

**HB**

**110**

<TARGET><BILL>HB 110</BILL><SUBJECT>HB  
110</SUBJECT><COMM>HFIN27</COMM></TARGET>



# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB110(FIN)  
 () Publish Date \_\_\_\_\_

Identifier (file name) CSHB110(FIN)-DOR-TAX-03-30-11 Dept. Affected Revenue  
 Title Production Tax on Oil and Gas Appropriation Treasury and Taxation  
 Allocation Tax Division  
 Sponsor Request of the Governor  
 Requester Rules Committee OMB Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services			267.0	267.0	267.0	267.0	267.0	267.0
Travel			10.0	10.0	10.0	10.0	10.0	10.0
Services	115.0		9.4	9.4	9.4	9.4	9.4	9.4
Commodities			1.0	1.0	1.0	1.0	1.0	1.0
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>115.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>		***	***	***	***	***	***	***
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	115.0		287.4	287.4	287.4	287.4	287.4	287.4
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>115.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time			2	2	2	2	2
Part-time							
Temporary							

**Why this fiscal note differs from previous version (if initial version, please note as such)**

This fiscal note incorporates changes made in the House Finance committee substitute.  
 See analysis section for detail on these changes.

An error in the spreadsheet on page 4 was identified in House Finance Committee and has been corrected.

Prepared by Cherie Nienhuis, Economist; Bruce Tangeman, Deputy Commissioner  
 Division Tax Division  
 Approved by Ginger Blaisdell, Director Administrative Services Division  
Department of Revenue

Phone 269-1019  
 Date/Time 3/30/11; 8:30am  
 Date 3/30/11; 8:41am

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(FIN)

Analysis

\*\*\*The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with their potential revenue impact, are discussed below.

1. **The interest rate on delinquent taxes is changed** from the greater of 5 percentage points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent, to the lesser of 3 percent points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent. The effective date of this provision is 7/1/11. There will be \$100,000 in one-time contractor costs to implement this change in our accounting system. Over the past three fiscal years (FY 2008-FY 2010), interest on delinquent taxes and refunds has resulted in a net positive revenue to the state. The average annual net revenue to the state in these years was \$30 million in revenue to the General Fund and \$111 million in revenue to the Constitutional Budget Reserve Fund. The Department of Revenue (DOR) does not forecast interest on taxes; therefore this provision has no quantifiable revenue impact.

2. **The tax rate is changed for production in unitized areas or areas where there has been commercial production.** The tax rates under the bill are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to \$30 per barrel to 50% for PTV over \$92.50 per barrel. The maximum total production tax rate is 50%. The effective date of this provision is 1/1/2013. The potential revenue impacts are presented below, using the preliminary Spring 2011 forecast as a base. The first table shows the revenue impact for production tax only, and the second table shows the revenue impact including increased revenue from royalties for increased production.

<b>Production Tax Only Fiscal Impact of this provision using various production scenarios - at preliminary Spring 2011 forecast level with incremental production starting 1/1/13 (in \$millions)</b>					
Year	Forecast production	Forecast + 5%	Forecast + 10%	Forecast + 15%	Forecast + 20%
FY 2012	\$0	\$0	\$0	\$0	\$0
FY 2013	-\$469	-\$408	-\$347	-\$285	-\$224
FY 2014	-\$989	-\$846	-\$704	-\$561	-\$419
FY 2015	-\$1,166	-\$1,011	-\$857	-\$703	-\$548
FY 2016	-\$1,418	-\$1,245	-\$1,072	-\$899	-\$726
FY 2017	-\$1,554	-\$1,373	-\$1,191	-\$1,010	-\$828

<b>Production Tax plus Total Royalties Fiscal Impact of this provision using various production scenarios - at preliminary Spring 2011 forecast level with incremental production starting 1/1/13 (in \$millions)</b>					
Year	Forecast production	Forecast + 5%	Forecast + 10%	Forecast + 15%	Forecast + 20%
FY 2012	\$0	\$0	\$0	\$0	\$0
FY 2013	-\$469	-\$349	-\$229	-\$108	\$12
FY 2014	-\$989	-\$722	-\$455	-\$189	\$78
FY 2015	-\$1,166	-\$884	-\$602	-\$321	-\$39
FY 2016	-\$1,418	-\$1,108	-\$798	-\$489	-\$179
FY 2017	-\$1,554	-\$1,234	-\$914	-\$593	-\$273

## FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(FIN)

### Analysis Continued

3. For areas that were not unitized on 12/31/2008 and where there has been no commercial production, the tax rate is changed and the lease expenditures in those areas may not be applied outside those areas. The separate tax rate is in effect for the later of the first seven consecutive years after the start of sustained production or the first seven years after the effective date of this bill section from each of the areas subject to the rate. The tax rates under the bill are bracketed and only the increment of PTV within each bracket is taxed at that bracket's rate. The brackets range from 15% for PTV up to \$30 per barrel to 40% for PTV over \$92.50 per barrel. The maximum total production tax rate is 40%. The effective date of this provision is 1/1/2013. The fiscal impact of this provision during the time horizon of the fiscal note will be zero under our existing production forecast and positive if additional production is brought on line.

4. The provision requiring that credits be taken over two years is eliminated. This provision would result in companies using credits earlier than they would without this change, and except for time value of money impact, it is revenue neutral. This provision applies to expenditures after 12/31/2010. Using the Fall 2010 forecast assumptions, this provision is expected to decrease revenue in the amount of \$200 million in CY 2011 (taken over FY 2011 and FY 2012). Another \$100 million in refunds would also be likely sought for credit certificates in FY 2011 and FY 2012.

5. The 40% credit for well lease expenditures is expanded to include qualified expenditures incurred north of 68 degrees North Latitude. This provision applies to expenditures incurred after 12/31/2010 and the provision sunsets on 1/1/2021. We estimate this provision will decrease revenue in the amount of \$200 million to \$400 million annually, based on a conservative estimate that 85% of drilling costs would be eligible for this credit. No additional positions will be required, however, there will be a one-time contractual cost of \$15,000 for auditor training on well lease expenditures.

6. Small producer, new area development, and alternative tax credit for exploration programs were extended from their current sunset date of 2016 to a sunset date of 2021. These credits are in current law at AS 43.55.024 and AS 43.55.025. The effective date of this provision is 7/1/2011. Since 2006, small producer credits used each year averaged about \$30 million and roughly \$80 million in alternative credits for exploration were used each year. We expect the small producer credits to increase within the next several years to \$40-\$50 million per year and for alternative credits for exploration to decrease in the near term but potentially increase if oil prices remain above \$100 per barrel. For purposes of this fiscal note, the extension of these credits will only impact revenue in FY 2017.

7. The tax information disclosure statute was expanded to include the disclosure of types of credits claimed and types of expenditures for which the credits were claimed. The effective date of this provision is January 1, 2012. This provision has no fiscal impact.

The department will require the addition of two auditor positions to administer the additional credit and reporting provisions of this bill, beginning in FY 2013. These positions would be oil and gas auditor IV positions, and expected to cost \$287,400 annually.

Analysis Continued

Provisions in CSHB 110(FIN) and their Revenue Impact as compared to Preliminary Spring 2011 Forecasted Revenue

Brief Description of Provisions	Revenue Impacts of the Provisions (\$mm)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<i>Provisions in CSHB110(FIN) prior to amendments</i>						
1. Change in interest rate from greater of 5% above Fed Rate or 11% to lesser of 3% above Fed Rate or 11%.	Indeterminate					
2. Change the tax rate for unitized areas from current ACES progressivity to a bracketed progressivity structure.	\$0	-\$470	-\$989	-\$1,166	-\$1,418	-\$1,554
3. Change the tax rate for non-unitized areas from current ACES to a base rate of 15% and a bracketed progressivity structure. This tax rate would be in effect through the first 7 years of sustained production, after which time the tax rate becomes the same as that for unitized areas.	Net positive impact due to projects not currently on forecast horizon being added					
4. Eliminate the provision that credits must be taken over two years.	Revenue neutral					
5. Expand the well lease expenditure credit to include expenditures in areas north of 68 degrees North Latitude.	-\$200 to -\$400 per year until 1/1/2021					
6. Extend the small producer, new area development, and alternative tax credit for exploration from 2016 to 2021.	\$0	\$0	\$0	\$0	-\$125	-\$125
7. Expand the tax information disclosure statute to include the disclosure of types of credits and expenditures	\$0	\$0	\$0	\$0	\$0	\$0
8. DOR Agency Costs	-\$0.1	\$0.0	-\$0.3	-\$0.3	-\$0.3	-\$0.3
<b>TOTAL REVENUE IMPACT</b>	<b>-200 to -400</b>	<b>-\$670 to -\$870</b>	<b>-\$1,189 to -\$1,389</b>	<b>-\$1,366 to -\$1,566</b>	<b>-\$1,743 to -\$1,943</b>	<b>-\$1,879 to -\$2,079</b>

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB110(RES)  
 () Publish Date \_\_\_\_\_

Identifier (file name) CSHB110(RES)-DNR-O&G-3-11-2011 Dept. Affected Natural Resources  
 Title Oil & Gas Production Tax Appropriation Resource Development  
 Allocation Oil & Gas  
 Sponsor Governor  
 Requester Rules Committee OMB Component Number 439

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version**

The analysis for this fiscal note was updated to reflect changes made from the bill as introduced to the committee substitute reported out of House Resources (CSHB 110(RES)). Changes made relate to defining "old" and "new" production, new tax progressivity factors, creating a new section to extend sunset dates for the "small producer" tax credit program, extending the "exploration" tax credit program and creating an additional tax credit category, and establishing a new section to encourage Alaska resident hire.

Prepared by Kevin Banks  
 Division Oil and Gas  
 Approved by Daniel S. Sullivan  
Natural Resources

Phone 269-8800  
 Date/Time 3/11/11 12:00 PM  
 Date \_\_\_\_\_

## FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(RES)

### Analysis

This bill may encourage producers to invest more by allowing them to receive the benefits of credits for that investment more quickly. First, currently under AS 43.55.023(b), only half the 20% qualified capital expenditure (QCE) credit can be taken in any one year. Section 11 of this bill would amend AS 43.55.23(b) to allow the full QCE credit to be taken in one year. Second, under AS 43.55.23(d), a producer that applies to obtain a transferable certificate for expenditures on the North Slope giving rise to a QCE credit or the loss carry-forward credit (AS 43.55.023(a)) will be issued two certificates, each for half the credit amounts, with one of the certificates only good for the next calendar year. This limitation dilutes the incentive the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. Section 12 of this bill would amend AS 43.55.023(d) to allow the certificates received to be for immediate use for North Slope expenditures, just as they are currently for expenditures in Alaska outside the North Slope. Third, Section 17 of the bill makes it easier for a small producer receiving a credit for North Slope expenditures to sell that credit to the State by eliminating the requirement that the producer spend additional money before receiving the credit monies.

In addition to allowing a quicker monetization of a given amount of credits, the bill extends the current 40% credit provided under 43.55.023(l) for well expenditures in Alaska off the North Slope to well expenditures on the North Slope. Currently, the North Slope producers receive a 20% QCE credit for well expenditure capital. Under the amendments provided in Sections 15 and 16 of the bill, producers would receive a 40% credit for those expenditures. This increased credit amount may encourage investment in wells on the North Slope.

This bill applies a higher minimum tax rate during periods of lower ANS West Coast prices. To the extent investors perceive the possibility that ANS West Coast prices will fall this low, these changes to the minimum tax may discourage investment. Also, by having separate production tax value calculations for "new production" units, the investors in these new units will have less ability to lower tax liability on "old production" units.

This bill lowers the marginal tax rates for existing and new fields by having progressively higher tax rates only apply to incremental production tax value. To the extent that investments are made as a consequence of these changes to the tax regime, royalty revenue may rise. The fiscal impact on royalty revenue is an indeterminate positive.

This bill creates a development tax credit against production taxes levied under AS 43.55.011(e). For companies whose wages and compensation paid to Alaska residents exceeds 80% of all of the company's wages and compensation, they may claim a credit equal to the amount by which the wages and compensation paid to Alaska residents exceeds 80%. This credit is not transferrable, but if a company has no production tax obligation this credit can be carried forward for two years. This section should have no impact on royalty revenue.

This bill extends the sunset date on "small producer" tax credits under AS 43.55.024. Previously the "small producer" tax credits were set to sunset in 2016. This section changes the sunset date for the program to 2021. This change to the credit program may serve to increase the amount of production receiving the "small producer" tax credits currently in statute. Additionally, the dollar amount of the "small producer" tax credit is increased. Previously the amount of the "small producer" tax credit was capped at \$12,000,000 per year. This change increases that amount to as much as \$15,000,000 per producer per year. This amendment should not affect the types or number of companies receiving the "small producer" tax credit, but it is likely to increase the dollar amounts of the "small producer" tax credit that currently exists in statute, AS 43.55.024.

(Continued on page 3)

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(RES)

**Analysis Continued**

This bill also changes the "exploration" tax credit program under AS 43.55.025 in two ways. First, it extends the sunset date on the program. Previously the AS 43.55.025 tax credits were set to sunset in 2016. This section changes the sunset date for the program to 2021. Second, the bill establishes an additional tax credit category under AS 43.55.025 that awards 30% of qualified exploration expenditures to all other exploration wells that don't qualify for credit under the other "exploration" tax credit categories.

These changes may serve to increase the number of projects receiving "exploration" tax credits as they currently stand in AS 43.55.025 and may increase the administrative burden on DNR to review applications for credits and handle data submissions and ultimate public release of data required.

# FISCAL NOTE

**STATE OF ALASKA  
2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB 110(FIN)  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB110CS(FIN)-DOLWD-LMI-3-30-11 Dept. Affected Labor and Workforce Development  
 Title Production Tax on Oil and Gas Appropriation Administrative Services  
 Allocation Labor Market Information  
 Sponsor Rules Committee  
 Requester House Finance Committee OMB Component Number 336

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version (if initial version, please note as such)**

This fiscal note incorporates changes made in the House Finance committee substitute. The section impacting the department has been removed.

Prepared by Brynn Keith, Research Chief  
 Division Administrative Services  
 Approved by Click Bishop, Commissioner  
Department of Labor and Workforce Development

Phone (907)465-4518  
 Date/Time 3/30/11 8:30 AM  
 Date 3/30/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. HB 110

**Analysis**

There is no fiscal impact to the department anticipated as a result of this legislation.

**CS FOR HOUSE BILL NO. 110(FIN)**

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

**TWENTY-SEVENTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE 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 interest rate applicable to certain amounts due for fees, taxes,**  
2 **and payments made and property delivered to the Department of Revenue; relating to**  
3 **the oil and gas production tax rate; relating to monthly installment payments of the oil**  
4 **and gas production tax; relating to oil and gas production tax credits, including**  
5 **qualified capital credits for exploration, development, and production; relating to**  
6 **certain additional nontransferable oil and gas production tax credits; relating to the**  
7 **disclosure of certain tax information; making conforming amendments; and providing**  
8 **for an effective date."**

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

10 **\* Section 1.** AS 05.15.095(c) is amended to read:

11 (c) A delinquent fee bears interest at the rate set by AS 43.05.225(2)

12 [AS 43.05.225].

1 \* **Sec. 2.** AS 34.45.470(a) is amended to read:

2 (a) A person who fails to pay or deliver property within the time prescribed by  
3 this chapter may be required to pay to the department interest at the annual rate  
4 calculated under AS 43.05.225(2) [AS 43.05.225] on the property or the value of it  
5 from the date the property should have been paid or delivered.

6 \* **Sec. 3.** AS 43.05.225 is amended to read:

7 **Sec. 43.05.225. Interest.** Unless otherwise provided,

8 (1) when a tax levied in this title becomes delinquent, it bears interest  
9 in a calendar quarter at the rate of three [FIVE] percentage points above the annual  
10 rate charged member banks for advances by the 12th Federal Reserve District as of the  
11 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
12 lesser [GREATER], compounded quarterly as of the last day of that quarter;

13 (2) the interest rate is 12 percent a year for

14 (A) delinquent fees payable under AS 05.15.095(c); and

15 (B) [REPEALED AND

16 (C)] unclaimed property that is not timely paid or delivered, as

17 allowed by AS 34.45.470(a).

18 \* **Sec. 4.** AS 43.20.046(i) is amended to read:

19 (i) The issuance of a refund under this section does not limit the department's  
20 ability to later audit or adjust the claim if the department determines, as a result of the  
21 audit, that the person that claimed the credit was not entitled to the amount of the  
22 credit. The tax liability of the person receiving the credit under this chapter is  
23 increased by the amount of the credit that exceeds that to which the person was  
24 entitled. If the tax liability is increased under this subsection, the increase bears  
25 interest under AS 43.05.225(1) [AS 43.05.225] from the date the refund was issued.

26 \* **Sec. 5.** AS 43.50.570 is amended to read:

27 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the  
28 purchase of stamps within the time required

29 (1) is considered to have failed to pay the cigarette taxes due under this  
30 chapter; and

31 (2) shall pay interest at the rate established under AS 43.05.225(1)

1 [AS 43.05.225] from the date on which the amount became due until the date of  
2 payment.

3 \* **Sec. 6.** AS 43.55.011(e) is amended to read:

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

9 [(1)] the annual production tax value of the taxable oil and gas

10 **(1) produced from a lease or property not described in (2) of this**  
11 **subsection** as calculated under AS 43.55.160(a)(1) multiplied by 25 percent, **and the**  
12 **sum, over all months of the calendar year, of the tax amounts determined under**  
13 **(g)(1) of this section;** and

14 **(2) produced during the first seven consecutive years after the**  
15 **start of sustained production or produced during the first seven years after the**  
16 **effective date of this bill section, whichever is later, from a lease or property**  
17 **containing land that was not or previously had not been within a unit or in**  
18 **commercial production as of December 31, 2008, as calculated under**  
19 **AS 43.55.160(a)(1) multiplied by 15 percent, and** the sum, over all months of the  
20 calendar year, of the tax amounts determined under **(g)(2) [(g)]** of this section; **in this**  
21 **paragraph, "sustained production" has the meaning given in AS 43.55.025(l).**

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

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

26 (1) of (e)(1) of this section is determined by multiplying the monthly  
27 production tax value of the taxable oil and gas produced during the month by the  
28 following tax rates, as applicable:

29 (A) if the producer's average monthly production tax value of a  
30 BTU equivalent barrel of the taxable oil and gas for the month is not more than  
31 \$42.50, the tax rate is 2.5 percent of the difference between that average

1 monthly production tax value of a BTU equivalent barrel and \$30;

2 (B) if the producer's average monthly production tax value of a  
3 BTU equivalent barrel of the taxable oil and gas for the month is more than  
4 \$42.50 but not more than \$55, the tax rates are

5 (i) 2.5 percent on the first \$12.50 of monthly production  
6 tax value for each BTU equivalent barrel that is greater than \$30; and

7 (ii) 7.5 percent of the monthly production tax value for  
8 each BTU equivalent barrel that is greater than \$42.50;

9 (C) if the producer's average monthly production tax value of a  
10 BTU equivalent barrel of the taxable oil and gas for the month is more than  
11 \$55 but not more than \$67.50, the tax rates are

12 (i) 2.5 percent on the first \$12.50 of monthly production  
13 tax value for each BTU equivalent barrel that is greater than \$30;

14 (ii) 7.5 percent of the next higher \$12.50 of monthly  
15 production tax value for each BTU equivalent barrel; and

16 (iii) 12.5 percent of the monthly production tax value  
17 for each BTU equivalent barrel that is greater than \$55;

18 (D) if the producer's average monthly production tax value of a  
19 BTU equivalent barrel of the taxable oil and gas for the month is more than  
20 \$67.50 but not more than \$80, the tax rates are

21 (i) 2.5 percent on the first \$12.50 of monthly production  
22 tax value for each BTU equivalent barrel that is greater than \$30;

23 (ii) 7.5 percent of the next higher \$12.50 of monthly  
24 production tax value for each BTU equivalent barrel;

25 (iii) 12.5 percent of the next higher \$12.50 of monthly  
26 production tax value for each BTU equivalent barrel;

27 (iv) 17.5 percent of the monthly production tax value  
28 for each BTU equivalent barrel that is greater than \$67.50;

29 (E) if the producer's average monthly production tax value of a  
30 BTU equivalent barrel of the taxable oil and gas for the month is more than  
31 \$80 but not more than \$92.50, the tax rates are

1 (i) 2.5 percent on the first \$12.50 of monthly production  
2 tax value for each BTU equivalent barrel that is greater than \$30;

3 (ii) 7.5 percent of the next higher \$12.50 of monthly  
4 production tax value for each BTU equivalent barrel;

5 (iii) 12.5 percent of the next higher \$12.50 of monthly  
6 production tax value for each BTU equivalent barrel;

7 (iv) 17.5 percent of the next higher \$12.50 of monthly  
8 production tax value for each BTU equivalent barrel; and

9 (v) 22.5 percent of the monthly production tax value for  
10 each BTU equivalent barrel that is greater than \$80;

11 (F) if the producer's average monthly production tax value of a  
12 BTU equivalent barrel of the taxable oil and gas for the month is more than  
13 \$92.50, the tax rates are

14 (i) 2.5 percent on the first \$12.50 of monthly production  
15 tax value for each BTU equivalent barrel that is greater than \$30;

16 (ii) 7.5 percent of the next higher \$12.50 of monthly  
17 production tax value for each BTU equivalent barrel;

18 (iii) 12.5 percent of the next higher \$12.50 of monthly  
19 production tax value for each BTU equivalent barrel;

20 (iv) 17.5 percent of the next higher \$12.50 of monthly  
21 production tax value for each BTU equivalent barrel;

22 (v) 22.5 percent of the next higher \$12.50 of monthly  
23 production tax value for each BTU equivalent barrel; and

24 (vi) 25 percent of the monthly production tax value for  
25 each BTU equivalent barrel that is greater than \$92.50;

26 (2) of (e)(2) of this section is determined by multiplying the monthly  
27 production tax value of the taxable oil and gas produced during the month by the  
28 following tax rates, as applicable:

29 (A) if the producer's average monthly production tax value of a  
30 BTU equivalent barrel of the taxable oil and gas for the month is not more than  
31 \$42.50, the tax rate is 2.5 percent of the difference between that average

1 monthly production tax value of a BTU equivalent barrel and \$30;

2 (B) if the producer's average monthly production tax value of a  
3 BTU equivalent barrel of the taxable oil and gas for the month is more than  
4 \$42.50 but not more than \$55, the tax rates are

5 (i) 2.5 percent on the first \$12.50 of monthly production  
6 tax value for each BTU equivalent barrel that is greater than \$30; and

7 (ii) 7.5 percent of the monthly production tax value for  
8 each BTU equivalent barrel that is greater than \$42.50;

9 (C) if the producer's average monthly production tax value of a  
10 BTU equivalent barrel of the taxable oil and gas for the month is more than  
11 \$55 but not more than \$67.50, the tax rates are

12 (i) 2.5 percent on the first \$12.50 of monthly production  
13 tax value for each BTU equivalent barrel that is greater than \$30;

14 (ii) 7.5 percent of the next higher \$12.50 of monthly  
15 production tax value for each BTU equivalent barrel; and

16 (iii) 12.5 percent of the monthly production tax value  
17 for each BTU equivalent barrel that is greater than \$55;

18 (D) if the producer's average monthly production tax value of a  
19 BTU equivalent barrel of the taxable oil and gas for the month is more than  
20 \$67.50 but not more than \$80, the tax rates are

21 (i) 2.5 percent on the first \$12.50 of monthly production  
22 tax value for each BTU equivalent barrel that is greater than \$30;

23 (ii) 7.5 percent of the next higher \$12.50 of monthly  
24 production tax value for each BTU equivalent barrel;

25 (iii) 12.5 percent of the next higher \$12.50 of monthly  
26 production tax value for each BTU equivalent barrel;

27 (iv) 17.5 percent of the monthly production tax value  
28 for each BTU equivalent barrel that is greater than \$67.50;

29 (E) if the producer's average monthly production tax value of a  
30 BTU equivalent barrel of the taxable oil and gas for the month is more than  
31 \$80 but not more than \$92.50, the tax rates are

1 (i) 2.5 percent on the first \$12.50 of monthly production  
2 tax value for each BTU equivalent barrel that is greater than \$30;

3 (ii) 7.5 percent of the next higher \$12.50 of monthly  
4 production tax value for each BTU equivalent barrel;

5 (iii) 12.5 percent of the next higher \$12.50 of monthly  
6 production tax value for each BTU equivalent barrel;

7 (iv) 17.5 percent of the next higher \$12.50 of monthly  
8 production tax value for each BTU equivalent barrel; and

9 (v) 22.5 percent of the monthly production tax value for  
10 each BTU equivalent barrel that is greater than \$80;

11 (F) if the producer's average monthly production tax value of a  
12 BTU equivalent barrel of the taxable oil and gas for the month is more than  
13 \$92.50, the tax rates are

14 (i) 2.5 percent on the first \$12.50 of monthly production  
15 tax value for each BTU equivalent barrel that is greater than \$30;

16 (ii) 7.5 percent of the next higher \$12.50 of monthly  
17 production tax value for each BTU equivalent barrel;

18 (iii) 12.5 percent of the next higher \$12.50 of monthly  
19 production tax value for each BTU equivalent barrel;

20 (iv) 17.5 percent of the next higher \$12.50 of monthly  
21 production tax value for each BTU equivalent barrel;

22 (v) 22.5 percent of the next higher \$12.50 of monthly  
23 production tax value for each BTU equivalent barrel; and

24 (vi) 25 percent of the monthly production tax value for  
25 each BTU equivalent barrel that is greater than \$92.50.

26 \* **Sec. 8.** AS 43.55.020(a) is amended to read:

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

29 (1) an installment payment of the estimated tax levied by  
30 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
31 month of the calendar year on the last day of the following month; except as otherwise

1 provided under (2) of this subsection, the amount of the installment payment is the  
 2 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be  
 3 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount  
 4 of the installment payment may not be less than zero:

5 (A) for oil and gas produced from leases or properties in the  
 6 state outside the Cook Inlet sedimentary basin but not subject to  
 7 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the  
 8 greater of

9 (i) zero; or

10 (ii) the **applicable tax rates in AS 43.55.011(e), as**  
 11 **applicable, and 43.55.011(g), as applicable, applied to** [SUM OF 25  
 12 PERCENT AND THE TAX RATE CALCULATED FOR THE  
 13 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
 14 obtained by subtracting 1/12 of the producer's adjusted lease  
 15 expenditures for the calendar year of production under AS 43.55.165  
 16 and 43.55.170 that are deductible for the leases or properties under  
 17 AS 43.55.160 from the gross value at the point of production of the oil  
 18 and gas produced from the leases or properties during the month for  
 19 which the installment payment is calculated;

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

22 (i) zero;

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

27 (iii) the **applicable tax rates in AS 43.55.011(e), as**  
 28 **applicable, and 43.55.011(g), as applicable, applied to** [SUM OF 25  
 29 PERCENT AND THE TAX RATE CALCULATED FOR THE  
 30 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
 31 obtained by subtracting 1/12 of the producer's adjusted lease

1 expenditures for the calendar year of production under AS 43.55.165  
 2 and 43.55.170 that are deductible for those leases or properties under  
 3 AS 43.55.160 from the gross value at the point of production of the oil  
 4 and gas produced from those leases or properties during the month for  
 5 which the installment payment is calculated;

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

8 (i) zero; or

9 (ii) the applicable tax rates in AS 43.55.011(e), as  
 10 applicable, and 43.55.011(g), as applicable, applied to [SUM OF 25  
 11 PERCENT AND THE TAX RATE CALCULATED FOR THE  
 12 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
 13 obtained by subtracting 1/12 of the producer's adjusted lease  
 14 expenditures for the calendar year of production under AS 43.55.165  
 15 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,  
 16 respectively, produced from the lease or property from the gross value  
 17 at the point of production of the oil or gas, respectively, produced from  
 18 the lease or property during the month for which the installment  
 19 payment is calculated;

20 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
 21 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not  
 22 exceed the product obtained by carrying out the calculation set out in  
 23 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in  
 24 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in  
 25 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
 26 gas produced during the month for the amount of taxable gas produced during the  
 27 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the  
 28 amount of taxable oil produced during the month for the amount of taxable oil  
 29 produced during the calendar year;

30 (3) an installment payment of the estimated tax levied by  
 31 AS 43.55.011(i) for each lease or property is due for each month of the calendar year

1 on the last day of the following month; the amount of the installment payment is the  
2 sum of

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

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

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

15 \* **Sec. 9.** AS 43.55.020(g) is amended to read:

16 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
17 amount of an installment payment required under (a)(1) - (3) of this section that is not  
18 paid when due bears interest (1) at the rate provided for an underpayment under 26  
19 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date  
20 the installment payment is due until March 31 following the calendar year of  
21 production, and (2) as provided for a delinquent tax under AS 43.05.225(1)  
22 [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that  
23 remains unpaid after that March 31 is treated as an addition to tax that bears interest  
24 under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section  
25 that is not paid when due bears interest as provided for a delinquent tax under  
26 AS 43.05.225(1) [AS 43.05.225].

27 \* **Sec. 10.** AS 43.55.023(a) is amended to read:

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

30 (1) notwithstanding that a qualified capital expenditure may be a  
31 deductible lease expenditure for purposes of calculating the production tax value of oil

1 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
 2 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
 3 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
 4 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
 5 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY  
 6 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

7 (2) a producer or explorer may take a credit for a qualified capital  
 8 expenditure incurred in connection with geological or geophysical exploration or in  
 9 connection with an exploration well only if the producer or explorer

10 (A) agrees, in writing, to the applicable provisions of  
 11 AS 43.55.025(f)(2);

12 (B) submits to the Department of Natural Resources all data  
 13 that would be required to be submitted under AS 43.55.025(f)(2).

