under sec. 65 of this Act that exceeds the  
22 amount of money the state would have received if those provisions had not taken effect until  
23 January 1, 2008, will be appropriated to the public education fund (AS 14.17.300).

24 (c) ~~It is the intent of the legislature that costs disallowed in accordance with~~  
25 ~~AS 43.55.165(e)(6), as amended by sec. 48 of this Act, include costs, subsequent to the~~  
26 ~~effective date the legislature will responsibly invest the amounts received after December 31,~~  
27 2007, as the result of the enactment of this Act that exceed the amounts that would have been  
28 received under AS 43.55.011 - 43.55.165(e)(6), incurred as a result of monitoring and  
29 management decisions that fail to properly consider risks posed180, as those provisions read

1 on June 30, 2007, as if those provisions had been applied after December 31, 2007, by  
2 changing operating conditions and result in failure to take necessary actions to prevent a  
3 pipeline spill, interruption of service, or shutdown. making appropriations to the following:

4 (1) the public education fund (AS 14.17.300);

5 (2) the budget reserve fund (art. IX, sec. 17, Constitution of the State of  
6 Alaska);

7 (3) to extinguish the amount of the employers' unfunded liability in the  
8 teachers' defined benefit retirement plan and the public employees' defined benefit retirement  
9 plan; and

10 (4) the development and implementation of a long-range fiscal plan for the  
11 state.

12 \* **Sec. 2.** AS 38.05.035(a) is amended to read:

13 (a) The director shall

14 (1) have general charge and supervision of the division and may  
15 exercise the powers specifically delegated to the director: the director may employ  
16 and fix the compensation of assistants and employees necessary for the operations of  
17 the division: the director [AND] is the certifying officer of the division, with the  
18 consent of the commissioner, and may approve vouchers for disbursements of money  
19 appropriated to the division;

20 (2) manage, inspect, and control state land and improvements on it  
21 belonging to the state and under the jurisdiction of the division;

22 (3) execute laws, rules, regulations, and orders adopted by the  
23 commissioner;

24 (4) prescribe application procedures and practices for the sale, lease,  
25 or other disposition of available land, resources, property, or interest in them;

26 (5) prescribe fees or service charges, with the consent of the  
27 commissioner, for any public service rendered;

28 (6) under the conditions and limitations imposed by law and the  
29 commissioner, issue deeds, leases, or other conveyances disposing of available land,  
30 resources, property, or any interests in them;

31 (7) have jurisdiction over state land, except that land acquired by the

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1 Alaska World War II Veterans Board and the Agricultural Loan Board or the  
2 departments or agencies succeeding to their respective functions through foreclosure  
3 or default; to this end, the director possesses the powers and, with the approval of the  
4 commissioner, shall perform the duties necessary to protect the state's rights and  
5 interest in state land, including the taking of all necessary action to protect and  
6 enforce the state's contractual or other property rights:

7 (8) [REPEALED

8 (9) maintain the [SUCH] records [AS] the commissioner considers  
9 necessary, administer oaths, and do all things incidental to the authority imposed; the  
10 following records and files shall be kept confidential upon request of the person  
11 supplying the information:

12 (A) the name of the person nominating or applying for the  
13 sale, lease, or other disposal of land by competitive bidding;

14 (B) before the announced time of opening, the names of the  
15 bidders and the amounts of the bids;

16 (C) all geological, geophysical, and engineering data supplied,  
17 whether or not concerned with the extraction or development of natural  
18 resources;

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

22 (E) applications for rights-of-way or easements;

23 (F) requests for information or applications by public agencies  
24 for land that [WHICH] is being considered for use for a public purpose;

25 (9) [(10)] account for the fees, licenses, taxes, or other money  
26 received in the administration of this chapter including the sale or leasing of land,  
27 identify their source, and promptly transmit them to the proper fiscal department after  
28 crediting them to the proper fund; receipts from land application filing fees and  
29 charges for copies of maps and records shall be deposited immediately in the general  
30 fund of the state by the director;

31 (10) [(11)] select and employ or obtain at reasonable compensation

1 cadastral, appraisal, or other professional personnel the director considers necessary  
2 for the proper operation of the division;

3 (11) [(12)] be the certifying agent of the state to select, accept, and  
4 secure by whatever action is necessary in the name of the state, by deed, sale, gift,  
5 devise, judgment, operation of law, or other means any land, of whatever nature or  
6 interest, available to the state; and be the certifying agent of the state, to select,  
7 accept, or secure by whatever action is necessary in the name of the state any land, or  
8 title or interest to land available, granted, or subject to being transferred to the state  
9 for any purpose;

10 (12) on request, furnish records, files, and other information  
11 related to the administration of AS 38.05.180 to the Department of Revenue for  
12 use in forecasting state revenue under or administering AS 43.55, whether or not  
13 those records, files, and other information are required to be kept confidential  
14 under (8) of this subsection; in the case of records, files, or other information  
15 required to be kept confidential under (8) of this subsection, the Department of  
16 Revenue shall maintain the confidentiality that the Department of Natural  
17 Resources is required to extend to records, files, and other information under (8)  
18 of this subsection

19 [(13) REPEALED

20 (14) REPEALED].

21 \* Sec. 3. AS 38.05.036(b) is amended to read:

22 (b) The Department of Revenue may obtain from the department information  
23 relating to royalty and net profits payments and to exploration incentive credits under  
24 this chapter or under AS 41.09, whether or not that information is confidential. The  
25 Department of Revenue may use the information in carrying out its functions and  
26 responsibilities under AS 43, and shall hold that information confidential to the extent  
27 required by an agreement with the department or by AS 38.05.035(a)(8)  
28 [AS 38.05.035(a)(9)], AS 41.09.010(d), or AS 43.05.230.

29 \* Sec. 4. AS 38.05.036(f) is amended to read:

30 (f) Except as otherwise provided in this section or in connection with official  
31 investigations or proceedings of the department, it is unlawful for a current or former

1 officer, employee, or agent of the state to divulge information obtained by the  
2 department as a result of an audit under this section that is required by an agreement  
3 with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or  
4 AS 41.09.010(d) to be kept confidential.

5 \* Sec. 5. AS 38.05.036(g) is amended to read:

6 (g) Nothing in this section prohibits the publication of statistics in a manner  
7 that maintains the confidentiality of information to the extent required by an  
8 agreement with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or  
9 AS 41.09.010(d).

10 \* Sec. 6. AS 38.05.123(f) is amended to read:

11 (f) As part of the timber sale negotiations authorized by this section, the  
12 commissioner may require a prospective purchaser negotiating a timber sale contract  
13 to submit financial and technical data that demonstrates that the requirements of this  
14 section have been or will be met. Upon the prospective purchaser's request, the  
15 commissioner shall keep data provided by the purchaser confidential in accordance  
16 with the requirements of AS 38.05.035(a)(8) [AS 38.05.035(a)(9)].

17 \* Sec. 7. AS 38.05.133(e) is amended to read:

18 (e) The commissioner may make a written request to a prospective licensee  
19 for additional information on the prospective licensee's proposal. The commissioner  
20 shall keep confidential information described in AS 38.05.035(a)(8)  
21 [AS 38.05.035(a)(9)] that is voluntarily provided if the prospective licensee has made  
22 a written request that the information remain confidential.

23 \* Sec. 8. AS 38.05.180(j) is amended to read:

24 (j) The commissioner

25 (1) may provide for modification of royalty on individual leases,  
26 leases unitized as described in (p) of this section, leases subject to an agreement  
27 described in (s) or (t) of this section, or interests unitized under AS 31.05

28 (A) to allow for production from an oil or gas field or pool if

29 (i) the oil or gas field or pool has been sufficiently  
30 delineated to the satisfaction of the commissioner:

31 (ii) the field or pool has not previously produced oil or



1 gas for sale; and

2 (iii) oil or gas production from the field or pool would  
3 not otherwise be economically feasible;

4 (B) to prolong the economic life of an oil or gas field or pool  
5 as per barrel or barrel equivalent costs increase or as the price of oil or gas  
6 decreases, and the increase or decrease is sufficient to make future production  
7 no longer economically feasible; or

8 (C) to reestablish production of shut-in oil or gas that would  
9 not otherwise be economically feasible;

10 (2) may not grant a royalty modification unless the lessee or lessees  
11 requesting the change make a clear and convincing showing that a modification of  
12 royalty meets the requirements of this subsection and is in the best interests of the  
13 state;

14 (3) shall provide for an increase or decrease or other modification of  
15 the state's royalty share by a sliding scale royalty or other mechanism that shall be  
16 based on a change in the price of oil or gas and may also be based on other relevant  
17 factors such as a change in production rate, projected ultimate recovery, development  
18 costs, and operating costs;

19 (4) may not grant a royalty reduction for a field or pool

20 (A) under (1)(A) of this subsection if the royalty modification  
21 for the field or pool would establish a royalty rate of less than five percent in  
22 amount or value of the production removed or sold from a lease or leases  
23 covering the field or pool;

24 (B) under (1)(B) or (1)(C) of this subsection if the royalty  
25 modification for the field or pool would establish a royalty rate of less than  
26 three percent in amount or value of the production removed or sold from a  
27 lease or leases covering the field or pool;

28 (5) may not grant a royalty reduction under this subsection without  
29 including an explicit condition that the royalty reduction is not assignable without the  
30 prior written approval, which may not be unreasonably withheld, by the  
31 commissioner. the commissioner shall, in the preliminary and final findings and

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determinations, set out the conditions under which the royalty reduction may be assigned;

(6) shall require the lessee or lessees to submit, with the application for the royalty reduction, financial and technical data that demonstrate that the requirements of this subsection are met; the commissioner

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

(B) shall keep the data confidential under AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] at the request of the lessee or lessees making application for the royalty reduction; the confidential data may be disclosed by the commissioner to legislators and to the legislative auditor and as directed by the chair or vice-chair of the Legislative Budget and Audit Committee to the director of the division of legislative finance, the permanent employees of their respective divisions who are responsible for evaluating a royalty reduction, and to agents or contractors of the legislative auditor or the legislative finance director who are engaged under contract to evaluate the royalty reduction, if they sign an appropriate confidentiality agreement:

(7) may

(A) require the lessee or lessees making application for the royalty reduction under (1)(A) of this subsection to pay for the services of an independent contractor, selected by the lessee or lessees from a list of qualified consultants compiled by the commissioner, to evaluate hydrocarbon development, production, transportation, and economics and to assist the commissioner in evaluating the application and financial and technical data; if, under this subparagraph, the commissioner requires payment for the services of an independent contractor, the total cost of the services to be paid for by the lessee or lessees may not exceed \$150,000 for each application, and the commissioner shall determine the relevant scope of the work to be performed by the contractor; selection of an independent contractor under this

1 subparagraph is not subject to AS 36.30;

2 (B) with the mutual consent of the lessee or lessees making  
3 application for the royalty reduction under (1)(B) or (1)(C) of this subsection,  
4 request payment for the services of an independent contractor, selected from a  
5 list of qualified consultants to evaluate hydrocarbon development, production,  
6 transportation, and economics by the commissioner to assist the commissioner  
7 in evaluating the application and financial and technical data; if, under this  
8 subparagraph, the commissioner requires payment for the services of an  
9 independent contractor, the total cost of the services that may be paid for by  
10 the lessee or lessees may not exceed \$150,000 for each application, and the  
11 commissioner shall determine the relevant scope of the work to be performed  
12 by the contractor; selection of an independent contractor under this  
13 subparagraph is not subject to AS 36.30;

14 (8) shall make and publish a preliminary findings and determination  
15 on the royalty reduction application, give reasonable public notice of the preliminary  
16 findings and determination, and invite public comment on the preliminary findings  
17 and determination during a 30-day period for receipt of public comment;

18 (9) shall offer to appear before the Legislative Budget and Audit  
19 Committee, on a day that is not earlier than 10 days and not later than 20 days after  
20 giving public notice under (8) of this subsection, to provide the committee a review of  
21 the commissioner's preliminary findings and determination on the royalty reduction  
22 application and administrative process; if the Legislative Budget and Audit  
23 Committee accepts the commissioner's offer, the committee shall give notice of the  
24 committee's meeting to all members of the legislature;

25 (10) shall make copies of the preliminary findings and determination  
26 available to

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

28 (B) the chairs of the legislature's standing committees on  
29 resources; and

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

1 (11) shall, within 30 days after the close of the public comment period  
2 under (8) of this subsection.

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

5 (B) make a final findings and determination; the  
6 commissioner's final findings and determination prepared under this  
7 subparagraph regarding a royalty reduction is final and not appealable to the  
8 court;

9 (C) transmit a copy of the final findings and determination to  
10 the lessee;

11 (D) with the applicant's consent, amend the applicant's lease or  
12 unitization agreement consistent with the commissioner's final decision; and

13 (E) make copies of the final findings and determination  
14 available to each person who submitted comment under (8) of this subsection  
15 and who has filed a request for the copies;

16 (12) is not limited by the provisions of AS 38.05.134(3) or (f) of this  
17 section in the commissioner's determination under this subsection.

18 \* Sec. 9. AS 38.05.275(c) is amended to read:

19 (c) Subsection (b) of this section may not be construed to limit the director in  
20 the exercise of authority granted by AS 38.05.035(a)(11) [AS 38.05.035(a)(12)].

21 \* Sec. 10. AS 39.25.110 is amended by adding a new paragraph to read:

22 (42) oil and gas audit~~er~~ masters employed in a professional capacity  
23 by the Department of Revenue and the Department of Natural Resources to collect oil  
24 and gas revenue by developing policy, ~~conduction~~conducting studies, drafting  
25 proposed regulations, enforcing regulations, and directing audits by oil and gas  
26 revenue auditors.