14 \* **Sec. 11.** AS 43.55.023(d) is amended to read:

15 (d) Except as limited by (i) of this section, a person that is entitled to take a tax  
 16 credit under this section that wishes to transfer the unused credit to another person or  
 17 obtain a cash payment under AS 43.55.028 may apply to the department for a  
 18 transferable tax credit certificate [CERTIFICATES]. An application under this  
 19 subsection must be in a form prescribed by the department and must include  
 20 supporting information and documentation that the department reasonably requires.  
 21 The department shall grant or deny an application, or grant an application as to a lesser  
 22 amount than that claimed and deny it as to the excess, not later than 120 days after the  
 23 latest of (1) March 31 of the year following the calendar year in which the qualified  
 24 capital expenditure, well lease expenditure, or carried-forward annual loss for which  
 25 the credit is claimed was incurred; (2) the date the statement required under  
 26 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
 27 expenditure, well lease expenditure, or carried-forward annual loss for which the  
 28 credit is claimed was incurred; or (3) the date the application was received by the  
 29 department. If, based on the information then available to it, the department is  
 30 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
 31 the applicant a [TWO] transferable tax credit certificate for [CERTIFICATES,

1 EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE  
2 OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE  
3 CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT  
4 BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN  
5 THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH  
6 THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A  
7 CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this  
8 subsection does not expire.

9 \* **Sec. 12.** AS 43.55.023(g) is amended to read:

10 (g) The issuance of a transferable tax credit certificate under (d) of this  
11 section or former (m) of this section or the purchase of a certificate under  
12 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
13 which the certificate relates or to adjust the claim if the department determines, as a  
14 result of the audit, that the applicant was not entitled to the amount of the credit for  
15 which the certificate was issued. The tax liability of the applicant under  
16 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
17 that exceeds that to which the applicant was entitled, or the applicant's available valid  
18 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
19 by that amount. If the applicant's tax liability is increased under this subsection, the  
20 increase bears interest under AS 43.05.225 from the date the transferable tax credit  
21 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
22 is considered a producer subject to the tax levied by AS 43.55.011(e).

23 \* **Sec. 13.** AS 43.55.023(g) is amended to read:

24 (g) The issuance of a transferable tax credit certificate under (d) of this section  
25 or former (m) of this section or the purchase of a certificate under AS 43.55.028 does  
26 not limit the department's ability to later audit a tax credit claim to which the  
27 certificate relates or to adjust the claim if the department determines, as a result of the  
28 audit, that the applicant was not entitled to the amount of the credit for which the  
29 certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and  
30 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to  
31 which the applicant was entitled, or the applicant's available valid outstanding credits

1 applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the  
 2 applicant's tax liability is increased under this subsection, the increase bears interest  
 3 under AS 43.05.225(1) [AS 43.05.225] from the date the transferable tax credit  
 4 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
 5 is considered a producer subject to the tax levied by AS 43.55.011(e).

6 \* **Sec. 14.** AS 43.55.023(*l*) is amended to read:

7 (l) A producer or explorer may apply for a tax credit for a well lease  
 8 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
 9 LATITUDE] after December 31, 2010, and before January 1, 2021 [JUNE 30,  
 10 2010], as follows:

11 (1) notwithstanding that a well lease expenditure [INCURRED IN  
 12 THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible  
 13 lease expenditure for purposes of calculating the production tax value of oil and gas  
 14 under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this  
 15 section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer  
 16 or explorer that incurs a well lease expenditure [IN THE STATE SOUTH OF 68  
 17 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied  
 18 by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT  
 19 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR  
 20 YEAR;]

21 (2) a producer or explorer may take a credit for a well lease  
 22 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
 23 LATITUDE] in connection with geological or geophysical exploration or in  
 24 connection with an exploration well only if the producer or explorer

25 (A) agrees, in writing, to the applicable provisions of  
 26 AS 43.55.025(f)(2); and

27 (B) submits to the Department of Natural Resources all data  
 28 that would be required to be submitted under AS 43.55.025(f)(2).

29 \* **Sec. 15.** AS 43.55.023(*l*) is amended to read:

30 (l) A producer or explorer may apply for a tax credit for a well lease  
 31 expenditure incurred in the state south of 68 degrees North latitude after

1        **December 31, 2020** [DECEMBER 31, 2010, AND BEFORE JANUARY 1, 2021], as  
 2 follows:

3            (1) notwithstanding that a well lease expenditure **incurred in the state**  
 4 **south of 68 degrees North latitude** may be a deductible lease expenditure for  
 5 purposes of calculating the production tax value of oil and gas under AS 43.55.160(a),  
 6 unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),  
 7 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a  
 8 well lease expenditure **in the state south of 68 degrees North latitude** may elect to  
 9 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent  
 10 of that expenditure;

11            (2) a producer or explorer may take a credit for a well lease  
 12 expenditure incurred **in the state south of 68 degrees north latitude** in connection  
 13 with geological or geophysical exploration or in connection with an exploration well  
 14 only if the producer or explorer

15                    (A) agrees, in writing, to the applicable provisions of  
 16 AS 43.55.025(f)(2); and

17                    (B) submits to the Department of Natural Resources all data  
 18 that would be required to be submitted under AS 43.55.025(f)(2).

19 \* **Sec. 16.** AS 43.55.023(n) is amended to read:

20            (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure  
 21 [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a  
 22 lease expenditure that is

23            (1) directly related to an exploration well, a stratigraphic test well, a  
 24 producing well, or an injection well other than a disposal well, [LOCATED IN THE  
 25 STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a  
 26 qualified capital expenditure and an intangible drilling and development cost  
 27 authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R.  
 28 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an  
 29 expenditure directly related to a well includes an expenditure for well sidetracking,  
 30 well deepening, well completion or recompletion, or well workover, regardless of  
 31 whether the well is or has been a producing well; or

1 (2) an expense for seismic work conducted within the boundaries of a  
2 production or exploration unit.

3 \* **Sec. 17.** AS 43.55.023(n) is amended to read:

4 (n) For the purposes of (l) of this section, a well lease expenditure **incurred in**  
5 **the state south of 68 degrees North latitude** is a lease expenditure that is

6 (1) directly related to an exploration well, a stratigraphic test well, a  
7 producing well, or an injection well other than a disposal well, **located in the state**  
8 **south of 68 degrees North latitude**, if the expenditure is a qualified capital  
9 expenditure and an intangible drilling and development cost authorized under 26  
10 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the  
11 elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly  
12 related to a well includes an expenditure for well sidetracking, well deepening, well  
13 completion or recompletion, or well workover, regardless of whether the well is or has  
14 been a producing well; or

15 (2) an expense for seismic work conducted within the boundaries of a  
16 production or exploration unit.

17 \* **Sec. 18.** AS 43.55.024(b) is amended to read:

18 (b) A producer may not take a tax credit under (a) of this section for any  
19 calendar year after the later of

20 (1) **2021** [2016]; or

21 (2) the ninth calendar year after the calendar year during which the  
22 producer first has commercial oil or gas production before May 1, **2021** [2016], from  
23 at least one lease or property in the state outside the Cook Inlet sedimentary basin, no  
24 part of which is north of 68 degrees North latitude, if the producer did not have  
25 commercial oil or gas production from a lease or property in the state outside the Cook  
26 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before  
27 April 1, 2006.

28 \* **Sec. 19.** AS 43.55.024(d) is amended to read:

29 (d) A producer may not take a tax credit under (c) of this section for any  
30 calendar year after the later of

31 (1) **2021** [2016]; or

1 (2) if the producer did not have commercial oil or gas production from  
2 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
3 calendar year during which the producer first has commercial oil or gas production  
4 before May 1, 2021 [2016], from at least one lease or property in the state.

5 \* **Sec. 20.** AS 43.55.025(b) is amended to read:

6 (b) To qualify for the production tax credit under (a) of this section, an  
7 exploration expenditure must be incurred for work performed after June 30, 2008, and  
8 before July 1, 2021 [2016], and

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

11 (2) if for an exploration well,

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

14 (B) may be for either a well that encounters an oil or gas  
15 deposit or a dry hole;

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

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

24 (3) may not be for administration, supervision, engineering, or lease  
25 operating costs; geological or management costs; community relations or  
26 environmental costs; bonuses, taxes, or other payments to governments related to the  
27 well; costs, including repairs and replacements, arising from or associated with fraud,  
28 wilful misconduct, gross negligence, criminal negligence, or violation of law,  
29 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or  
30 other costs that are generally recognized as indirect costs or financing costs; and

31 (4) may not be incurred for an exploration well or seismic exploration

1 that is included in a plan of exploration or a plan of development for any unit before  
2 May 14, 2003.

3 \* **Sec. 21.** AS 43.55.025(k) is amended to read:

4 (k) Subject to the terms and conditions of this section, if a claim is filed under  
5 (f)(1) of this section before January 1, 2021 [2016], a credit against the production tax  
6 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
7 expenditure under this subsection incurred for seismic exploration performed before  
8 July 1, 2003. To be eligible under this subsection, an expenditure must

9 (1) have been for seismic exploration that

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

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

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

18 \* **Sec. 22.** AS 43.55.028(e) is amended to read:

19 (e) The department, on the written application of a person to whom a  
20 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**  
21 **AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued  
22 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
23 purchase, in whole or in part, the certificate if the department finds that

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

27 (2) [REPEALED

28 (3) REPEALED

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

31 (3) [(5)] the applicant's total tax liability under AS 43.55.011(e), after

1 application of all available tax credits, for the calendar year in which the application is  
2 made is zero;

3 (4) [(6)] the applicant's average daily production of oil and gas taxable  
4 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
5 the application is made was not more than 50,000 BTU equivalent barrels; and

6 (5) [(7)] the purchase is consistent with this section and regulations  
7 adopted under this section.

8 \* **Sec. 23.** AS 43.55.028(g) is amended to read:

9 (g) The department may adopt regulations to carry out the purposes of this  
10 section, including standards and procedures to allocate available money among  
11 applications for purchases under this chapter and claims for refunds under  
12 AS 43.20.046 when the total amount of the applications for purchase and claims for  
13 refund exceed the amount of available money in the fund. The regulations adopted by  
14 the department may not, when allocating available money in the fund under this  
15 section, distinguish an application for the purchase of a credit certificate issued under  
16 former AS 43.55.023(m) or a claim for refund under AS 43.20.046.

17 \* **Sec. 24.** AS 43.55.890 is amended to read:

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

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

25 (2) the amount of taxes levied under this chapter or paid under this  
26 chapter;

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

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

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

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

31 (7) exploration expenditures under AS 43.55.025;

- 1 (8) production tax values of oil or gas under AS 43.55.160;  
 2 (9) lease expenditures under AS 43.55.165;  
 3 (10) adjustments to lease expenditures under AS 43.55.170;  
 4 (11) tax credits applicable or potentially applicable against taxes levied

5 by this chapter; the information relating to tax credits under this paragraph, to  
 6 the extent the information is available to the department, must include the  
 7 statutory authority for each type of credit taken, the amount of credits taken  
 8 under each statute authorizing a tax credit, and whether the credit is for an  
 9 expenditure related to oil or gas exploration, development, or production,  
 10 including the drilling of wells; performing work on existing wells; conducting  
 11 geological or geophysical exploration; acquiring, constructing, or installing new  
 12 facilities or equipment; and maintaining, repairing, or replacing existing facilities  
 13 or equipment.

14 \* **Sec. 25.** AS 43.56.160 is amended to read:

15 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
 16 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent  
 17 taxes, exclusive of penalty, shall be assessed at the rate specified in AS 43.05.225(1)  
 18 [A RATE OF EIGHT PERCENT A YEAR].

19 \* **Sec. 26.** AS 43.77.020(d) is amended to read:

20 (d) A person subject to the tax under this chapter shall make quarterly  
 21 payments of the tax estimated to be due for the year, as required under regulations  
 22 adopted by the department. A taxpayer will be subject to an estimated tax penalty,  
 23 determined by applying the interest rate specified in AS 43.05.225(1) [AS 43.05.225]  
 24 to the underpayment for each quarter, unless the taxpayer makes estimated tax  
 25 payments in equal installments that total either

26 (1) at least 90 percent of the taxpayer's tax liability under this chapter  
 27 for the tax year; or

28 (2) at least 100 percent of the taxpayer's tax liability under this chapter  
 29 for the prior tax year.

30 \* **Sec. 27.** AS 43.90.430 is amended to read:

31 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter

1 becomes delinquent, the payment bears interest at the rate applicable to a delinquent  
2 tax under AS 43.05.225(1) [AS 43.05.225].

3 \* **Sec. 28.** AS 43.55.023(m) is repealed.

4 \* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 APPLICABILITY. (a) Sections 10 - 12, 14, 16, and 28 of this Act apply to  
7 expenditures incurred after December 31, 2010.

8 (b) Sections 6 - 8 of this Act apply to oil and gas produced after December 31, 2012.

9 (c) Sections 15 and 17 of this Act apply to expenditures incurred after December 31,  
10 2020.

11 \* **Sec. 30.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations  
14 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure  
15 Act), but not before the effective date of the provision of this Act implemented by the  
16 regulation.

17 \* **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 RETROACTIVITY. Sections 10 - 12, 14, 16, 22, 23, and 28 of this Act are retroactive  
20 to January 1, 2011.

21 \* **Sec. 32.** Section 24 of this Act takes effect January 1, 2012.

22 \* **Sec. 33.** Sections 6 - 8 and 29(b) of this Act take effect January 1, 2013.

23 \* **Sec. 34.** Sections 15, 17, and 29(c) of this Act take effect January 1, 2021.

24 \* **Sec. 35.** Sections 10 - 12, 14, 16, 22, 23, 28, 29(a), and 31 of this Act take effect  
25 immediately under AS 01.10.070(c).

26 \* **Sec. 36.** Except as provided in secs. 32 - 35 of this Act, this Act takes effect July 1, 2011.

# 2011 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/29/11

~~Amendment:~~ R/O HB 110

MEMBER	Favor	Oppose
REP. EDGMON		
REP. FAIRCLOUGH		
REP. GARA		
REP. GUTTENBERG		
REP. JOULE		
REP. <del>NEUMAN</del> HANKER		
REP. WILSON		
REP. COSTELLO		
REP. DOOGAN		
REP. THOMAS		
REP. STOLTZE		

YEA 8

NAY 3

*Withdrawn  
3/29/11*

27-GH1007\1.2  
Bullock  
3/28/11

*#1*

**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSHB 110(FIN), Draft Version "I"

- 1 Page 3, line 17:
- 2 Delete "**2008**"
- 3 Insert "**2012**"

Adopted  
3/29/11

27-GH1007I.6  
Bullock  
3/28/11

# 2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSHB 110(FIN), Draft Version "I"

- 1 Page 7, line 23:
- 2 Delete "15"
- 3 Insert "25"

Failed  
3/29/11  
8/3

# 3

27-GH1007\I.11  
Gardner/Bullock  
3/29/11

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 110(FIN), Draft Version "I"

BY REPRESENTATIVE GARA

Rep. Doogan  
Rep. Guttenberg

1 Page 1, lines 1 - 8:

2 Delete all material and insert:

3 **""An Act relating to a tax credit applicable to the oil and gas production tax**  
4 **based on capital expenditures; relating to the alternative tax credit for oil and gas**  
5 **exploration; and providing for an effective date.""**

6

7 Page 1, line 10, through page 20, line 25:

8 Delete all material and insert:

9 **\*\* Section 1.** AS 43.55.023(a) is amended to read:

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

12 (1) except as limited by (p) of this section, notwithstanding that a  
13 qualified capital expenditure may be a deductible lease expenditure for purposes of  
14 calculating the production tax value of oil and gas under AS 43.55.160(a), unless a  
15 credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010,  
16 AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital  
17 expenditure may also elect to apply a tax credit against a tax levied by  
18 AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more  
19 than half of the tax credit may be applied for a single calendar year;

20 (2) a producer or explorer may take a credit for a qualified capital  
21 expenditure incurred in connection with geological or geophysical exploration or in  
22 connection with an exploration well only if the producer or explorer

23 (A) agrees, in writing, to the applicable provisions of

1 AS 43.55.025(f)(2);

2 (B) submits to the Department of Natural Resources all data  
3 that would be required to be submitted under AS 43.55.025(f)(2).

4 \* **Sec. 2.** AS 43.55.023(d) is amended to read:

5 (d) Except as limited by (i) **and (p)** of this section, a person that is entitled to  
6 take a tax credit under this section that wishes to transfer the unused credit to another  
7 person or obtain a cash payment under AS 43.55.028 may apply to the department for  
8 transferable tax credit certificates. An application under this subsection must be in a  
9 form prescribed by the department and must include supporting information and  
10 documentation that the department reasonably requires. The department shall grant or  
11 deny an application, or grant an application as to a lesser amount than that claimed and  
12 deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the  
13 year following the calendar year in which the qualified capital expenditure or carried-  
14 forward annual loss for which the credit is claimed was incurred; (2) the date the  
15 statement required under AS 43.55.030(a) or (e) was filed for the calendar year in  
16 which the qualified capital expenditure or carried-forward annual loss for which the  
17 credit is claimed was incurred; or (3) the date the application was received by the  
18 department. If, based on the information then available to it, the department is  
19 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
20 the applicant two transferable tax credit certificates, each for half of the amount of the  
21 credit. The credit shown on one of the two certificates is available for immediate use.  
22 The credit shown on the second of the two certificates may not be applied against a tax  
23 for a calendar year earlier than the calendar year following the calendar year in which  
24 the certificate is issued, and the certificate must contain a conspicuous statement to  
25 that effect. A certificate issued under this subsection does not expire.

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

27 (p) The amount of credit for a capital expenditure under (a) of this section for  
28 an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the  
29 amount necessary so that the tax benefit percentage is not more than 85 percent of the *conc.*  
30 capital expenditure. The amount of credit for a capital expenditure under (a) of this  
31 section that may not be taken because of the limitation in this subsection may not be

1 applied in a later calendar year under (c) of this section and may not be included in an  
2 application for a tax credit certificate under (d) of this section. In this subsection, "tax  
3 benefit percentage" means the sum of the average monthly tax rate under  
4 AS 43.55.011(e) for the calendar year in which the credit is taken and the percentage  
5 of the capital expenditure that may be taken as a credit under (a) of this section.

6 \* **Sec. 4.** 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 AS 43.55.011(e) is allowed for exploration expenditures that  
9 qualify under (b) of this section in an amount equal to 50 [ONE OF THE  
10 FOLLOWING:

11 (1) 30] percent of the total exploration expenditures [THAT  
12 QUALIFY ONLY UNDER (b) AND (c) OF THIS SECTION;

13 (2) 30 PERCENT OF THE TOTAL EXPLORATION  
14 EXPENDITURES THAT QUALIFY ONLY UNDER (b) AND (d) OF THIS  
15 SECTION;

16 (3) 40 PERCENT OF THE TOTAL EXPLORATION  
17 EXPENDITURES THAT QUALIFY UNDER (b), (c), AND (d) OF THIS SECTION;

18 (4) 40 PERCENT OF THE TOTAL EXPLORATION  
19 EXPENDITURES THAT QUALIFY ONLY UNDER (b) AND (e) OF THIS  
20 SECTION; OR

21 (5) 80, 90, OR 100 PERCENT, OR A LESSER AMOUNT  
22 DESCRIBED IN (f) OF THIS SECTION, OF THE TOTAL EXPLORATION  
23 EXPENDITURES DESCRIBED IN (b)(1) AND (2) OF THIS SECTION AND NOT  
24 EXCLUDED BY (b)(3) AND (4) OF THIS SECTION THAT QUALIFY ONLY  
25 UNDER (f) OF THIS SECTION].

*Concept  
Amend 1  
delete*

26 \* **Sec. 5.** AS 43.55.025(b) is amended to read:

27 (b) To qualify for the production tax credit under (a) of this section, an  
28 exploration expenditure must be incurred for work performed after June 30, 2008, and  
29 before July 1, 2021 [2016], and

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

1 (2) if for an exploration well,

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

4 (B) may be for either a well that encounters an oil or gas  
5 deposit or a dry hole;

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

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

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

21 (4) may not be incurred for an exploration well or seismic exploration  
22 that is included in a plan of exploration or a plan of development for any unit before  
23 May 14, 2003.

24 \* **Sec. 6.** AS 43.55.025(k) is amended to read:

25 (k) Subject to the terms and conditions of this section, if a claim is filed under  
26 (f)(1) of this section before January 1, 2021 [2016], a credit against the production tax  
27 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
28 expenditure under this subsection incurred for seismic exploration performed before  
29 July 1, 2003. To be eligible under this subsection, an expenditure must

30 (1) have been for seismic exploration that

31 (A) obtained data that the commissioner of natural resources

1 considers to be in the best interest of the state to acquire for public distribution;  
2 and

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

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

8 \* **Sec. 7.** AS 43.55.025(c), 43.55.025(d), 43.55.025(e), 43.55.025(l), and 43.55.025(m) are  
9 repealed.

10 \* **Sec. 8.** This Act takes effect January 1, 2012."

Conc.  
Amd 2

HB110, offered in House Finance

Conceptual amendment 1 to amendment 3

**page 3, lines 21-25**

eliminate deletion to text

**page 5, line 8**

eliminate repealer to 43.55.025(l)

# 2011 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/29/11

Amendment: 3

MEMBER	Favor	Oppose
REP. GUTTENBERG	1	
REP. JOULE		1
REP. <del>NEUMAN</del> Hawker		1
REP. WILSON		1
REP. COSTELLO		1
REP. DOOGAN	1	
REP. EDGMON		1
REP. FAIRCLOUGH		1
REP. GARA	1	
		+
REP. STOLTZE		1
REP. THOMAS		1

YEA 3

NAY 8

Failed 3/29/11  
(8/3)

# 4

27-GH10071.13  
Kurtz/Bullock  
3/29/11

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GARA

TO: CSHB 110(FIN), Draft Version "I"

Rep. Doogan  
Rep. Guttenberg

1 Page 1, lines 1 - 8:

2 Delete all material and insert:

3 **""An Act providing for a tax credit applicable to the oil and gas production tax**  
4 **based on capital expenditures for a production facility for new oil and gas production;**  
5 **and providing for an effective date.""**

6

7 Page 1, line 10, through page 20, line 25:

8 Delete all material and insert:

9 **\*\* Section 1.** AS 43.20.043(g) is amended to read:

10 (g) A taxpayer that obtains a credit for a qualified capital investment or cost  
11 incurred for qualified services under this section may not also claim a tax credit or  
12 royalty modification for the same qualified capital investment or cost incurred for  
13 qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR]  
14 43.55.025, or 43.55.026. However, a taxpayer may elect not to obtain a credit under  
15 this section in order to qualify for a credit provided under AS 38.05.180(i),  
16 AS 41.09.010, AS 43.55.023, [OR] 43.55.025, or 43.55.026.

17 **\* Sec. 2.** AS 43.55.023(a) is amended to read:

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

20 (1) except as limited by (p) of this section, notwithstanding that a  
21 qualified capital expenditure may be a deductible lease expenditure for purposes of  
22 calculating the production tax value of oil and gas under AS 43.55.160(a), unless a  
23 credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010,

1 AS 43.20.043, [OR] AS 43.55.025, or 43.55.026, a producer or explorer that incurs a  
 2 qualified capital expenditure may also elect to apply a tax credit against a tax levied by  
 3 AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more  
 4 than half of the tax credit may be applied for a single calendar year;

5 (2) a producer or explorer may take a credit for a qualified capital  
 6 expenditure incurred in connection with geological or geophysical exploration or in  
 7 connection with an exploration well only if the producer or explorer

8 (A) agrees, in writing, to the applicable provisions of  
 9 AS 43.55.025(f)(2);

10 (B) submits to the Department of Natural Resources all data  
 11 that would be required to be submitted under AS 43.55.025(f)(2).

12 \* **Sec. 3.** AS 43.55.023(d) is amended to read:

13 (d) Except as limited by (i) and (p) of this section, a person that is entitled to  
 14 take a tax credit under this section that wishes to transfer the unused credit to another  
 15 person or obtain a cash payment under AS 43.55.028 may apply to the department for  
 16 transferable tax credit certificates. An application under this subsection must be in a  
 17 form prescribed by the department and must include supporting information and  
 18 documentation that the department reasonably requires. The department shall grant or  
 19 deny an application, or grant an application as to a lesser amount than that claimed and  
 20 deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the  
 21 year following the calendar year in which the qualified capital expenditure or carried-  
 22 forward annual loss for which the credit is claimed was incurred; (2) the date the  
 23 statement required under AS 43.55.030(a) or (e) was filed for the calendar year in  
 24 which the qualified capital expenditure or carried-forward annual loss for which the  
 25 credit is claimed was incurred; or (3) the date the application was received by the  
 26 department. If, based on the information then available to it, the department is  
 27 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
 28 the applicant two transferable tax credit certificates, each for half of the amount of the  
 29 credit. The credit shown on one of the two certificates is available for immediate use.  
 30 The credit shown on the second of the two certificates may not be applied against a tax  
 31 for a calendar year earlier than the calendar year following the calendar year in which

1 the certificate is issued, and the certificate must contain a conspicuous statement to  
2 that effect. A certificate issued under this subsection does not expire.

3 \* **Sec. 4.** AS 43.55.023 is amended by adding a new subsection to read:

4 (p) The amount of credit for a capital expenditure under (a) of this section for  
5 an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the  
6 amount necessary so that the tax benefit percentage is not more than 85 percent of the  
7 capital expenditure. The amount of credit for a capital expenditure under (a) of this  
8 section that may not be taken because of the limitation in this subsection may not be  
9 applied in a later calendar year under (c) of this section and may not be included in an  
10 application for a tax credit certificate under (d) of this section. In this subsection, "tax  
11 benefit percentage" means the sum of the average monthly tax rate under  
12 AS 43.55.011(e) for the calendar year in which the credit is taken and the percentage  
13 of the capital expenditure that may be taken as a credit under (a) of this section.

14 \* **Sec. 5.** AS 43.55 is amended by adding a new section to read:

15 **Sec. 43.55.026. Production facility cost credit.** (a) This section applies to a  
16 credit for a qualified production facility expenditure incurred before the date of  
17 production of oil or gas in paying quantities for a lease or property that is taxable  
18 under AS 43.55.011(e) and that contains land that, as of December 31, 2010, is not or  
19 previously had not been within a unit or produced oil or gas in paying quantities.

20 (b) The amount of the credit under this section is equal to 50 percent of the  
21 qualified production facility expenditures that are incurred after the completion of the  
22 first well drilled that discovers a pool capable of commercial production from the lease  
23 or property and before the commencement of production in paying quantities. The  
24 department, in consultation with the

25 (1) Alaska Oil and Gas Conservation Commission, shall determine the  
26 date on which the first well drilled discovered a pool capable of production from a  
27 lease or property for which the credit is taken; and

28 (2) Department of Natural Resources, shall determine the date of the  
29 commencement of production in paying quantities from the lease or property for  
30 which the credit is taken.

31 (c) The credit under this section may be applied against the tax due under

1 AS 43.55.011(e) during the two-year period immediately following the date of the  
2 commencement of production in paying quantities.

3 (d) A qualified production facility expenditure that is taken as a credit under  
4 this section may not be used as an expenditure for which a credit may be taken under  
5 AS 43.20.043 or AS 43.55.023. A credit under AS 43.55.023 for a qualified  
6 production facility expenditure may not be taken against the tax due under  
7 AS 43.55.011(e) during the same month in which a credit is taken or purchased by the  
8 department under this section.

9 (e) A credit or portion of a credit under this section may not be used to reduce  
10 a taxpayer's tax liability under AS 43.55.011(e) below zero for any calendar month. A  
11 person eligible for the credit under this section that does not take the credit within the  
12 two-year period immediately following the date of the commencement of production  
13 in paying quantities may apply to the department for a cash payment under  
14 AS 43.55.028. An application under this subsection must be in a form prescribed by  
15 the department and must include supporting information and documentation that the  
16 department reasonably requires. The department shall grant or deny an application, or  
17 grant an application as to a lesser amount than that claimed and deny it as to the  
18 excess, not later than 120 days after the date the department receives the application.  
19 If, based on the information then available to it, the department is reasonably satisfied  
20 that the applicant is entitled to a payment, the department shall issue the cash payment  
21 or a lesser amount after applying all or a portion of the credit to any outstanding  
22 unpaid balance of a tax owed by the applicant under this title.

23 (f) The department shall adopt regulations describing the procedures for  
24 determining the amount of the credit, record keeping, verification of the accuracy of  
25 the credit claimed, and other regulations necessary to administer this section.

26 (g) In this section,

27 (1) "production facility" means a flow station, a gathering center, a  
28 pump station, a storage tank, and related appurtenances, and other facilities that  
29 gather, clean, dehydrate, condition, or store crude oil, natural gas, or associated  
30 hydrocarbons and that are located on a lease or property leased from the state;

31 (2) "production in paying quantities" means production of oil and gas

1 in quantities sufficient to recover the cost of operating and marketing, although the  
2 quantity may be insufficient to recover the cost of drilling;

3 (3) "qualified production facility expenditure" means an expenditure  
4 for a production facility that may be recognized as a qualified capital expenditure as  
5 defined in AS 43.55.023.

6 \* **Sec. 6.** AS 43.55.028(a) is amended to read:

7 (a) The oil and gas tax credit fund is established as a separate fund of the state.  
8 The purpose of the fund is to purchase transferable tax credit certificates issued under  
9 AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to  
10 pay for unused credits under AS 43.55.026 and refunds claimed under  
11 AS 43.20.046.

12 \* **Sec. 7.** AS 43.55.028(g) is amended to read:

13 (g) The department may adopt regulations to carry out the purposes of this  
14 section, including standards and procedures to allocate available money among  
15 applications for purchases and payments for unused credits under this chapter and  
16 claims for refunds under AS 43.20.046 when the total amount of the applications for  
17 purchase and claims for refund exceed the amount of available money in the fund. The  
18 regulations adopted by the department may not, when allocating available money in  
19 the fund under this section, distinguish an application for the purchase of a credit  
20 certificate issued under AS 43.55.023(m), a payment for an unused credit under  
21 AS 43.55.026(e), or a claim for refund under AS 43.20.046.

22 \* **Sec. 8.** AS 43.55.028 is amended by adding a new subsection to read:

23 (j) The department, on the written application of a person for the payment of  
24 an unused credit under AS 43.55.026(e) after the end of the two-year period  
25 immediately following the date of the commencement of production in paying  
26 quantities, may use available money in the oil and gas tax credit fund to purchase, in  
27 whole or in part, the certificate if the department finds that

28 (1) the applicant does not have an outstanding liability to the state for  
29 unpaid delinquent taxes under this title;

30 (2) the applicant's total tax liability under AS 43.55.011(e) for the  
31 calendar year in which the application is made, after application of all available tax

1 credits, is zero; and

2 (3) the purchase is consistent with this section and regulations adopted  
3 under this section.

4 \* **Sec. 9.** AS 43.55.180(a) is amended to read:

5 (a) The department shall study

6 (1) the effects of the provisions of this chapter on oil and gas  
7 exploration, development, and production in the state, on investment expenditures for  
8 oil and gas exploration, development, and production in the state, on the entry of new  
9 producers into the oil and gas industry in the state, on state revenue, and on tax  
10 administration and compliance, giving particular attention to the tax rates provided  
11 under AS 43.55.011, the tax credits provided under AS 43.55.023 - 43.55.026  
12 [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease  
13 expenditures provided under AS 43.55.160 - 43.55.170; and

14 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue  
15 and on oil and gas exploration, development, and production on private land, and the  
16 fairness of those tax rates for private landowners.

17 \* **Sec. 10.** This Act takes effect January 1, 2012."

# 2011 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/29/11

Amendment: 4 HB 110

MEMBER	Favor	Oppose
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. <del>NEUMAN</del> HAWKER		✓
REP. WILSON		✓
REP. COSTELLO		✓
REP. DOOGAN	✓	
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. THOMAS		✓
REP. STOLTZE		✓

YEA 3

NAY 8

Faked  
(8/3)  
3/29/11

#5

27-GH1007\I.9  
Bullock  
3/28/11

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE DOOGAN

TO: CSHB 110(FIN), Draft Version "I"

Rep. Guttenberg  
Rep. Gara

1 Page 1, lines 5 - 6:

2 Delete "relating to certain additional nontransferable oil and gas production tax  
3 credits;"

5 Page 1, following line 12:

6 Insert a new bill section to read:

7 "\* Sec. 2. AS 05.15.095(c) is amended to read:

8 (c) A delinquent fee bears interest at the rate set by AS 43.05.225  
9 [AS 43.05.225(2)]."

11 Renumber the following bill sections accordingly.

13 Page 2, following line 5:

14 Insert a new bill section to read:

15 "\* Sec. 4. AS 34.45.470(a) is amended to read:

16 (a) A person who fails to pay or deliver property within the time prescribed by  
17 this chapter may be required to pay to the department interest at the annual rate  
18 calculated under AS 43.05.225 [AS 43.05.225(2)] on the property or the value of it  
19 from the date the property should have been paid or delivered."

21 Renumber the following bill sections accordingly.

23 Page 2, following line 17:

1           Insert a new bill section to read:

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

3                       **Sec. 43.05.225. Interest.** Unless otherwise provided,

4                               (1) when a tax levied in this title becomes delinquent, it bears interest  
5                               in a calendar quarter at the rate of five [THREE] percentage points above the annual  
6                               rate charged member banks for advances by the 12th Federal Reserve District as of the  
7                               first day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
8                               greater [LESSER], compounded quarterly as of the last day of that quarter;

9                               (2) the interest rate is 12 percent a year for

10   (A) delinquent fees payable under AS 05.15.095(c); and

11   (B) unclaimed property that is not timely paid or delivered, as  
12                               allowed by AS 34.45.470(a)."

13

14       Renumber the following bill sections accordingly.

15

16       Page 2, following line 25:

17           Insert a new bill section to read:

18       **\*\* Sec. 8.** AS 43.20.046(i) is amended to read:

19                       (i) The issuance of a refund under this section does not limit the department's  
20                       ability to later audit or adjust the claim if the department determines, as a result of the  
21                       audit, that the person that claimed the credit was not entitled to the amount of the  
22                       credit. The tax liability of the person receiving the credit under this chapter is  
23                       increased by the amount of the credit that exceeds that to which the person was  
24                       entitled. If the tax liability is increased under this subsection, the increase bears  
25                       interest under AS 43.05.225 [AS 43.05.225(1)] from the date the refund was issued."

26

27       Renumber the following bill sections accordingly.

28

29       Page 3, following line 2:

30           Insert a new bill section to read:

31       **\*\* Sec. 10.** AS 43.50.570 is amended to read:

1           **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the  
2 purchase of stamps within the time required

3                   (1) is considered to have failed to pay the cigarette taxes due under this  
4 chapter; and

5                   (2) shall pay interest at the rate established under AS 43.05.225  
6 [AS 43.05.225(1)] from the date on which the amount became due until the date of  
7 payment."  
8

9 Renumber the following bill sections accordingly.

10  
11 Page 3, following line 20:

12           Insert a new bill section to read:

13       **\*\* Sec. 12.** AS 43.55.011(e) is repealed and reenacted to read:

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

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

21                           (2) the sum, over all months of the calendar year, of the tax amounts  
22 determined under (g) of this section."  
23

24 Renumber the following bill sections accordingly.

25  
26 Page 7, following line 24:

27           Insert a new bill section to read:

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

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

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

4 (1) if the producer's average monthly production tax value for each  
 5 BTU equivalent barrel of the taxable oil and gas for the month is not more than  
 6 \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the  
 7 difference between that average monthly production tax value for each BTU  
 8 equivalent barrel and \$30; or

9 (2) if the producer's average monthly production tax value for each  
 10 BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50,  
 11 the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the  
 12 number that represents the difference between the average monthly production tax  
 13 value for each BTU equivalent barrel and \$92.50, except that the sum determined  
 14 under this paragraph may not exceed 50 percent."

15  
 16 Renumber the following bill sections accordingly.

17  
 18 Page 10, following line 13:

19 Insert a new bill section to read:

20 **"\* Sec. 16.** AS 43.55.020(a) is amended to read:

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

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

30 (A) for oil and gas produced from leases or properties in the  
 31 state outside the Cook Inlet sedimentary basin but not subject to

1 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the  
2 greater of

3 (i) zero; or

4 (ii) the **sum of 25 percent and the tax rate calculated**  
5 **for the month under AS 43.55.011(g) multiplied by** [APPLICABLE  
6 TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND  
7 43.55.011(g), AS APPLICABLE, APPLIED TO] the remainder  
8 obtained by subtracting 1/12 of the producer's adjusted lease  
9 expenditures for the calendar year of production under AS 43.55.165  
10 and 43.55.170 that are deductible for the leases or properties under  
11 AS 43.55.160 from the gross value at the point of production of the oil  
12 and gas produced from the leases or properties during the month for  
13 which the installment payment is calculated;

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

16 (i) zero;

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

21 (iii) the **sum of 25 percent and the tax rate calculated**  
22 **for the month under AS 43.55.011(g) multiplied by** [APPLICABLE  
23 TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND  
24 43.55.011(g), AS APPLICABLE, APPLIED TO] the remainder  
25 obtained by subtracting 1/12 of the producer's adjusted lease  
26 expenditures for the calendar year of production under AS 43.55.165  
27 and 43.55.170 that are deductible for those leases or properties under  
28 AS 43.55.160 from the gross value at the point of production of the oil  
29 and gas produced from those leases or properties during the month for  
30 which the installment payment is calculated;

31 (C) for oil and gas produced from each lease or property

1 subject to AS 43.55.011(j), (k), or (o), the greater of

2 (i) zero; or

3 (ii) the sum of 25 percent and the tax rate calculated  
4 for the month under AS 43.55.011(g) multiplied by [APPLICABLE  
5 TAX RATES IN AS 43.55.011(e), AS APPLICABLE, AND  
6 43.55.011(g), AS APPLICABLE, APPLIED TO] the remainder  
7 obtained by subtracting 1/12 of the producer's adjusted lease  
8 expenditures for the calendar year of production under AS 43.55.165  
9 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,  
10 respectively, produced from the lease or property from the gross value  
11 at the point of production of the oil or gas, respectively, produced from  
12 the lease or property during the month for which the installment  
13 payment is calculated;

14 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
15 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not  
16 exceed the product obtained by carrying out the calculation set out in  
17 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in  
18 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in  
19 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
20 gas produced during the month for the amount of taxable gas produced during the  
21 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the  
22 amount of taxable oil produced during the month for the amount of taxable oil  
23 produced during the calendar year;

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

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

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

5 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any  
6 credits applied as allowed by law, that exceeds the total of the amounts due as  
7 installment payments of estimated tax is due on March 31 of the year following the  
8 calendar year of production."  
9

10 Renumber the following bill sections accordingly.

11  
12 Page 10, following line 25:

13 Insert a new bill section to read:

14 **"\* Sec. 18.** AS 43.55.020(g) is amended to read:

15 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
16 amount of an installment payment required under (a)(1) - (3) of this section that is not  
17 paid when due bears interest (1) at the rate provided for an underpayment under 26  
18 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date  
19 the installment payment is due until March 31 following the calendar year of  
20 production, and (2) as provided for a delinquent tax under AS 43.05.225  
21 [AS 43.05.225(1)] after that March 31. Interest accrued under (1) of this subsection  
22 that remains unpaid after that March 31 is treated as an addition to tax that bears  
23 interest under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this  
24 section that is not paid when due bears interest as provided for a delinquent tax under  
25 AS 43.05.225 [AS 43.05.225(1)]."  
26

27 Renumber the following bill sections accordingly.

28  
29 Page 11, following line 12:

30 Insert a new bill section to read:

31 **"\* Sec. 20.** AS 43.55.023(a) is amended to read:

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

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

11 (2) a producer or explorer may take a credit for a qualified capital  
12 expenditure incurred in connection with geological or geophysical exploration or in  
13 connection with an exploration well only if the producer or explorer

14 (A) agrees, in writing, to the applicable provisions of  
15 AS 43.55.025(f)(2);

16 (B) submits to the Department of Natural Resources all data  
17 that would be required to be submitted under AS 43.55.025(f)(2)."  
18

19 Renumber the following bill sections accordingly.

20  
21 Page 12, following line 7:

22 Insert a new bill section to read:

23 **"\* Sec. 22.** AS 43.55.023(d) is amended to read:

24 (d) Except as limited by (i) of this section, a person that is entitled to take a tax  
25 credit under this section that wishes to transfer the unused credit to another person or  
26 obtain a cash payment under AS 43.55.028 may apply to the department for [A]  
27 transferable tax credit **certificates** [CERTIFICATE]. An application under this  
28 subsection must be in a form prescribed by the department and must include  
29 supporting information and documentation that the department reasonably requires.  
30 The department shall grant or deny an application, or grant an application as to a lesser  
31 amount than that claimed and deny it as to the excess, not later than 120 days after the

1 latest of (1) March 31 of the year following the calendar year in which the qualified  
 2 capital expenditure [, WELL LEASE EXPENDITURE,] or carried-forward annual  
 3 loss for which the credit is claimed was incurred; (2) the date the statement required  
 4 under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified  
 5 capital expenditure [, WELL LEASE EXPENDITURE,] or carried-forward annual  
 6 loss for which the credit is claimed was incurred; or (3) the date the application was  
 7 received by the department. If, based on the information then available to it, the  
 8 department is reasonably satisfied that the applicant is entitled to a credit, the  
 9 department shall issue the applicant **two** [A] transferable tax credit **certificates, each**  
 10 **for half of** [CERTIFICATE FOR] the amount of the credit. **The credit shown on one**  
 11 **of the two certificates is available for immediate use. The credit shown on the**  
 12 **second of the two certificates may not be applied against a tax for a calendar year**  
 13 **earlier than the calendar year following the calendar year in which the certificate**  
 14 **is issued, and the certificate must contain a conspicuous statement to that effect.**

15 A certificate issued under this subsection does not expire."  
 16 .

17 Renumber the following bill sections accordingly.

18  
 19 Page 13, following line 4:

20 Insert a new bill section to read:

21 **"\* Sec. 25.** AS 43.55.023(g) is amended to read:

22 (g) The issuance of a transferable tax credit certificate under (d) of this  
 23 section, [OR] former (m) of this section, **or (p) of this section,** or the purchase of a  
 24 certificate under AS 43.55.028 does not limit the department's ability to later audit a  
 25 tax credit claim to which the certificate relates or to adjust the claim if the department  
 26 determines, as a result of the audit, that the applicant was not entitled to the amount of  
 27 the credit for which the certificate was issued. The tax liability of the applicant under  
 28 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
 29 that exceeds that to which the applicant was entitled, or the applicant's available valid  
 30 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
 31 by that amount. If the applicant's tax liability is increased under this subsection, the

1 increase bears interest under AS 43.05.225 [AS 43.05.225(1)] from the date the  
2 transferable tax credit certificate was issued. For purposes of this subsection, an  
3 applicant that is an explorer is considered a producer subject to the tax levied by  
4 AS 43.55.011(e)."  
5

6 Renumber the following bill sections accordingly.  
7

8 Page 13, line 8:

9 Delete "2021"

10 Insert "2015"  
11

12 Page 13, line 31:

13 Delete "2020"

14 Insert "2014"

15 Delete "2021"

16 Insert "2015"  
17

18 Page 14, line 9, following "expenditure;":

19 Insert "a tax credit under this paragraph may be applied for a single calendar  
20 year;"  
21

22 Page 15, line 3, following "(l)":

23 Insert "and (p)"  
24

25 Page 15, following line 15:

26 Insert a new bill section to read:

27 **\*\* Sec. 30.** AS 43.55.023 is amended by adding a new subsection to read:

28 (p) For a lease expenditure incurred in the state south of 68 degrees North  
29 latitude after December 31, 2014, that qualifies for tax credits under (a) and (b) of this  
30 section, and for a well lease expenditure incurred in the state south of 68 degrees  
31 North latitude that qualifies for a tax credit under (l) of this section, the department

1 shall issue transferable tax credit certificates to the person entitled to the credit for the  
2 full amount of the credit. The transferable tax credit certificates do not expire."

3  
4 Renumber the following bill sections accordingly.

5  
6 Page 15, line 16, through page 17, line 16:

7 Delete all material.

8  
9 Renumber the following bill sections accordingly.

10  
11 Page 18, following line 6:

12 Insert a new bill section to read:

13 **"\* Sec. 32.** AS 43.55.028(e) is amended to read:

14 (e) The department, on the written application of a person to whom a  
15 transferable tax credit certificate has been issued under AS 43.55.023(d), [OR] former  
16 AS 43.55.023(m), or AS 43.55.023(p), or to whom a production tax credit certificate  
17 has been issued under AS 43.55.025(f), may use available money in the oil and gas tax  
18 credit fund to purchase, in whole or in part, the certificate if the department finds that

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

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

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

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

30 (5) the purchase is consistent with this section and regulations adopted  
31 under this section."

1

2 Renumber the following bill sections accordingly.

3

4 Page 18, following line 15:

5 Insert a new bill section to read:

6 **\*\* Sec. 34.** AS 43.55.028(g) is amended to read:

7 (g) The department may adopt regulations to carry out the purposes of this  
 8 section, including standards and procedures to allocate available money among  
 9 applications for purchases under this chapter and claims for refunds under  
 10 AS 43.20.046 when the total amount of the applications for purchase and claims for  
 11 refund exceed the amount of available money in the fund. The regulations adopted by  
 12 the department may not, when allocating available money in the fund under this  
 13 section, distinguish an application for the purchase of a credit certificate issued under  
 14 former AS 43.55.023(m) or AS 43.55.023(p) or a claim for refund under  
 15 AS 43.20.046."

16

17 Renumber the following bill sections accordingly.

18

19 Page 19, following line 12:

20 Insert a new bill section to read:

21 **\*\* Sec. 36.** AS 43.55.890 is amended to read:

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

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

29 (2) the amount of taxes levied under this chapter or paid under this  
30 chapter;

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

- 1 (4) the gross value of oil or gas at the point of production;  
 2 (5) the transportation costs for oil or gas;  
 3 (6) qualified capital expenditures, as defined in AS 43.55.023;  
 4 (7) exploration expenditures under AS 43.55.025;  
 5 (8) production tax values of oil or gas under AS 43.55.160;  
 6 (9) lease expenditures under AS 43.55.165;  
 7 (10) adjustments to lease expenditures under AS 43.55.170;  
 8 (11) tax credits applicable or potentially applicable against taxes levied  
 9 by this chapter [; THE INFORMATION RELATING TO TAX CREDITS UNDER  
 10 THIS PARAGRAPH, TO THE EXTENT THE INFORMATION IS AVAILABLE  
 11 TO THE DEPARTMENT, MUST INCLUDE THE STATUTORY AUTHORITY  
 12 FOR EACH TYPE OF CREDIT TAKEN, THE AMOUNT OF CREDITS TAKEN  
 13 UNDER EACH STATUTE AUTHORIZING A TAX CREDIT, AND WHETHER  
 14 THE CREDIT IS FOR AN EXPENDITURE RELATED TO OIL OR GAS  
 15 EXPLORATION, DEVELOPMENT, OR PRODUCTION, INCLUDING THE  
 16 DRILLING OF WELLS; PERFORMING WORK ON EXISTING WELLS;  
 17 CONDUCTING GEOLOGICAL OR GEOPHYSICAL EXPLORATION;  
 18 ACQUIRING, CONSTRUCTING, OR INSTALLING NEW FACILITIES OR  
 19 EQUIPMENT; AND MAINTAINING, REPAIRING, OR REPLACING EXISTING  
 20 FACILITIES OR EQUIPMENT]."

21

22 Renumber the following bill sections accordingly.

23

24 Page 19, following line 17:

25 Insert a new bill section to read:

26 **"\* Sec. 38.** AS 43.56.160 is amended to read:

27 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
 28 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent  
 29 taxes, exclusive of penalty, shall be assessed at **a rate of eight percent a year** [THE  
 30 RATE SPECIFIED IN AS 43.05.225(1)]."

31

1 Renumber the following bill sections accordingly.

2

3 Page 19, following line 28:

4 Insert a new bill section to read:

5 **\*\* Sec. 40.** AS 43.77.020(d) is amended to read:

6 (d) A person subject to the tax under this chapter shall make quarterly  
7 payments of the tax estimated to be due for the year, as required under regulations  
8 adopted by the department. A taxpayer will be subject to an estimated tax penalty,  
9 determined by applying the interest rate specified in AS 43.05.225 [AS 43.05.225(1)]  
10 to the underpayment for each quarter, unless the taxpayer makes estimated tax  
11 payments in equal installments that total either

12 (1) at least 90 percent of the taxpayer's tax liability under this chapter  
13 for the tax year; or

14 (2) at least 100 percent of the taxpayer's tax liability under this chapter  
15 for the prior tax year."  
16

17 Renumber the following bill sections accordingly.

18

19 Page 20, following line 1:

20 Insert a new bill section to read:

21 **\*\* Sec. 42.** AS 43.90.430 is amended to read:

22 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter  
23 becomes delinquent, the payment bears interest at the rate applicable to a delinquent  
24 tax under AS 43.05.225 [AS 43.05.225(1)]."  
25

26 Renumber the following bill sections accordingly.

27

28 Page 20, line 5:

29 Delete "Sections 10 - 12, 14, 16, and 28"

30 Insert "Sections 19, 21, 23, 26, 28, and 43"  
31

1 Page 20, line 7:

2 Delete "Sections 6 - 8"

3 Insert "Sections 11, 13, and 15"

4

5 Page 20, line 8:

6 Delete "Sections 15 and 17"

7 Insert "Sections 20, 22, 25, 27, 29, and 30"

8

9 Page 20, line 9:

10 Delete "2020"

11 Insert "2014"

12

13 Page 20, following line 9:

14 Insert a new subsection to read:

15 "(d) Sections 12, 14, and 16 of this Act apply to oil and gas produced after  
16 December 31, 2014."

17

18 Page 20, line 18:

19 Delete "Sections 10 - 12, 14, 16, 22, 23, and 28"

20 Insert "Sections 19, 21, 23, 26, 28, 31, 33, and 43"

21

22 Page 20, line 20:

23 Delete "Section 24"

24 Insert "Section 35"

25

26 Page 20, line 21:

27 Delete "Sections 6 - 8 and 29(b)"

28 Insert "Sections 11, 13, 15, and 44(b)"

29

30 Page 20, line 22:

31 Delete "Sections 15, 17, and 29(c)"

1           Insert "Sections 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 25, 27, 29, 30, 32, 34, 36, 38, 40,  
2 42, and 44(c)"

3           Delete "2021"

4           Insert "2015"

5

6   Page 20, line 23:

7           Delete "Sections 10 - 12, 14, 16, 22, 23, 28, 29(a), and 31"

8           Insert "Sections 19, 21, 23, 26, 28, 31, 33, 43, 44(a), and 46"

9

10   Page 20, line 25:

11           Delete "secs. 32 - 35"

12           Insert "secs. 47 - 50"

# 2011 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/29/11

Amendment: 5 HB110

MEMBER	Favor	Oppose
REP. FAIRCLOUGH		1
REP. GARA	1	
REP. GUTTENBERG	1	
REP. JOULE		1
REP. <del>NEUMAN</del> HAWKER		1
REP. WILSON		1
REP. COSTELLO		1
REP. DOOGAN	1	
REP. EDGMON		1
REP. STOLTZE		1
REP. THOMAS		1

YEA 3

NAY 8

Am. # 6

Adopted  
3/29/11

27-GH10071.15  
Kurtz/Bullock  
3/29/11

**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE STOLTZE

TO: CSHB 110(FIN), Draft Version "I"

*Representative Hawker*

- 1 Page 3, line 15, following "**production**":
- 2       Insert "**or produced during the first seven years after the effective date of this bill**
- 3 **section, whichever is later,**"

*Adopted  
3/28/11*

27-GH1007/I  
Bullock  
3/27/11

**CS FOR HOUSE BILL NO. 110(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE 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 interest rate applicable to certain amounts due for fees, taxes,  
2 and payments made and property delivered to the Department of Revenue; relating to  
3 the oil and gas production tax rate; relating to monthly installment payments of the oil  
4 and gas production tax; relating to oil and gas production tax credits, including  
5 qualified capital credits for exploration, development, and production; relating to  
6 certain additional nontransferable oil and gas production tax credits; relating to the  
7 disclosure of certain tax information; making conforming amendments; and providing  
8 for an effective date."

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

10 \* **Section 1.** AS 05.15.095(c) is amended to read:

11 (c) A delinquent fee bears interest at the rate set by AS 43.05.225(2)  
12 [AS 43.05.225].

1 \* **Sec. 2.** AS 34.45.470(a) is amended to read:

2 (a) A person who fails to pay or deliver property within the time prescribed by  
3 this chapter may be required to pay to the department interest at the annual rate  
4 calculated under AS 43.05.225(2) [AS 43.05.225] on the property or the value of it  
5 from the date the property should have been paid or delivered.

6 \* **Sec. 3.** AS 43.05.225 is amended to read:

7 **Sec. 43.05.225. Interest.** Unless otherwise provided,

8 (1) when a tax levied in this title becomes delinquent, it bears interest  
9 in a calendar quarter at the rate of three [FIVE] percentage points above the annual  
10 rate charged member banks for advances by the 12th Federal Reserve District as of the  
11 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
12 lesser [GREATER], compounded quarterly as of the last day of that quarter;

13 (2) the interest rate is 12 percent a year for

14 (A) delinquent fees payable under AS 05.15.095(c); and

15 (B) [REPEALED AND

16 (C)] unclaimed property that is not timely paid or delivered, as

17 allowed by AS 34.45.470(a).

18 \* **Sec. 4.** AS 43.20.046(i) is amended to read:

19 (i) The issuance of a refund under this section does not limit the department's  
20 ability to later audit or adjust the claim if the department determines, as a result of the  
21 audit, that the person that claimed the credit was not entitled to the amount of the  
22 credit. The tax liability of the person receiving the credit under this chapter is  
23 increased by the amount of the credit that exceeds that to which the person was  
24 entitled. If the tax liability is increased under this subsection, the increase bears  
25 interest under AS 43.05.225(1) [AS 43.05.225] from the date the refund was issued.

26 \* **Sec. 5.** AS 43.50.570 is amended to read:

27 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the  
28 purchase of stamps within the time required

29 (1) is considered to have failed to pay the cigarette taxes due under this  
30 chapter; and

31 (2) shall pay interest at the rate established under AS 43.05.225(1)

1 [AS 43.05.225] from the date on which the amount became due until the date of  
2 payment.

3 \* **Sec. 6.** AS 43.55.011(e) is amended to read:

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

9 [(1)] the annual production tax value of the taxable oil and gas

10 (1) produced from a lease or property not described in (2) of this  
11 subsection as calculated under AS 43.55.160(a)(1) multiplied by 25 percent, and the  
12 sum, over all months of the calendar year, of the tax amounts determined under  
13 (g)(1) of this section; and

14 (2) produced during the first seven consecutive years after the  
15 start of sustained production from a lease or property containing land that was  
16 not or previously had not been within a unit or in commercial production as of  
17 December 31, 2008, as calculated under AS 43.55.160(a)(1) multiplied by 15  
18 percent, and the sum, over all months of the calendar year, of the tax amounts  
19 determined under (g)(2) [(g)] of this section; in this paragraph, "sustained  
20 production" has the meaning given in AS 43.55.025(I).