27 \* Sec. 11. AS 41.09.01(d) is amended to read:

28 (d) Data derived from drilling a stratigraphic test well or exploratory well that  
29 is provided to the commissioner under (c)(3) of this section shall be kept confidential  
30 for 24 months after receipt by the commissioner unless the owner of the well gives  
31 written permission to the state to release the well data at an earlier date, and,

1 notwithstanding AS 31.05.035(c), confidentiality may not be extended beyond 24  
2 months. The provisions of AS 38.05.035(a)(8)(C) [AS 38.05.035(a)(9)(C)] apply to  
3 other data provided to the commissioner under (c)(3) of this section, except that the  
4 commissioner, under appropriate confidentiality provisions and without preference or  
5 discrimination, may display to all interested third parties, but may not distribute or  
6 transfer in hard copy or electronic form, those data with respect to all land if the  
7 commissioner determines that the limited disclosure is necessary to further the  
8 interest of the state in evaluating or developing its land.

9 \* **Sec. 12.** ~~AS 42.45.043.05.230(a)~~ is amended by adding a new section to read:

10 ~~Sec. 42.45.045. Appropriations for the low income heating energy~~  
11 ~~assistance program. (a) By February 1 each year, the Department of Revenue shall~~  
12 ~~determine whether the state received for the general fund, during the immediately~~  
13 ~~preceding calendar year, an amount of money from the tax levied under~~  
14 ~~AS 43.55.011(e) because the price index calculated under AS 43.55.011(h) was~~  
15 ~~greater than zero. If the state received an amount of money because the price index~~  
16 ~~calculated under AS 43.55.011(h) was greater than zero, the department shall notify~~  
17 ~~the legislature of that amount.~~

18 ~~(b) The legislature may annually appropriate up to \$50,000,000 of the amount~~  
19 ~~reported under (a) of this section for the low income heating energy assistance~~  
20 ~~program.~~

21 ~~(c) Nothing in this section requires that money be appropriated or creates a~~  
22 ~~dedicated fund.~~

23 ~~(d) For purposes of this section, "low income heating energy assistance~~  
24 ~~program" means the program created by 7 AAC 41.010 to implement the federal~~  
25 ~~Low Income Home Energy Assistance Act of 1981, as amended (42 U.S.C. 8621 et~~  
26 ~~seq.).~~

27 (a) It is unlawful for a current or former officer, employee, or agent of the  
28 state to divulge the amount of income or the particulars set out or disclosed in a report  
29 or return made under this title, except

30 (1) in connection with official investigations or proceedings of the  
31 department, whether judicial or administrative, involving taxes due under this title:

1                   (2) in connection with official investigations or proceedings of the  
2 child support enforcement agency, whether judicial or administrative, involving child  
3 support obligations imposed or imposable under AS 25 or AS 47:

4                   (3) as provided in AS 38.05.036 pertaining to audit functions of the  
5 Department of Natural Resources:

6                   (4) as provided in AS 43.05.405 - 43.05.499; and

7                   (5) as otherwise provided in this section or AS 43.55.890.

8 \* **Sec. 13.** AS 43.05.230(h) is amended to read:

9                   (h) The commissioner shall, upon request, furnish to the Department of  
10 Natural Resources copies of tax returns, reports, **and other** documents filed under  
11 **AS 43.55 or** AS 43.65, and the Department of Revenue's determinations and  
12 workpapers **under those chapters**. The Department of Natural Resources shall  
13 maintain the confidentiality that the Department of Revenue is required to extend to  
14 the returns, reports, documents, determinations, and workpapers furnished to the  
15 Department of Natural Resources under this subsection.

16 \* **Sec. 14.** AS 43.05.260(a) is amended to read:

17                   (a) Except as provided in (c) of this section, [AND] AS 43.20.200(b), **and**  
18 **AS 43.55.075**, the amount of a tax imposed by this title must be assessed within three  
19 years after the return was filed, whether or not a return was filed on or after the date  
20 prescribed by law. If the tax is not assessed before the expiration of the **applicable**  
21 [THREE-YEAR] period, proceedings may not be instituted in court for the collection  
22 of the tax.

23 \* **Sec. 15.** AS 43.55.011(e) is repealed and reenacted to read:

24                   (e) There is levied on the producer of oil or gas a tax for all oil and gas  
25 produced each calendar year from each lease or property in the state, less any oil and  
26 gas the ownership or right to which is exempt from taxation or constitutes a  
27 landowner's royalty interest. Except as otherwise provided under (f), (j), ~~(k)~~ and ~~(ok)~~  
28 of this section, the tax is equal to the sum of

29                   ~~(1) the production tax value of the taxable oil and gas as calculated~~  
30 ~~under AS 43.55.160 multiplied by 25 percent; and~~

31                   ~~(2) the sum, over all months of the calendar year, of the tax amounts~~

1 ~~calculated~~ rate determined under (g) of this section.

2 \* **Sec. 16.** AS 43.55.011(f) is amended to read:

3 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas  
4 produced ~~from leases or properties that include land~~ north of 68 degrees North  
5 latitude, other than oil and gas production subject to (i) of this section and gas  
6 subject to (o) of this section, may not be less than

7 (1) four percent of the gross value at the point of production when the  
8 average price per barrel for Alaska North Slope crude oil for sale on the United States  
9 West Coast during the calendar year for which the tax is due is more than \$25;

10 (2) three percent of the gross value at the point of production when the  
11 average price per barrel for Alaska North Slope crude oil for sale on the United States  
12 West Coast during the calendar year for which the tax is due is over \$20 but not over  
13 \$25;

14 (3) two percent of the gross value at the point of production when the  
15 average price per barrel for Alaska North Slope crude oil for sale on the United States  
16 West Coast during the calendar year for which the tax is due is over \$17.50 but not  
17 over \$20;

18 (4) one percent of the gross value at the point of production when the  
19 average price per barrel for Alaska North Slope crude oil for sale on the United States  
20 West Coast during the calendar year for which the tax is due is over \$15 but not over  
21 \$17.50; or

22 (5) zero percent of the gross value at the point of production when the  
23 average price per barrel for Alaska North Slope crude oil for sale on the United States  
24 West Coast during the calendar year for which the tax is due is \$15 or less.

25 \* **Sec. 17.** AS 43.55.011(g) is repealed and reenacted to read:

26 (g) ~~For each month for which the price index determined under (h) of this~~  
27 ~~section is greater than zero, the amount of tax for purposes of (e)(2) of this section is~~  
28 ~~calculated as follows: (1) for oil and gas produced from each lease or property, the~~  
29 ~~monthly production tax value is calculated in the manner described in~~  
30 ~~AS 43.55.160(a) and (b), except that the gross value at the point of production for the~~  
31 ~~month is substituted for the gross value at the point of production for the calendar~~

1 year and 1/12 of the applicable adjusted lease expenditures for the calendar year is  
2 substituted for the applicable adjusted lease expenditures for the calendar year; (2) the  
3 monthly production tax value determined under (1) of this subsection is multiplied by  
4 the progressivity tax rate for the month. The progressivity tax rate for a month is the  
5 product of 0.4 percent multiplied by the price index for the month determined under  
6 (h) of this section, except that the progressivity tax rate for a month may not exceed  
7 25 percent. Notwithstanding any contrary provision of AS 43.55.150, for purposes of  
8 calculating a monthly production tax value under this subsection, the gross value at  
9 the point of production of the oil and gas is calculated under regulations adopted by  
10 the department that provide for using an appropriate monthly share of the producer's  
11 costs of transportation for the calendar year.

12 \* ~~Sec. 18.~~ AS 43.55.011(h) is repealed and reenacted to read:

13 (h) ~~For purposes of (g) of this section, the price index for a month is~~  
14 ~~calculated by subtracting 30 from the number that is equal to the total of the monthly~~  
15 ~~production tax values, as calculated under (g) of this section, of the taxable oil and~~  
16 ~~gas produced by the producer from all leases and properties in the state during that~~  
17 ~~month, divided by the total amount of taxable oil and gas produced by the producer~~  
18 ~~from all leases and properties in the state during that month, in BTU equivalent~~  
19 ~~barrels. However, a price index calculated under this subsection may not be less than~~  
20 ~~zero.~~

21 \* Sec. 19. (g) The tax rate applied to the monthly production tax value of  
22 oil and gas under (e) of this section for each month of the calendar year in which the  
23 tax is levied is 22.5 percent plus, for each month for which the monthly average  
24 production tax value for each BTU equivalent barrel is more than

25 (1) \$30 but not more than \$50, 0.6 percent multiplied by the number  
26 that represents the difference between the average production tax value for each BTU  
27 equivalent barrel of the taxable oil and gas for that month and \$30;

28 (2) \$50 but not more than \$70, the sum of 12 percent and the product  
29 of 0.5 percent multiplied by the number that represents the difference between the  
30 average production tax value for each BTU equivalent barrel of the taxable oil and  
31 gas for that month and \$50;



1                   (3) \$70 but not more than \$90, the sum of 22 percent and the product  
2 of 0.35 percent multiplied by the number that represents the difference between the  
3 average production tax value for each BTU equivalent barrel of the taxable oil and  
4 gas for that month and \$70:

5                   (+) \$90, the sum of 29 percent and the product of 0.1 percent  
6 multiplied by the number that represents the difference between the average  
7 production tax value for each BTU equivalent barrel of the taxable oil and gas for that  
8 month and \$90, except that the sum determined under this paragraph may not exceed  
9 50 percent, and the total tax rate under this subsection, may not exceed 75 percent.

10 \* Sec. 18. AS 43.55.011(j) is amended to read:

11                   (j) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND (g)]  
12 of this section for [ON] gas produced from a lease or property in the Cook Inlet  
13 sedimentary basin may not exceed

14                   (1) for a lease or property that first commenced commercial  
15 production of gas before April 1, 2006, the product obtained by multiplying (A) the  
16 amount of taxable gas produced during the calendar year from the lease or property,  
17 times (B) the average rate of tax that was imposed under this chapter for [ON]  
18 taxable gas produced from the lease or property for the 12-month period ending on  
19 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at  
20 the point of production of the taxable gas produced from the lease or property during  
21 the 12-month period ending on March 31, 2006, by the total amount of that gas:

22                   (2) for a lease or property that first commences commercial  
23 production of gas after March 31, 2006, the product obtained by multiplying (A) the  
24 amount of taxable gas produced during the calendar year from the lease or property,  
25 times (B) the average rate of tax that was imposed under this chapter for [ON]  
26 taxable gas produced from all leases or properties in the Cook Inlet sedimentary basin  
27 for the 12-month period ending on March 31, 2006, times (C) the average prevailing  
28 value for gas delivered in the Cook Inlet area for the 12-month period ending  
29 March 31, 2006, as determined by the department under AS 43.55.020(f).

30 \* Sec. 20.19. AS 43.55.011(k) is amended to read:

31                   (k) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND

1 (g)] of this section for [ON] oil produced from a lease or property in the Cook Inlet  
2 sedimentary basin may not exceed

3 (1) for a lease or property that first commenced commercial  
4 production of oil before April 1, 2006, the product obtained by multiplying (A) the  
5 amount of taxable oil produced during the calendar year from the lease or property,  
6 times (B) the average rate of tax that was imposed under this chapter for [ON]  
7 taxable oil produced from the lease or property for the 12-month period ending on  
8 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at  
9 the point of production of the taxable oil produced from the lease or property during  
10 the 12-month period ending on March 31, 2006, by the total amount of that oil;

11 (2) for a lease or property that first commences commercial  
12 production of oil after March 31, 2006, the product obtained by multiplying (A) the  
13 amount of taxable oil produced during the calendar year from the lease or property,  
14 times (B) the average rate of tax that was imposed under this chapter for [ON]  
15 taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin  
16 for the 12-month period ending on March 31, 2006, times (C) the average prevailing  
17 value for oil produced and delivered in the Cook Inlet area for the 12-month period  
18 ending on March 31, 2006, as determined by the department under AS 43.55.020(f).