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

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

25 (1) of (e)(1) of this section is determined by multiplying the monthly  
26 production tax value of the taxable oil and gas produced during the month by the  
27 following tax rates, as applicable:

28 (A) if the producer's average monthly production tax value of a  
29 BTU equivalent barrel of the taxable oil and gas for the month is not more than  
30 \$42.50, the tax rate is 2.5 percent of the difference between that average  
31 monthly production tax value of a BTU equivalent barrel and \$30;

1 (B) if the producer's average monthly production tax value of a  
2 BTU equivalent barrel of the taxable oil and gas for the month is more than  
3 \$42.50 but not more than \$55, the tax rates are

4 (i) 2.5 percent on the first \$12.50 of monthly production  
5 tax value for each BTU equivalent barrel that is greater than \$30; and

6 (ii) 7.5 percent of the monthly production tax value for  
7 each BTU equivalent barrel that is greater than \$42.50;

8 (C) if the producer's average monthly production tax value of a  
9 BTU equivalent barrel of the taxable oil and gas for the month is more than  
10 \$55 but not more than \$67.50, the tax rates are

11 (i) 2.5 percent on the first \$12.50 of monthly production  
12 tax value for each BTU equivalent barrel that is greater than \$30;

13 (ii) 7.5 percent of the next higher \$12.50 of monthly  
14 production tax value for each BTU equivalent barrel; and

15 (iii) 12.5 percent of the monthly production tax value  
16 for each BTU equivalent barrel that is greater than \$55;

17 (D) if the producer's average monthly production tax value of a  
18 BTU equivalent barrel of the taxable oil and gas for the month is more than  
19 \$67.50 but not more than \$80, the tax rates are

20 (i) 2.5 percent on the first \$12.50 of monthly production  
21 tax value for each BTU equivalent barrel that is greater than \$30;

22 (ii) 7.5 percent of the next higher \$12.50 of monthly  
23 production tax value for each BTU equivalent barrel;

24 (iii) 12.5 percent of the next higher \$12.50 of monthly  
25 production tax value for each BTU equivalent barrel;

26 (iv) 17.5 percent of the monthly production tax value  
27 for each BTU equivalent barrel that is greater than \$67.50;

28 (E) if the producer's average monthly production tax value of a  
29 BTU equivalent barrel of the taxable oil and gas for the month is more than  
30 \$80 but not more than \$92.50, the tax rates are

31 (i) 2.5 percent on the first \$12.50 of monthly production

1 tax value for each BTU equivalent barrel that is greater than \$30;

2 (ii) 7.5 percent of the next higher \$12.50 of monthly  
3 production tax value for each BTU equivalent barrel;

4 (iii) 12.5 percent of the next higher \$12.50 of monthly  
5 production tax value for each BTU equivalent barrel;

6 (iv) 17.5 percent of the next higher \$12.50 of monthly  
7 production tax value for each BTU equivalent barrel; and

8 (v) 22.5 percent of the monthly production tax value for  
9 each BTU equivalent barrel that is greater than \$80;

10 (F) if the producer's average monthly production tax value of a  
11 BTU equivalent barrel of the taxable oil and gas for the month is more than  
12 \$92.50, the tax rates are

13 (i) 2.5 percent on the first \$12.50 of monthly production  
14 tax value for each BTU equivalent barrel that is greater than \$30;

15 (ii) 7.5 percent of the next higher \$12.50 of monthly  
16 production tax value for each BTU equivalent barrel;

17 (iii) 12.5 percent of the next higher \$12.50 of monthly  
18 production tax value for each BTU equivalent barrel;

19 (iv) 17.5 percent of the next higher \$12.50 of monthly  
20 production tax value for each BTU equivalent barrel;

21 (v) 22.5 percent of the next higher \$12.50 of monthly  
22 production tax value for each BTU equivalent barrel; and

23 (vi) 25 percent of the monthly production tax value for  
24 each BTU equivalent barrel that is greater than \$92.50;

25 (2) of (e)(2) of this section is determined by multiplying the monthly  
26 production tax value of the taxable oil and gas produced during the month by the  
27 following tax rates, as applicable:

28 (A) if the producer's average monthly production tax value of a  
29 BTU equivalent barrel of the taxable oil and gas for the month is not more than  
30 \$42.50, the tax rate is 2.5 percent of the difference between that average  
31 monthly production tax value of a BTU equivalent barrel and \$30;

1 (B) if the producer's average monthly production tax value of a  
2 BTU equivalent barrel of the taxable oil and gas for the month is more than  
3 \$42.50 but not more than \$55, the tax rates are

4 (i) 2.5 percent on the first \$12.50 of monthly production  
5 tax value for each BTU equivalent barrel that is greater than \$30; and

6 (ii) 7.5 percent of the monthly production tax value for  
7 each BTU equivalent barrel that is greater than \$42.50;

8 (C) if the producer's average monthly production tax value of a  
9 BTU equivalent barrel of the taxable oil and gas for the month is more than  
10 \$55 but not more than \$67.50, the tax rates are

11 (i) 2.5 percent on the first \$12.50 of monthly production  
12 tax value for each BTU equivalent barrel that is greater than \$30;

13 (ii) 7.5 percent of the next higher \$12.50 of monthly  
14 production tax value for each BTU equivalent barrel; and

15 (iii) 12.5 percent of the monthly production tax value  
16 for each BTU equivalent barrel that is greater than \$55;

17 (D) if the producer's average monthly production tax value of a  
18 BTU equivalent barrel of the taxable oil and gas for the month is more than  
19 \$67.50 but not more than \$80, the tax rates are

20 (i) 2.5 percent on the first \$12.50 of monthly production  
21 tax value for each BTU equivalent barrel that is greater than \$30;

22 (ii) 7.5 percent of the next higher \$12.50 of monthly  
23 production tax value for each BTU equivalent barrel;

24 (iii) 12.5 percent of the next higher \$12.50 of monthly  
25 production tax value for each BTU equivalent barrel;

26 (iv) 17.5 percent of the monthly production tax value  
27 for each BTU equivalent barrel that is greater than \$67.50;

28 (E) if the producer's average monthly production tax value of a  
29 BTU equivalent barrel of the taxable oil and gas for the month is more than  
30 \$80 but not more than \$92.50, the tax rates are

31 (i) 2.5 percent on the first \$12.50 of monthly production

1 tax value for each BTU equivalent barrel that is greater than \$30;

2 (ii) 7.5 percent of the next higher \$12.50 of monthly  
3 production tax value for each BTU equivalent barrel;

4 (iii) 12.5 percent of the next higher \$12.50 of monthly  
5 production tax value for each BTU equivalent barrel;

6 (iv) 17.5 percent of the next higher \$12.50 of monthly  
7 production tax value for each BTU equivalent barrel; and

8 (v) 22.5 percent of the monthly production tax value for  
9 each BTU equivalent barrel that is greater than \$80;

10 (F) if the producer's average monthly production tax value of a  
11 BTU equivalent barrel of the taxable oil and gas for the month is more than  
12 \$92.50, the tax rates are

13 (i) 2.5 percent on the first \$12.50 of monthly production  
14 tax value for each BTU equivalent barrel that is greater than \$30;

15 (ii) 7.5 percent of the next higher \$12.50 of monthly  
16 production tax value for each BTU equivalent barrel;

17 (iii) 12.5 percent of the next higher \$12.50 of monthly  
18 production tax value for each BTU equivalent barrel;

19 (iv) 17.5 percent of the next higher \$12.50 of monthly  
20 production tax value for each BTU equivalent barrel;

21 (v) 22.5 percent of the next higher \$12.50 of monthly  
22 production tax value for each BTU equivalent barrel; and

23 (vi) 15 percent of the monthly production tax value for  
24 each BTU equivalent barrel that is greater than \$92.50.

25 \* **Sec. 8.** AS 43.55.020(a) is amended to read:

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

28 (1) an installment payment of the estimated tax levied by  
29 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
30 month of the calendar year on the last day of the following month; except as otherwise  
31 provided under (2) of this subsection, the amount of the installment payment is the

1 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be  
2 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount  
3 of the installment payment may not be less than zero:

4 (A) for oil and gas produced from leases or properties in the  
5 state outside the Cook Inlet sedimentary basin but not subject to  
6 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the  
7 greater of

8 (i) zero; or

9 (ii) the applicable tax rates in AS 43.55.011(e), as  
10 applicable, and 43.55.011(g), as applicable, applied to [SUM OF 25  
11 PERCENT AND THE TAX RATE CALCULATED FOR THE  
12 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
13 obtained by subtracting 1/12 of the producer's adjusted lease  
14 expenditures for the calendar year of production under AS 43.55.165  
15 and 43.55.170 that are deductible for the leases or properties under  
16 AS 43.55.160 from the gross value at the point of production of the oil  
17 and gas produced from the leases or properties during the month for  
18 which the installment payment is calculated;

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

21 (i) zero;

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

26 (iii) the applicable tax rates in AS 43.55.011(e), as  
27 applicable, and 43.55.011(g), as applicable, applied to [SUM OF 25  
28 PERCENT AND THE TAX RATE CALCULATED FOR THE  
29 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
30 obtained by subtracting 1/12 of the producer's adjusted lease  
31 expenditures for the calendar year of production under AS 43.55.165

1 and 43.55.170 that are deductible for those leases or properties under  
2 AS 43.55.160 from the gross value at the point of production of the oil  
3 and gas produced from those leases or properties during the month for  
4 which the installment payment is calculated;

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

7 (i) zero; or

8 (ii) the applicable tax rates in AS 43.55.011(e), as  
9 applicable, and 43.55.011(g), as applicable, applied to [SUM OF 25  
10 PERCENT AND THE TAX RATE CALCULATED FOR THE  
11 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
12 obtained by subtracting 1/12 of the producer's adjusted lease  
13 expenditures for the calendar year of production under AS 43.55.165  
14 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,  
15 respectively, produced from the lease or property from the gross value  
16 at the point of production of the oil or gas, respectively, produced from  
17 the lease or property during the month for which the installment  
18 payment is calculated;

19 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
20 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not  
21 exceed the product obtained by carrying out the calculation set out in  
22 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in  
23 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in  
24 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable  
25 gas produced during the month for the amount of taxable gas produced during the  
26 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the  
27 amount of taxable oil produced during the month for the amount of taxable oil  
28 produced during the calendar year;

29 (3) an installment payment of the estimated tax levied by  
30 AS 43.55.011(i) for each lease or property is due for each month of the calendar year  
31 on the last day of the following month; the amount of the installment payment is the

1 sum of

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

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

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

14 \* **Sec. 9.** AS 43.55.020(g) is amended to read:

15 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
16 amount of an installment payment required under (a)(1) - (3) of this section that is not  
17 paid when due bears interest (1) at the rate provided for an underpayment under 26  
18 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date  
19 the installment payment is due until March 31 following the calendar year of  
20 production, and (2) as provided for a delinquent tax under AS 43.05.225(1)  
21 [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that  
22 remains unpaid after that March 31 is treated as an addition to tax that bears interest  
23 under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section  
24 that is not paid when due bears interest as provided for a delinquent tax under  
25 AS 43.05.225(1) [AS 43.05.225].

26 \* **Sec. 10.** AS 43.55.023(a) is amended to read:

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

29 (1) notwithstanding that a qualified capital expenditure may be a  
30 deductible lease expenditure for purposes of calculating the production tax value of oil  
31 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under

1 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
2 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
3 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
4 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY  
5 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

6 (2) a producer or explorer may take a credit for a qualified capital  
7 expenditure incurred in connection with geological or geophysical exploration or in  
8 connection with an exploration well only if the producer or explorer

9 (A) agrees, in writing, to the applicable provisions of  
10 AS 43.55.025(f)(2);

11 (B) submits to the Department of Natural Resources all data  
12 that would be required to be submitted under AS 43.55.025(f)(2).

13 \* **Sec. 11.** 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 tax  
15 credit under this section that wishes to transfer the unused credit to another person or  
16 obtain a cash payment under AS 43.55.028 may apply to the department for  
17 transferable tax credit certificate [CERTIFICATES]. An application under this  
18 subsection must be in a form prescribed by the department and must include  
19 supporting information and documentation that the department reasonably requires.  
20 The department shall grant or deny an application, or grant an application as to a lesser  
21 amount than that claimed and deny it as to the excess, not later than 120 days after the  
22 latest of (1) March 31 of the year following the calendar year in which the qualified  
23 capital expenditure, well lease expenditure, or carried-forward annual loss for which  
24 the credit is claimed was incurred; (2) the date the statement required under  
25 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
26 expenditure, well lease expenditure, or carried-forward annual loss for which the  
27 credit is claimed was incurred; or (3) the date the application was received by the  
28 department. If, based on the information then available to it, the department is  
29 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
30 the applicant a [TWO] transferable tax credit certificate for [CERTIFICATES,  
31 EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE

1 OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE  
2 CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT  
3 BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN  
4 THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH  
5 THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A  
6 CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this  
7 subsection does not expire.

8 \* **Sec. 12.** AS 43.55.023(g) is amended to read:

9 (g) The issuance of a transferable tax credit certificate under (d) of this  
10 section or former (m) of this section or the purchase of a certificate under  
11 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
12 which the certificate relates or to adjust the claim if the department determines, as a  
13 result of the audit, that the applicant was not entitled to the amount of the credit for  
14 which the certificate was issued. The tax liability of the applicant under  
15 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
16 that exceeds that to which the applicant was entitled, or the applicant's available valid  
17 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
18 by that amount. If the applicant's tax liability is increased under this subsection, the  
19 increase bears interest under AS 43.05.225 from the date the transferable tax credit  
20 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
21 is considered a producer subject to the tax levied by AS 43.55.011(e).

22 \* **Sec. 13.** AS 43.55.023(g) is amended to read:

23 (g) The issuance of a transferable tax credit certificate under (d) of this section  
24 or former (m) of this section or the purchase of a certificate under AS 43.55.028 does  
25 not limit the department's ability to later audit a tax credit claim to which the  
26 certificate relates or to adjust the claim if the department determines, as a result of the  
27 audit, that the applicant was not entitled to the amount of the credit for which the  
28 certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and  
29 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to  
30 which the applicant was entitled, or the applicant's available valid outstanding credits  
31 applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the

1 applicant's tax liability is increased under this subsection, the increase bears interest  
2 under AS 43.05.225(1) [AS 43.05.225] from the date the transferable tax credit  
3 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
4 is considered a producer subject to the tax levied by AS 43.55.011(e).

5 \* **Sec. 14.** AS 43.55.023(*l*) is amended to read:

6 (*l*) A producer or explorer may apply for a tax credit for a well lease  
7 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
8 LATITUDE] after December 31, 2010, and before January 1, 2021 [JUNE 30,  
9 2010], as follows:

10 (1) notwithstanding that a well lease expenditure [INCURRED IN  
11 THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible  
12 lease expenditure for purposes of calculating the production tax value of oil and gas  
13 under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this  
14 section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer  
15 or explorer that incurs a well lease expenditure [IN THE STATE SOUTH OF 68  
16 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied  
17 by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT  
18 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR  
19 YEAR;]

20 (2) a producer or explorer may take a credit for a well lease  
21 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
22 LATITUDE] in connection with geological or geophysical exploration or in  
23 connection with an exploration well only if the producer or explorer

24 (A) agrees, in writing, to the applicable provisions of  
25 AS 43.55.025(f)(2); and

26 (B) submits to the Department of Natural Resources all data  
27 that would be required to be submitted under AS 43.55.025(f)(2).

28 \* **Sec. 15.** AS 43.55.023(*l*) is amended to read:

29 (*l*) A producer or explorer may apply for a tax credit for a well lease  
30 expenditure incurred in the state south of 68 degrees North latitude after  
31 December 31, 2020 [DECEMBER 31, 2010, AND BEFORE JANUARY 1, 2021], as

1 follows:

2 (1) notwithstanding that a well lease expenditure incurred in the state  
3 south of 68 degrees North latitude may be a deductible lease expenditure for  
4 purposes of calculating the production tax value of oil and gas under AS 43.55.160(a),  
5 unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),  
6 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a  
7 well lease expenditure in the state south of 68 degrees North latitude may elect to  
8 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent  
9 of that expenditure;

10 (2) a producer or explorer may take a credit for a well lease  
11 expenditure incurred in the state south of 68 degrees north latitude in connection  
12 with geological or geophysical exploration or in connection with an exploration well  
13 only if the producer or explorer

14 (A) agrees, in writing, to the applicable provisions of  
15 AS 43.55.025(f)(2); and

16 (B) submits to the Department of Natural Resources all data  
17 that would be required to be submitted under AS 43.55.025(f)(2).

18 \* Sec. 16. AS 43.55.023(n) is amended to read:

19 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure  
20 [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a  
21 lease expenditure that is

22 (1) directly related to an exploration well, a stratigraphic test well, a  
23 producing well, or an injection well other than a disposal well, [LOCATED IN THE  
24 STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a  
25 qualified capital expenditure and an intangible drilling and development cost  
26 authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R.  
27 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an  
28 expenditure directly related to a well includes an expenditure for well sidetracking,  
29 well deepening, well completion or recompletion, or well workover, regardless of  
30 whether the well is or has been a producing well; or

31 (2) an expense for seismic work conducted within the boundaries of a

1 production or exploration unit.

2 \* **Sec. 17.** AS 43.55.023(n) is amended to read:

3 (n) For the purposes of (l) of this section, a well lease expenditure **incurred in**  
4 **the state south of 68 degrees North latitude** is a lease expenditure that is

5 (1) directly related to an exploration well, a stratigraphic test well, a  
6 producing well, or an injection well other than a disposal well, **located in the state**  
7 **south of 68 degrees North latitude**, if the expenditure is a qualified capital  
8 expenditure and an intangible drilling and development cost authorized under 26  
9 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the  
10 elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly  
11 related to a well includes an expenditure for well sidetracking, well deepening, well  
12 completion or recompletion, or well workover, regardless of whether the well is or has  
13 been a producing well; or

14 (2) an expense for seismic work conducted within the boundaries of a  
15 production or exploration unit.

16 \* **Sec. 18.** AS 43.55.024(b) is amended to read:

17 (b) A producer may not take a tax credit under (a) of this section for any  
18 calendar year after the later of

19 (1) **2021** [2016]; or

20 (2) the ninth calendar year after the calendar year during which the  
21 producer first has commercial oil or gas production before May 1, **2021** [2016], from  
22 at least one lease or property in the state outside the Cook Inlet sedimentary basin, no  
23 part of which is north of 68 degrees North latitude, if the producer did not have  
24 commercial oil or gas production from a lease or property in the state outside the Cook  
25 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before  
26 April 1, 2006.

27 \* **Sec. 19.** AS 43.55.024(d) is amended to read:

28 (d) A producer may not take a tax credit under (c) of this section for any  
29 calendar year after the later of

30 (1) **2021** [2016]; or

31 (2) if the producer did not have commercial oil or gas production from

1 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
2 calendar year during which the producer first has commercial oil or gas production  
3 before May 1, 2021 [2016], from at least one lease or property in the state.

4 \* **Sec. 20.** AS 43.55.025(b) is amended to read:

5 (b) To qualify for the production tax credit under (a) of this section, an  
6 exploration expenditure must be incurred for work performed after June 30, 2008, and  
7 before July 1, 2021 [2016], and

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

10 (2) if for an exploration well,

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

13 (B) may be for either a well that encounters an oil or gas  
14 deposit or a dry hole;

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

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

23 (3) may not be for administration, supervision, engineering, or lease  
24 operating costs; geological or management costs; community relations or  
25 environmental costs; bonuses, taxes, or other payments to governments related to the  
26 well; costs, including repairs and replacements, arising from or associated with fraud,  
27 wilful misconduct, gross negligence, criminal negligence, or violation of law,  
28 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or  
29 other costs that are generally recognized as indirect costs or financing costs; and

30 (4) may not be incurred for an exploration well or seismic exploration  
31 that is included in a plan of exploration or a plan of development for any unit before

1 May 14, 2003.

2 \* **Sec. 21.** AS 43.55.025(k) is amended to read:

3 (k) Subject to the terms and conditions of this section, if a claim is filed under  
4 (f)(1) of this section before January 1, 2021 [2016], a credit against the production tax  
5 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
6 expenditure under this subsection incurred for seismic exploration performed before  
7 July 1, 2003. To be eligible under this subsection, an expenditure must

8 (1) have been for seismic exploration that

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

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

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

17 \* **Sec. 22.** AS 43.55.028(e) is amended to read:

18 (e) The department, on the written application of a person to whom a  
19 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**  
20 **AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued  
21 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
22 purchase, in whole or in part, the certificate if the department finds that

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

26 (2) [REPEALED

27 (3) REPEALED

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

30 **(3)** [(5)] the applicant's total tax liability under AS 43.55.011(e), after  
31 application of all available tax credits, for the calendar year in which the application is

1 made is zero;

2 (4) [(6)] the applicant's average daily production of oil and gas taxable  
3 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
4 the application is made was not more than 50,000 BTU equivalent barrels; and

5 (5) [(7)] the purchase is consistent with this section and regulations  
6 adopted under this section.

7 \* Sec. 23. AS 43.55.028(g) is amended to read:

8 (g) The department may adopt regulations to carry out the purposes of this  
9 section, including standards and procedures to allocate available money among  
10 applications for purchases under this chapter and claims for refunds under  
11 AS 43.20.046 when the total amount of the applications for purchase and claims for  
12 refund exceed the amount of available money in the fund. The regulations adopted by  
13 the department may not, when allocating available money in the fund under this  
14 section, distinguish an application for the purchase of a credit certificate issued under  
15 former AS 43.55.023(m) or a claim for refund under AS 43.20.046.

16 \* Sec. 24. AS 43.55.890 is amended to read:

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

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

24 (2) the amount of taxes levied under this chapter or paid under this  
25 chapter;

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

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

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

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

30 (7) exploration expenditures under AS 43.55.025;

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

1 (9) lease expenditures under AS 43.55.165;

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

3 (11) tax credits applicable or potentially applicable against taxes levied

4 by this chapter; the information relating to tax credits under this paragraph, to  
5 the extent the information is available to the department, must include the  
6 statutory authority for each type of credit taken, the amount of credits taken  
7 under each statute authorizing a tax credit, and whether the credit is for an  
8 expenditure related to oil or gas exploration, development, or production,  
9 including the drilling of wells; performing work on existing wells; conducting  
10 geological or geophysical exploration; acquiring, constructing, or installing new  
11 facilities or equipment; and maintaining, repairing, or replacing existing facilities  
12 or equipment.

13 \* **Sec. 25.** AS 43.56.160 is amended to read:

14 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
15 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent  
16 taxes, exclusive of penalty, shall be assessed at the rate specified in AS 43.05.225(1)  
17 [A RATE OF EIGHT PERCENT A YEAR].

18 \* **Sec. 26.** AS 43.77.020(d) is amended to read:

19 (d) A person subject to the tax under this chapter shall make quarterly  
20 payments of the tax estimated to be due for the year, as required under regulations  
21 adopted by the department. A taxpayer will be subject to an estimated tax penalty,  
22 determined by applying the interest rate specified in AS 43.05.225(1) [AS 43.05.225]  
23 to the underpayment for each quarter, unless the taxpayer makes estimated tax  
24 payments in equal installments that total either

25 (1) at least 90 percent of the taxpayer's tax liability under this chapter  
26 for the tax year; or

27 (2) at least 100 percent of the taxpayer's tax liability under this chapter  
28 for the prior tax year.

29 \* **Sec. 27.** AS 43.90.430 is amended to read:

30 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter  
31 becomes delinquent, the payment bears interest at the rate applicable to a delinquent

1 tax under AS 43.05.225(1) [AS 43.05.225].

2 \* **Sec. 28.** AS 43.55.023(m) is repealed.

3 \* **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 APPLICABILITY. (a) Sections 10 - 12, 14, 16, and 28 of this Act apply to  
6 expenditures incurred after December 31, 2010.

7 (b) Sections 6 - 8 of this Act apply to oil and gas produced after December 31, 2012.

8 (c) Sections 15 and 17 of this Act apply to expenditures incurred after December 31,  
9 2020.

10 \* **Sec. 30.** The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations  
13 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure  
14 Act), but not before the effective date of the provision of this Act implemented by the  
15 regulation.

16 \* **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 RETROACTIVITY. Sections 10 - 12, 14, 16, 22, 23, and 28 of this Act are retroactive  
19 to January 1, 2011.

20 \* **Sec. 32.** Section 24 of this Act takes effect January 1, 2012.

21 \* **Sec. 33.** Sections 6 - 8 and 29(b) of this Act take effect January 1, 2013.

22 \* **Sec. 34.** Sections 15, 17, and 29(c) of this Act take effect January 1, 2021.

23 \* **Sec. 35.** Sections 10 - 12, 14, 16, 22, 23, 28, 29(a), and 31 of this Act take effect  
24 immediately under AS 01.10.070(c).

25 \* **Sec. 36.** Except as provided in secs. 32 - 35 of this Act, this Act takes effect July 1, 2011.

# FISCAL NOTE

**STATE OF ALASKA  
2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB110(RES)  
 () Publish Date \_\_\_\_\_

Identifier (file name) CSHB110(RES)-DOR-TAX-03-04-11 Dept. Affected Revenue  
 Title Production Tax on Oil and Gas Appropriation Treasury and Taxation  
 Allocation Tax Division  
 Sponsor Rules Committee by Request of the Governor  
 Requester House Finance Committee OMB Component Number 2476

**Expenditures/Revenues (Thousands of Dollars)**

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services			267.0	267.0	267.0	267.0	267.0	267.0
Travel			10.0	10.0	10.0	10.0	10.0	10.0
Services	115.0		9.4	9.4	9.4	9.4	9.4	9.4
Commodities			1.0	1.0	1.0	1.0	1.0	1.0
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>115.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>		***	***	***	***	***	***	***
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts								
1003 GF Match								
1004 GF	115.0		287.4	287.4	287.4	287.4	287.4	287.4
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>115.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time			2	2	2	2	2
Part-time							
Temporary							

**Why this fiscal note differs from previous version (if initial version, please note as such)**

This fiscal note adds the amendments adopted in the House Resources committee.  
 See analysis section for detail on these amendments.

*NEW  
Replaces  
# DOR*

Prepared by Cherie Nienhuis, Economist; Bruce Tangeman, Deputy Commissioner  
 Division Tax Division  
 Approved by Ginger Blaisdell, Director Administrative Services Division  
Department of Revenue

Phone 269-1019  
 Date/Time 3/10/11; 8:47am  
 Date 3/10/11; 8:52am

## FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(RES)

### Analysis

\*\*\*The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with their potential revenue impact, are discussed below.

1. **The interest rate on delinquent taxes is changed** from the greater of 5 percentage points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent, to the lesser of 3 percent points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent. The effective date of this provision is 7/1/11. The Department of Revenue (DOR) does not forecast interest on taxes; therefore this provision has no quantifiable revenue impact. There will be \$100,000 in one-time contractor costs to implement this change in our accounting system.

2. **The ANS WC oil price thresholds for the minimum tax are lowered** from the range of \$15 to \$25 to the range of \$12.50 to \$20 per barrel. The effective date of this provision is 1/1/2013. The DOR expects no revenue impact from this change since oil prices are forecasted to be above these amounts.

3. **The tax rate is changed and it is calculated annually rather than monthly for production in unitized areas or areas where there has been commercial production.** The tax rates under the bill are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to \$30 per barrel to 50% for PTV over \$92.50 per barrel. The maximum total production tax rate is 50%. The effective date of this provision is 1/1/2013. Using the Fall 2010 forecast assumptions, this provision is expected to result in revenue impacts as follows:

FY 2013: -\$382 million

FY 2014: -\$961 million

FY 2015: -\$1,126 million

FY 2016: -\$1,341 million

FY 2017: -\$1,423 million

4. **For areas that were not unitized on 12/31/2008 and where there has been no commercial production, the tax rate is changed and the lease expenditures in those areas may not be applied outside those areas.** The tax rates under the bill are bracketed and only the increment of PTV within each bracket is taxed at that bracket's rate. The brackets range from 15% for PTV up to \$30 per barrel to 40% for PTV over \$92.50 per barrel. The maximum total production tax rate is 40%. The effective date of this provision is 1/1/2013. The fiscal impact of this provision is indeterminate.

5. **The provision requiring that credits be taken over two years is eliminated.** This provision would result in companies using credits earlier than they would without this change, and except for time value of money impact, it is revenue neutral. The effective date of this provision is 1/1/2011. Using the Fall 2010 forecast assumptions, this provision is expected to decrease revenue in the amount of \$200 million in CY 2011 (taken over FY 2011 and FY 2012). Another \$100 million in refunds would also be likely sought for credit certificates in FY 2011 and FY 2012.

6. **The 40% credit for well lease expenditures is expanded to include qualified expenditures incurred north of 68 degrees North Latitude.** The effective date of this provision is 1/1/2012. The DOR has very limited data upon which to estimate the revenue impact of this provision. We estimate this provision will decrease revenue in the amount of \$200 million to \$400 million annually. No additional positions will be required, however, there will be a one-time contractual cost of \$15,000 for auditor training on well lease expenditures.

7. **A 30% credit was added for exploration expenditures north of 68 degrees North Latitude for wells that are (a) outside of a unit; (b) or for those areas in units after June 30, 2008, for expenditures incurred before the later of the date that is four years after the date of unitization or the first exploration well is drilled within the unit.** This credit applies to expenditures incurred after December 31, 2011. The fiscal impact of this provision is indeterminate.

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(RES)

**Analysis Continued**

**8. Small producer, new area development, and alternative tax credit for exploration programs were extended from their current sunset date of 2016 to a sunset date of 2021.** These credits are in current law at AS 43.55.024 and AS 43.55.025. The effective date of this provision is 7/1/2011. Within the timeframes of the fiscal note, the extension of these credits is likely to have a fiscal impact, but the amount is indeterminate.

**9. The small producer credit is increased from a maximum of \$12 million per year to \$15 million per year per producer.** The effective date of this provision is 7/1/2011. This provision will decrease production tax revenue in amounts of less than \$20 million per year.

**10. A credit has been added in an amount that equals the percentage that a producer's wages and compensation paid to Alaska residents exceeds 80 percent of all wages and compensation paid by the company in the state.** The effective date of this provision is January 1, 2012. The fiscal impact of this provision is indeterminate.

**11. The tax information disclosure statute was expanded to include the disclosure of types of credits claimed and types of expenditures for which the credits were claimed.** The effective date of this provision is January 1, 2012. This provision has no fiscal impact.

The department will require the addition of two auditor positions to administer the additional credit and reporting provisions of this bill, beginning in FY 2013. These positions would be oil and gas auditor IV positions, and expected to cost \$287,400 annually.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB110(RES)  
 () Publish Date \_\_\_\_\_  
 Dept. Affected Natural Resources  
 Appropriation Resource Development  
 Allocation Oil & Gas  
 OMB Component Number 439

Identifier (file name) CSHB110(RES)-DNR-O&G-3-11-2011  
 Title Oil & Gas Production Tax  
 Sponsor Governor  
 Requester Rules Committee

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**CAPITAL EXPENDITURES**

<b>CHANGE IN REVENUES</b>								
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*Replaces  
DNR  
#2*

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version**

The analysis for this fiscal note was updated to reflect changes made from the bill as introduced to the committee substitute reported out of House Resources (CSHB 110(RES)). Changes made relate to defining "old" and "new" production, new tax progressivity factors, creating a new section to extend sunset dates for the "small producer" tax credit program, extending the "exploration" tax credit program and creating an additional tax credit category, and establishing a new section to encourage Alaska resident hire.

Prepared by Kevin Banks  
 Division Oil and Gas  
 Approved by Daniel S. Sullivan  
Natural Resources

Phone 269-8800  
 Date/Time 3/11/11 12:00 PM  
 Date \_\_\_\_\_

**Analysis**

This bill may encourage producers to invest more by allowing them to receive the benefits of credits for that investment more quickly. First, currently under AS 43.55.023(b), only half the 20% qualified capital expenditure (QCE) credit can be taken in any one year. Section 11 of this bill would amend AS 43.55.23(b) to allow the full QCE credit to be taken in one year. Second, under AS 43.55.23(d), a producer that applies to obtain a transferable certificate for expenditures on the North Slope giving rise to a QCE credit or the loss carry-forward credit (AS 43.55.023(a)) will be issued two certificates, each for half the credit amounts, with one of the certificates only good for the next calendar year. This limitation dilutes the incentive the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. Section 12 of this bill would amend AS 43.55.023(d) to allow the certificates received to be for immediate use for North Slope expenditures, just as they are currently for expenditures in Alaska outside the North Slope. Third, Section 17 of the bill makes it easier for a small producer receiving a credit for North Slope expenditures to sell that credit to the State by eliminating the requirement that the producer spend additional money before receiving the credit monies.

In addition to allowing a quicker monetization of a given amount of credits, the bill extends the current 40% credit provided under 43.55.023(l) for well expenditures in Alaska off the North Slope to well expenditures on the North Slope. Currently, the North Slope producers receive a 20% QCE credit for well expenditure capital. Under the amendments provided in Sections 15 and 16 of the bill, producers would receive a 40% credit for those expenditures. This increased credit amount may encourage investment in wells on the North Slope.

This bill applies a higher minimum tax rate during periods of lower ANS West Coast prices. To the extent investors perceive the possibility that ANS West Coast prices will fall this low, these changes to the minimum tax may discourage investment. Also, by having separate production tax value calculations for "new production" units, the investors in these new units will have less ability to lower tax liability on "old production" units.

This bill lowers the marginal tax rates for existing and new fields by having progressively higher tax rates only apply to incremental production tax value. To the extent that investments are made as a consequence of these changes to the tax regime, royalty revenue may rise. The fiscal impact on royalty revenue is an indeterminate positive.

This bill creates a development tax credit against production taxes levied under AS 43.55.011(e). For companies whose wages and compensation paid to Alaska residents exceeds 80% of all of the company's wages and compensation, they may claim a credit equal to the amount by which the wages and compensation paid to Alaska residents exceeds 80%. This credit is not transferrable, but if a company has no production tax obligation this credit can be carried forward for two years. This section should have no impact on royalty revenue.

This bill extends the sunset date on "small producer" tax credits under AS 43.55.024. Previously the "small producer" tax credits were set to sunset in 2016. This section changes the sunset date for the program to 2021. This change to the credit program may serve to increase the amount of production receiving the "small producer" tax credits currently in statute. Additionally, the dollar amount of the "small producer" tax credit is increased. Previously the amount of the "small producer" tax credit was capped at \$12,000,000 per year. This change increases that amount to as much as \$15,000,000 per producer per year. This amendment should not affect the types or number of companies receiving the "small producer" tax credit, but it is likely to increase the dollar amounts of the "small producer" tax credit that currently exists in statute, AS 43.55.024.

(Continued on page 3)

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(RES)

**Analysis Continued**

This bill also changes the "exploration" tax credit program under AS 43.55.025 in two ways. First, it extends the sunset date on the program. Previously the AS 43.55.025 tax credits were set to sunset in 2016. This section changes the sunset date for the program to 2021. Second, the bill establishes an additional tax credit category under AS 43.55.025 that awards 30% of qualified exploration expenditures to all other exploration wells that don't qualify for credit under the other "exploration" tax credit categories.

These changes may serve to increase the number of projects receiving "exploration" tax credits as they currently stand in AS 43.55.025 and may increase the administrative burden on DNR to review applications for credits and handle data submissions and ultimate public release of data required.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB 1101B  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB110CS-DOLWD-LMI-3-21-11 Dept. Affected Labor and Workforce Development  
 Title Production Tax on Oil and Gas Appropriation Administrative Services  
 Allocation Labor Market Information  
 Sponsor Rules Committee  
 Requester House Finance Committee OMB Component Number 336

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services	48.0		48.0	48.0	48.0	48.0	48.0	48.0
Travel								
Services	2.0		2.0	2.0	2.0	2.0	2.0	2.0
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>50.0</b>	<b>0.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>

**CAPITAL EXPENDITURES**

<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	50.0		50.0	50.0	50.0	50.0	50.0	50.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>50.0</b>	<b>0.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time	1.0		1.0	1.0	1.0	1.0	1.0	1.0
Temporary								

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Not applicable, initial version.

Prepared by Brynn Keith, Research Chief  
 Division Administrative Services  
 Approved by Click Bishop, Commissioner  
Department of Labor and Workforce Development

Phone (907)465-4518  
 Date/Time 3/21/11 12:00 PM  
 Date 3/21/2011

**FISCAL NOTE**

**STATE OF ALASKA  
2011 LEGISLATIVE SESSION**

**BILL NO.** HB 110

**Analysis**

Compliance with HB 110 as written requires an analysis of wages and compensation paid to each of the producer's employees. To conduct this analysis, Department of Labor and Workforce Development (DOLWD) will need to expand data collection to include non-wage compensation. DOLWD estimates that the expanded data collection will require a part-time Research Analyst II, range 16, with an estimated personal services cost of \$40.0, and support from an existing Economist IV, range 22, with an estimated personal services cost of \$8.0. The \$2.0 in contractual services expense is estimated overhead to cover the aforementioned positions.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB110(FIN)  
 ( ) Publish Date \_\_\_\_\_  
 Dept. Affected \_\_\_\_\_ Revenue \_\_\_\_\_  
 Appropriation Treasury and Taxation  
 Allocation Tax Division  
 OMB Component Number 2476

Identifier (file name) CSHB110(FIN)-DOR-TAX-03-29-11  
 Title Production Tax on Oil and Gas  
 Sponsor Rules Committee by Request of the Governor  
 Requester House Finance Committee

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>							
Personal Services			267.0	267.0	267.0	267.0	267.0
Travel			10.0	10.0	10.0	10.0	10.0
Services	115.0		9.4	9.4	9.4	9.4	9.4
Commodities			1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>115.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES</b>		***	***	***	***	***	***
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	115.0		287.4	287.4	287.4	287.4	287.4
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
<b>TOTAL</b>	<b>115.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time			2	2	2	2	2
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note incorporates changes made in the House Finance committee substitute.  
 See analysis section for detail on these changes.

*new  
replaces  
DOR*

Prepared by Cherie Nienhuis, Economist; Bruce Tangeman, Deputy Commissioner  
 Division Tax Division  
 Approved by Ginger Blaisdell, Director Administrative Services Division  
Department of Revenue

Phone 269-1019  
 Date/Time 3/28/11; 6:45pm  
 Date 3/29/11; 12:23pm

FISCAL NOTE

Analysis

\*\*\*The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with their potential revenue impact, are discussed below.

1. **The interest rate on delinquent taxes is changed** from the greater of 5 percentage points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent, to the lesser of 3 percent points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent. The effective date of this provision is 7/1/11. There will be \$100,000 in one-time contractor costs to implement this change in our accounting system. Over the past three fiscal years (FY 2008-FY 2010), interest on delinquent taxes and refunds has resulted in a net positive revenue to the state. The average annual net revenue to the state in these years was \$30 million in revenue to the General Fund and \$111 million in revenue to the Constitutional Budget Reserve Fund. The Department of Revenue (DOR) does not forecast interest on taxes; therefore this provision has no quantifiable revenue impact.

2. **The tax rate is changed for production in unitized areas or areas where there has been commercial production.** The tax rates under the bill are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to \$30 per barrel to 50% for PTV over \$92.50 per barrel. The maximum total production tax rate is 50%. The effective date of this provision is 1/1/2013. The potential revenue impacts are presented below, using the preliminary Spring 2011 forecast as a base. The first table shows the revenue impact for production tax only, and the second table shows the revenue impact including increased revenue from royalties for increased production.

<b>Production Tax Only Fiscal Impact of this provision using various production scenarios - at preliminary Spring 2011 forecast level with incremental production starting 1/1/13 (in \$millions)</b>					
Year	Forecast production	Forecast + 5%	Forecast + 10%	Forecast + 15%	Forecast + 20%
FY 2012	\$0	\$0	\$0	\$0	\$0
FY 2013	-\$469	-\$408	-\$347	-\$285	-\$224
FY 2014	-\$989	-\$846	-\$704	-\$561	-\$419
FY 2015	-\$1,166	-\$1,011	-\$857	-\$703	-\$548
FY 2016	-\$1,418	-\$1,245	-\$1,072	-\$899	-\$726
FY 2017	-\$1,554	-\$1,373	-\$1,191	-\$1,010	-\$828

<b>Production Tax plus Total Royalties Fiscal Impact of this provision using various production scenarios - at preliminary Spring 2011 forecast level with incremental production starting 1/1/13 (in \$millions)</b>					
Year	Forecast production	Forecast + 5%	Forecast + 10%	Forecast + 15%	Forecast + 20%
FY 2012	\$0	\$0	\$0	\$0	\$0
FY 2013	-\$469	-\$349	-\$229	-\$108	\$12
FY 2014	-\$989	-\$722	-\$455	-\$189	\$78
FY 2015	-\$1,166	-\$884	-\$602	-\$321	-\$39
FY 2016	-\$1,418	-\$1,108	-\$798	-\$489	-\$179
FY 2017	-\$1,554	-\$1,234	-\$914	-\$593	-\$273

## FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB110(FIN)

### Analysis Continued

3. **For areas that were not unitized on 12/31/2008 and where there has been no commercial production, the tax rate is changed and the lease expenditures in those areas may not be applied outside those areas. The separate tax rate is in effect for the first seven consecutive years after the start of sustained production from each of the areas subject to the rate.** The tax rates under the bill are bracketed and only the increment of PTV within each bracket is taxed at that bracket's rate. The brackets range from 15% for PTV up to \$30 per barrel to 40% for PTV over \$92.50 per barrel. The maximum total production tax rate is 40%. The effective date of this provision is 1/1/2013. The fiscal impact of this provision during the time horizon of the fiscal note will be zero under our existing production forecast and positive if additional production is brought on line.

4. **The provision requiring that credits be taken over two years is eliminated.** This provision would result in companies using credits earlier than they would without this change, and except for time value of money impact, it is revenue neutral. This provision applies to expenditures after 12/31/2010. Using the Fall 2010 forecast assumptions, this provision is expected to decrease revenue in the amount of \$200 million in CY 2011 (taken over FY 2011 and FY 2012). Another \$100 million in refunds would also be likely sought for credit certificates in FY 2011 and FY 2012.

5. **The 40% credit for well lease expenditures is expanded to include qualified expenditures incurred north of 68 degrees North Latitude.** This provision applies to expenditures incurred after 12/31/2010 and the provision sunsets on 1/1/2021. We estimate this provision will decrease revenue in the amount of \$200 million to \$400 million annually, based on a conservative estimate that 85% of drilling costs would be eligible for this credit. No additional positions will be required, however, there will be a one-time contractual cost of \$15,000 for auditor training on well lease expenditures.

6. **Small producer, new area development, and alternative tax credit for exploration programs were extended from their current sunset date of 2016 to a sunset date of 2021.** These credits are in current law at AS 43.55.024 and AS 43.55.025. The effective date of this provision is 7/1/2011. Since 2006, small producer credits used each year averaged about \$30 million and roughly \$80 million in alternative credits for exploration were used each year. We expect the small producer credits to increase within the next several years to \$40-\$50 million per year and for alternative credits for exploration to decrease in the near term but potentially increase if oil prices remain above \$100 per barrel. For purposes of this fiscal note, the extension of these credits will only impact revenue in FY 2017.

7. **The tax information disclosure statute was expanded to include the disclosure of types of credits claimed and types of expenditures for which the credits were claimed.** The effective date of this provision is January 1, 2012. This provision has no fiscal impact.

The department will require the addition of two auditor positions to administer the additional credit and reporting provisions of this bill, beginning in FY 2013. These positions would be oil and gas auditor IV positions, and expected to cost \$287,400 annually.

Analysis Continued

Provisions in CSHB 110(FIN) and their Revenue Impact as compared to Preliminary Spring 2011 Forecasted Revenue

Brief Description of Provisions	Revenue Impacts of the Provisions (\$mm)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<i>Provisions in CSHB110(FIN) prior to amendments</i>						
1. Change in interest rate from greater of 5% above Fed Rate or 11% to lesser of 3% above Fed Rate or 11%.	Indeterminate					
2. Change the tax rate for unitized areas from current ACES progressivity to a bracketed progressivity structure.	\$0	-\$470	-\$989	-\$1,166	-\$1,418	-\$1,554
3. Change the tax rate for non-unitized areas from current ACES to a base rate of 15% and a bracketed progressivity structure. This tax rate would be in effect through the first 7 years of sustained production, after which time the tax rate becomes the same as that for unitized areas.	Net positive impact due to projects not currently on forecast horizon being added					
4. Eliminate the provision that credits must be taken over two years.	Revenue neutral					
5. Expand the well lease expenditure credit to include expenditures in areas north of 68 degrees North Latitude.	-\$200 to -\$400 per year until 1/1/2021					
6. Extend the small producer, new area development, and alternative tax credit for exploration from 2016 to 2021.	\$0	\$0	\$0	\$0	\$125	\$125
7. Expand the tax information disclosure statute to include the disclosure of types of credits and expenditures	\$0	\$0	\$0			\$0
8. DOR Agency Costs	-\$0.1	\$0.0	-\$0.3			\$0.3
<b>TOTAL REVENUE IMPACT</b>	<b>-200 to -400</b>	<b>-\$670 to -\$870</b>	<b>-\$1,189 to -\$1,389</b>	<b>-\$1,366 to -\$1,566</b>		<b>79</b>

↓  
negative?

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Bullock  
3/327/11

**CS FOR HOUSE BILL NO. 110(RESFIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE ~~RESOURCES~~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 interest rate applicable to certain amounts due for fees, taxes,  
2 and payments made and property delivered to the Department of Revenue; relating to  
3 the oil and gas production tax rate; relating to monthly installment payments of  
4 ~~estimated~~the oil and gas production tax; relating to oil and gas production tax credits,  
5 including qualified capital credits for exploration, development, and production;  
6 relating to certain additional nontransferable oil and gas production tax credits; relating  
7 to the ~~determination of oil and gas production tax values; relating to the disclosure of~~  
8 certain tax information; making conforming amendments; and providing for an  
9 effective date."

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

11 \* Section 1. AS 05.15.095(c) is amended to read:

12 (c) A delinquent fee bears interest at the rate set by AS 43.05.225(2)

1 [AS 43.05.225].

2 \* **Sec. 2.** AS 34.45.470(a) is amended to read:

3 (a) A person who fails to pay or deliver property within the time prescribed by  
4 this chapter may be required to pay to the department interest at the annual rate  
5 calculated under AS 43.05.225(2) [AS 43.05.225] on the property or the value of it  
6 from the date the property should have been paid or delivered.

7 \* **Sec. 3.** AS 43.05.225 is amended to read:

8 **Sec. 43.05.225. Interest.** Unless otherwise provided,

9 (1) when a tax levied in this title becomes delinquent, it bears interest  
10 in a calendar quarter at the rate of three [FIVE] percentage points above the annual  
11 rate charged member banks for advances by the 12th Federal Reserve District as of the  
12 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
13 lesser [GREATER], compounded quarterly as of the last day of that quarter;

14 (2) the interest rate is 12 percent a year for

15 (A) delinquent fees payable under AS 05.15.095(c); and

16 (B) [REPEALED AND

17 (C)] unclaimed property that is not timely paid or delivered, as  
18 allowed by AS 34.45.470(a).

19 \* **Sec. 4.** AS 43.20.046(i) is amended to read:

20 (i) The issuance of a refund under this section does not limit the department's  
21 ability to later audit or adjust the claim if the department determines, as a result of the  
22 audit, that the person that claimed the credit was not entitled to the amount of the  
23 credit. The tax liability of the person receiving the credit under this chapter is  
24 increased by the amount of the credit that exceeds that to which the person was  
25 entitled. If the tax liability is increased under this subsection, the increase bears  
26 interest under AS 43.05.225(1) [AS 43.05.225] from the date the refund was issued.

27 \* **Sec. 5.** AS 43.50.570 is amended to read:

28 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the  
29 purchase of stamps within the time required

30 (1) is considered to have failed to pay the cigarette taxes due under this  
31 chapter; and

1 (2) shall pay interest at the rate established under AS 43.05.225(1)  
 2 [AS 43.05.225] from the date on which the amount became due until the date of  
 3 payment.

4 \* **Sec. 6.** AS 43.55.011(e) is amended to read:

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

10 ~~(1) oil and gas produced from a lease or property containing land~~  
 11 ~~that, as of December 31, 2008, was within a unit or in commercial production,~~ the  
 12 tax is equal to [THE SUM OF

13 ~~{(1)} the annual production tax value of the taxable oil and gas~~

14 **(1) produced from a lease or property not described in (2) of this**  
 15 **subsection** as calculated under AS 43.55.160(a)(1) multiplied by the tax rate  
 16 calculated ~~[25 PERCENT; AND~~ percent, and the sum, over all months of the  
 17 calendar year, of the tax amounts determined under (g)(1) of this section; and

18 ~~(2) THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR,~~  
 19 ~~OF THE TAX AMOUNTS DETERMINED]~~ under ~~(g)(1)~~ ~~[(g)]~~ of this section;

20 ~~(2) other oil and gas, the tax is equal to~~ produced during the first  
 21 seven consecutive years after the annual start of sustained production tax value  
 22 from a lease or property containing land that was not or previously had not been  
 23 within a unit or in commercial production as of the taxable oil and  
 24 gas December 31, 2008, as calculated under AS 43.55.160(a)(1) multiplied by 15  
 25 percent, and the sum, over all months of the calendar year, of the tax rate  
 26 calculated amounts determined under (g)(2) [(g)] of this section; in this section,  
 27 paragraph, "sustained production" has the meaning given in AS 43.55.025(l).

28 \* **Sec. 7.** AS 43.55.011(f) is amended to read:

29 (f) ~~The levy of tax under this section for oil and gas produced north of 68~~  
 30 ~~degrees North latitude, other than oil and gas production subject to (i) of this section~~  
 31 ~~and gas subject to (o) of this section, may not be less than~~

1                   ~~(1) four percent of the gross value at the point of production when the~~  
2 ~~average price per barrel for Alaska North Slope crude oil for sale on the United States~~  
3 ~~West Coast during the calendar year for which the tax is due is more than \$20 [\$25];~~

4                   ~~(2) three percent of the gross value at the point of production when the~~  
5 ~~average price per barrel for Alaska North Slope crude oil for sale on the United States~~  
6 ~~West Coast during the calendar year for which the tax is due is over \$17.50 [\$20] but~~  
7 ~~not over \$20 [\$25];~~

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

12                   ~~(4) one percent of the gross value at the point of production when the~~  
13 ~~average price per barrel for Alaska North Slope crude oil for sale on the United States~~  
14 ~~West Coast during the calendar year for which the tax is due is over \$12.50 [\$15] but~~  
15 ~~not over \$15 [\$17.50]; or~~

16                   ~~(5) zero percent of the gross value at the point of production~~  
17 ~~when the average price per barrel for Alaska North Slope crude oil for sale on~~  
18 ~~the United States West Coast during the calendar year for which the tax is due~~  
19 ~~is \$12.50 [\$15] or less.~~

20 ~~\* Sec. 8. AS 43.55.011(g) is repealed and reenacted to read:~~

21                   ~~(g) The tax rate for a~~ For each month of the calendar year ~~for purposes of~~

22                   ~~(1) (e)(1) of this section is equal to the percentage rate obtained by~~  
23 ~~performing the following calculations:~~

24                   ~~(A) calculating, for the calendar year,~~ which ~~the producer's average~~  
25 ~~annual~~ monthly ~~production tax value under AS 43.55.160(a)(+2) for each BTU~~  
26 ~~equivalent barrel of the taxable oil and gas subject to (e)(1) of this section;~~ is more than  
27 \$30, the amount of tax for purposes

28                   ~~(B) calculating the fraction, if any, of that average annual~~  
29 ~~production tax value for each BTU equivalent barrel that falls within each~~  
30 ~~range of incremental production tax value for each BTU equivalent barrel in~~  
31 ~~the table set out in (D) of this paragraph;~~

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~~(C)~~ (1) of (e)(1) of this section is determined by multiplying each of those fractions the monthly production tax value of the taxable oil and gas produced during the month by the corresponding incremental rate in the table set out in (D) of this paragraph; and

~~(D)~~ adding together the products calculated under (C) of this paragraph; the table of incremental values and incremental following tax rates is, as follows: applicable:

<u>Incremental Production Tax Value for each</u>	<u>BTU Equivalent Barrel</u>	<u>Incremental Rate</u>
Not more than \$30		25 percent
More than \$30 but not more than \$42.50		27.5 percent
More than \$42.50 but not more than \$55		32.5 percent
More than \$55 but not more than \$67.50		37.5 percent
More than \$67.50 but not more than \$80		42.5 percent
More than \$80 but not more than \$92.50		47.5 percent
More than \$92.50		50 percent

~~(2)~~ (e)(2) of this section is equal to the percentage rate obtained by performing the following calculations:

(A) calculating, for the calendar year, the if the producer's average annual monthly production tax value under AS 43.55.160(of a)(1) for each BTU equivalent barrel of the taxable oil and gas not subject to (e)(1) of this section;

(B) calculating the fraction, if any, of for the month is not more than \$42.50, the tax rate is 2.5 percent of the difference between that average annual monthly production tax value of a BTU equivalent barrel and \$30;

(B) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$42.50 but not more than \$55, the tax rates are

- (i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30; and
- (ii) 7.5 percent of the monthly production tax value for

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each BTU equivalent barrel that ~~falls within~~ is greater than \$42.50;

(C) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$55 but not more than \$67.50, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel; and

(iii) 12.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than \$55;

(D) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$67.50 but not more than \$80, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value for each ~~range of incremental~~ BTU equivalent barrel;

(iii) 12.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel ~~in the table set out in (D) of this paragraph;~~

~~(C) multiplying each~~ (iv) 17.5 percent of those fractions by the corresponding incremental rate in the table set out in (D) of this paragraph; and

~~(D) adding together the products calculated under (C) of this paragraph; the table of incremental values and incremental rates is as follows:~~

<del>Incremental Production Tax Value</del> <u>monthly production tax value for each</u>	<del>BTU Equivalent Barrel</del>	<del>Incremental Rate</del>
<del>Not more than \$30</del>	<del>—————</del>	<del>15 percent</del>
<del>More than \$30 but not more than \$42.50</del>	<del>—————</del>	<del>17.5 percent</del>
<del>More than \$42.50 but not more than \$55</del>	<del>—————</del>	<del>22.5 percent</del>
<del>More than \$55 but not more</del> <u>equivalent barrel that is</u>	<del>—————</del>	<del></del>

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greater than \$67.50—27;

(E) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$80 but not more than \$92.50, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel; and

More than \$67.50 but not more than \$80 ————— 32.5 percent

More than \$80 but not more than \$92.50 ————— 37.5 percent

More than \$92.50 ————— 40 percent

(v) 22.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than \$80;

(F) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(v) 22.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel; and

(vi) 25 percent of the monthly production tax value for

1                   each BTU equivalent barrel that is greater than \$92.50;  
2                   (2) of (e)(2) of this section is determined by multiplying the monthly  
3 production tax value of the taxable oil and gas produced during the month by the  
4 following tax rates, as applicable:

5                   (A) if the producer's average monthly production tax value of a  
6 BTU equivalent barrel of the taxable oil and gas for the month is not more than  
7 \$42.50, the tax rate is 2.5 percent of the difference between that average  
8 monthly production tax value of a BTU equivalent barrel and \$30;

9                   (B) if the producer's average monthly production tax value of a  
10 BTU equivalent barrel of the taxable oil and gas for the month is more than  
11 \$42.50 but not more than \$55, the tax rates are

12                   (i) 2.5 percent on the first \$12.50 of monthly production  
13 tax value for each BTU equivalent barrel that is greater than \$30; and

14                   (ii) 7.5 percent of the monthly production tax value for  
15 each BTU equivalent barrel that is greater than \$42.50;

16                   (C) if the producer's average monthly production tax value of a  
17 BTU equivalent barrel of the taxable oil and gas for the month is more than  
18 \$55 but not more than \$67.50, the tax rates are

19                   (i) 2.5 percent on the first \$12.50 of monthly production  
20 tax value for each BTU equivalent barrel that is greater than \$30;

21                   (ii) 7.5 percent of the next higher \$12.50 of monthly  
22 production tax value for each BTU equivalent barrel; and

23                   (iii) 12.5 percent of the monthly production tax value  
24 for each BTU equivalent barrel that is greater than \$55;

25                   (D) if the producer's average monthly production tax value of a  
26 BTU equivalent barrel of the taxable oil and gas for the month is more than  
27 \$67.50 but not more than \$80, the tax rates are

28                   (i) 2.5 percent on the first \$12.50 of monthly production  
29 tax value for each BTU equivalent barrel that is greater than \$30;

30                   (ii) 7.5 percent of the next higher \$12.50 of monthly  
31 production tax value for each BTU equivalent barrel;

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(iii) 12.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than \$67.50;

(E) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$80 but not more than \$92.50, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel; and

(v) 22.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than \$80;

(F) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel;

(v) 22.5 percent of the next higher \$12.50 of monthly production tax value for each BTU equivalent barrel; and

(vi) 15 percent of the monthly production tax value for

1 each BTU equivalent barrel that is greater than \$92.50.

2 \* ~~Sec. 98.~~ AS 43.55.020(a) is repealed and reenacted amended to read:

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

5 (1) an installment payment of the estimated tax levied by  
6 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each  
7 month of the calendar year on the last day of the following month; except as otherwise  
8 provided under (2) of this subsection, the amount of the installment payment is the  
9 sum of the following amounts ~~calculated in (A) - (D) of this paragraph~~, less 1/12 of the  
10 tax credits that are allowed by law to be applied against the tax levied by  
11 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may  
12 not be less than zero:

13 (A) ~~the sum of the monthly production tax values for the month~~  
14 ~~under AS 43.55.160(a)(2) for the categories described in~~  
15 ~~AS 43.55.160(a)(1)(B) oil and (F), multiplied by the tax rate calculated for the~~  
16 ~~calendar year of production under~~ gas produced from leases or properties in the  
17 state outside the Cook Inlet sedimentary basin but not subject to  
18 AS 43.55.011(g)(1);

19 ~~(B) o~~, other than leases or properties subject to  
20 AS 43.55.011(f), the greater of

21 (i) ~~the sum of the product of the monthly production tax~~  
22 ~~value for the month under AS 43.55.160(a)(2) for the category~~  
23 ~~described~~ zero; or

24 (ii) the applicable tax rates in AS 43.55.160(a)(1)(A)  
25 multiplied by the tax rate calculated 011(e), as applicable, and  
26 43.55.011(g), as applicable, applied to [SUM OF 25 PERCENT AND  
27 THE TAX RATE CALCULATED FOR THE MONTH UNDER  
28 AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by  
29 subtracting 1/12 of the producer's adjusted lease expenditures for the  
30 calendar year of production under AS 43.55.011(g)(1), and the product  
31 of the monthly production tax value for the month under AS 165 and

1 43.55.160(a)(2)170 that are deductible for the category described  
2 in leases or properties under AS 43.55.160(a)(1)(G) multiplied by from  
3 the tax rate calculated for gross value at the calendar year point of  
4 production under of the oil and gas produced from the leases or  
5 properties during the month for which the installment payment is  
6 calculated;

7 (B) for oil and gas produced from leases or properties subject  
8 to AS 43.55.011(e)(2); or f), the greatest of

9 (i) zero;

10 (ii) zero percent, one percent, two percent, three  
11 percent, or four percent, as applicable under AS 43.55.011(f), of the  
12 gross value at the point of production of the gross value at the point of  
13 production of the oil and gas, other than gas subject to  
14 AS 43.55.011(e), produced during the month from all leases or  
15 properties that include land north of 68 degrees North latitude; for  
16 purposes of this sub-subparagraph, the applicable percentage under  
17 AS 43.55.011(f) is determined by substituting in AS 43.55.011(f)(1)  
18 (5) the phrase "month for which the installment payment is calculated"  
19 in place of the phrase "calendar year for which the tax is due";

20 (C) for oil produced during the month from each lease  
21 or property subject to AS 43.55.011(k), for gas produced during the  
22 month from each lease or property subject to AS 43.55.011(j), and for  
23 gas subject to AS 43.55.011(e) produced during the month from each  
24 lease or property, the monthly production tax value for the month  
25 calculated under AS 43.55.160(a)(2) for the categories described in  
26 AS 43.55.160(a)(1)(C), (D), or (E), respectively, multiplied by for  
27 which the installment payment is calculated; or

28 (iii) the applicable tax rate calculated rates in  
29 AS 43.55.011(e), as applicable, and 43.55.011(g), as applicable,  
30 applied to [SUM OF 25 PERCENT AND THE TAX RATE  
31 CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)

1 MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the  
 2 producer's adjusted lease expenditures for the calendar year of  
 3 production under AS 43.55.011(g)(1), 165 and 43.55.170 that are  
 4 deductible for those leases or properties under AS 43.55.160 from the  
 5 gross value at the point of production of the oil and gas produced from  
 6 those leases or properties during the month for which the installment  
 7 payment is calculated;

8 (C) for oil and gas produced from each lease or property  
 9 subject to AS 43.55.011(e)(1); ~~(f)~~, (k), or (o), the greater of

10 (i) zero; or

11 (ii) the applicable tax rate ~~calculated~~ rates in AS 43.55.011(e), as  
 12 applicable, and 43.55.011(g), as applicable, applied to [SUM OF 25 PERCENT AND THE TAX RATE  
 13 CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder  
 14 obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of  
 15 production under AS 43.55.011(g)(2), for a 165 and 43.55.170 that are deductible under  
 16 AS 43.55.160 for oil or gas, respectively, produced from the lease or property not subject to  
 17 AS 43.55.011(e)(1); and

18 (D) ~~the sum of the monthly production tax values for~~  
 19 ~~the month under AS 43.55.160(a)(2) for the categories described in~~  
 20 ~~AS 43.55.160(a)(1)(H) and (I), multiplied by the tax rate calculated for~~  
 21 ~~the calendar year from the gross value at the point of production under~~  
 22 ~~AS 43.55.011(g)(2); of the oil or gas, respectively, produced from the~~  
 23 ~~lease or property during the month for which the installment payment is~~  
 24 ~~calculated;~~

25 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
 26 produced from a ~~particular~~ lease or property subject to AS 43.55.011(j), (k), or (o)  
 27 may not exceed the product obtained by carrying out the calculation set out in  
 28 AS 43.55.011(k)(1) or (2) or 43.55.011(o), as applicable, for ~~oil, gas~~ or set out in  
 29 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas, but substituting in  
 30 AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced  
 31 during the month for the amount of taxable oil produced during the calendar year  
 32 and oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as

1 applicable, the amount of taxable gas produced during the month for the amount of  
2 taxable gas produced during the calendar year; and substituting in  
3 AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced  
4 during the month for the amount of taxable oil produced during the calendar year;

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

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

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

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

21 \* ~~Sec. 109.~~ AS 43.55.020(g) is amended to read:

22 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
23 amount of an installment payment required under (a)(1) - (3) of this section that is not  
24 paid when due bears interest (1) at the rate provided for an underpayment under 26  
25 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date  
26 the installment payment is due until March 31 following the calendar year of  
27 production, and (2) as provided for a delinquent tax under AS 43.05.225(1)  
28 [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that  
29 remains unpaid after that March 31 is treated as an addition to tax that bears interest  
30 under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section  
31 that is not paid when due bears interest as provided for a delinquent tax under

1           **AS 43.05.225(1)** [AS 43.05.225].