19 \* **Sec. 2120.** AS 43.55.011(m) is amended to read repealed and reenacted:

20 (m) ~~Notwithstanding any contrary provision of AS 38.05.180(i),~~  
21 ~~AS 41.09.010, AS 43.20.043, AS 43.55.024, or 43.55.025, tax credits under~~  
22 ~~AS 38.05.180(i), AS 41.09.010, AS 43.20.043, AS 43.55.024, and 43.55.025 that are~~  
23 ~~allocated to gas produced from leases or properties in the Cook Inlet sedimentary~~  
24 ~~basin and that are available to be applied against a tax levied by (e) of this section~~  
25 ~~for [ON] gas produced from leases or properties in the Cook Inlet sedimentary basin~~  
26 ~~during a calendar year may be applied only against the tax levied by (e) of this section~~  
27 ~~for [ON] that gas. The amount by which the amount of tax credits that are allocated~~  
28 ~~to gas produced from leases or properties in the Cook Inlet sedimentary basin and that~~  
29 ~~the producer would otherwise be allowed to use for a later calendar year or transfer to~~  
30 ~~another person exceeds the amount of tax credits whose application would reduce the~~  
31 ~~tax levied by (e) of this section for [ON] that gas to zero, if any, is considered the~~

1 ~~amount of excess tax credits, and the excess tax credits are subject to the following:~~

2 ~~(1) for each lease or property for which a limitation under (j) or (k) of~~  
3 ~~this section on the tax levied by (e) [AND (g)] of this section has the effect of~~  
4 ~~reducing the producer the producer the amount of tax that would be levied in the~~  
5 ~~absence of that limitation, the producer shall calculate the amount of that reduction;~~

6 ~~(2) the producer shall calculate the total of the reductions calculated~~  
7 ~~under (1) of this subsection for all affected leases or properties;~~

8 ~~(3) the producer shall reduce the amount of excess tax credits by the~~  
9 ~~total calculated under (2) of this subsection, but not to less than zero;~~

10 ~~(4) any amount of excess tax credits remaining after reduction under (3) of~~  
11 (m) Notwithstanding any contrary provision of AS 38.05.180(i), AS 41.09.010,  
12 AS 43.55.024, or 43.55.025, the department shall provide by regulation a method to  
13 ensure that for a calendar year for which a producer's tax liability is limited by  
14 AS 43.55.011(j) or (k), tax credits otherwise available under AS 38.05.180(i),  
15 AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to oil or gas subject to the  
16 limitations in AS 43.55.011(j) and (k) are accounted for as though the credits had  
17 been applied first against a tax liability calculated without regard to the limitations  
18 under AS 43.55.011(j) and (k) so as to reduce the tax liability to the maximum  
19 amount provided for under AS 43.55.011(j) for the production of gas or  
20 AS 43.55.011(k) for the production of oil. The regulation must provide for a  
21 reasonable method to allocate tax credits to oil or gas subject to AS 43.55.011(j) and  
22 (k). Only the amount of a tax credit remaining after the accounting provided for under  
23 this subsection may be used for a later calendar year, transferred to another person, or  
24 applied against a tax levied for [ON] oil or gas produced from a lease or property  
25 located anywhere in the state on the production of oil or gas not subject to  
26 AS 43.55.011(j) or (k) to the extent otherwise allowed under applicable law  
27 governing the tax credits.

28 \* **Sec. 22.** AS 43.55.011 is amended by adding a new subsection to read:

29 ~~(e) Notwithstanding other provisions of this section, for a calendar year~~  
30 ~~before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas~~  
31 ~~for gas produced from a lease or property outside the Cook Inlet sedimentary basin~~

1 and used in the state may not exceed the amount of tax for each 1,000 cubic feet of  
2 gas that is determined under (j)(2) of this section.

3 \* ~~Sec. 2321~~. AS 43.55.020(a) is repealed and reenacted to read:

4 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)  
5 shall pay the tax as follows:

6 (1) an installment payment of the estimated tax levied by  
7 AS 43.55.011(e) - ~~(g) and (i)~~, net of any tax credits applied as allowed by law, is due  
8 for each month of the calendar year on the last day of the following month; except as  
9 otherwise provided under (2) of this subsection, the amount of the installment  
10 payment is the sum of the following amounts, less 1/12 of the tax credits that are  
11 allowed by law to be applied against the tax levied by AS 43.55.011(e) - ~~(g) and (i)~~ for  
12 the calendar year, but the amount of the installment payment may not be less than  
13 zero:

14 (A) for oil and gas produced from leases or properties in the  
15 state outside the Cook Inlet sedimentary basin ~~or not subject to~~  
16 ~~AS 43.55.011(e)~~, other than leases or properties subject to AS 43.55.011(f),  
17 the greater of

18 (i) zero; or

19 (ii) ~~the sum of 22.5 percent and the progressivity tax~~  
20 ~~rate calculated under AS 43.55.011(g) multiplied by~~ of the remainder  
21 obtained by subtracting 1/12 of the producer's adjusted lease  
22 expenditures for the calendar year of production under AS 43.55.165  
23 and 43.55.170 that are deductible for the leases or properties under  
24 AS 43.55.160 from the gross value at the point of production of the oil  
25 and gas produced from the leases or properties during the month for  
26 which the installment payment is calculated;

27 (B) for oil and gas produced from leases or properties subject  
28 to AS 43.55.011(f), the greatest of

29 (i) zero;

30 (ii) zero percent, one percent, two percent, three  
31 percent, or four percent, as applicable, of the gross value at the point of

1 production of the oil and gas produced from ~~these~~ all leases or  
2 properties during the month for which the installment payment is  
3 calculated; or

4 (iii) ~~the sum of 22.5 percent and the progressivity tax~~  
5 ~~rate calculated under AS 43.55.011(g) multiplied by~~ of the remainder  
6 obtained by subtracting 1/12 of the producer's adjusted lease  
7 expenditures for the calendar year of production under AS 43.55.165  
8 and 43.55.170 that are deductible for those leases or properties under  
9 AS 43.55.160 from the gross value at the point of production of the oil  
10 and gas produced from those leases or properties during the month for  
11 which the installment payment is calculated;

12 (C) for oil and gas produced from each lease or property  
13 subject to AS 43.55.011(j) ~~or (k), or (e)~~ the greater of

14 (i) zero; or

15 (ii) ~~the sum of 22.5 percent and the progressivity tax~~  
16 ~~rate calculated under AS 43.55.011(g) multiplied by~~ of the remainder  
17 obtained by subtracting 1/12 of the producer's adjusted lease  
18 expenditures for the calendar year of production under AS 43.55.165  
19 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,  
20 respectively, produced from the lease or property; from the gross value  
21 at the point of production of the oil or gas, respectively, produced from  
22 the lease or property during the month for which the installment  
23 payment is calculated;

24 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
25 produced from a lease or property subject to AS 43.55.011(j) ~~or (k)~~ or (e) may not  
26 exceed the product obtained by carrying out the calculation set out in  
27 AS 43.55.011(j)(1) or (2) ~~or 43.55.011(e)~~, as applicable, for gas or set out in  
28 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in  
29 AS 43.55.011(j)(1)(A) or (2)(A) ~~or 43.55.011(e)~~, as applicable, the amount of taxable  
30 gas produced during the month for the amount of taxable gas produced during the  
31 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the

1 amount of taxable oil produced during the month for the amount of taxable oil  
2 produced during the calendar year;

3 (3) an installment payment of the estimated tax levied by  
4 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
5 on the last day of the following month; the amount of the installment payment is the  
6 sum of

7 (A) the applicable tax rate for oil provided under  
8 AS 43.55.011(i), multiplied by the gross value at the point of production of  
9 the oil taxable under AS 43.55.011(i) and produced from the lease or property  
10 during the month; and

11 (B) the applicable tax rate for gas provided under  
12 AS 43.55.011(i), multiplied by the gross value at the point of production of  
13 the gas taxable under AS 43.55.011(i) and produced from the lease or property  
14 during the month;

15 (4) any amount of tax levied by AS 43.55.011(e) - (i), net of any  
16 credits applied as allowed by law, that exceeds the total of the amounts due as  
17 installment payments of estimated tax is due on March 31 of the year following the  
18 calendar year of production.

19 \* ~~Sec. 24.22.~~ AS 43.55.020(g) is amended to read:

20 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
21 amount of an installment payment required under ~~(a)(1) - (3)~~ [(a)(1) - (4)] of this  
22 section that is not paid when due bears interest (1) at the rate provided for an  
23 underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,  
24 compounded daily, from the date the installment payment is due until [THE]  
25 March 31 following the calendar year of production [DESCRIBED IN  
26 AS 43.55.030(a)], and (2) as provided for a delinquent tax under AS 43.05.225 after  
27 that March 31. Interest accrued under (1) of this subsection that remains unpaid after  
28 that March 31 is treated as an addition to tax that bears interest under (2) of this  
29 subsection. An unpaid amount of tax due under ~~(a)(4)~~ [(a)(5)] of this section that is  
30 not paid when due bears interest as provided for a delinquent tax under AS 43.05.225.

31 \* ~~Sec. 25.23.~~ AS 43.55.020(h) is amended to read:

1 (h) Notwithstanding any contrary provision of AS 43.05.280,

2 (1) an overpayment of an installment payment required under ~~(a)(1) -~~  
3 (3) [(a)(1) - (4)] of this section bears interest at the rate provided for an overpayment  
4 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from  
5 the later of the date the installment payment is due or the date the overpayment is  
6 made, until the earlier of

7 (A) the date it is refunded or is applied to an underpayment; [.]

8 or

9 (B) [THE] March 31 following the calendar year of  
10 production [DESCRIBED IN AS 43.55.030(a)];

11 (2) except as provided under (1) of this subsection, interest with  
12 respect to an overpayment is allowed only on any net overpayment of the payments  
13 required under (a) of this section that remains after the later of [THE] March 31  
14 following the calendar year of production [DESCRIBED IN AS 43.55.030(a)] or  
15 the date that the statement required under AS 43.55.030(a) is filed;

16 (3) interest is allowed under (2) of this subsection only from a date  
17 that is 90 days after the later of [THE] March 31 following the calendar year of  
18 production [DESCRIBED IN AS 43.55.030(a)] or the date that the statement  
19 required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment  
20 was refunded within the 90-day period:

21 (4) interest under (2) and (3) of this subsection is paid at the rate and  
22 in the manner provided in AS 43.05.225(1).

23 \* Sec. 2624. AS 43.55.023(a) is amended to read:

24 (a) A producer or explorer may take a tax credit for a qualified capital  
25 expenditure as follows:

26 (1) notwithstanding that a qualified capital expenditure may be a  
27 deductible lease expenditure for purposes of calculating the production tax value of  
28 oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
29 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
30 explorer that incurs a qualified capital expenditure may also elect to apply [TAKE] a  
31 tax credit against a tax levied by [DUE UNDER] AS 43.55.011(e) in the amount of

1 20 percent of that expenditure; however, not more than half of the tax credit may  
2 be applied for a single calendar year;

3 (2) a producer or explorer may take a credit for a qualified capital  
4 expenditure incurred in connection with geological or geophysical exploration or in  
5 connection with an exploration well only if the producer or explorer [PROVIDES TO  
6 THE DEPARTMENT, AS PART OF THE STATEMENT REQUIRED UNDER  
7 AS 43.55.030(a) FOR THE CALENDAR YEAR FOR WHICH THE CREDIT IS  
8 SOUGHT TO BE TAKEN, THE PRODUCER'S OR EXPLORER'S WRITTEN  
9 AGREEMENT]

10 (A) agrees, in writing, to the applicable provisions of  
11 AS 43.55.025(f)(2) [TO NOTIFY THE DEPARTMENT OF NATURAL  
12 RESOURCES, BEFORE THE LATER OF 30 DAYS AFTER  
13 COMPLETION OF THE GEOLOGICAL OR GEOPHYSICAL DATA  
14 PROCESSING OR COMPLETION OF THE WELL, OR 30 DAYS AFTER  
15 THE STATEMENT IS FILED, OF THE DATE OF COMPLETION AND TO  
16 SUBMIT A REPORT TO THAT DEPARTMENT DESCRIBING THE  
17 PROCESSING SEQUENCE AND PROVIDE A LIST OF DATA SETS  
18 AVAILABLE;

19 (B) submits [TO PROVIDE] to the Department of Natural  
20 Resources all data that would be required to be submitted under  
21 AS 43.55.025(f)(2) [ WITHIN 30 DAYS AFTER THE DATE OF A  
22 REQUEST, SPECIFIC DATA SETS, ANCILLARY DATA, AND  
23 REPORTS IDENTIFIED IN (A) OF THIS PARAGRAPH];

24 (3) a tax credit for a qualified capital expenditure to explore for,  
25 develop, or produce oil or gas deposits subject to AS 43.55.011(f) may not be  
26 applied against a tax for oil or gas produced from a lease or property not subject  
27 to AS 43.55.011(f)

28 (C) THAT, NOTWITHSTANDING ANY PROVISION OF  
29 AS 38, THE DEPARTMENT OF NATURAL RESOURCES SHALL HOLD  
30 CONFIDENTIAL THE INFORMATION PROVIDED TO THAT  
31 DEPARTMENT UNDER THIS PARAGRAPH FOR 10 YEARS



1 FOLLOWING THE COMPLETION DATE, AFTER WHICH THE  
2 DEPARTMENT SHALL PUBLICLY RELEASE THE INFORMATION  
3 AFTER 30 DAYS' PUBLIC NOTICE].

4 \* Sec. 25. AS 43.55.023(b) is amended to read:

5 (b) A producer or explorer may elect to take a tax credit in the amount of  
6 ~~2522.5~~ [20] percent of a carried-forward annual loss. A credit under this subsection  
7 may be applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For  
8 purposes of this subsection, a carried-forward annual loss is the amount of a  
9 producer's or explorer's adjusted lease expenditures under AS 43.55.105 and  
10 43.55.170 for a previous calendar year that was not deductible in calculating  
11 production tax values for that calendar year under AS 43.55.160 [AS 43.55.160(b)  
12 AND (e)].

13 \* Sec. 26. AS 43.55.023(d) is amended to read:

14 (d) Except as limited by (i) of this section, a person that is entitled to take a  
15 tax credit under this section, other than a tax credit described in (a)(3) of this  
16 section, and that wishes to transfer the unused credit to another person or obtain a  
17 cash payment may apply to the department for [A] transferable tax credit certificates  
18 [CERTIFICATE]. An application under this subsection must be in a form prescribed  
19 by the department and must include supporting information and documentation that  
20 the department reasonably requires. The department shall grant or deny an  
21 application, or grant an application as to a lesser amount than that claimed and deny it  
22 as to the excess, not later than 120 [60] days after the latest of (1) March 31 of the  
23 year following the calendar year in which the qualified capital expenditure or carried-  
24 forward annual loss for which the credit is claimed was incurred; (2) [IF THE  
25 APPLICANT IS REQUIRED UNDER AS 43.55.030(a) TO FILE A STATEMENT  
26 ON OR BEFORE MARCH 31 OF THE YEAR FOLLOWING THE CALENDAR  
27 YEAR IN WHICH THE QUALIFIED CAPITAL EXPENDITURES OR CARRIED-  
28 FORWARD ANNUAL LOSS FOR WHICH THE CREDIT IS CLAIMED WAS  
29 INCURRED.] the date the statement required under AS 43.55.030(a) or (e) was  
30 filed for the calendar year in which the qualified capital expenditure or carried-  
31 forward annual loss for which the credit is claimed was incurred; or (3) the date

1 the application was received by the department. If, based on the information then  
2 available to it, the department is reasonably satisfied that the applicant is entitled to a  
3 credit, the department shall issue the applicant two [A] transferable tax credit  
4 certificates, each [CERTIFICATE] for half of the amount of the credit. The credit  
5 shown on one of the two certificates is available for immediate use. The credit  
6 shown on the second of the two certificates may not be applied against a tax for a  
7 calendar year earlier than the calendar year following the calendar year in  
8 which the certificate is issued, and the certificate must contain a conspicuous  
9 statement to that effect. A certificate issued under this subsection does not expire.