2           \* ~~Sec. 1110~~. AS 43.55.023(a) is amended to read:

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

5                           (1) notwithstanding that a qualified capital expenditure may be a  
6                   deductible lease expenditure for purposes of calculating the production tax value of oil  
7                   and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
8                   AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
9                   explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
10                   against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
11                   expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY  
12                   BE APPLIED FOR A SINGLE CALENDAR YEAR;]

13                           (2) a producer or explorer may take a credit for a qualified capital  
14                   expenditure incurred in connection with geological or geophysical exploration or in  
15                   connection with an exploration well only if the producer or explorer

16                                   (A) agrees, in writing, to the applicable provisions of  
17                                   AS 43.55.025(f)(2);

18                                   (B) submits to the Department of Natural Resources all data  
19                                   that would be required to be submitted under AS 43.55.025(f)(2).

20           \* ~~Sec. 1211~~. AS 43.55.023(d) is amended to read:

21                   (d) Except as limited by (i) of this section, a person that is entitled to take a tax  
22                   credit under this section that wishes to transfer the unused credit to another person or  
23                   obtain a cash payment under AS 43.55.028 may apply to the department for a  
24                   transferable tax credit certificate [CERTIFICATES]. An application under this  
25                   subsection must be in a form prescribed by the department and must include  
26                   supporting information and documentation that the department reasonably requires.  
27                   The department shall grant or deny an application, or grant an application as to a lesser  
28                   amount than that claimed and deny it as to the excess, not later than 120 days after the  
29                   latest of (1) March 31 of the year following the calendar year in which the qualified  
30                   capital expenditure, well lease expenditure, or carried-forward annual loss for which  
31                   the credit is claimed was incurred; (2) the date the statement required under

1 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
2 expenditure, well lease expenditure, or carried-forward annual loss for which the  
3 credit is claimed was incurred; or (3) the date the application was received by the  
4 department. If, based on the information then available to it, the department is  
5 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
6 the applicant a [TWO] transferable tax credit certificate for [CERTIFICATES,  
7 EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE  
8 OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE  
9 CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT  
10 BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN  
11 THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH  
12 THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A  
13 CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this  
14 subsection does not expire.

15 \* **Sec. ~~1312~~**. AS 43.55.023(g) is amended to read:

16 (g) The issuance of a transferable tax credit certificate under (d) ~~of this~~  
17 section or former (m) of this section or the purchase of a certificate under  
18 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
19 which the certificate relates or to adjust the claim if the department determines, as a  
20 result of the audit, that the applicant was not entitled to the amount of the credit for  
21 which the certificate was issued. The tax liability of the applicant under  
22 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
23 that exceeds that to which the applicant was entitled, or the applicant's available valid  
24 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
25 by that amount. If the applicant's tax liability is increased under this subsection, the  
26 increase bears interest under AS 43.05.225~~(1)~~ ~~[AS 43.05.225]~~ from the date the  
27 transferable tax credit certificate was issued. For purposes of this subsection, an  
28 applicant that is an explorer is considered a producer subject to the tax levied by  
29 AS 43.55.011(e).

30 \* **Sec. ~~1413~~**. AS 43.55.023(g) is amended to read:

31 (g) The issuance of a transferable tax credit certificate under (d) of this section

1 or former (m) of this section or the purchase of a certificate under AS 43.55.028 does  
2 not limit the department's ability to later audit a tax credit claim to which the  
3 certificate relates or to adjust the claim if the department determines, as a result of the  
4 audit, that the applicant was not entitled to the amount of the credit for which the  
5 certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and  
6 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to  
7 which the applicant was entitled, or the applicant's available valid outstanding credits  
8 applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the  
9 applicant's tax liability is increased under this subsection, the increase bears interest  
10 under AS 43.05.225(1) [AS 43.05.225] from the date the transferable tax credit  
11 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
12 is considered a producer subject to the tax levied by AS 43.55.011(e).

13 \* ~~Sec. 1514~~ AS 43.55.023(l) is amended to read:

14 (l) A producer or explorer may apply for a tax credit for a well lease  
15 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
16 LATITUDE] after December 31, 2011~~2010~~, and before January 1, 2021 [JUNE 30,  
17 2010], as follows:

18 (1) notwithstanding that a well lease expenditure [INCURRED IN  
19 THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible  
20 lease expenditure for purposes of calculating the production tax value of oil and gas  
21 under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this  
22 section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer  
23 or explorer that incurs a well lease expenditure [IN THE STATE SOUTH OF 68  
24 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied  
25 by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT  
26 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR  
27 YEAR;]

28 (2) a producer or explorer may take a credit for a well lease  
29 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
30 LATITUDE] in connection with geological or geophysical exploration or in  
31 connection with an exploration well only if the producer or explorer

1 (A) agrees, in writing, to the applicable provisions of  
2 AS 43.55.025(f)(2); and

3 (B) submits to the Department of Natural Resources all data  
4 that would be required to be submitted under AS 43.55.025(f)(2).

5 \* **Sec. 15.** AS 43.55.023(l) is amended to read:

6 (l) A producer or explorer may apply for a tax credit for a well lease  
7 expenditure incurred in the state south of 68 degrees North latitude after  
8 December 31, 2020 [DECEMBER 31, 2010, AND BEFORE JANUARY 1, 2021], as  
9 follows:

10 (1) notwithstanding that a well lease expenditure incurred in the state  
11 south of 68 degrees North latitude may be a deductible lease expenditure for  
12 purposes of calculating the production tax value of oil and gas under AS 43.55.160(a),  
13 unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),  
14 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a  
15 well lease expenditure in the state south of 68 degrees North latitude may elect to  
16 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent  
17 of that expenditure;

18 (2) a producer or explorer may take a credit for a well lease  
19 expenditure incurred in the state south of 68 degrees north latitude in connection  
20 with geological or geophysical exploration or in connection with an exploration well  
21 only if the producer or explorer

22 (A) agrees, in writing, to the applicable provisions of  
23 AS 43.55.025(f)(2); and

24 (B) submits to the Department of Natural Resources all data  
25 that would be required to be submitted under AS 43.55.025(f)(2).

26 \* **Sec. 16.** AS 43.55.023(n) is amended to read:

27 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure  
28 [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a  
29 lease expenditure that is

30 (1) directly related to an exploration well, a stratigraphic test well, a  
31 producing well, or an injection well other than a disposal well, [LOCATED IN THE

1 STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a  
2 qualified capital expenditure and an intangible drilling and development cost  
3 authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R.  
4 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an  
5 expenditure directly related to a well includes an expenditure for well sidetracking,  
6 well deepening, well completion or recompletion, or well workover, regardless of  
7 whether the well is or has been a producing well; or

8 (2) an expense for seismic work conducted within the boundaries of a  
9 production or exploration unit.

10 \* **Sec. 17.** AS 43.55.023(n) is amended by adding a new subsection to read:

11 ~~(p) A producer that incurs more than 80 percent of its wage and compensation~~  
12 ~~expenditures for wages and compensation paid to Alaska residents may take a tax~~  
13 ~~credit against the tax levied under AS 43.55.011(e) equal to the percentage by which~~  
14 ~~the wages and compensation paid to Alaska residents exceeds 80 percent of all wages~~  
15 ~~and compensation paid by the producer in the state. The department, in consultation~~  
16 ~~with the Department of Labor and Workforce Development, shall adopt regulations~~  
17 ~~necessary to administer the credit authorized by this subsection. Notwithstanding (e)~~  
18 ~~of this section, the unused amount of credit under this subsection may not be carried~~  
19 ~~forward for more than two years, and, notwithstanding (d), (e), and (g) of this section,~~  
20 ~~a producer may not transfer a tax credit or obtain a transferable tax credit certificate~~  
21 ~~for a credit authorized under this subsection. In this subsection, "Alaska resident" has~~  
22 ~~the meaning given in AS 43.82.230.~~

23 (n) For the purposes of (l) of this section, a well lease expenditure incurred in  
24 the state south of 68 degrees North latitude is a lease expenditure that is

25 (1) directly related to an exploration well, a stratigraphic test well, a  
26 producing well, or an injection well other than a disposal well, located in the state  
27 south of 68 degrees North latitude, if the expenditure is a qualified capital  
28 expenditure and an intangible drilling and development cost authorized under 26  
29 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the  
30 elections made under 26 U.S.C. 263(c): in this paragraph, an expenditure directly  
31 related to a well includes an expenditure for well sidetracking, well deepening, well

1 completion or recompletion, or well workover, regardless of whether the well is or has  
 2 been a producing well; or

3 (2) an expense for seismic work conducted within the boundaries of a  
 4 production or exploration unit.

5 \* **Sec. 18.** AS 43.55.024(b) is amended to read:

6 (b) A producer may not take a tax credit under (a) of this section for any  
 7 calendar year after the later of

8 (1) 2021 [2016]; or

9 (2) the ninth calendar year after the calendar year during which the  
 10 producer first has commercial oil or gas production before May 1, 2021 [2016], from  
 11 at least one lease or property in the state outside the Cook Inlet sedimentary basin, no  
 12 part of which is north of 68 degrees North latitude, if the producer did not have  
 13 commercial oil or gas production from a lease or property in the state outside the Cook  
 14 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before  
 15 April 1, 2006.

16 \* **Sec. 19.** AS 43.55.024(e) is amended to read:

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

25 ~~(1) not more than 50,000 BTU equivalent barrels may apply a tax~~  
 26 ~~credit of not more than \$15,000,000 [\$12,000,000] for the calendar year;~~

27 ~~(2) more than 50,000 and less than 100,000 BTU equivalent barrels~~  
 28 ~~may apply a tax credit of not more than \$15,000,000 [\$12,000,000] multiplied by the~~  
 29 ~~following fraction for the calendar year:~~

30  ~~$1 - [2 \times (AP - 50,000)] / 100,000$~~

31 ~~where AP = the average amount of oil and gas taxable under AS 43.55.011(e).~~

1 produced a day during the calendar year in BTU equivalent barrels.

2 ~~\* Sec. 20.~~ AS 43.55.024(d) is amended to read:

3 (d) A producer may not take a tax credit under (c) of this section for any  
4 calendar year after the later of

5 (1) 2021 [2016]; or

6 (2) if the producer did not have commercial oil or gas production from  
7 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
8 calendar year during which the producer first has commercial oil or gas production  
9 before May 1, 2021 [2016], from at least one lease or property in the state.

10 \* ~~Sec. 21.~~ AS 43.55.025(a) is amended to read:

11 (a) ~~Subject to the terms and conditions of this section, a credit against the~~  
12 ~~production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that~~  
13 ~~qualify under (b) of this section in an amount equal to one of the following:~~

14 (1) ~~30 percent of the total exploration expenditures that qualify only~~  
15 ~~under (b) and (c) of this section;~~

16 (2) ~~30 percent of the total exploration expenditures that qualify only~~  
17 ~~under (b) and (d) of this section;~~

18 (3) ~~40 percent of the total exploration expenditures that qualify under~~  
19 ~~(b), (c), and (d) of this section;~~

20 (4) ~~40 percent of the total exploration expenditures that qualify only~~  
21 ~~under (b) and (e) of this section; [OR]~~

22 (5) ~~80, 90, or 100 percent, or a lesser amount described in (l) of this~~  
23 ~~section, of the total exploration expenditures described in (b)(1) and (2) of this section~~  
24 ~~and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this~~  
25 ~~section; or~~

26 ~~(6) 30 percent of the total exploration expenditures that qualify~~  
27 ~~only under (b) and (n) of this section.~~

28 ~~\* Sec. 2220.~~ AS 43.55.025(b) is amended to read:

29 (b) To qualify for the production tax credit under (a) of this section, an  
30 exploration expenditure must be incurred for work performed after June 30, 2008, and  
31 before July 1, 2021 [2016], and

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

3 (2) if for an exploration well,

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

6 (B) may be for either a well that encounters an oil or gas  
7 deposit or a dry hole;

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

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

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

23 (4) may not be incurred for an exploration well or seismic exploration  
24 that is included in a plan of exploration or a plan of development for any unit before  
25 May 14, 2003.

26 \* **Sec. ~~2321~~**. AS 43.55.025(k) is amended to read:

27 (k) Subject to the terms and conditions of this section, if a claim is filed under  
28 (f)(1) of this section before January 1, **2021** [2016], a credit against the production tax  
29 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
30 expenditure under this subsection incurred for seismic exploration performed before  
31 July 1, 2003. To be eligible under this subsection, an expenditure must

- 1 (1) have been for seismic exploration that  
 2 (A) obtained data that the commissioner of natural resources  
 3 considers to be in the best interest of the state to acquire for public distribution;  
 4 and  
 5 (B) was conducted outside the boundaries of a production unit;  
 6 however, the amount of the expenditure that is otherwise eligible under this  
 7 section is reduced proportionately by the portion of the seismic exploration  
 8 activity that crossed into a production unit; and  
 9 (2) qualify under (b)(3) of this section.

10 \* ~~Sec. 24.~~ AS 43.55.025 is amended by adding a new subsection to read:

11 ~~(n) To be eligible for the 30 percent production tax credit authorized by (a)(6)~~  
 12 ~~of this section, exploration expenditures must be for a well drilled north of 68 degrees~~  
 13 ~~North latitude that is~~

14 ~~(1) outside of a unit; or~~

15 ~~(2) within a unit formed after June 30, 2008, and the exploration~~  
 16 ~~expenditures are incurred before the later of the date that is four years after the date~~  
 17 ~~the~~

18 ~~(A) unit is formed; or~~

19 ~~(B) first exploration well is drilled on a lease or property that is~~  
 20 ~~within the unit.~~

21 \* ~~Sec. 2522.~~ AS 43.55.028(e) is amended to read:

22 (e) The department, on the written application of a person to whom a  
 23 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**  
 24 **AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued  
 25 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
 26 purchase, in whole or in part, the certificate if the department finds that

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

30 (2) [REPEALED]

31 (3) REPEALED

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

3 (3) [(5)] the applicant's total tax liability under AS 43.55.011(e), after  
4 application of all available tax credits, for the calendar year in which the application is  
5 made is zero;

6 (4) [(6)] the applicant's average daily production of oil and gas taxable  
7 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
8 the application is made was not more than 50,000 BTU equivalent barrels; and

9 (5) [(7)] the purchase is consistent with this section and regulations  
10 adopted under this section.

11 \* **Sec. 2623.** AS 43.55.028(g) is amended to read:

12 (g) The department may adopt regulations to carry out the purposes of this  
13 section, including standards and procedures to allocate available money among  
14 applications for purchases under this chapter and claims for refunds under  
15 AS 43.20.046 when the total amount of the applications for purchase and claims for  
16 refund exceed the amount of available money in the fund. The regulations adopted by  
17 the department may not, when allocating available money in the fund under this  
18 section, distinguish an application for the purchase of a credit certificate issued under  
19 **former** AS 43.55.023(m) or a claim for refund under AS 43.20.046.

20 \* **Sec. 27.** AS 43.55.160(a) is repealed and reenacted to read:

21 (a) ~~Except as provided in (b) of this section, for the purposes of~~  
22 ~~(1) AS 43.55.011(e), the annual production tax value of taxable oil,~~  
23 ~~gas, or oil and gas produced by a producer during a calendar year, in a given category~~  
24 ~~for which a separate production tax value is required to be calculated under this~~  
25 ~~paragraph, is equal to the gross value at the point of production of that oil, gas, or oil~~  
26 ~~and gas, respectively, taxable under AS 43.55.011(e), less the producer's lease~~  
27 ~~expenditures under AS 43.55.165 for the calendar year that are applicable to the oil,~~  
28 ~~gas, or oil and gas, respectively, in that category produced by the producer during the~~  
29 ~~calendar year, as adjusted under AS 43.55.170; a separate annual production tax value~~  
30 ~~must be calculated for~~

31 (A) ~~oil and gas, other than gas produced before 2022 and used~~

1 in the state, produced in aggregate from all leases or properties in the state that  
2 include land north of 68 degrees North latitude and are subject to  
3 AS 43.55.011(e)(1);

4 ~~(B) oil and gas, other than gas produced before 2022 and used  
5 in the state, produced in aggregate from all leases or properties in the state that  
6 are subject to AS 43.55.011(e)(1) and are described in AS 43.55.024(a), during  
7 a calendar year before or during the last calendar year under AS 43.55.024(b)  
8 for which the producer could take a tax credit under AS 43.55.024(a);~~

9 ~~(C) oil produced before 2022 from each lease or property in the  
10 Cook Inlet sedimentary basin;~~

11 ~~(D) gas produced before 2022 from each lease or property in  
12 the Cook Inlet sedimentary basin;~~

13 ~~(E) gas produced before 2022 from each lease or property in  
14 the state outside the Cook Inlet sedimentary basin and used in the state;~~

15 ~~(F) oil and gas produced in aggregate from all leases or  
16 properties in the state that do not include land north of 68 degrees North  
17 latitude and are subject to AS 43.55.011(e)(1); this subparagraph does not  
18 apply to~~

19 ~~(i) gas that is produced before 2022 and used in the  
20 state;~~

21 ~~(ii) oil or gas that is produced before 2022 from a lease  
22 or property in the Cook Inlet sedimentary basin;~~

23 ~~(iii) oil or gas that is produced from a lease or property  
24 described in AS 43.55.024(a) during a calendar year before or during  
25 the last calendar year under AS 43.55.024(b) for which the producer  
26 could take a tax credit under AS 43.55.024(a);~~

27 ~~(G) oil and gas, other than gas produced before 2022 and used  
28 in the state, produced in aggregate from all leases or properties in the state that  
29 include land north of 68 degrees North latitude and are not subject to  
30 AS 43.55.011(e)(1);~~

31 ~~(H) oil and gas, other than gas produced before 2022 and used~~

1 in the state, produced in aggregate from all leases or properties in the state that  
2 are not subject to AS 43.55.011(e)(1) and are described in AS 43.55.024(a),  
3 during a calendar year before or during the last calendar year under  
4 AS 43.55.024(b) for which the producer could take a tax credit under  
5 AS 43.55.024(a);

6 (1) ~~oil and gas produced in aggregate from all leases or~~  
7 ~~properties in the state that do not include land north of 68 degrees North~~  
8 ~~latitude and are not subject to AS 43.55.011(e)(1); this subparagraph does not~~  
9 ~~apply to~~

10 (i) ~~gas that is produced before 2022 and used in the~~  
11 ~~state;~~

12 (ii) ~~oil or gas that is produced before 2022 from a lease~~  
13 ~~or property in the Cook Inlet sedimentary basin;~~

14 (iii) ~~oil or gas that is produced from a lease or property~~  
15 ~~described in AS 43.55.024(a) during a calendar year before or during~~  
16 ~~the last calendar year under AS 43.55.024(b) for which the producer~~  
17 ~~could take a tax credit under AS 43.55.024(a);~~

18 (2) ~~AS 43.55.020(a), the monthly production tax value of taxable oil,~~  
19 ~~gas, or oil and gas produced by a producer during a month, in a given category for~~  
20 ~~which a separate production tax value is required to be calculated under this~~  
21 ~~paragraph, is equal to the gross value at the point of production of that oil, gas, or oil~~  
22 ~~and gas, respectively, taxable under AS 43.55.011(e), less 1/12 of the producer's lease~~  
23 ~~expenditures under AS 43.55.165 for the calendar year that are applicable to the oil,~~  
24 ~~gas, or oil and gas, respectively, in that category produced by the producer during the~~  
25 ~~calendar year, as adjusted under AS 43.55.170; a separate monthly production tax~~  
26 ~~value must be calculated for each of the categories for which a separate annual~~  
27 ~~production tax value is required to be calculated under (1) of this subsection.~~

28 ~~\* Sec. 2824.~~ AS 43.55.890 is amended to read:

29 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary  
30 provision of AS 40.25.100, and regardless of whether the information is considered  
31 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of

1 particular returns or reports, the department may publish the following information  
 2 under this chapter, if aggregated among three or more producers or explorers,  
 3 showing, by month or calendar year and by lease or property, unit, or area of the state:

- 4 (1) the amount of oil or gas production;
- 5 (2) the amount of taxes levied under this chapter or paid under this  
 6 chapter;
- 7 (3) the effective tax rates under this chapter;
- 8 (4) the gross value of oil or gas at the point of production;
- 9 (5) the transportation costs for oil or gas;
- 10 (6) qualified capital expenditures, as defined in AS 43.55.023;
- 11 (7) exploration expenditures under AS 43.55.025;
- 12 (8) production tax values of oil or gas under AS 43.55.160;
- 13 (9) lease expenditures under AS 43.55.165;
- 14 (10) adjustments to lease expenditures under AS 43.55.170;
- 15 (11) tax credits applicable or potentially applicable against taxes levied

16 by this chapter; the information relating to tax credits under this paragraph, to  
 17 the extent the information is available to the department, must include the  
 18 statutory authority for each type of credit taken, the amount of credits taken  
 19 under each statute authorizing a tax credit, and whether the credit is for an  
 20 expenditure related to oil or gas exploration, development, or production,  
 21 including the drilling of wells; performing work on existing wells; conducting  
 22 geological or geophysical exploration; acquiring, constructing, or installing new  
 23 facilities or equipment; and maintaining, repairing, or replacing existing facilities  
 24 or equipment.

25 \* ~~Sec. 2925.~~ AS 43.56.160 is amended to read:

26 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
 27 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent  
 28 taxes, exclusive of penalty, shall be assessed at the rate specified in AS 43.05.225(1)  
 29 [A RATE OF EIGHT PERCENT A YEAR].

30 \* ~~Sec. 3026.~~ AS 43.77.020(d) is amended to read:

- 31 (d) A person subject to the tax under this chapter shall make quarterly

1 payments of the tax estimated to be due for the year, as required under regulations  
2 adopted by the department. A taxpayer will be subject to an estimated tax penalty,  
3 determined by applying the interest rate specified in AS 43.05.225(1) [AS 43.05.225]  
4 to the underpayment for each quarter, unless the taxpayer makes estimated tax  
5 payments in equal installments that total either

6 (1) at least 90 percent of the taxpayer's tax liability under this chapter  
7 for the tax year; or

8 (2) at least 100 percent of the taxpayer's tax liability under this chapter  
9 for the prior tax year.

10 \* ~~Sec. 3127~~. AS 43.90.430 is amended to read:

11 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter  
12 becomes delinquent, the payment bears interest at the rate applicable to a delinquent  
13 tax under AS 43.05.225(1) [AS 43.05.225].

14 \* ~~Sec. 3228~~. AS 43.55.023(m) is repealed.

15 \* ~~Sec. 3329~~. The uncodified law of the State of Alaska is amended by adding a new section  
16 to read:

17 APPLICABILITY. (a) Sections ~~10~~ - 12, 14, 16, and ~~228~~ of this Act apply to  
18 expenditures incurred after December 31, 2010.

19 (b) Sections ~~15~~ - 17, 21, and 24 of this Act apply to expenditures incurred after  
20 December 31, 2011.

21 (c) ~~Sections 6 - 9 and 278~~ of this Act apply to oil and gas produced after  
22 December 31, 2012.

23 (c) Sections 15 and 17 of this Act apply to expenditures incurred after December 31,  
24 2020.

25 \* ~~Sec. 3430~~. The uncodified law of the State of Alaska is amended by adding a new section  
26 to read:

27 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations  
28 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure  
29 Act), but not before the effective date of the provision of this Act implemented by the  
30 regulation.

31 \* ~~Sec. 3531~~. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 RETROACTIVITY. Sections ~~11~~10 - 12, 14, 16, 22, 23, and ~~12~~28 of this Act are  
3 retroactive to January 1, 2011.

4 \* ~~Sec. 36.~~ Sections ~~14 - 17, 21,~~ 32. Section ~~24 - 28, 32,~~of this Act takes effect January 1,  
5 2012.

6 \* Sec. 33. Sections 6 - 8 and ~~33~~29(b) of this Act take effect January 1, ~~2012~~2013.

7 \* ~~Sec. 37~~34. Sections ~~6 - 9, 27~~15, 17, and ~~33~~29(c) of this Act take effect January 1,  
8 ~~2013~~2021.

9 \* ~~Sec. 38~~35. Sections ~~11,~~10 - 12, ~~33~~14, 16, 22, 23, 28, 29(a), and ~~35~~31 of this Act take  
10 effect immediately under AS 01.10.070(c).

11 \* ~~Sec. 39~~36. Except as provided in secs. ~~36 - 38~~32 - 35 of this Act, this Act takes effect  
12 July 1, 2011.

Chairman and members of the committee:

My name is Matthew Fagnani, and I am representing myself. I have been involved in the Alaskan oil patch now for more than 20 years. I truly believe that with the current ACES tax policy that we are killing the oil industry years before they would naturally look to other markets to develop.


It is my belief that the recession and loss of oil field jobs that Alaska is feeling today is self imposed by the ACES tax regime and regulations. As you all have heard, any new dollars being spent on the North Slope are primarily for maintenance and spill repair. Not from new development, not from new field exploration. This is a bad precedent, and it is having a very negative impact on the service industry jobs of many Alaskans including many personal friends and colleagues.

I agree with the experts who believe that without new production or a new Prudhoe Bay size fielded being discovered, that the Trans Alaskan Pipeline future is in jeopardy. Bottom line is we need more oil in the pipe. That would be a shame knowing that we have known oil that should be developed, yet stymie that development, and our state's future, by onerous fiscal and public policy. It's time to save Alaska from itself.

For years now, I have been a supporter of responsible oil and gas development. In Alaska, we need to start acting like and oil and gas providence. We need to be proud of the fact that companies like ConocoPhillips, BP, ExxonMobil, Pioneer, and other want to work with us in Alaska. However, because we have been shortsighted in our fiscal tax policies, the industry is doing what any other free market entity would do - find a better place to do business. Well guess what? That's what is happening and its negative effect on jobs and our economy is real.

In closing, we need to honor that relationship with the oil and gas industry and realize that a healthy oil industry keep us producing a healthy Alaska.

Thank you for your time and consideration.



Matthew Fagnani  
2559 Loussac Dr  
Anchorage, Alaska 99517

Page 1 of 1

My name is Jerry McCutcheon and I have followed development on the North Slope for since 1969. I bought property in Valdez before the destination the terminus of the oil line, TAPS, was announced.

When considering HB110 you must consider the best long term interests of the State of Alaska and the veracity of those for whom you propose to give tax breaks in hopes obtaining development of Alaska's resources, which under the lease agreements and the law they are already obligated produce. The duty to produce has been lost in HB110 . The legislature must the weigh the likely hood that anything will come of the gross loss of revenue.

HB110 would never, ever pass the Harvard Business school's risk investment standard. The Harvard risk assessment supports some very high risk gambles. Not only would HB110 would fail the Harvard test but also the oil companies own test of Monty Carlo simulation and decision tree analysis. HB110 would not even get out of the starting gate on the oil companies standards.

I also brought about a Congressional hearing on the then proposed gasline in 1977. The Energy Committee hearing by Senator Henry "Scoop" Jackson was held Oct 30, 1977. Exxon represented the North Slope producers. Public Document 95 -73

At the conclusion of the hearing Chairman Jackson declined to support the North Slope producers 2 bcfd gasline. Because of serious questions raised about the adverse effects of the gasline on North Slope oil production, which were not only proven to be true thirty years later but also far exceeded the estimated the loss oil by 10 billion and maybe 15 billions of barrels of oil.

Exxon et al peddled the fact Prudhoe Bay would only produce 9 billion barrels of oil with or without a gasline. The lie that the production would be same with

or without gasline flew in the fact of long, well established reservoir engineering.

The Exxon deliberately lied not only to Alaskans but also Sen. Jackson's committee. Exxon wound up Alaskans and the legislature like toys into demanding a gasline just like today. Reason, like today, did not have chance. The mob prevailed until it hit a congressional committee.