10 \* Sec. 27. AS 43.55.023(e) is amended to read:

11 (e) A person to which a transferable tax credit certificate is issued under (d)  
12 of this section may transfer the certificate to another person, and a transferee may  
13 further transfer the certificate. Subject to the limitations set out in (a) - (d) [(a) - (c)]  
14 of this section, and notwithstanding any action the department may take with respect  
15 to the applicant under (g) of this section, the owner of a certificate may apply the  
16 credit or a portion of the credit shown on the certificate only against a tax levied by  
17 [DUE UNDER] AS 43.55.011(e). However, a credit shown on a transferable tax  
18 credit certificate may not be applied to reduce a transferee's total tax liability [DUE]  
19 under AS 43.55.011(e) for [ON] oil and gas produced during a calendar year to less  
20 than 80 percent of the tax that would otherwise be due without applying that credit.  
21 Any portion of a credit not used under this subsection may be applied in a later  
22 period.

23 \* Sec. 28. AS 43.55.023(i) is amended to read:

24 (i) For the purposes of this section,

25 (1) a producer's or explorer's transitional investment expenditures are  
26 the sum of the expenditures the producer or explorer incurred after March 31, 2001,  
27 and before April 1, 2006, that would be qualified capital expenditures if they were  
28 incurred after March 31, 2006, less the sum of the payments or credits the producer or  
29 explorer received before April 1, 2006, for the sale or other transfer of assets,  
30 including geological, geophysical, or well data or interpretations, acquired by the  
31 producer or explorer as a result of expenditures the producer or explorer incurred

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1 before April 1, 2006, that would be qualified capital expenditures, if they were  
2 incurred after March 31, 2006;

3 (2) a producer or explorer that did not have commercial production  
4 of oil or gas from a lease or property in the state before ~~January~~ April 1,  
5 ~~2008~~2006, may elect to take a tax credit against a tax levied by [DUE UNDER]  
6 AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's  
7 transitional investment expenditures, but only to the extent that the amount does not  
8 exceed 1/10 of the producer's or explorer's qualified capital expenditures that ~~were~~are  
9 incurred ~~after March 31, 2006, and before January 1, 2008~~ [ARE INCURRED  
10 DURING THE CALENDAR YEAR FOR WHICH THE CREDIT IS TAKEN] during  
11 the calendar year for which the credit is taken:

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

14 (A) for any calendar year after [THE LATER OF

15 (i) 2013; [OR

16 (ii) THE SIXTH CALENDAR YEAR AFTER THE  
17 CALENDAR YEAR FOR WHICH THE PRODUCER FIRST  
18 APPLIES A CREDIT UNDER THIS SUBSECTION AGAINST A  
19 TAX DUE UNDER AS 43.55.011(e). IF THE PRODUCER DID NOT  
20 HAVE COMMERCIAL PRODUCTION OF OIL OR GAS FROM A  
21 LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006;]

22 (B) more than once; or

23 (C) if a credit for that expenditure was taken under  
24 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025:

25 (4) notwithstanding (d), (e), and (g) of this section, a producer or  
26 explorer may not transfer a tax credit or obtain a transferable tax credit certificate for  
27 a transitional investment expenditure.

28 \* ~~Sec. 2829~~. AS 43.55.023 is amended by adding a new subsection to read:

29 ~~(f) Notwithstanding the limitation on the use of a transferable tax credit by a~~  
30 ~~transferee under (e) of this section and subject to appropriations made by law, if and~~  
31 ~~to the extent that purchase of transferable tax credits by the Alaska Retirement~~

1 Management Board is authorized by law, the department shall issue a cash refund to  
 2 the Alaska Retirement Management Board for a transferable tax credit originally  
 3 issued to a person under (d) of this section and purchased by the Alaska Retirement  
 4 Management Board. (f) An entity that is exempt from taxation under this chapter may  
 5 not apply for a transferable tax credit certificate. MLP

6 \* Sec. ~~29~~30, AS 43.55.025(a) is amended to read:

7 (a) Subject to the terms and conditions of this section, a credit against the  
 8 production tax levied by [DUE UNDER] AS 43.55.011(e) ~~or~~[OR (f)] is allowed for  
 9 exploration expenditures that qualify under (b) of this section in an amount equal to  
 10 one of the following:

11 (1) ~~30~~ 20 percent of the total exploration expenditures that qualify  
 12 only under (b) and (c) of this section;

13 (2) ~~30~~ 20 PERCENT percent of the total exploration expenditures  
 14 [FOR WORK PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under  
 15 (b) and (d) of this section;

16 (3) 40 percent of the total exploration expenditures that qualify under  
 17 (b), (c), and (d) of this section; or

18 (4) 40 percent of the total exploration expenditures that qualify only  
 19 under (b) and (e) of this section.

20 \* Sec. ~~30~~31, AS 43.55.025(b) is amended to read:

21 (b) To qualify for the production tax credit under (a) of this section, an  
 22 exploration expenditure must be incurred for work performed [ON OR] after  
 23 December 31, 2006~~2007~~ [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT  
 24 AN EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST  
 25 BE INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005.] and

26 (1) may be for seismic or other geophysical exploration costs not  
 27 connected with a specific well;

28 (2) if for an exploration well,

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

31 (B) may be for either a [AN OIL OR GAS DISCOVERY]

1 well that encounters an oil or gas deposit or a dry hole; [AND]

2 (C) must be for a well that has been completed, suspended,  
 3 or abandoned under AS 31.05.030 at the time the explorer claims the tax  
 4 credit under (f) of this section; and

5 (D) must be for goods, services, or rentals of personal  
 6 property reasonably required for the surface preparation, drilling, casing,  
 7 cementing, and logging of an exploration well, and, in the case of a dry hole,  
 8 for the expenses required for abandonment if the well is abandoned within 18  
 9 months after the date the well was spudded;

10 (3) may not be for [TESTING, STIMULATION, OR COMPLETION  
 11 COSTS;] administration, supervision, engineering, or lease operating costs;  
 12 geological or management costs; community relations or environmental costs;  
 13 bonuses, taxes, or other payments to governments related to the well; costs, including  
 14 repairs and replacements, arising from or associated with fraud, wilful  
 15 misconduct, gross negligence, criminal negligence, or violation of law, including  
 16 a violation of 33 U.S.C. 1319(c)(1) health, safety, or environmental statutes or  
 17 1321(b)(3) (Clean Water Act), regulations; or other costs that are generally  
 18 recognized as indirect costs or financing costs; and

19 (4) may not be incurred for an exploration well or seismic exploration  
 20 that is included in a plan of exploration or a plan of development for any unit  
 21 on before May 14, 2003 [ON MAY 13, 2003].

22 \* ~~Sec. 31.32.~~ AS 43.55.025(c) is repealed and reenacted to read:

23 (c) To be eligible for the ~~30~~20 percent production tax credit authorized by  
 24 (a)(1) of this section or the 40 percent production tax credit authorized by (a)(3) of  
 25 this section, exploration expenditures must

26 (1) qualify under (b) of this section; and

27 (2) be for an exploration well, subject to the following:

28 (A) before spudding the well.

29 (i) the explorer shall submit to the commissioner of  
 30 natural resources the information necessary to determine whether the  
 31 geological objective of the well is a potential oil or gas trap that is

1 distinctly separate from any trap that has been tested by a preexisting  
2 well; and

3 (ii) ~~at the time of the request for a determination under~~  
4 ~~(i), the commissioner of natural resources may request from the~~  
5 ~~explorer that specific data sets, ancillary data, and reports including all~~  
6 ~~results, and copies of data collected and data analyses for the well be~~  
7 ~~provided to the Department of Natural Resources upon completion of~~  
8 ~~the well; in this subparagraph, well data includes all analyses~~  
9 ~~conducted on physical material, and well logs collected from the well~~  
10 ~~and sample analyses; testing geophysical and velocity data including~~  
11 ~~vertical seismic profiles and check shot surveys; testing data and~~  
12 ~~analyses; age data; geochemical analyses; and access to tangible~~  
13 ~~material; and~~

14 (iii) ~~the commissioner of natural resources must make~~  
15 ~~an affirmative determination on whether the geological objective of~~  
16 ~~the well is a potential oil or gas trap that is distinctly separate from any~~  
17 ~~trap that has been tested by a preexisting well and what information~~  
18 ~~under (ii) must be submitted after completion, abandonment, or~~  
19 ~~suspension under AS 31.05.030~~question: the commissioner of natural  
20 resources shall decide whether to make that determination within 60  
21 days after receiving all the necessary information from the explorer  
22 and based on the information received and on other information the  
23 commissioner of natural resources may consider relevant;

24 (B) for an exploration well other than a well to explore a Cook  
25 Inlet prospect, the well must be located and drilled in such a manner that the  
26 bottom hole is located not less than three miles away from the bottom hole of  
27 a preexisting well drilled for oil or gas, irrespective of whether the preexisting  
28 well has been completed, suspended, or abandoned;

29 (C) after completion, suspension, or abandonment ~~or~~  
30 ~~suspension under AS 31.05.030~~ of the exploration well, the commissioner of  
31 natural resources must determine that the well was ~~consistent with~~

1           ~~achieving~~adequately achieved the explorer's stated geological objective.

2   \* ~~Sec. 32.33~~. AS 43.55.025(f) is amended to read:

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

4                   (1) an explorer shall, in a form prescribed by the department and,  
5           except for a credit under (f) of this section, within six months of the completion of  
6           the exploration activity, claim the credit and submit information sufficient to  
7           demonstrate to the department's satisfaction that the claimed exploration expenditures  
8           qualify under this section: ~~in addition, the explorer shall submit information~~  
9           ~~necessary for the commissioner of natural resources to evaluate the validity of~~  
10           ~~the explorer's compliance with the requirements of this section;~~

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

12                           (A) to notify the Department of Natural Resources, within 30  
13           days after completion of seismic or geophysical data processing, completion  
14           of [A] well drilling, or filing of a claim for credit, whichever is the latest, for  
15           which exploration costs are claimed, of the date of completion and submit a  
16           report to that department describing the processing sequence and providing a  
17           list of data sets available: [IF, UNDER (c)(2)(B) OF THIS SECTION, AN  
18           EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES  
19           FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE  
20           MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN  
21           ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS  
22           SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION  
23           NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES  
24           TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT  
25           THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE  
26           EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL  
27           RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE  
28           SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE  
29           EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60  
30           DAYS:]

31                           (B) to provide to the Department of Natural Resources, within

1 30 days after the date of a request, unless a longer period is provided by the  
 2 Department of Natural Resources, specific data sets, ancillary data, and  
 3 reports identified in (A) of this paragraph; in this subparagraph.

4 (i) a seismic or geophysical data set includes the  
 5 data for an entire seismic survey, irrespective of whether the  
 6 survey areas cover area covers nonstate land in addition to state  
 7 land or land in a unit in addition to land outside a unit;

8 (ii) well data include all derivative products, results,  
 9 and copies of data collected and data analyses for the well, well  
 10 logs; sample analyses; geophysical and velocity data including  
 11 vertical seismic profiles and check shot surveys; and tangible  
 12 material including, for each whole core collected, a lengthwise cut  
 13 slab that is at least 1/3 of the whole core volume, and  
 14 representative samples, as specified by the Department of Natural  
 15 Resources, of other gaseous, liquid, or solid material collected  
 16 from drilling or testing the well;

17 (C) that, notwithstanding any provision of AS 38, information  
 18 provided under this paragraph will be held confidential by the Department of  
 19 Natural Resources

20 (i) in the case of well data, until the expiration of the  
 21 24-month period of confidentiality described in AS 31.05.035(c),  
 22 without extension, after which the Department of Natural  
 23 Resources [FOR 10 YEARS FOLLOWING THE COMPLETION  
 24 DATE], at which time the Department of Natural Resources [, AT  
 25 WHICH TIME THAT DEPARTMENT] will release the information  
 26 after 30 days' public notice unless, in the discretion of the  
 27 commissioner of natural resources, it is necessary to  
 28 protect/withhold the well data in order to avoid disclosing  
 29 information relating to the valuation of unleased acreage in the  
 30 same vicinity, or unless the well is on private land and the owner,  
 31 including the lessor but not the lessee, of the oil and gas resources



1 ~~has not given permission to release the well data;~~

2 (ii) in the case of seismic or other geophysical data,  
3 other than seismic data acquired by seismic exploration subject to  
4 (f) of this section, for 10 years following the completion date, at  
5 which time the Department of Natural Resources will release the  
6 information after 30 days' public notice, except as to seismic or  
7 other geophysical data acquired from private land, unless the  
8 owner, including a lessor but not a lessee, of the oil and gas  
9 resources in the private land gives permission to release the  
10 seismic or other geophysical data associated with the private land;

11 (iii) in the case of seismic data obtained by seismic  
12 exploration subject to (f) of this section, only until the expiration of  
13 30 days' public notice issued on or after the date the production  
14 tax credit certificate is issued under (5) of this subsection;

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

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

21 (5) if the department is satisfied that the explorer's claimed  
22 expenditures are qualified under this section and that all data required to be  
23 submitted under this section have been submitted, the department shall issue to the  
24 explorer a production tax credit certificate for the amount of credit to be allowed  
25 against production taxes ~~levied by AS 43.55.011(e) or (f); the credit is available for~~  
26 immediate use; notwithstanding any contrary provision of AS 38, AS 40.25.100,  
27 or AS 43.05.230, the following information is not confidential:

28 (A) the explorer's name;

29 (B) the date of the application;

30 (C) the location of the well or seismic exploration;

31 (D) the date of the department's issuance of the certificate;

1 and

2 (E) the date on which the information required to be  
3 submitted under this section will be released [DUE UNDER  
4 AS 43.55.011(e) OR (f)].

5 \* Sec. 33.34. AS 43.55.025(g) is amended to read:

6 (g) An explorer, other than an entity that is exempt from taxation under  
7 this chapter, may transfer, convey, or sell its production tax credit certificate to any  
8 person, and any person who receives a production tax credit certificate may also  
9 transfer, convey, or sell the certificate.

10 \* Sec. 35. AS 43.55.025(h) is amended to read:

11 (h) A producer that purchases a production tax credit certificate may apply  
12 the credits against its production tax levied by [LIABILITY UNDER]  
13 AS 43.55.011(e) [OR (f)]. Regardless of the price the producer paid for the  
14 certificate, the producer may receive a credit against its production tax liability for the  
15 full amount of the credit, but for not more than the amount for which the certificate is  
16 issued. A production tax credit allowed under this section may not be applied more  
17 than once.

18 \* Sec. 36. AS 43.55.025(i) is repealed and reenacted to read:

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

20 (1) a credit may not be applied to reduce a taxpayer's tax liability  
21 under AS 43.55.011(e) ~~or (f)~~ below zero for a calendar year; and

22 (2) an amount of the production tax credit in excess of the amount that  
23 may be applied for a calendar year under this subsection may be carried forward and  
24 applied against the taxpayer's tax liability under AS 43.55.011(e) ~~or (f)~~ in one or more  
25 later calendar years.

26 \* Sec. 34.37. AS 43.55.025(k) is amended by adding a new paragraph to read:

27 (4) "preexisting well" means a well that was spudded more than 540  
28 days but less than 35 years before the date on which the exploration well to which it  
29 is compared is spudded.

30 \* Sec. 35.38. AS 43.55.025 is amended by adding a new ~~subsection~~ subsection to read:

31 (l) Subject to the terms and conditions of this section, if a claim is filed under

1 (f)(1) of this section before January 1, 2016, a credit against the production tax levied  
 2 by AS 43.55.011(e) ~~or (f)~~ is allowed in an amount equal to five percent of an eligible  
 3 expenditure under this subsection incurred for seismic exploration performed before  
 4 July 1, 2003. To be eligible under this subsection, an expenditure must

5 (1) have been for seismic exploration that

6 (A) obtained data that the commissioner of natural resources  
 7 considers to be in the best interest of the state to acquire for public  
 8 distribution; and

9 (B) was conducted outside the boundaries of a production unit;  
 10 however, the amount of the expenditure that is otherwise eligible under this  
 11 section is reduced proportionately by the portion of the seismic exploration  
 12 activity that crossed into a production unit; and

13 (2) qualify under (b)(3) of this section.

14 ~~(m) Subject to appropriations made by law, if and to the extent that purchase~~  
 15 ~~of transferable tax credits by the Alaska Retirement Management Board is authorized~~  
 16 ~~by law, the department shall issue a cash refund to the Alaska Retirement~~  
 17 ~~Management Board for a transferable tax credit originally issued to an explorer under~~  
 18 ~~(f) of this section and purchased by the Alaska Retirement Management Board.~~

19 \* ~~Sec. 36.39.~~ AS 43.55.030(a) is amended to read:

20 (a) A producer that produces oil or gas from a lease or property in the  
 21 state during a calendar year, whether or not any tax payment is due under  
 22 AS 43.55.020(a) for that oil or gas, [THE PERSON PAYING THE TAX] shall file  
 23 with the department on March 31 of the following year [FOLLOWING THE  
 24 CALENDAR YEAR FOR WHICH THE TAX WAS LEVIED] a statement, under  
 25 oath, in a form prescribed by the department, giving, with other information required,  
 26 the following:

27 (1) a description of each lease or property from which [THE] oil or  
 28 [AND] gas was [WERE] produced, by name, legal description, lease number, or  
 29 accounting codes assigned by the department;

30 (2) the names of the producer and, if different, the person paying the  
 31 tax, if any:

1 (3) the gross amount of oil and the gross amount of gas produced from  
2 each lease or property, and the percentage of the gross amount of oil and gas owned  
3 by the [EACH] producer [FOR WHOM THE TAX IS PAID];

4 (4) the gross value at the point of production of the oil and of the gas  
5 produced from each lease or property owned by the [EACH] producer and the costs  
6 of transportation of the oil and gas [FOR WHOM THE TAX IS PAID];

7 (5) the name of the first purchaser and the price received for the oil  
8 and for the gas, unless relieved from this requirement in whole or in part by the  
9 department; [AND]

10 (6) the producer's qualified capital expenditures, as defined in  
11 AS 43.55.023, other lease expenditures [AND ADJUSTMENTS AS  
12 CALCULATED] under AS 43.55.165, and adjustments or other payments or  
13 credits under AS 43.55.170;

14 (7) the production tax values of the oil and gas under  
15 AS 43.55.160;

16 (8) any claims for tax credits to be applied; and

17 (9) calculations showing the amounts, if any, that were or are due  
18 under AS 43.55.020(a) and interest on any underpayment or overpayment  
19 [AS 43.55.160 - 43.55.170].

20 \* ~~Sec. 37.40~~, AS 43.55.030(d) is amended to read:

21 (d) Reports required under this section [BY OR ON BEHALF OF THE  
22 PRODUCER] are delinquent the first day following the day the report is due. The  
23 person required to file the report is liable for a penalty, as determined by the  
24 department under standards adopted in regulation by the department, of not  
25 more than \$1,000 for each day the person fails to file the report at the time  
26 required. The penalty is in addition to the penalties in AS 43.05.220 and  
27 43.05.290 and is assessed, collected, and paid in the same manner as a tax  
28 deficiency under this title. In this subsection, "report" includes a statement.

29 \* ~~Sec. 38.41~~, AS 43.55.030 is amended by adding new subsections to read:

30 (e) An explorer or producer that incurs a lease expenditure under  
31 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar

1 year but does not produce oil or gas from a lease or property in the state during the  
2 calendar year shall file with the department on March 31 of the following year a  
3 statement, under oath, in a form prescribed by the department, giving, with other  
4 information required, the following:

5 (1) the producer's qualified capital expenditures, as defined in  
6 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other  
7 payments or credits under AS 43.55.170; and

8 (2) if the explorer or producer receives a payment or credit under  
9 AS 43.55.170, calculations showing whether the explorer or producer is liable for a  
10 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount.

11 (f) The department may require a producer, an explorer, or an operator of a  
12 lease or property to file monthly reports, as applicable, of

13 (1) the amounts and gross value at the point of production of oil and  
14 gas produced;

15 (2) transportation costs of the oil and gas;

16 (3) any unscheduled interruption of, or reduction in the rate of, oil or  
17 gas production;

18 (4) lease expenditures and adjustments under AS 43.55.165 and  
19 43.55.170;

20 (5) joint interest billings;

21 (6) contracts for the sale or transportation of oil or gas;

22 (7) information and calculations used in determining monthly  
23 installment payments of estimated tax under AS 43.55.020(a); and

24 (8) other records and information the department considers necessary  
25 for the administration of this chapter.

26 \* ~~Sec. 39.42.~~ AS 43.55.040 is amended to read:

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

29 (1) require a person engaged in production and the agent or employee  
30 of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil  
31 or gas to furnish, whether by the filing of regular statements or reports or otherwise,

1 additional information that is considered by the department as necessary to compute  
2 the amount of the tax; notwithstanding any contrary provision of law, the disclosure  
3 of additional information under this paragraph to the producer obligated to pay the tax  
4 does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information  
5 under this paragraph that is otherwise required to be held confidential under  
6 AS 40.25.100(a) or AS 43.05.230(a), the department shall

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

10 (B) impose appropriate conditions limiting

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

15 (ii) the use of the information to use for that purpose:

16 (2) examine the books, records, and files of the [SUCH A] person;

17 (3) conduct hearings and compel the attendance of witnesses and the  
18 production of books, records, and papers of any person; [AND]

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

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

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

24 **(5) require a producer, an explorer, or an operator of a lease or**  
25 **property to file reports and copies of records that the department considers**  
26 **necessary to forecast state revenue under this chapter; in the case of reports and**  
27 **copies of records relating to proposed, expected, or approved unit expenditures**  
28 **for a unit for which one or more working interest owners other than the**  
29 **operator have authority to approve unit expenditures, the required reports and**  
30 **copies of records are limited to those reports or copies of records that constitute**  
31 **or disclose communications between the operator and the working interest**

1 owners relating to unit budget matters; and

2 (6) require a producer that has an average total production in the  
3 state of more than 100,000 barrels a day for a calendar year to report the gross  
4 value at the point of production of the producer's taxable oil and gas in the state  
5 for a calendar year and the total amount of lease expenditures in the state for  
6 that calendar year; and

7 (7) assess against a person required under this section to file a  
8 report, statement, or other document a penalty, as determined by the  
9 department under standards adopted in regulation by the department, of not  
10 more than \$1,000 for each day the person fails to file the report, statement, or  
11 other document after notice by the department; the penalty is in addition to any  
12 penalties under AS 43.05.220 and 43.05.290 and is assessed, collected, and paid  
13 in the same manner as a tax deficiency under this title; the penalty shall bear  
14 interest at the rate specified under AS 43.05.225(1).

15 \* Sec. 40.43. AS 43.55 is amended by adding a new section to read:

16 ~~Sec. 43.55.055. Penalty for understatement of tax. (a) In addition to other~~  
17 ~~penalties prescribed by law, if there is a substantial understatement of tax required to~~  
18 ~~be shown on a statement required under AS 43.55.030(a), there shall be added to the~~  
19 ~~tax an amount equal to 10 percent of the substantial understatement of tax.~~

20 ~~(b) In addition to other penalties prescribed by law, if there is a gross~~  
21 ~~understatement of tax required to be shown on a statement required under~~  
22 ~~AS 43.55.030(a), there shall be added to the tax an amount equal to 20 percent of the~~  
23 ~~gross understatement of tax.~~

24 ~~(c) In addition to the penalties imposed under (a) or (b) of this section, a~~  
25 ~~person who has made a substantial or gross understatement of tax is liable to the state~~  
26 ~~for the reasonable costs of the state's enforcement action, including auditing costs.~~

27 ~~(d) For purposes of this section,~~

28 ~~(1) a substantial understatement of tax for any calendar year exists if~~  
29 ~~the amount of the understatement for the calendar year exceeds the lesser of 10~~  
30 ~~percent of the tax required to be shown on the statement for the calendar year or~~  
31 ~~\$10,000,000;~~

1                   ~~(2) a gross understatement of tax for any calendar year exists if the~~  
2                   ~~amount of the understatement for the calendar year exceeds the lesser of 20 percent of~~  
3                   ~~the tax required to be shown on the statement for the calendar year or \$20,000,000;~~

4                   ~~(3) "understatement" means the amount by which the tax required to~~  
5                   ~~be shown on the statement for the calendar year exceeds the amount of the tax~~  
6                   ~~reported as due by the taxpayer as shown on the statement.~~

7                   \* ~~Sec. 41. AS 43.55~~ is amended by adding new sections to read:

8                   **Sec. 43.55.075. Limitation on assessment and amended returns.** (a) Except  
9                   as provided in AS 43.05.260(c), the amount of a tax imposed by this chapter must be  
10                  assessed within ~~six~~four years after the latest return was filed.

11                  (b) A decision of a regulatory agency, court, or other body with authority to  
12                  resolve disputes that results in a retroactive change to a lease expenditure, to an  
13                  adjustment to a lease expenditure, to costs of transportation, to sale price, to  
14                  prevailing value, or to consideration of quality differentials relating to the  
15                  commingling of oils has a corresponding effect, either an increase or decrease, as  
16                  applicable, on the production tax value of oil or gas or the amount or availability of a  
17                  tax credit as determined under this chapter. For purposes of this section, a change to a  
18                  lease expenditure includes a change in the categorization of a lease expenditure as a  
19                  qualified capital expenditure or as not a qualified capital expenditure. The producer  
20                  shall

21                         (1) within 60 days after the change, notify the department in writing;  
22                  and

23                         (2) within 120 days after the change, file amended returns covering all  
24                  periods affected by the change, unless the department agrees otherwise or a stay is in  
25                  place that affects the filing or payment, regardless of the pendency of appeals of the  
26                  decision.

27                  (c) If an alteration in or modification of a producer's federal income tax return  
28                  or a recomputation of the producer's federal income tax or determination of  
29                  deficiency occurs that affects the amount of a tax imposed on the producer under this  
30                  chapter, the producer shall

31                         (1) within 60 days after the final determination of the alteration,



1 modification, recomputation, or deficiency, notify the department in writing; and  
2 (2) within 120 days after the final determination of the alteration,  
3 modification, recomputation, or deficiency, file amended returns covering all affected  
4 periods.