What Alaska and Alaskans almost lost came out in the legislative gasline hearings in Anchorage in 2007. The AOGCC, Alaska Oil and Gas Conservation Commission testified that because the gasline, only 2 bcfd, was not constructed in the 1980s Prudhoe Bay had already produced an additional 6 billion barrels of oil as of 2006 because the 1980s gasline was not constructed with more additional oil to be produced.

The AOGCC also testified that Alaska would be broke today if the 2 bcfd gasline been constructed. That should have been a sobering thought, but its affect on the legislature is like rain on ducks back. The Alaska Legislature continues to pursue one ruse after another ruse as if throwing money at it would somehow bring whatever it is into being.

Exxon and the other North Slope producers were quite will to render more oil unrecoverable that they were going to produce. Just like the Cook inlet platform producers did to Cook Inlet oil where there is now more once recoverable oil under the platforms that is now unrecoverable than was produced.

Exxon et al and were actively trying to deprive Alaska and the USA billions of barrels of oil.

# Thur. March 24<sup>t</sup>

Conoco/Bp Article(Nov. 18<sup>th</sup> , 2010)

The tenet of HB110 is ;  
reverse the decline in oil production.  
Conoco and Bp claim that State taxes has prevented  
this reversal.

If the answer is tax reduction, then why didn't the  
producers explore and develop when there were  
virtually no taxes such as ,while ELF was in effect ?  
( Tax structure named- Economic Limiting Factor).

Conoco and BP have stated they will maintain North  
Slope investments--there will be no increases.  
Why would anyone give money away with nothing in  
return. No guarantee , not an assurance, nothing that  
says "We will fill the Pipe". The only thing we know  
right now, because the producers have put that in  
black and white, is investment and exploration will  
be "Status Quo". They are not putting any more  
money into the North Slope than they have for the  
last few years. We can believe that.

Incedently, both Bp and Conoco have reported over 7

Page 3 of 5

## No Alaska exploratory wells in 2011, company says

The Associated Press

(11/18/10 10:37:20)

FAIRBANKS, Alaska (AP) - ConocoPhillips Alaska has no plans to drill any exploratory wells in the state in 2011.

The president of the oil company, Trond-Erik Johansen, made the announcement Wednesday at the Resource Development Council convention in Anchorage, The Fairbanks Daily News-Miner reported.

ConocoPhillips and BP announced one year ago at the same event that they would trim development budgets for 2010 on the Alaska North Slope.

Johansen said his company sees potential in offshore drilling and viscous and heavy oil production. But he said Alaska's investment climate, taxes and maintenance troubles on the trans-Alaska oil pipeline present challenges to development.

"We have some work to do to make sure we ensure we keep oil flowing through the pipeline," he said.

BP Exploration, Alaska, will hold to the same budget this year as last year, president John Minge said Thursday.

Spending around \$800 million on capital, for things like safety programs and new infrastructure, and \$1.3 billion for operations would halt a slide in capital investment.

Minge said capital spending had shrunk 20 percent this year from 2009.

He said BP also sees long-term potential in hard-to-develop viscous and heavy oil resources. The company this year wrapped up a \$100 million heavy oil pilot project at Milne Point.

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Information from: Fairbanks Daily News-Miner, <http://www.newsminer.com>

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billion in profits from 2007 through 2010

Why does the Governor want to give his former employer our money when he swore an oath to represent the residents.

No where in either the US. Constitution or The Constitution of the State of Alaska is there language that gives ownership to corporations.

Article 8, section 2 of the Alaska Constitution is concise. There is no question as to who shall benefit from Alaska's resources. "It's People".

Just handing over money would mean reduced Capitol budgets causing;

Reductions in the construction now being realized in the rest of Alaska ,

Renewable energy projects would not go forward,  
There would be no opportunity to offset high fuel prices,

Basic services would diminish if funds were reduced.

Currently, Alaska is financially positioned better than any other state, giving money away with nothing in return is not prudent. Stewardship calls for careful administration of revenues, depletion now with no return , leaves no future for Alaskans.

**Solutions;**

**Exploration , Production, and Royalty credits require that investment take place in Alaska.**

**Pioneer (Oooguruk) and Eni (Nikaitchuq) have enjoyed royalty relief via;  
AS38.05.180j**

**The first quarter of this year has seen a great deal of activity in seeking both 025 credits (Remote site production relief) and 023 credits (Development-Exploration reductions) [May have come directly from the ACES legislation]**

**Thoughts;**

**I don't see where industry can say we are not promoting their opportunities when the major producers have enjoyed huge profits, they've made more money in the last five years than in the previous 20.**

**Harvesting huge profits while blaming the State for not exploring and developing is a distraction that averts attention from industries' bulging bottom line as well as the increase in spills and shut-downs caused by lack of pipeline maintenance.**

## **ConocoPhillips plans no new exploratory wells in Alaska in 2011**

[print](#)

by Christopher Eshleman / ceshleman@newsminer.com

11.18.10 - 08:50 am

**Updated: 12:05 a.m. Nov. 18**

ANCHORAGE — The president of ConocoPhillips Alaska said Wednesday that his company will not drill any exploratory wells in the state for a second straight year.

Trond-Erik Johansen made the statement at the Resource Development Council's annual convention here.

ConocoPhillips and BP announced one year ago, at the same forum, that they would trim development budgets for 2010 on the North Slope, where high marginal costs compound the reality that the easy oil is already pumped.

Johansen said his company sees potential in offshore drilling and viscous and heavy oil production. But he echoed other executives' suggestion that Alaska's investment climate, weighed by high taxes, and maintenance troubles on the trans-Alaska oil pipeline present challenges.

"We have some work to do to make sure we ensure we keep oil flowing through the pipeline," he said.

BP Exploration, Alaska will hold to the same budget this year as last year, president John Minge said this morning. That spending — around \$800 million on capital, for things like safety programs and new infrastructure, and \$1.3 billion for operations — would halt a slide in capital investment. Minge said capital spending had shrunk 20 percent this year from 2009.

Minge said BP also sees long-term potential in hard-to-develop viscous and heavy oil resources. The company this year wrapped up a

\$100 million heavy oil pilot project at Milne Point. The result: BP thinks it could be producing from three wells there next year, he said. And it could eventually partner with other companies to pump 2 billion barrels of viscous oil — similar to heavy oil in characteristics — from the North Slope, he said.

That type of viscous oil production would take thousands of wells at 50 development pads, Minge said. The state, however, would need to adapt to that potential with taxes aimed at enabling development, he said.

"We have great opportunities. We have some challenges that aren't too daunting if we grab hands and try to do this together," Minge said.

Contact staff writer Chris Eshleman at 459-7582.

**Thank you members of the committee, my name is David Gottstein of 733 West 4<sup>th</sup> Avenue, Anchorage, Alaska. I am the Chief Investment Officer of Dynamic Capital Management, Inc., a Registered Investment Advisory firm, and I have been active in Alaskan oil and gas politics for thirty years.**

**I can offer to you that I was an active participant in the development of ACES. The net profits approach to taxation offered by ACES provided the State and the oil & gas industry a powerful mechanism in the pricing of our non-renewable oil resources. We want to provide incentives for the oil and gas industry to bring their capital and operational expertise to Alaska in their quest for competitive returns. The ACES platform adds wealth as compared to the old tax on the gross by allowing for the deduction against taxes for later stage higher lifting costs. The mechanisms of a floor tax rate, a base to begin progressivity, and the progressivity itself, allows for a flexible formulaic way to parse out rewards for contributions and risks taken.**

**We want the oil companies to make competitive returns, and make more money at higher prices. And we don't want our pricing to be too aggressive**

**such that the oil companies make less money at higher prices. The devil is in the details. Or rather the percentages and base levels embraced.**

**We also don't want to sell our resource too cheaply. The oil industry acts as a rational gate-keeper that works in our favor, keeping resources stored for higher value. Whereby we both profit from higher prices. Our selling or taxing mechanisms determines the apportionment of those profits.**

**If a purveyor raises their prices 10%, and they lose 5% of their customers, they are money ahead. If he raises prices by 10%, and loses 15% of his customers, he is money behind. It is extremely important for the State to test where the cusp of too high of taxes or resource selling price is. Independent of what the oil companies say, as legitimate distributors of information with extreme prejudice.**

**Let me say that ACES and the mechanisms of ACES work. What needs to be fixed is the progressivity level. It is too aggressive. At about \$120-130, even though state taxes are deductible at the federal level, the combination of state and federal taxes crimps the generation of marginal profits at higher prices, and therefore limits**

**upside potential. We don't want to do that, as the winners have to more than pay for all the losers.**

**On the other hand, we don't want to sell our resources too cheaply. Because of the inherent power of ACES, the answer to our too high of selling price is elegant, and rationally accomplished.**

**First, we need to change the rate of progressivity from its current .4% linear step function formula to a less aggressive one that decays in value as oil prices rise. Two examples of possible solutions would be to instead of having .4, .4., .4, .4, perhaps as prices rise, .4,.398, .396, .394 or .4, .395, .39, .385, etc. And we should know how much each would gain or lose us, and change the choke point price where margins for the oil companies gets too this. Whereby if in the future, oil prices rise to a new choke point, the progressivity, or base price where progressivity kicks in, can be raised.**

**That is how ACES was supposed to work, and how it can be used in a powerful way moving forward. Adjusting the pricing levers within ACES I believe is where the debate should be. Not by throwing out the baby with the bath water, and lowering our resource selling price by tens of billions of dollars willy nilly without proper due diligence. This is**

**worth tens of billions of dollars over time to the State. And the numbers used in the calculations become the critical price determinants.**

**I strongly urge you to stick with the ACES platform, and to take the time to study the impacts of adjusting the powerful tools you currently have. Of changing the progressivity to a polynomial rather than a step function in order to price Alaska's gas more competitively, and to apportion profits in a manner that serves all parties. I would also keep the taxation of oil and gas separate, and bring an equally rational mechanism forward to price our gas resources.**

**03-24-11**

*Additional Docs in H Finance Email*



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on HB 110, dated MARCH 24, 2011  
Bill/Subject

House Finance Co-Chairs Rep. Stoltze and Rep. Thomas, I am unable to attend tonight's public hearing on the subject bill. Therefore, I respectfully request that my written testimony, which follows, be entered in the public record of tonight's hearing on HB110.

First, I wish to thank you and the other members of the House Finance Committee for your service on-behalf of the people of Alaska. The Alaska Legislature is an esteemed institution, and your job of charting a fiscally sound course for our great State is a daunting responsibility.

Second, I am pleased to have this opportunity to submit my testimony, albeit in writing, on HB110. Specifically, with respect to Governor Parnell's proposed tax reductions and incentives to the big oil producers, ConocoPhillips, BP, Exxon, Shell, et al., I have the following concerns and comments:

1. What exactly is the Governor's justification for Alaska giving some the largest, most profitable corporations on the planet tax breaks and incentives to find and produce a product that, by all accounts, is in high demand and for which there is a limited supply globally?
2. By the Governor's own estimation, his tax breaks and incentives to the oil companies will cost Alaska \$5 billion in revenue over the next five fiscal years. Some in the Legislature have estimated that his proposal could cost the State, depending on the price of oil, as much as \$2 billion in revenue annually. Can Alaska afford the Governor's plan? I suggest it cannot.
3. Where are the data, analyses, and oil industry commitments that would lend credibility to the Governor's proposed fiscal strategy for creating more jobs and increasing future oil revenues for the State if his planned is approved by the Legislature?
4. I am just a four-acre farmer, but the last time I checked, the Governor's wishful thinking-cross your fingers approach to fiscal planning is not sound policy. Don't Alaskans deserve a more fiscally prudent plan than our Governor's roll of the dice?
5. To offset his projected loss in State revenue, Governor Parnell proposes that Alaska dip into its savings to cover any deficits necessary to balance its annual operating budgets. Would it not be more prudent to forego his tax breaks and incentives to the oil companies in favor of the more conservative fiscal policy of paying for current year expenditures from current year revenues? Using one-time, non-recurring savings to cover budget deficits, as the Governor proposes, is a slippery slope fiscally.
6. According to the National Petroleum Council's Global Oil & Gas Study, which was made available July 18, 2007, "The major oil and gas companies are increasingly turning their attention to overseas development opportunities, leaving U.S. production largely in the hands of independent oil and gas companies." Proof of this can be seen in North Dakota per that State's active drilling list (see Attachment). So, that being the case, one might ask just how practical is Governor Parnell's proposal to attract more exploration and production activities from the major oil companies, like ConocoPhillips, BP, Exxon, and Shell?

Per the concerns and comments expressed above, I am opposed to HB110 and urge you to vote against it.

Signed: JAMES ELLIOTT  
Testifier

Representing (Optional)

JWELLIOTT@AKL.COM  
Address

**adn.com**

Anchorage Daily News

Print Page

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## No Alaska exploratory wells in 2011, company says

The Associated Press

(11/18/10 10:37:20)

FAIRBANKS, Alaska (AP) - ConocoPhillips Alaska has no plans to drill any exploratory wells in the state in 2011.

The president of the oil company, Trond-Erik Johansen, made the announcement Wednesday at the Resource Development Council convention in Anchorage, The Fairbanks Daily News-Miner reported.

ConocoPhillips and BP announced one year ago at the same event that they would trim development budgets for 2010 on the Alaska North Slope.

Johansen said his company sees potential in offshore drilling and viscous and heavy oil production. But he said Alaska's investment climate, taxes and maintenance troubles on the trans-Alaska oil pipeline present challenges to development.

"We have some work to do to make sure we ensure we keep oil flowing through the pipeline," he said.

BP Exploration, Alaska, will hold to the same budget this year as last year, president John Minge said Thursday.

Spending around \$800 million on capital, for things like safety programs and new infrastructure, and \$1.3 billion for operations would halt a slide in capital investment.

Minge said capital spending had shrunk 20 percent this year from 2009.

He said BP also sees long-term potential in hard-to-develop viscous and heavy oil resources. The company this year wrapped up a \$100 million heavy oil pilot project at Milne Point.

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Information from: Fairbanks Daily News-Miner, <http://www.newsminer.com>

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## **ConocoPhillips plans no new exploratory wells in Alaska in 2011**

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by Christopher Eshleman / ceshleman@newsminer.com

11.18.10 - 08:50 am

**Updated: 12:05 a.m. Nov. 18**

ANCHORAGE — The president of ConocoPhillips Alaska said Wednesday that his company will not drill any exploratory wells in the state for a second straight year.

Trond-Erik Johansen made the statement at the Resource Development Council's annual convention here.

ConocoPhillips and BP announced one year ago, at the same forum, that they would trim development budgets for 2010 on the North Slope, where high marginal costs compound the reality that the easy oil is already pumped.

Johansen said his company sees potential in offshore drilling and viscous and heavy oil production. But he echoed other executives' suggestion that Alaska's investment climate, weighed by high taxes, and maintenance troubles on the trans-Alaska oil pipeline present challenges.

"We have some work to do to make sure we ensure we keep oil flowing through the pipeline," he said.

BP Exploration, Alaska will hold to the same budget this year as last year, president John Minge said this morning. That spending — around \$800 million on capital, for things like safety programs and new infrastructure, and \$1.3 billion for operations — would halt a slide in capital investment. Minge said capital spending had shrunk 20 percent this year from 2009.

Minge said BP also sees long-term potential in hard-to-develop viscous and heavy oil resources. The company this year wrapped up a

\$100 million heavy oil pilot project at Milne Point. The result: BP thinks it could be producing from three wells there next year, he said. And it could eventually partner with other companies to pump 2 billion barrels of viscous oil — similar to heavy oil in characteristics — from the North Slope, he said.

That type of viscous oil production would take thousands of wells at 50 development pads, Minge said. The state, however, would need to adapt to that potential with taxes aimed at enabling development, he said.

"We have great opportunities. We have some challenges that aren't too daunting if we grab hands and try to do this together," Minge said.

Contact staff writer Chris Eshleman at 459-7582.

# Thur. March 24<sup>t</sup>

Conoco/Bp Article(Nov. 18<sup>th</sup> , 2010)

The tenet of HB110 is ;  
reverse the decline in oil production.  
Conoco and Bp claim that State taxes has prevented  
this reversal.

If the answer is tax reduction, then why didn't the  
producers explore and develop when there were  
virtually no taxes such as ,while ELF was in effect ?  
( Tax structure named- Economic Limiting Factor).

Conoco and BP have stated they will maintain North  
Slope investments--there will be no increases.  
Why would anyone give money away with nothing in  
return. No guarantee , not an assurance, nothing that  
says "We will fill the Pipe". The only thing we know  
right now, because the producers have put that in  
black and white, is investment and exploration will  
be "Status Quo". They are not putting any more  
money into the North Slope than they have for the  
last few years. We can believe that.

Incedently, both Bp and Conoco have reported over 7

billion in profits from 2007 through 2010

Why does the Governor want to give his former employer our money when he swore an oath to represent the residents.

No where in either the US. Constitution or The Constitution of the State of Alaska is there language that gives ownership to corporations.

Article 8, section 2 of the Alaska Constitution is concise. There is no question as to who shall benefit from Alaska's resources. "It's People".

Just handing over money would mean reduced Capitol budgets causing;

Reductions in the construction now being realized in the rest of Alaska ,

Renewable energy projects would not go forward,  
There would be no opportunity to offset high fuel prices,

Basic services would diminish if funds were reduced.

Currently, Alaska is financially positioned better than any other state, giving money away with nothing in return is not prudent. Stewardship calls for careful administration of revenues, depletion now with no return , leaves no future for Alaskans.

**Solutions;**

**Exploration , Production, and Royalty credits require that investment take place in Alaska.**

**Pioneer (Oooguruk) and Eni (Nikaitchuq) have enjoyed royalty relief via;  
AS38.05.180j**

**The first quarter of this year has seen a great deal of activity in seeking both 025 credits (Remote site production relief) and 023 credits (Development-Exploration reductions) [May have come directly from the ACES legislation]**

**Thoughts;**

**I don't see where industry can say we are not promoting their opportunities when the major producers have enjoyed huge profits, they've made more money in the last five years than in the previous 20.**

**Harvesting huge profits while blaming the State for not exploring and developing is a distraction that averts attention from industries' bulging bottom line as well as the increase in spills and shut-downs caused by lack of pipeline maintenance.**



# Alaska State Legislature

Please enter into the record my testimony to the

House Finance Committee

Bill/subject HB 110

Date March 25, 2011

I am unable to attend the hearing in Anchorage today, but wish to provide my testimony on the value of HB 110. It is critical for the economic future of Alaska, and I strongly urge you to pass this bill so that Alaskans can continue to thrive!!! Without a reduction in oil production taxes, our producers will be forced to develop resources in other parts of the country and world.

Thank you.

Sincerely,

*Drema Fitzhugh*

Signed:

\_\_\_\_\_  
Testifier

Drema Fitzhugh  
Business Development Manager  
Phone: 907-337-1900  
Mobile: 907-903-8482  
Fax: 907-337-1905  
Email: d.fitzhugh@moodyint.com  
Web: [www.moodyint.com](http://www.moodyint.com)  
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## Helen Phillips

---

**From:** Barbara Cash [bcash@rim-design.com]  
**Sent:** Friday, March 25, 2011 7:09 PM  
**To:** House Finance Legislation  
**Cc:** Larry Cash  
**Subject:** Support for HB 110

As a 36-year Anchorage resident and 32-year small business owner, I implore your support of HB 110.

The success of Alaska's small businesses depends on the success of large business, and in Alaska that means oil exploration, development, and production. Our state's current oil tax must change to encourage investment and exploration to replenish our pipeline flow with new producing fields, to ensure viability of our economy and businesses large and small.

Please vote in support of HB 110.

Sincerely,  
Barbara Cash

**Barbara Cash, ASID, IIDA, LEED® AP**  
President, CEO

**RIM Design LLC**  
645 G Street, Suite 301 | Anchorage AK 99501  
907.279.6563 ph | 907.279.6536 fx  
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March 25, 2011

Dear House Finance Committee members:

Re: Comments on HB 110

I'm asking to you oppose HB 110. Oil producers and other corporations will always lobby for lower taxes; it's after all their job to maximize profits for their shareholders.

But why even make this change? When according to an article in the December 20, 2009 issue of Petroleum News: "Parnell also said that he has already discussed ACES with 10 oil companies. Of those, he said, "four to five" thought the tax system was "just fine," while "two or three" thanked the state for the tax credit program, and two companies wanted to see ACES changed."

As legislators you serve as the de facto Board of Directors for the State of Alaska and have a constitutional and fiduciary responsibility to ensure Alaskans are getting equitable rate of return on our resources.

The legislature spent a lot of time getting the ACES legislation right and the ACES program appears to be working. Oil companies are making record profits and the State of Alaska is getting its fair share and we need too!

Alaska will have less federal funds for the foreseeable future and can not afford to give new tax breaks to oil companies, especially since they are already heavily subsidized with tax credits and other incentives to explore and drill for oil in Alaska. The state needs the revenue from ACES to continue to invest in education, public safety and new infrastructure projects and ongoing maintenance.

Instead of temporally suspending the state's .08 cent per gallon sales tax as the Governor wants you to do. Let's take the estimated 2 billion dollars per year tax rebate and invest it in Alaska and create Alaskan jobs. Let's produce our own oil and gas, refine it and heat our homes and fill our cars with it.

Oil producers are not going to abandon Alaska and all the oil that remains under the North Slope with a barrel of oil going for over \$100 per barrel. It's a good place to do business and they know it!

In Alaska Business Monthly, December 13, 2009, *Greg Vigil, Savant Alaska LLC, said; "Alaska is open for business and a big incentive is the ACES legislation."*

In yet another article from Petroleum News (8/16/2009) *Alaska oil and gas production makes up about 12% of ConocoPhillips' worldwide output. In the 1st quarter of this year, Alaska operations earned the company \$240 million, or 29% of its worldwide exploration and production income. In the second quarter, ConocoPhillips had \$725 million in E&P worldwide earnings, more than 55% of that, \$404 million, came from its Alaska business.*

Oil exploration in Alaska is up not down according to the Governor's own staff: in testimony before the House Finance Committee on January 19, 2011 *Karen Rehfeld, Director of the Governor's Office of Management and Budget stated "The good news is we are seeing a lot of increase in oil exploration."*

Lastly the oil companies want this tax reduction, but offer nothing in return. No guarantee of more oil flowing through TAPS. No guarantee of more jobs for Alaskans. Giving the wealthiest companies in the history of the world a 2 billion per year dollar gift just doesn't make sense for Alaskans.

As legislators you must act in the best interests of the state and your constituents and not the wealthiest multi-national corporations interested in only increasing their profits.

Thank you for your time and consideration of comments.

Dave Bachrach

Homer, AK

## Rose Foley

---

**From:** Carol Ford [whoville@pobox.alaska.net]  
**Sent:** Friday, March 25, 2011 6:31 PM  
**To:** Rep. Les Gara  
**Subject:** HB 110

Hello, Representative Gara. I have just sent an email about HB110 to my leg. office down on the peninsula, but thought I'd send you a copy as well. I don't know how it all works.

Dear legislators:

I would like to give my input on the public discussion of HB110. I strongly disagree with the \$2 Billion per year oil tax rollback. When the good of the people of the state takes a back seat to the outlandish wealth of the few in positions of power, democracy and America itself is damaged and disrespected. This is happening on every front, and this tax rollback is another stunning example of it here in Alaska. Alaska and America are losing our way because the quest for the common good embodied in American democracy is being snuffed out by its false "twin," capitalism. When I pledge allegiance to this nation, it is her liberty and justice for all that I pledge to, not her flawed and currently wildly out-of-balance economic system.

Excess and imbalance is built into every human economic system because it is built into each of us as humans. Our government was crafted with the idea that together we could help balance out each other's excesses by working together to make sure that life, liberty and the pursuit of happiness was available to all humans equally and supported by the system itself, because each of us is incapable of always recognizing and knowing when we're stepping on somebody else's life. And when the lizard brain is sparked, we aren't at our fully-human best.

It is your job as legislators to hold the long-term and short-term best interests of Alaska as your primary concern. The oil companies do, and will, and have always taken care of themselves and their stockholders first, and have never, and will never, worry about who is paying the price for their capacity to take. That's their job. You, and we Alaskans are the checks and balances to that insatiable capacity. If you take on the job of making sure the oil companies succeed beyond their wildest dreams at the expense of the people, land and natural rhythms and systems of this amazing place, you are failing in your job.

Sincerely,

Carol Ford  
Kenai, AK



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee  
committee name

committee on HB 110 dated 3/25/11  
bill/subject.

Support bill

While we tax on existing fields, the marginal cost of extraction increases to older fields. So the progressivity at higher oil prices has to provide sufficient incentive for marginal increase in profits for the state, and for extraction investors simultaneously. Otherwise, we will likely, ultimately face a situation in which state's revenue's would rapidly decline after an initial increase, without additional volume through TAPS or other structures.

Until 2009, AK had an unprecedented 20 year economic growth streak. Could we see similar economic progress over the next 20 given the current oil (crude) decline ~~proj~~ projections. It is unlikely as today producers are divesting, selling

Signed: T. Davids

Testifier  
myself

Representing (Optional)  
2550 Denali Street. Suite 1700

Address  
Anch. AK 907 265 5729.

Phone No.

holdings, giving up leases and moving  
to ND, TX CO, -- some traditional  
oil plays, but also to costlier oil shale &  
sands play where the States legislatures  
have recognized the incentives needed  
in the states taxes models to  
foster economic partnerships for more  
than a single generation.

Patrick



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee  
Committee name

Committee on HB 110, dated 3-25-11  
Bill/Subject

Please support HB 110. Alaska needs to be competitive with the rest of the world. We need jobs for Alaskans. ~~and~~ ~~and~~ and a healthy economy. We need to lower taxes on the oil companies so that they can do business in Alaska.

Thank you,  
Anne Ellis

Signed: Anne Ellis  
Testifier

Representing (Optional)

P.O. Box 877724, Wasilla, AK 99687  
Address

376-4382  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the \_\_\_\_\_

HFIN

Committee name

Committee on \_\_\_\_\_

HB 110

Bill/Subject

, dated \_\_\_\_\_

3/25/11

I am in favor of lowering oil and gas production taxes to make exploration and development competitive with other North American projects. Development plans take years to execute so we need to be competitive now.

Revenue to the State Government is only one facet of the "Maximum Benefit to the Citizens of Alaska". We need a climate that will promote job creation in the private sector, and yes, companies that are creating jobs need to make a good return on investment.

Signed: \_\_\_\_\_

Terrance N. Ellis

Terrance Ellis

Testifier

self  
Representing (Optional)

Address

PO Box 877724, Wasilla, Ak 99687

Phone number

907-232-6821

27<sup>th</sup> Alaska State Legislature  
State Capitol  
Juneau, Alaska

"Fracking?"

Regarding: "Opposition to HB 110"

**Interchangeable terms:** Oil Companies use Horizontal drilling and hydraulic fracturing shale for gas. So, "fracking" is a slang derived from fracturing. It is also called: the "Halliburton Hole" because Halliburton invented it.

**Method:** Large quantities, (about 3 million gallons) of water, sand, chemicals are pumped into the well bore with hydraulic pressure to shatter rocks and release gas. Wastewater surfaces, which often contains radioactive materials that has to be treated and disposed of.

The web site "Pro Publica" has more information regarding safe drinking water and water contamination caused by drilling.

Since 2005, the EPA no longer has the authority to regulate "fracking."  
The Industry has never been forced to disclose the fluids it uses to fracture.

"Fracking" is exempt from: the Safe Drinking Water Act, Clean Water Act, Clean Air Act and Superfund rules.

(P.S.)

I got the facts from: the Article, "To Drill or not to Drill," by Adam Federman, the Earth Island Journal, Spring 2010, Volume 25, Number One, pp. 34-39. I've used my own wording and used excerpts from this article when I couldn't find the right words.

I'm opposed to HB 110 because of: (1.) The water contamination caused by "fracking" and the risk to drinking water. (2.) Because of the impossibility to disclose the fluids that are used in "fracking."(3.) The exemption of "fracking" from: the Safe Drinking Water Act, Clean Water Act, Clean Air Act, and Superfund rules.

Albert Judson  
P.O. Box 1151  
Haines, Alaska 99827

Msg. phone: (907) 766-2470

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EDITORIAL

## The Halliburton Loophole

Published March 12, 2009

Among the many dubious provisions in the 2005 energy bill was one dubbed the Halliburton loophole, which was inserted at the behest of — you guessed it — then-Vice President Dick Cheney, a former chief executive of Halliburton.

### Related

Times Topics: Oil and Gasoline

It stripped the Environmental Protection Agency of its authority to regulate a drilling process called hydraulic fracturing. Invented by Halliburton in the 1940s, it involves injecting a mixture of



water, sand and chemicals, some of them toxic, into underground rock formations to blast them open and release natural gas.

Hydraulic fracturing has been implicated in a growing number of water pollution cases across the country. It has become especially controversial in New York, where regulators are eager to clear the way for drilling in the New York City watershed, potentially imperiling the city's water supply. Thankfully, the main company involved has now decided not to go ahead.

The safety of the nation's water supply should not have to rely on luck or the public relations talents of the oil and gas industry. Thanks in part to two New Yorkers — Representative Maurice Hinchey and Senator Charles Schumer — Congress last week approved a bill that asks the E.P.A. to conduct a new study on the risks of hydraulic fracturing. An agency study in 2004 whitewashed the industry and was dismissed by experts as superficial and politically motivated. This time Congress is demanding "a transparent, peer-reviewed process."