5 (d) In this section,

6 (1) "qualified capital expenditure" has the meaning given in  
7 AS 43.55.023;

8 (2) "return" includes a report, a statement, and an amended return,  
9 report, or statement.

10 ~~\* Sec. 43.55.078. Exceptions to tax credits. (a) For a calendar year after~~  
11 ~~2007, a producer or explorer may not take a tax credit under AS 43.55.023,~~  
12 ~~43.55.024, or 43.55.025 against a tax levied under this chapter if a state court or~~  
13 ~~administrative agency or federal court that has subject matter jurisdiction has entered~~  
14 ~~a judgment in favor of the state or a political subdivision of the state in an amount~~  
15 ~~greater than \$100,000 against the producer or explorer, the producer or explorer has~~  
16 ~~not satisfied the judgment, and the judgment concerns a matter having connections~~  
17 ~~with this state that are sufficient to satisfy constitutional jurisdictional requirements.~~

18 (b) Notwithstanding (a) of this section, the producer or explorer may receive  
19 a tax credit described in (a) of this section if

20 (1) the judgment is appealed but the appeal has not been decided; and

21 (2) the producer or explorer deposits in the court where the judgment  
22 was entered or the appeal is pending, in the form of cash, bond, or other security,

23 (A) the full amount of the judgment; and

24 (B) post-judgment interest on the judgment amount described  
25 in (A) of this paragraph; notwithstanding another provision of law, the post-  
26 judgment interest rate compounded quarterly on a judgment the amount of  
27 which is deposited under (a) of this paragraph is equal to the greater of

28 (i) the applicable statutory rate; or

29 (ii) the rate of return on the producer's or explorer's  
30 equity as shown on the producer's or explorer's most recent quarterly  
31 earnings report as of the date of the notice of appeal.

1 ~~(e) In this section:~~

2 ~~(1) "judgment" means any final administrative determination or~~  
3 ~~judgment in favor of the state or a political subdivision of the state;~~

4 ~~(2) "producer or explorer" includes an affiliate of a producer or~~  
5 ~~explorer.~~

6 \* ~~Sec. 42.44.~~ AS 43.55.110 is amended by adding new subsections to read:

7 (e) The department may require that returns, statements, reports, notifications,  
8 and applications filed under this chapter be filed electronically in a form and manner  
9 approved or prescribed by the department.

10 (f) The department may require that payments required under this chapter be  
11 made electronically in a form and manner approved or prescribed by the department.

12 (g) Notwithstanding AS 44.62, the department may issue, for the information  
13 and guidance of producers, explorers, and other interested persons, advisory bulletins  
14 stating the department's interpretation of provisions of this chapter and of regulations  
15 adopted under this chapter. Unless otherwise provided by the department by  
16 regulation, interpretations stated in the advisory bulletins are not binding on the  
17 department or others.

18 (h) Subject to legislative appropriation, the department may compensate a  
19 person who provides information to the department about noncompliance with the  
20 provisions of this chapter by an explorer or a producer of oil or gas if that information  
21 leads to the collection of additional taxes, penalties, or interest from the producer.  
22 The amount of compensation under this subsection may not exceed the lesser of  
23 \$~~400,000~~500,000 or 10 percent of the additional tax, penalty, or interest collected as a  
24 result of the information. A state employee or an agent of the state is not eligible for  
25 compensation under this subsection.

26 ~~(i) A person who, under ( ) of this section, provides, in~~  
27 ~~bad faith, to the department erroneous information about~~  
28 ~~noncompliance with the provisions of this chapter by an explorer or~~  
29 ~~producer of oil or gas shall pay to the~~  
30 ~~( ) department all expenses related to the department's investigation~~  
31 ~~of the alleged noncompliance; and~~

1                   ~~(2) explorer or producer about whom the noncompliance was alleged~~  
2                   ~~all expenses that are incurred by the explorer or producer relating to the department's~~  
3                   ~~investigation of the alleged noncompliance.~~

4 \* **Sec. 43.45.** AS 43.55.150 is amended to read:

5                   **Sec. 43.55.150. Determination of gross value at the point of production.**

6                   (a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point of  
7                   production is calculated using the actual [REASONABLE] costs of transportation of  
8                   the oil or gas [ THE REASONABLE COSTS OF TRANSPORTATION ARE THE  
9                   ACTUAL COSTS], except when the

10                   (1) shipper [PARTIES TO THE TRANSPORTATION] of oil or gas  
11                   is [ARE] affiliated with the transportation carrier or with a person that owns an  
12                   interest in the transportation facility:

13                   (2) contract for the transportation of oil or gas is not an arm's length  
14                   transaction [OR IS NOT REPRESENTATIVE OF THE MARKET VALUE OF  
15                   THAT TRANSPORTATION]; or [AND]

16                   (3) method or terms of transportation of oil or gas are [IS] not  
17                   reasonable in view of existing alternative [METHODS OF] transportation options.

18                   (b) If the department finds that a condition [THE CONDITIONS] in (a)(1),  
19                   (2), or [AND] (3) of this section is [ARE] present, the gross value at the point of  
20                   production is calculated using the actual costs of transportation, or the  
21                   reasonable costs of transportation as determined under this subsection,  
22                   whichever is lower. The [THE] department shall determine the reasonable costs of  
23                   transportation, using the fair market value of like transportation, the fair market value  
24                   of equally efficient and available alternative modes of transportation, or other  
25                   reasonable methods. Transportation costs fixed by tariff rates that have been  
26                   adjudicated as just and reasonable by [PROPERLY ON FILE WITH] the  
27                   Regulatory Commission of Alaska or another [OTHER] regulatory agency and  
28                   transportation costs in an arm's length transaction paid by parties not affiliated  
29                   with an owner of the method of transportation shall be considered prima facie  
30                   reasonable.

31                   (c) In determining the gross value of oil under [(a) OF] this section, the

1 department may not allow as reasonable costs of transportation

2 (1) the amount of loss of or damage to, or of expense incurred due to  
3 the loss of or damage to, a vessel used to transport oil if the loss, damage, or expense  
4 is incurred in connection with a catastrophic oil discharge from the vessel into the  
5 marine or inland waters of the state;

6 (2) the incremental costs of transportation of the oil that are  
7 attributable to temporary use of or chartered or substituted service provided by  
8 another vessel due to the loss of or damage to a vessel regularly used to transport oil  
9 and that are incurred in connection with a catastrophic oil discharge into the marine or  
10 inland waters of the state; and

11 (3) the costs incurred to charter, contract, or hire vessels and  
12 equipment used to contain or clean up a catastrophic oil discharge.

13 \* ~~Sec. 44.46.~~ AS 43.55.160(a) is amended to read:

14 (a) Except as provided in (b) of this section, for the purposes of

15 [(1)] AS 43.55.011(e), the ~~ANNUAL~~ annual production tax value of  
16 the taxable

17 (1) [(A)] oil and gas produced during a calendar year from leases or  
18 properties in the state that include land north of 68 degrees North latitude is the gross  
19 value at the point of production of the oil and gas taxable under AS 43.55.011(e) and  
20 produced by the producer from those leases or properties, less the producer's lease  
21 expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas  
22 produced by the producer from those leases or properties, as adjusted under  
23 AS 43.55.170; ~~this subparagraph does not apply to gas subject to~~  
24 AS 43.55.011(f);

25 (2) [(B)] oil and gas produced during a calendar year from leases or  
26 properties in the state outside the Cook Inlet sedimentary basin, no part of which is  
27 north of 68 degrees North latitude, is the gross value at the point of production of the  
28 oil and gas taxable under AS 43.55.011(e) and produced by the producer from those  
29 leases or properties, less the producer's lease expenditures under AS 43.55.165 for the  
30 calendar year applicable to the oil and gas produced by the producer from those leases  
31 or properties, as adjusted under AS 43.55.170; ~~this subparagraph does not apply to~~

1 ~~gas subject to AS 43.55.011(o):~~

2 (3) [(C)] oil produced during a calendar year from a lease or property  
3 in the Cook Inlet sedimentary basin is the gross value at the point of production of the  
4 oil taxable under AS 43.55.011(e) and produced by the producer from that lease or  
5 property, less the producer's lease expenditures under AS 43.55.165 for the calendar  
6 year applicable to the oil produced by the producer from that lease or property, as  
7 adjusted under AS 43.55.170:

8 (4) [(D)] gas produced during a calendar year from a lease or property  
9 in the Cook Inlet sedimentary basin is the gross value at the point of production of the  
10 gas taxable under AS 43.55.011(e) and produced by the producer from that lease or  
11 property, less the producer's lease expenditures under AS 43.55.165 for the calendar  
12 year applicable to the gas produced by the producer from that lease or property, as  
13 adjusted under AS 43.55.170.];

14 ~~(5) gas produced during a calendar year from a lease or property~~  
15 ~~outside the Cook Inlet sedimentary basin and used in the state is the gross value~~  
16 ~~at the point of production of that gas taxable under AS 43.55.011(e) and~~  
17 ~~produced by the producer from that lease or property, less the producer's lease~~  
18 ~~expenditures under AS 43.55.165 for the calendar year applicable to that gas~~  
19 ~~produced by the producer from that lease or property, as adjusted under~~  
20 ~~AS 43.55.170~~

21 (2) AS 43.55.011(g). THE MONTHLY PRODUCTION TAX  
22 VALUE OF THE TAXABLE

23 (A) OIL AND GAS PRODUCED DURING A MONTH  
24 FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE  
25 LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS  
26 VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS  
27 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE  
28 PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF  
29 THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR  
30 THE CALENDAR YEAR APPLICABLE TO THE OIL AND GAS  
31 PRODUCED BY THE PRODUCER FROM THOSE LEASES OR

1 PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;

2 (B) OIL AND GAS PRODUCED DURING A MONTH  
3 FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK  
4 INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68  
5 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT  
6 OF PRODUCTION OF THE OIL AND GAS TAXABLE UNDER  
7 AS 43.55.011(g) AND PRODUCED BY THE PRODUCER FROM THOSE  
8 LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE  
9 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR  
10 APPLICABLE TO THE OIL AND GAS PRODUCED BY THE PRODUCER  
11 FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER  
12 AS 43.55.170;

13 (C) OIL PRODUCED DURING A MONTH FROM A  
14 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN  
15 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL  
16 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE  
17 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE  
18 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE  
19 CALENDAR YEAR APPLICABLE TO THE OIL PRODUCED BY THE  
20 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED  
21 UNDER AS 43.55.170;

22 (D) GAS PRODUCED DURING A MONTH FROM A  
23 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN  
24 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS  
25 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE  
26 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE  
27 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE  
28 CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE  
29 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED  
30 UNDER AS 43.55.170].

31 \* ~~Sec. 45.47.~~ AS 43.55.160(b) is amended to read:

1           (b) A production tax value calculated under [(a) OF] this section may not be  
2           less than zero.

3       \* Sec. 48. AS 43.55.160(e) is amended to read:

4           (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
5           would otherwise be deductible by a producer in a calendar year but whose deduction  
6           would cause a a [AN ANNUAL] production tax value calculated under (a) [(a)(1)] of  
7           this section of taxable oil or gas produced during the calendar year to be less than  
8           zero may be used to establish a carried-forward annual loss under AS 43.55.023(b).  
9           However, the department shall provide by regulation a method to ensure that,  
10          for a period for which a producer's tax liability is limited by AS 43.55.011(i) or  
11          (k), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that  
12          would otherwise be deductible by a producer for that period but whose  
13          deduction would cause a production tax value calculated under (a)(3) or (4) of  
14          this section to be less than zero are accounted for as though the adjusted lease  
15          expenditures had first been used as deductions in calculating the production tax  
16          values of oil or gas subject to any of the limitations under AS 43.55.011(j) or (k)  
17          that have positive production tax values so as to reduce the tax liability  
18          calculated without regard to the limitation to the maximum amount provided for  
19          under the applicable provision of AS 43.55.011(j) or (k). Only the amount of  
20          those adjusted lease expenditures remaining after the accounting provided for  
21          under this subsection may be used to establish a carried-forward annual loss  
22          under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

23       \* Sec. 46.49. AS 43.55.165(a) is repealed and reenacted to read:

24           (a) Except as provided in ~~(k) and (h)~~ of this section for For purposes of this  
25           chapter, a producer's lease expenditures for a calendar year are

26                   (1) costs, other than items listed in (e) of this section, that are

27                           (A) incurred ~~in the state~~ by the producer during the calendar  
28                           year after March 31, 2006, to explore for, develop, or produce oil or gas  
29                           deposits located within the producer's leases or properties in the state or, in the  
30                           case of land in which the producer does not own an operating right, operating  
31                           interest, or working interest, to explore for oil or gas deposits within other

1 land in the state; and

2 (B) allowed by the department by regulation, based on the  
3 department's determination that the costs satisfy the following three  
4 requirements:

5 (i) the costs must be incurred upstream of the point of  
6 production of oil and gas;

7 (ii) the costs must be ordinary and necessary costs of  
8 exploring for, developing, or producing, as applicable, oil or gas  
9 deposits; and

10 (iii) the costs must be direct costs of exploring for,  
11 developing, or producing, as applicable, oil or gas deposits; and

12 (2) a reasonable allowance for that calendar year, as determined under  
13 regulations adopted by the department, for overhead expenses that are directly related  
14 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

15 \* Sec. 47.50, AS 43.55.165(b) is amended to read:

16 (b) For purposes of (a) of this section,

17 (1) direct costs include

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

22 (B) payments of or in lieu of property taxes, sales and use  
23 taxes, motor fuel taxes, and excise taxes;

24 [(C) A REASONABLE ALLOWANCE, AS DETERMINED  
25 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR  
26 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,  
27 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED  
28 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

29 (2) an activity does not need to be physically located on, near, or  
30 within the premises of the lease or property within which an oil or gas deposit being  
31 explored for, developed, or produced is located in order for the cost of the activity to



1 be a cost upstream of the point of production of the oil or gas;

2 (3) in determining whether costs are lease expenditures, the  
3 department may shall consider, among other factors, the

4 (A) typical industry practices and standards in the state  
5 that determine the costs, other than items listed in (e) of this section, that  
6 an operator is allowed to bill a producer that is not the operator, under  
7 unit operating agreements or similar operating agreements that were in  
8 effect before December 2, 2005, and were subject to negotiation with at  
9 least one producer with substantial bargaining power, other than the  
10 operator; and

11 (B) standards adopted by the Department of Natural  
12 Resources that determine the costs, other than items listed in (e) of this  
13 section, that a lessee is allowed to deduct from revenue in calculating net  
14 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E).

15 \* Sec. 48.51. AS 43.55.165(c) is repealed and reenacted to read:

16 (c) Subject to (g) and (h) of this section, if the department finds that the  
17 pertinent provisions of a unit operating agreement or similar operating agreement are  
18 substantially consistent with the department's determinations and standards under (a)  
19 and (b) of this section concerning whether costs are lease expenditures and, in  
20 addition, finds that at least one working interest owner party to the agreement, other  
21 than the operator, with substantial incentive and ability to effectively audit billings  
22 under the agreement, in fact is effectively auditing billings under the agreement, the  
23 department may authorize or require a producer, subject to conditions prescribed  
24 under regulations adopted by the department, to treat as that portion of its lease  
25 expenditures for a calendar year applicable to oil and gas produced from a lease or  
26 property in the state only

27 (1) the costs, other than items listed in (e) of this section, that are  
28 incurred by the operator during the calendar year and that

29 (A) are billed to the producer by the operator under the  
30 agreement to which that lease or property is subject and are either not disputed  
31 by a working interest owner party to the agreement or are finally determined

1 to be properly billable as a result of dispute resolution; or

2 (B) for a producer that is the operator, would be billable to the  
 3 producer by the operator in accordance with the terms of the agreement to  
 4 which that lease or property is subject if the producer were not the operator;  
 5 and

6 (2) a reasonable percentage, as determined under regulations adopted  
 7 by the department, of the costs that are billed under (1) of this subsection as an  
 8 allowance for overhead expenses directly related to exploring for, developing, and  
 9 producing oil or gas deposits located within the lease or property.

10 \* Sec. 52. AS 43.55.165(e) is amended to read:

11 (e) For purposes of this section, lease expenditures do not include

12 (1) depreciation, depletion, or amortization;

13 (2) oil or gas royalty payments, production payments, lease profit  
 14 shares, or other payments or distributions of a share of oil or gas production, profit, or  
 15 revenue, except that a producer's lease expenditures applicable to oil and gas  
 16 produced from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the  
 17 share of net profit paid to the state under that lease.

18 (3) taxes based on or measured by net income;

19 (4) interest or other financing charges or costs of raising equity or  
 20 debt capital;

21 (5) acquisition costs for a lease or property or exploration license;

22 (6) costs, ~~including repairs and replacements,~~ arising from ~~or~~  
 23 ~~associated with~~ fraud, wilful misconduct, [OR] gross negligence, ~~criminal~~  
 24 ~~negligence, or violation of law, including or failure to comply with an obligation~~  
 25 ~~under a violation of 33 U.S.C. 1319(e)(1) lease, permit, or license issued by the~~  
 26 ~~state or 1321(b)(3) (Clean Water Act) federal government;~~

27 (7) fines or penalties imposed by law;

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

31 (9) costs incurred in organizing a partnership, joint venture, or other

1 business entity or arrangement;

2 (10) amounts paid to indemnify the state; the exclusion provided by  
3 this paragraph does not apply to the costs of obtaining insurance or a surety bond  
4 from a third-party insurer or surety;

5 (11) surcharges levied under AS 43.55.201 or 43.55.300;

6 (12) ~~an expenditure incurred~~ for a transaction that is an internal  
7 transfer or is otherwise not an arm's length transaction, ~~unless the producer~~  
8 ~~establishes to the satisfaction of the department expenditures incurred that the~~  
9 ~~expenditure is not~~ EXPENDITURES INCURRED THAT ARE ~~are~~ in excess of fair  
10 market value;

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

15 (14) a tax levied under AS 43.55.011;

16 (15) [THE PORTION OF] costs incurred for dismantlement, removal,  
17 surrender, or abandonment of a facility, pipeline, well pad, platform, or other  
18 structure, or for the restoration of a lease, field, unit, area, tract of land, body of  
19 water, or right-of-way in conjunction with dismantlement, removal, surrender, or  
20 abandonment [, THAT IS ATTRIBUTABLE TO PRODUCTION OF OIL OR GAS  
21 OCCURRING BEFORE APRIL 1, 2006; THE PORTION IS CALCULATED AS A  
22 RATIO OF THE AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF  
23 OIL EQUIVALENT, ASSOCIATED WITH THE FACILITY, PIPELINE, WELL  
24 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY  
25 OF WATER, OR RIGHT-OF-WAY OCCURRING BEFORE APRIL 1, 2006, TO  
26 THE TOTAL AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF  
27 OIL EQUIVALENT, ASSOCIATED WITH THAT FACILITY, PIPELINE, WELL  
28 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY  
29 OF WATER, OR RIGHT-OF-WAY THROUGH THE END OF THE CALENDAR  
30 MONTH BEFORE COMMENCEMENT OF THE DISMANTLEMENT,  
31 REMOVAL, SURRENDER, OR ABANDONMENT]; a cost is not excluded under

1 this paragraph if the dismantlement, removal, surrender, or abandonment for which  
2 the cost is incurred is undertaken for the purpose of replacing, renovating, or  
3 improving the facility, pipeline, well pad, platform, or other structure; [FOR THE  
4 PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

5 (A) IN THE CASE OF OIL, ONE BARREL;

6 (B) IN THE CASE OF GAS, 6,000 CUBIC FEET;]

7 (16) costs incurred for containment, control, cleanup, or removal in  
8 connection with any unpermitted release of oil or a hazardous substance and any  
9 liability for damages imposed on the producer or explorer for that unpermitted  
10 release: this paragraph does not apply to the cost of developing and maintaining an oil  
11 discharge prevention and contingency plan under AS 46.04.030;

12 (17) costs incurred to satisfy a work commitment under an exploration  
13 license under AS 38.05.132;

14 (18) that portion of expenditures, that would otherwise be qualified  
15 capital expenditures, as defined in AS 43.55.023 [AS 43.55.023(k)], incurred during a  
16 calendar year that are less than the product of \$0.30 multiplied by the total taxable  
17 production from each lease or property, in BTU equivalent barrels, during that  
18 calendar year, except that, when a portion of a calendar year is subject to this  
19 provision, the expenditures and volumes shall be prorated within that calendar year;

20 (19) costs incurred for repair, replacement, or deferred  
21 maintenance of a facility, a pipeline, a structure, or equipment, other than a well,  
22 that results in or is undertaken in response to a failure, problem, or event that  
23 results in an unscheduled interruption of, or reduction in the rate of, oil or gas  
24 production; or costs incurred for repair, replacement, or deferred maintenance  
25 of a facility, a pipeline, a structure, or equipment, other than a well, that is  
26 undertaken in response to, or is otherwise associated with, an unpermitted  
27 release of a hazardous substance or of gas; however, costs under this paragraph  
28 that would otherwise constitute lease expenditures under (a) and (b) of this  
29 section may be treated as lease expenditures if the department determines that  
30 the repair or replacement is solely necessitated by an act of war, by an  
31 unanticipated grave natural disaster or other natural phenomenon of an

1 exceptional, inevitable, and irresistible character, the effects of which could not  
2 have been prevented or avoided by the exercise of due care or foresight, or by an  
3 intentional or negligent act or omission of a third party, other than a party or its  
4 agents in privity of contract with, or employed by, the producer or an operator  
5 acting for the producer, but only if the producer or operator, as applicable,  
6 exercised due care in operating and maintaining the facility, pipeline, structure,  
7 or equipment, and took reasonable precautions against the act or omission of the  
8 third party and against the consequences of the act or omission; in this  
9 paragraph,

10 (A) "costs incurred for repair, replacement, or deferred  
11 maintenance of a facility, a pipeline, a structure, or equipment" includes  
12 costs to dismantle and remove the facility, pipeline, structure, or  
13 equipment that is being replaced;

14 (B) "hazardous substance" has the meaning given in  
15 AS 46.03.826;

16 (C) "replacement" includes renovation or improvement;

17 (20) costs incurred to construct, acquire, or operate a refinery or  
18 crude oil topping plant, regardless of whether the products of the refinery or  
19 topping plant are used in oil or gas exploration, development, or production  
20 operations; however, if a producer owns a refinery or crude oil topping plant  
21 that is located on or near the premises of the producer's lease or property in the  
22 state and that processes the producer's oil produced from that lease or property  
23 into a product that the producer uses in the operation of the lease or property in  
24 drilling for or producing oil or gas, the producer's lease expenditures include the  
25 amount calculated by subtracting from the fair market value of the product used  
26 the prevailing value, as determined under AS 43.55.020(f), of the oil that is  
27 processed;

28 ~~(2021)~~ costs of lobbying, public relations, public relations  
29 advertising, or policy advocacy.

30 \* ~~Sec. 49.53~~, AS 43.55.165(h) is amended to read:

31 (h) The department shall adopt regulations that provide for reasonable

1 methods of allocating costs between oil and gas, ~~between gas subject to~~  
2 ~~AS 43.55.011(e) and other gas,~~ and between leases or properties in those  
3 circumstances where an allocation of costs is required to determine [THE  
4 DETERMINATION OF THE] lease expenditures that are costs of exploring for,  
5 developing, or producing oil deposits or costs of exploring for, developing, or  
6 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of  
7 exploring for, developing, or producing oil or gas deposits located within  
8 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or  
9 properties [, REQUIRES AN ALLOCATION OF COSTS].

10 \* ~~Sec. 50.54.~~ AS 43.55.165~~170(a)~~ is amended by adding new subsections to read:

11 (k) ~~For purposes of AS 43.55.160, for a calendar year after 2006, a producer's~~  
12 ~~total lease expenditures, before adjustment under AS 43.55.170, that are applicable to~~  
13 ~~oil and gas produced by the producer from all leases or properties within a unit from~~  
14 ~~which 1,000,000,000 BTU equivalent barrels of oil or gas have been cumulatively~~  
15 ~~produced by the close of the most recent calendar year and from which the average~~  
16 ~~daily oil and gas production during the most recent calendar year exceeded 100,000~~  
17 ~~BTU equivalent barrels are determined under this subsection and (l) of this section.~~  
18 ~~Except as otherwise provided(a) Unless the payment or credit has already been~~  
19 ~~subtracted in calculating billable or billed costs under (l) of this section, the~~  
20 ~~producer's total lease expenditures, other than qualified capital expenditures, (1) for~~  
21 ~~calendar year 2007, are equal to the product of 1.37 multiplied by the total lease~~  
22 ~~expenditures for calendar year 2006, other than qualified capital expenditures, that are~~  
23 ~~applicable to oil and gas produced by the producer from all leases or properties within~~  
24 ~~the unit, as reported on the producer's statement under AS 43.55.030(a) for calendar~~  
25 ~~year 2006, and (2) for a calendar year after 2007, are equal to the product of 1.03~~  
26 ~~multiplied by the total lease expenditures, other than qualified capital expenditures,~~  
27 ~~determined for the previous calendar year under this subsection. The producer's total~~  
28 ~~lease expenditures for a calendar year after 2006 that are applicable to oil and gas~~  
29 ~~produced by the producer from all leases or properties within a unit subject to this~~  
30 ~~subsection are the sum of the producer's qualified capital expenditures incurred~~  
31 ~~during the calendar year that are applicable to that oil and gas plus the lease~~

1 expenditures, other than qualified capital expenditures, that are applicable to that oil  
 2 and gas as determined under this subsection and (f) of this section. If a producer  
 3 whose lease expenditures for 2006 are used to determine lease expenditures for a later  
 4 calendar year under this subsection transfers an interest in an affected lease or  
 5 property to a different producer, the transferee's lease expenditures applicable to oil  
 6 and gas produced by the transferee from the lease or property continue to be  
 7 determined under this subsection using those 2006 lease expenditures. In this  
 8 subsection, "qualified capital expenditures" has the meaning given in AS 43.55.023.

9 (f) If, after audit by the department of a producer's statement or amended  
 10 statement under AS 43.55.030(a) for calendar year 2006, the department finally  
 11 determines that the reported amount of total lease expenditures, other than qualified  
 12 capital expenditures, for calendar year 2006 applicable to oil and gas produced by the  
 13 producer from all leases or properties within a unit subject to (k) of this section  
 14 exceeds by more than 10 percent the actual amount of those lease expenditures, other  
 15 than qualified capital expenditures, the producer or transferee, as applicable, shall (1)  
 16 substitute the actual amount of those lease expenditures, other than qualified capital  
 17 expenditures, for purposes of the calculations set out in (k) of this section, and (2) file  
 18 amended statements for affected past tax periods within 60 days after the final  
 19 determination.

20 \* ~~Sec. 51. AS 43.55.170(a) is amended to read:~~

21 (a) ~~A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN~~  
 22 ~~SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER~~  
 23 ~~AS 43.55.165(c) [OR (d), (A)]],~~ a producer's lease expenditures under AS 43.55.165  
 24 must be adjusted by subtracting payments or credits, other than tax credits, received  
 25 by the producer or by an operator acting for the producer for

26 (1) the use by another person of a production facility in which the  
 27 producer has an ownership interest or the management by the producer of a  
 28 production facility under a management agreement providing for the producer to  
 29 receive a management fee;

30 (2) a reimbursement or similar payment that offsets the producer's  
 31 lease expenditures, including an insurance recovery from a third-party insurer and a

1 payment from the state or federal government for reimbursement of the producer's  
2 upstream costs, including costs for gathering, separating, cleaning, dehydration,  
3 compressing, or other field handling associated with the production of oil or gas  
4 upstream of the point of production;

5 (3) the sale or other transfer of

6 (A) an asset, including geological, geophysical, or well data or  
7 interpretations, acquired by the producer as a result of a lease expenditure or  
8 an expenditure that would be a lease expenditure if it were incurred after  
9 March 31, 2006; for purposes of this subparagraph,

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

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

18 (B) oil or gas

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

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

23 \* ~~Sec. 52.55.~~ AS 43.55 is amended by adding a new section to article 4 to read:

24 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary  
25 provision of AS 40.25.100, and regardless of whether the information is considered  
26 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of  
27 particular returns or reports, the department may publish the following information  
28 under this chapter, if aggregated among three or more producers or explorers,  
29 showing by month or calendar year and by lease or property, unit, or area of the state:

30 (1) the amount of oil or gas production;

31 (2) the amount of taxes levied under this chapter or paid under this



1 chapter;

- 2 (3) the effective tax rates under this chapter;
- 3 (4) the gross value of oil or gas at the point of production;
- 4 (5) the transportation costs for oil or gas;
- 5 (6) qualified capital expenditures, as defined in AS 43.55.023;
- 6 (7) exploration expenditures under AS 43.55.025;
- 7 (8) production tax values of oil or gas under AS 43.55.160;
- 8 (9) lease expenditures under AS 43.55.165;
- 9 (10) adjustments to lease expenditures under AS 43.55.170;
- 10 (11) tax credits applicable or potentially applicable against taxes

11 levied by this chapter.

12 \* Sec. 53.56, AS 43.55.900 is amended by adding new paragraphs to read:

13 (22) "producer" means an owner of an operating right, operating  
14 interest, or working interest in a mineral interest in oil or gas;

15 (23) "progressivity tax rate" means that part of the tax rate in  
16 AS 43.55.011(g) that exceeds 25 percent;

17 (24) "unit" means a group of tracts of land that is

18 (A) subject to a cooperative or a unit plan of development or  
19 operation that has been certified by the commissioner of natural resources  
20 under AS 38.05.180(p);

21 (B) subject to a cooperative or a unit plan of development or  
22 operation that has been certified by the United States Secretary of the Interior  
23 under 30 U.S.C. 226(m);

24 (C) subject to an agreement of the owners of interests in the  
25 tracts of land to validly integrate their interests to provide for the unitized  
26 management, development, and operation of the tracts of land as a unit, within  
27 the meaning of AS 31.05.110(a); or

28 (D) within the unit area of a unit created by order of the  
29 Alaska Oil and Gas Conservation Commission under AS 31.05.110(b\*);

30 (25) "used in the state" means delivered for consumption as fuel in the  
31 state, including as fuel consumed to generate electricity.

1 ~~\* Sec. 54. AS 43.55.160(e), 43.55.165(e), 43.55.165(d), and 43.55.180 are repealed.~~

2 ~~\* Sec. 55. The uncodified law of the State of Alaska is amended by adding a new section to~~  
3 ~~read:~~

4 ~~APPLICABILITY. (a) Sections 15, 36, 38, 44, 51, and 54 of this Act apply to oil~~  
5 ~~and gas produced after December 31, 2007.~~

6 ~~(b) Sections 36 and 38 of this Act apply to statements and reports under~~  
7 ~~AS 43.55.030(a), as amended by sec. 36 of this Act, and AS 43.55.030(e) and (f), as added~~  
8 ~~by sec. 38 of this Act, required to be filed after December 31, 2007.~~

9 ~~(c) Sections 29, 32 and 34 of this Act apply to exploration expenditures incurred for~~  
10 ~~work performed after December 31, 2006, that are the basis of tax credits that may be~~  
11 ~~claimed against taxes levied for oil and gas produced after December 31, 2007.~~

12 ~~(d) AS 43.55.055, enacted by sec. 40 of this Act, applies to understatements made~~  
13 ~~after the effective date of sec. 40 of this Act.~~

14 ~~(e) AS 43.55.075(a), enacted by sec. 41 of this Act, applies to any tax liability under~~  
15 ~~AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260~~  
16 ~~had not expired before the effective date of secs. 44 and 41 of this Act.~~

17 ~~(f) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d) in~~  
18 ~~sec. 37 of this Act, applies to any report required to be filed after the effective date of sec. 37~~  
19 ~~of this Act that is not filed timely.~~

20 ~~(g) The penalty in AS 43.55.040(6), enacted by the amendment to AS 43.55.040 in~~  
21 ~~sec. 39 of this Act, applies to any report, statement, or other document required to be filed~~  
22 ~~after the effective date of sec. 39 of this Act.~~

23 ~~\* Sec. 56. The uncodified law of the State of Alaska is amended by adding new sections to~~  
24 ~~read:~~

25 ~~OIL AND GAS REVENUE AUDIT MASTER POSITIONS: LEGISLATIVE~~  
26 ~~INTENT. It is the intent of the legislature that the commissioner of administration shall~~  
27 ~~cause not more than four oil and gas revenue audit master positions to be created in the~~  
28 ~~Department of Revenue and not more than two oil and gas revenue audit master positions to~~  
29 ~~be created in the Department of natural Resources. Oil and gas revenue audit masters shall~~  
30 ~~be employed in a professional capacity to collect oil and gas revenue by developing policy,~~  
31 ~~conducting studies, drafting proposed regulations, enforcing regulations, and directing audits~~

1 ~~by oil and gas auditors.~~

2 ~~OIL AND GAS AUDITORS: CLASSIFICATION AND PAY PLANS.~~

3 ~~Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and~~  
4 ~~implement a distinct position classification plan and a distinct pay plan for oil and gas~~  
5 ~~auditors and their immediate supervisors that perform~~

6 ~~(1) production tax audits in the Department of Revenue;~~

7 ~~(2) royalty audits, including net profit share audits, in the Department of~~  
8 ~~Natural Resources.~~

9 ~~\* Sec. 57. The uncodified law of the State of Alaska is amended by adding a new section to~~  
10 ~~read:~~

11 ~~TRANSITION: DEPARTMENT OF NATURAL RESOURCES REGULATIONS.~~

12 ~~Notwithstanding any contrary provision of AS 44.62.240, a regulation adopted by the~~  
13 ~~Department of Natural Resources to implement, interpret, make specific, or otherwise carry~~  
14 ~~out statutory provisions for the administration of oil and gas leases issued under~~  
15 ~~AS 38.05.180(F)(3)(B), (D), or (E), to the extent the regulation deals with the treatment of oil~~  
16 ~~and gas production taxes in determining net profits under those leases, may apply~~  
17 ~~retroactively to April 1, 2006, if the Department of Natural Resources expressly designates in~~  
18 ~~the regulation that the regulation applies retroactively to that date. \* Sec. 57,~~

19 ~~AS 43.55.011(h), 43.55.011(i), 43.55.011(n), 43.55.160(c), and 43.55.165(d) are repealed.~~

20 ~~\* Sec. 58. The uncodified law of the State of Alaska is amended by adding a new section to~~  
21 ~~read:~~

22 ~~APPLICABILITY. (a) Sections 15 - 27, 29 - 38, and 45 - 57 of this Act apply to oil~~  
23 ~~and gas produced after June 30, 2007.~~

24 ~~(b) Sections 39 and 41 of this Act apply to statements and reports under~~  
25 ~~AS 43.55.030(a), as amended by sec. 39 of this Act, and AS 43.55.030(e) and (f), as added~~  
26 ~~by sec. 41 of this Act, required to be filed after the effective date of secs. 39 and 41 of this~~  
27 ~~Act.~~

28 ~~(c) Sections 30 - 33, 35, and 37 of this Act apply to exploration expenditures incurred~~  
29 ~~for work performed after December 31, 2007, that are the basis of tax credits that may be~~  
30 ~~claimed against taxes levied for oil and gas produced after December 31, 2007.~~

31 ~~(d) AS 43.55.075(a), enacted by sec. 43 of this Act, applies to any tax liability under~~

1 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260  
2 had not expired before the effective date of secs. 14 and 43 of this Act.

3 (e) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d)  
4 in sec. 40 of this Act, applies to any report required to be filed after the effective date of sec.  
5 40 of this Act that is not filed timely.

6 (f) The penalty in AS 43.55.040(7), enacted by the amendment to AS 43.55.040 in  
7 sec. 42 of this Act, applies to any report, statement, or other document required to be filed  
8 after the effective date of sec. 42 of this Act.

9 \* Sec. 59. The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 OIL AND GAS REVENUE AUDIT MASTER POSITIONS: LEGISLATIVE  
12 INTENT. It is the intent of the legislature that the commissioner of administration shall cause  
13 not more than four oil and gas revenue audit master positions to be created in the Department  
14 of Revenue and not more than two oil and gas revenue audit master positions to be created in  
15 the Department of natural Resources. Oil and gas revenue audit masters shall be employed in  
16 a professional capacity to collect oil and gas revenue by developing policy, conducting  
17 studies, drafting proposed regulations, enforcing regulations, and directing audits by oil and  
18 gas auditors.

19 \* Sec. 60. The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 OIL AND GAS AUDITORS: CLASSIFICATION AND PAY PLANS.  
22 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and  
23 implement a distinct position classification plan and a distinct pay plan for oil and gas  
24 auditors and their immediate supervisors, other than revenue audit masters, that perform

25 (1) oil and gas tax audits in the Department of Revenue under the direction of  
26 an oil and gas revenue audit master;

27 (2) royalty audits, including net profit share audits, in the Department of  
28 Natural Resources under the direction of an oil and gas revenue audit master.

29 \* Sec. 61. The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 TRANSITION: PAYMENT OF TAX. A person subject to tax under AS 43.55 that is

1 required to make one or more installment payments of estimated tax or other payment of tax  
2 under AS 43.55.020(a), as amended by sec. 21 of this Act, for the production of oil or gas  
3 during a month after June 30, 2007, and before the effective date of sec. 21 of this Act but  
4 that failed to pay the full amount of the installment payments or other payment of tax  
5 required under AS 43.55.020(a) because of the retroactive application of secs. 15 - 27, 29 -  
6 38, and 45 - 57 of this Act under sec. 64 of this Act, shall pay before April 1, 2008, the  
7 balance of any tax due under AS 43.55 for the period after June 30, 2007, and before the  
8 effective date of this section.

9 \* Sec. 62. The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any  
12 contrary provision of AS 44.62.240,

13 (1) if the Department of Revenue expressly designates in the regulation that  
14 the regulation applies retroactively to that date, a regulation adopted by the Department of  
15 Revenue to implement, interpret, make specific, or otherwise carry out secs. 15 - 27, 29 - 38,  
16 and 45 - 57 of this Act may apply retroactively to July 1, 2007;

17 (2) a regulation adopted by the Department of Natural Resources to  
18 implement, interpret, make specific, or otherwise carry out statutory provisions for the  
19 administration of oil and gas leases issued under AS 38.05.180(f)(3)(B), (D), or (E), to the  
20 extent the regulation deals with the treatment of oil and gas production taxes in determining  
21 net profits under those leases, may apply retroactively to April 1, 2006, if the Department of  
22 Natural Resources expressly designates in the regulation that the regulation applies  
23 retroactively to that date.

24 \* Sec. 63. The uncodified law of the State of Alaska is amended by adding a new section to  
25 read:

26 TRANSITION: REGULATIONS. The Department of Natural Resources and the  
27 Department of Revenue may proceed to adopt regulations to implement this Act. The  
28 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the  
29 effective date of the law implemented by the regulation.

30 \* Sec. ~~59.64~~. The uncodified law of the State of Alaska is amended by adding a new  
31 section to read:

1 REVISOR'S INSTRUCTION. In the following statute sections, the revisor of statutes  
2 shall substitute the spanned reference

3 (1) ~~AS 43.55.011 - 43.55.170~~ for the spanned reference "~~AS 43.55.011 -~~  
4 ~~43.55.180~~"; ~~AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(e), and~~  
5 ~~43.55.300(e)~~;

6 (2) "~~AS 43.55.017 - 43.55.170~~" for the spanned reference "~~AS 43.55.017 -~~  
7 ~~43.55.180~~"; ~~AS 43.55.023(g)~~.

8 \* ~~Sec. 60.~~ RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a)  
9 Sections 29 and 34 of this Act are retroactive to July 1, 2003.

10 (b) Sections 15 - ~~36~~ 27, 29 - 38, ~~44~~ 51, and ~~54~~ 45 - 57 of this Act take are retroactive  
11 to July 1, 2007.

12 \* Sec. 65. Section 28 of this Act takes effect January 1, 2008.

13 \* Sec. ~~61-66~~. Except as provided in sec. ~~60~~ 65 of this Act, this Act takes effect immediately  
14 under AS 01.10.070(c).

*Sections 29-34  
repealed by  
"Reg. 10"*  
*Galun about  
half that"*

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