An even more important bill is waiting in the wings. Cumbersomely named the Fracturing Responsibility and Awareness of Chemicals Act, it would close the loophole and restore the E.P.A.'s rightful authority to regulate hydraulic fracturing. It would also require the oil and gas industry to disclose the chemicals they use.

The industry argues that the chemicals are proprietary secrets and that disclosing them would hurt their competitiveness. It also argues that the process is basically safe and that regulating it would deter domestic production. But if hydraulic fracturing is as safe as the industry says it is, why should it fear regulation?

Article on Times.com re-posted in a March 12, 2009, edition of the New York Journal.

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- Gas Company Won't Drill in New York Watershed (October 28, 2009)
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Jennifer Goldman, 4/23/2009

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**Myth: Hydraulic fracturing fluids and products pose no real risk to our water supplies or public health.**

**Fact:** Hydraulic fracturing fluids contain toxic chemicals and are being injected into and near drinking water supplies. According to the EPA, toxic chemicals in fracturing fluids include substances such as polycyclic aromatic hydrocarbons; methanol; formaldehyde; ethylene glycol; glycol ethers; hydrochloric acid; sodium hydroxide; and diesel fuel, which contains benzene, ethylbenzene, toluene, xylene, naphthalene and other chemicals<sup>1</sup>. These chemicals have known negative health effects such as respiratory, neurological and reproductive impacts, impacts on the central nervous system, and cancer.

The Endocrine Disruption Exchange, Inc., (TEDX) has also recently documented health effects of chemicals used in 435 fracturing products. According to TEDX, the top four health effects for chemicals in these products include: skin, eye and sensory organ effects, respiratory effects, gastrointestinal effects, and brain and nervous system effects<sup>2</sup>. In addition to being injected into and near water resources, these chemicals are also being trucked through our communities and can spill and leak from trucks, pits, disposal wells, and flowlines. Aside from water contamination, communities are faced with public health threats from chemicals evaporating off drilling sites and residual chemicals that can spill or leak onto our soils.

**Myth: There are no documented cases of fracturing fluids migrating into drinking water wells.**

**Fact:** The oil and gas industry is splitting hairs with this claim. Complaints have been documented in Alabama, Colorado, New Mexico, Ohio, Texas, Virginia, West Virginia and Wyoming in which residents have reported changes in water quality or quantity following fracturing operations of gas wells near their homes. In mitigating and documenting these instances, industry and state regulators have cited casing failures, impacts from other mining operations, methane migration and other explanations for water contamination. Regulators and the public have had to accept these explanations, in part, because industry refuses to disclose the make-up of fracturing chemicals, and regulators do not know what specific chemicals they are looking for following fracturing complaints. The fact remains that landowners and communities are experiencing changes in water quality and quantity that occur during and after fracturing.

**Myth: Our drinking water is not at risk from hydraulic fracturing because industry is fracturing at depths below the aquifers from which our communities are locating water wells.**

**Fact:** There are number of ways in which hydraulic fracturing threatens our drinking water. Where drilling companies are developing fairly shallow oil or gas resources, such as some coalbed methane formations, drilling may take place directly in the aquifers from which we draw our drinking water. In that case, contamination may result from the fracturing fluids that are stranded underground, as the few studies that are available have shown that at least 20-30% of fracturing fluids may remain trapped underground.

Where drilling companies are developing deeper oil or gas resources, such as shale gas resources, there are a number of issues and concerns. Hydraulic fracturing can leave fluids stranded at these depths, and, through the high pressures used, can open up pathways for fluids or gases from other geologic layers to flow where they are not intended. This may impact deeper ground water resources that may be considered for drinking water supplies in the future. If fracturing wastewater disposal is conducted through underground injection wells, there is an additional risk for groundwater contamination. If wastewater disposal occurs in streams, the chemical make-up or temperature of the wastewater may affect aquatic organisms, and the sheer volume of water being disposed may damage sensitive aquatic ecosystems.

Additionally, fracturing fluid chemicals and wastewater can leak or spill from injection wells, flowlines, trucks, tanks, or pits. This contamination can be moved off site through stormwater run off. Finally, faulty casing, weak cementing, human error and geological unknowns can contribute to contamination from fracturing and other drilling practices.

Asks for  
Responsible Mining



Ethical Metalsmiths



Great Basin  
Resource Watch

#### PARTNERS



Bikes for the World

**CSP**  
Center for Science in Public  
Participation



SkyTruth

**Myth:** All, or nearly all, hydraulic fracturing fluids are recovered during the fracturing process.

**Fact:** Factors affecting fracturing fluid recovery include flowback procedure, job design, specific reservoir conditions and other complexities. With multiple factors affecting fracturing fluid recovery, it is reasonable to assume that there will be a wide range in fluid recovery efficiencies. In fact, literature cited by EPA in their 2002 draft version of the hydraulic fracturing report confirmed this assumption.

EPA cited or discussed four different studies<sup>3</sup>. These studies, conducted in non-coalbed methane basins, found that between 25% and 61% of certain hydraulic fracturing fluids flowed back to the well (that is, between 39% to 75 % was left stranded in some instances). One particularly compelling study showed that only 35-45% of the fracture fluids were recovered. This study was withdrawn from the EPA's final discussion of flowback and was not listed on their master reference list for the final report<sup>4</sup>. Citizens and groups working on this issue have often used the range of 20%-30% of fracturing fluids remaining in the ground without objection by industry. When considering the EPA's literature citations, this is a conservative estimate that generously grants a range of recovery efficiencies to the industry.

**Myth:** The practice of hydraulic fracturing and creating underground fractures is well-tested, controllable and safe.

**Fact:** It is critical for communities and decision makers to understand that hydraulic fracturing fluids not only contain toxic chemicals, but this operation utilizes high volumes of fluids and high pressures to intentionally open up underground pathways for gas or oil to flow. Injected fluids have been known to travel as far as 3,000 feet from a well, and fracturing fluids may remain trapped underground<sup>5</sup>. While industry claims that fracturing is a well-tested and controllable technology, computer models have shown that fractures can behave differently than predicted, and diagnostic techniques illustrating fracture history are rarely used. It is important for communities and decision makers to gather more information about fracture behavior, and to ensure that any stranded fluids do not remain in or move into our drinking water resources.

**Myth:** State regulations addressing casing and other aspects of drilling process such as spills and leaks adequately regulate fracturing products and practices.

**Fact:** Most states' policies regarding hydraulic fracturing amount to "don't ask and don't tell." At the state level, most oil and gas agencies do not require companies to report the volumes or names of chemicals being injected during hydraulic fracturing, and they have never conducted any sampling to determine the underground or surface fate of hydraulic fracturing chemicals. Without that information, neither states nor the public can begin to eliminate the use of toxic materials, nor adequately evaluate or develop monitoring programs to assess the risks posed by injecting these fluids underground.

**Myth:** Non-toxic and less toxic fracturing alternatives are in their infancy and not available for industry use.

**Fact:** Oil and gas operators are routinely using less toxic fracturing fluids in off-shore environments in order to meet federal requirements under the Clean Water Act, and some operators have tested and studied non-toxic fracturing fluids as they problem-solve site specific issues in the Black Warrior and San Juan Basins. Thus, the development of non-toxic or green fracturing fluids is not in its infancy.

The offshore oil and gas industry, for example, has had to develop fluids that are non-toxic to marine organisms in order to be allowed to discharge the fluids into the ocean. According to the Schlumberger web site: "Meeting stringent environmental guidelines in both the U.K. North Sea and the Gulf of Mexico (GOM), the new Schlumberger GreenSlurry system delivers consistent, earth-friendly performance. This slurry system, developed for use in all types of fracturing and gravel-packing operations in environmentally sensitive regions, features a unique carrier fluid. The new carrier fluid can be easily metered using all existing equipment.<sup>6</sup> The public and decision makers must assume that Schlumberger and many other companies formulate these types of fluids because standard fracturing fluids are toxic to marine organisms and will not meet off-shore regulations. Because we don't have full disclosure of fracturing fluids, it remains vague as to how toxic or less toxic products designed for an offshore environment are to humans. However, industry studies and demonstrations have shown that water without any additives is an effective fracturing fluid that is more economic in certain environments, and can solve production problems such as chemical gels (cross-linker gels) damaging coal permeability<sup>7</sup>.

**Myth:** Lifting the exemption for hydraulic fracturing under the Safe Drinking Water Act would be unduly burdensome for States.

**Fact:** Congressional Representatives DeGette (CO), Salazar (CO) and Hinchey (NY) introduced a bill in 2003 that would reverse special treatment of Halliburton and other hydraulic fracturing companies by requiring regulation of hydraulic fracturing under the Safe Drinking Water Act (HR 7231). This effort establishes a minimum federal floor for protecting drinking water from hydraulic fracturing. According to the EPA, the regulation of underground injection does not require a new permitting process. A state could begin the specific regulation of hydraulic fracturing by issuing a general rule for hydraulic fracturing with safety standards. States already have permit processes for oil and gas wells and they could simply include hydraulic fracturing.

#### **Protect Our Drinking Water**

Join us and support efforts to:

- End the Safe Drinking Water Act exemption for hydraulic fracturing.
- Require full chemical disclosure and monitoring of hydraulic fracturing products.
- Require non-toxic fracturing and drilling products.

Visit [www.egpa.org](http://www.egpa.org) to learn more, receive action alerts and stay involved.

1. U.S. Environmental Protection Agency. August, 2002. DRAFT Evaluation of Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing of Coalbed Methane Reservoirs. EPA 816-D-02-006.
2. "The Endocrine Disruption Exchange, Inc. February 2009. Products and Chemicals Used in Fracturing. <http://www.endocrinedisruption.com/chemicals/fracturing.php>
3. U.S. Environmental Protection Agency. August, 2002. DRAFT Evaluation of Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing of Coalbed Methane Reservoirs. EPA 816-D-02-006. This draft cites or discusses: Mukherjee, et al (1995), Palmer and others (1991a), Samuel et al. (1997), Willberg et al (1997).
4. Mukherjee, HJ, Paoli, B.F., McDonald, T. and Cartaya H. 1995 'Successful control of fracture height growth by placement of an artificial barrier.' SPE Production and Facilities, 10(2): 89-95. (cited on page A-18 of the draft EPA Report)
5. IN THE SUPREME COURT OF TEXAS, No. 05-0466, Coastal Oil & Gas Corp. and Coastal Oil & Gas USA, L.P., Petitioners, v. Garza Energy Trust et al., Respondents, On Petition for Review from the Court of Appeals for the Thirtieth District of Texas, Argued September 29, 2006.
6. (Schlumberger. Green Chemistry: Earth-friendly GreenSlurry system for uniform marine performance.) <http://www.slb.com/content/services/stimulatior/execution/greenslurry.asp>
7. See L. Sumi's discussion in Our Drinking Water at Risk (2005). Two relevant industry studies on non-toxic fracturing fluids include: (i) T.L. Logan. 1994. "Preliminary results of cooperative research efforts with Phillips Petroleum Company and Amax Oil and Gas Inc., San Juan Basin." Quarterly Review of Methane from Coal Seams Technology. April 1994 11 (384):39-49. (ii) Pan, R., King, G.E., Palmer, J.D. Amoco Production Co. 1991. "Damage to Coal Permeability During Hydraulic Fracturing." Paper presented at the Rocky Mountain Regional Meeting and Low-Permeability Reservoirs Symposium, Denver, CO, April 15-17, 1991.

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Part 3:

Big Oil:

(Speaking)

Good. Then proceed as planned.

Right, boys?

Parnell and All the Big Oil Lackeys:

(Singing)

Right!

He calls the shots

And he expects to keep it that way

What's good for Big Oil

Is good for Alaska and the U.S.A.



# Alaska State Legislature

Please enter into the record my testimony to the House Finance  
Committee name

Committee on House Bill 110, dated 3-24-11  
Bill/Subject

Pass the bill. We need jobs.  
We need to be independent of other  
countries oil reserves + have our own.  
This State needs to boom again !!

Keep in State Not  
Canada either

Signed: m. Cris Jyree  
Testifier

Representing (Optional)  
Box 872085 Wasilla AK 99687  
Address  
907-357-7688  
Phone number

**Charlene Ditton**

---

**From:** Gary and Eileen Sheridan [twoshar@...@skc.net]  
**Sent:** Thursday, March 24, 2011 3:48 PM  
**To:** LIO Homer  
**Subject:** Governor's Oil Tax Bill 4008

Pertaining to the subject bill, HB 110, Production Tax on Oil and Gas, we understand it is open to public testimony today and tomorrow to the House Finance Committee. Please accept this as our testimony against this bill.

We understand there are new companies willing to explore and drill, etc, and all other statistics we have looked at do not back the Governor's decision to cut the oil taxes. The current companies are making profits. We have written previously asking that you not support the Governor's oil bill.

Thank you,  
Eileen Sheridan and Gary Sheridan  
eg62shar@yahoo.com

Subject:

FW: HB 110

>

>> Dear Representative Lynn,

>>

>> My name is Andrew Kerosky, and I am a District 31 resident that is living outside the Anchorage area for the next month or two. As such, I find myself unable to attend the Legislative hearing regarding HB 110, and instead wanted to contact you to express how concerned I am about this bill. I have heard of groups like political campaigns organizing letter writing campaigns before, and the suspicion that my letter would be regarded as such always prevented me from writing in the past. I assure you though, I am not working towards anyone's means but my own and those of the State of Alaska.

>>

>> I am a young person, only 24 years old, and as such I can't remember the old tax system of the 90s and early 2000s. I have read that the system was grossly flawed, and full of loopholes that tax companies could exploit. For example, I read that companies only paid less than 1 percent on their production in some cases. I must admit that these figures shocked me.

>>

>> While I may not be old enough to remember the tax system pre-Murkowski, I definitely remember the cronyism and pay-for-politics that defined his era. Even back then, I remember thinking that oil companies seemed to be walking all over lawmakers, and that our government was giving away far more than self-interest demanded. Lo and behold, following his term, we learned that his administration and our own elected legislature even broke the law in their attempts to bend over backwards to please oil companies. I feel that this example should serve as a strong warning, of the political will and goals of the oil companies, and the weakness of our own legislature to please an industry that is one of its primary sources of revenue.

>>

>> The system put into place by Sarah Palin, called ACES, was in response to the blatant corruption of Murkowski's system, and is by no means perfect. It does however provide incredibly generous incentives for investment and new development. I have read that our investment and new field incentives are among the best in the world. Whether that is true or not I don't know. ACES also provides a sliding scale of tax, so that companies only pay taxes on fields that are profitable, and the more profitable they are, the more tax the company pays. Honestly, this seems extremely fair to me. When considering these two facts, maybe I shouldn't have been surprised when oil companies called the ACES system stifling, but I was.

>>

>> Oil companies have mounted an aggressive campaign to overturn ACES with a much more corporate friendly tax system this session, claiming it will encourage new investment and development in Alaska. When taken in a historical perspective, this is not surprising. Oil companies had been getting away with murder in Alaska for many years, until their own greed and overreach caused a backlash of tax sanity from the last legislature.

>> Oil companies have claimed that the new rules, which I have been told will give them up to 2 billion dollars in tax breaks, will encourage new development and investment in Alaska. How can this be, when we already have one of the most generous investment incentives around? A full half of the costs of new fields and development are tax deductible. Conoco Philips made \$1.5 billion in profits in 2009, one-third of their worldwide profits, under the current system. They also pushed to develop new projects in Alaska, such as the National Petroleum Reserve, all under the current system. Clearly, our current system isn't a barrier, theoretically or in practice, to new investment or development.

>>

>> When taken as a whole, from a historical perspective, a financial and practical perspective, it seems much more likely to me that oil companies, in pushing so aggressively for this new system, do not have the best interests of Alaskans at heart. It seems much more likely to me that they are just trying to take further advantage of an oil dependent legislature to dramatically increase their profits, and dramatically decrease our state revenues. Those revenues go to fund things like foster care, pensions, and school districts (which had to come asking the legislature for more funding this session). While I am very sympathetic to the needs of business to have a development/investment friendly atmosphere, I believe that the current system accomplishes this nicely. While I am not exactly dotting on ACES, and could definitely agree that sections of the law need to be changed, they should be changed in a way that does not actively destroy our state government, while simultaneously not handing oil companies an enormous check with nothing in return. When asked for guarantees of more investment in Alaska with the passing of new tax laws, oil companies have been non-committal. If we give them 2 billion dollars, shouldn't we at least get a guarantee in return? No sane organization in the world would sign a contract with provisions like that. Where is the fiscal responsibility there?

>>

>> This is why I wrote to you today, to encourage you to do everything in your power to oppose this bill. I have never written to my legislator in my life, and hopefully will never have to again. However, this issue, and the distress it causes me from reading and studying it, has pushed me out of my own inertia. I sincerely hope that you find the time to read this letter, and that it helps sway you in some small way. While writing it has been some comfort, a much, much larger comfort would be the defeat of HB 110.

>>

>> Your respectful constituent,  
>> Andrew Kerosky

**Subject:**

FW: Testimony on Proposed HB 110

Please include this testimony on the record for the Friday, March 25, 2011, call-in opportunity to present all views on this proposed legislation.

If it [ACES] ain't broke, don't fix it. Consider the facts below and do not enact House Bill 110.

"The good news is we are seeing a lot of increase in oil exploration" (Karen Rehfeld, Director of the Governor's Office of Management and Budget, in testimony before the House Finance Committee on January 19, 2011). "Alaska is open for business and a big incentive is the ACES legislation" (Greg Vigil, Savant Alaska LLC).

ACES is working as intended, benefiting both Alaska and the producers. Great Bear is projecting to double the TAPS throughput within 10 years. Repsol just invested \$768 million. Alaska is 12% of ConocoPhillips' overall portfolio, and that 12% is consistently driving their worldwide business. Under ACES Alaska is providing a 29 to 55% return on investment. The multinational producers crying poor are drilling in wartorn Iraq -- despite that government taking 98.5%! Some multinational corporations in Iraq are drilling for as little as \$1.39 profit per barrel.

Eighty percent (80%+) of the oil companies Governor Parnell has met with regarding HB 110 are just fine with ACES. Of those, "four to five" thought the tax system was "just fine," while "two or three" thanked the state for the tax credit program, and two companies wanted to see ACES changed" (12/20/2009 Petroleum News).

There were over 150 wells drilled on the North Slope in 2010. More wells were drilled on the North Slope than before ACES in 2006 under PPT. Three exploratory wells were drilled in 2010, the same number drilled in 1999. Only 10% of wells drilled on the North Slope are dry, and Alaska picks up 76% of the cost via tax credits for those wells.

Capital and operating expenditures have dramatically increased under ACES; and most of that was not due to maintenance -- the majority of growth in capital expenditures since 2007 is attributable to drilling, seismic, and other production-related projects. Investment is forecast to increase in 2011.

What do the oil companies think about ACES?

Employment since ACES has exploded on the North Slope -- 2009 was a record year. In 2010, more people were employed than at any time since before ACES this decade. A few years ago prior to ACES, when taxes were actually 0% in some fields on the North Slope, oil company investment went down. Since ACES, the number of companies doing business and filing tax returns more than doubled from 19 in 2006 to 39 in 2009.

As for competition from North Dakota, their tax rate is 11.25%. But you can't compare Alaska to North Dakota because we are an owner-state. Oil companies must negotiate oil rights with private landowners in North Dakota, and sophisticated landowners are negotiating up to 50% royalty payments. Others are getting anywhere from 15% to 50%. Add North Dakota's state

tax and the total tax on producers is anywhere from 31.25 to 61.25%. At \$110 per barrel, the current effective tax rate in Alaska is right around 30%.

If HB 110 becomes law, this state will be in deficit spending mode in two years. Our savings will be gone within 5 years. How long til PFDs are a footnote in history? How long til we see a statewide income tax? How long til we see a statewide sales tax? Statewide property tax? We will see a higher financial burden for residents on top of draconian cuts in state spending to pay for the unnecessary corporate welfare implicit in HB 110 -- with no guarantees of increased investment.

Thank you.

Colleen Ryan  
Anchorage

**From:** Gavin Charrier [gcharrier@gci.net]  
**Sent:** Tuesday, March 22, 2011 11:34 AM  
**To:** Rep. Les Gara  
**Subject:** Public Employees and Oil Tax Revenue

Greetings Representative Gara, House Finance Committee Member,

**I'm appalled...**

First, the Public Employees Retirement System is changed from a Defined Benefit to a Defined Contribution System with NO Retirement Guarantees to the working class whose wages were mutually negotiated much lower than private enterprise in order to have those guarantees. Excuse, To save the State Budget and reduce the Unfunded Liability. Public Employees have contributed their portion each pay period towards their own retirement already.

Then the Governor Parnell wants to give back \$2,000,000,000 to the already wealthy Oil Companies whereas the State could certainly put this money towards better use (i.e. the unfunded liability, etc. etc.). I was recently informed and understand that Governor Parnell was a former Conoco Lobbyist – Go Figure where his loyalty lays.

Now comes Representative Gatto's HB200 "An Act relating to restricting collective bargaining by certain public employees." Thus to further ROB Public Employees of their Collective Bargaining Rights and hard earned Health and Retirement Benefits (now only a 401K type plan).

The State is heading for disaster when no longer will there be any incentive whatsoever for a long term devoted professional employees to apply for employment with an Alaska State entity or Political Subdivision within. An inexperienced workforce is all that will be left to conduct those day to day Public Affairs.

Please do not consider Representative Gatto's HB200 nor making any changes to ACES and giving back \$2,000,000,000 back to the Oil Industry who already have historically record high profits after all expenses.

Alaska and Alaskans need both the Money now and to maintain the experience of a Professional Workforce to guide our Citizens and forge our future livelihood.

Thank-You.

Gavin D. Charrier  
P.O. Box 8692  
Ketchikan, Alaska 99901

**From:** Karen Hopp [khopp@mtaonline.net]  
**Sent:** Friday, March 25, 2011 4:18 AM  
**To:** Rep. Les Gara  
**Subject:** oil tax repeal

To all it may concern: I am voicing opposition to the oil tax repeal proposed by Governor Parnell. Two billion dollars is a lot to "give away" for Alaskan unsustainable natural resources in these uncertain times. The oil companies make huge profits and Alaskans take huge environmental and financial risk to grant them additional profit?? Of course it is a complex issue – but one best made with open meetings and public input. It's time we listen to the voices of intelligence and reason such as Mr. Les Gara has offered the citizens of Alaska.

Thank you.

Karen Hopp  
Palmer AK

**From:** Angela Larson [alarson@mosquiconet.com]  
**Sent:** Thursday, March 24, 2011 9:38 AM  
**To:** Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Anna Fairclough; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Reggie Joule; Rep. Mark Neuman; Rep. Tammie Wilson; Rep. Mike Doogan; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker; Sen. John Coghill; Sen. Joe Thomas; Sen. Joe Paskvan; Rep. Scott Kawasaki  
**Cc:** lisa@fairbankschamber.org  
**Subject:** Opposition to HB110

Dear Representatives and Senators,

I am a member of the Fairbanks Chamber of Commerce and a small business owner in Fairbanks. I am extremely opposed the Governor's proposal to cut taxes on the oil industry. Cutting their taxes will not increase oil investment in Alaska. The oil industry is already making billions of dollars in profits every year. I do not agree that we should add to their profits.

More to the point, and contrary to the position of the Fairbanks Chamber of Commerce, if we cut taxes on oil profits, the state of Alaska will need to recoup the billions of tax dollars somewhere else – and I do not want to see taxes on my small business, nor do I want to pay income taxes somewhere down the line when the oil companies walk away with billions! More importantly I do not want to see our public school and university system suffer a lack of funding – our education system is the true engine of our economy!

Alaska's oil belongs to Alaskans and the oil companies should pay for the oil they sell at extreme profits – taxes are the only mechanism the state has to ensure that it profits from this incredible resource.

Thank you for your consideration.

Sincerely,

Angela Larson  
PO Box 80222  
Fairbanks, Alaska 99708

**From:** John Godzina [JGodzina@COLASKA.com]  
**Sent:** Thursday, March 24, 2011 10:14 AM  
**To:** lisa@fairbankschamber.org; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Anna Fairclough; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Reggie Joule; Rep. Mark Neuman; Rep. Tammie Wilson; Rep. Mike Doogan; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker  
**Subject:** HB110

For the record, my name is John Godzina and I live in Fairbanks. We need to pass HB 110 to keep jobs in Alaska – not only the oil jobs but also all of the support ones.

I originally moved to Fairbanks in 1997 and by 2004 I was too nervous about the property market and the potential job market that I moved out-of-state. I remember how hard it was to pull away from our house and head down the highway. It didn't take long until we started looking for another place to live and everywhere we looked we compared to Fairbanks and Alaska. So we decided to move back because despite the potential economic conditions this is a great place to live. We lost a lot of money selling our house in Nevada in 2007 – I can't afford to do that again. We need to keep the economy going with resource development and especially keeping the oil companies involved in our state. I don't want to have to make that hard decision again that I regretted until the day I came back here. As a state we don't want to regret not passing this bill to help insure the economic viability of Alaska's future.

***John Godzina***

*Controller  
Exclusive Paving / URM / Emulsion Products  
907-488-8832 x232*

**From:** northwolf northwolf [northwolfnorthwolf@hotmail.com]  
**Sent:** Thursday, March 24, 2011 9:31 AM -  
**To:** Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Anna Fairclough; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Reggie Joule; Rep. Mark Neuman; Rep. Tammie Wilson; Rep. Mike Doogan; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker; lisa@fairbankschamber.org  
**Subject:** No Oil, No Jobs, No Future – No WAY!

To my Representatives;

For the record, my name is DawnRae Dufford and I live in Anchorage. Alaska is the highest taxed oil region in North America. Higher taxes have dampened investment and have made Alaska non-competitive. Investment is being directed outside of our great state to place like Alberta, North Dakota and the Gulf of Mexico. We must make Alaska competitive again, without a competitive edge our "future" will be forced to leave and go elsewhere for work. Our future is now! I urge the House Finance Committee support this legislation – No Oil, No Jobs, No Future – No WAY!

DawnRae Dufford  
1248 Contrary Ct  
Anchorage, AK 99515  
907-344-1452

**From:** Allen Hippler [allen@faulknerwalsh.com]  
**Sent:** Thursday, March 24, 2011 9:28 AM  
**To:** Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Anna Fairclough; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Reggie Joule; Rep. Mark Neuman; Rep. Tammie Wilson; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker  
**Subject:** hb 110

Dear Representatives,

I am writing in support of HB 110.

In short, the oil pipeline is running dry. I am 30 years old, and have 6 children. Will my children grow up in a state that has a viable petroleum industry, capable of shouldering most of the burden of state government? Or will we have killed the goose that lays the golden egg by that time? I understand and sympathize with the conclusion that a reduction in taxes will immediately reduce government revenues. That is true. But over the long run, this reduction in taxes shall incentivize investment, and keep the oil industry viable for decades to come.

It seems that most of the opposition to a review of ACES comes from people with a 'defeatist' attitude; namely, that oil production will decline regardless of tax burden. I take the more optimistic (and realistic) approach based on basic economic theory: behavior is altered by incentives. If we make it profitable to drill on the slope, companies will do so.

I would like to thank you in advance for your service and thoughtful consideration.

Allen Hippler  
CFO  
Faulkner Walsh Constructors  
Rivercity Development  
Suite 881 LLC  
Top Fuel Co LLC  
Kuskokwim Seafoods  
(907)344-2522 (ph)  
(907)344-2836 (fx)  
(907)830-9995 (cell)

**From:** Jim Simko [jssrvs@mosquionet.com]  
**Sent:** Thursday, March 24, 2011 9:26 AM  
**To:** Rep. Bill Thomas; Rep. Anna Fairclough; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Reggie Joule; Rep. Mark Neuman; Rep. Tammie Wilson; Rep. Mike Doogan; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker  
**Subject:** HB110

We fully support this fine bill HB110 in all respects. Thanks, Jim @ J&S

J&S Services Inc. is a small but efficient Alaska Veteran owned supply company that has been in business here in Alaska since 1986.

Our customers are the State of Alaska, The Alaska Railroad, University of Alaska, Military, and the main cities and villages therein. We have supplied all these facilities on a competitive bid basis since 1986.

J&S Services Inc.  
800 McGrath  
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[jssrvs@mosquionet.com](mailto:jssrvs@mosquionet.com)  
Alaska business Lic # 276287  
VOSB

**From:** Anne Kilkenny [annekilkenny@hotmail.com]  
**Sent:** Wednesday, March 23, 2011 9:38 PM  
**To:** Rep. Scott Kawasaki; Rep. Kurt Olson; Rep. Kyle Johansen; Rep. Les Gara; Rep. Lindsey Holmes; Rep. Mark Neuman; Rep. Cathy Munoz; Rep. Max Gruenberg; Rep. Mike Chenault; Rep. Mike Doogan; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. Pete Petersen; Rep. Reggie Jole; Rep. Neal Foster; Rep. Sharon Cissna; Rep. Wes Keller; Rep. Mike Hawker; Rep. Dan Saddler; Rep. Steve Thompson; Rep. Chris Tuck; Rep. Tammie Wilson  
**Subject:** ACES & K-12

Representative,

**I totally oppose any change in the oil tax structure that reduces the amount of revenue to the State.** Reducing the tax will not increase the amount of oil under ground. I consider oil in the ground the equivalent of money in the bank. I don't care if the current tax structure makes it less profitable for the oil companies and they decrease production, because the oil will only be worth MORE in the future than it is now, and they'll be back when the price is higher.

Oil is not the future of Alaska. Our children are. Let's not give away what little oil we have left and short-change our children in the process.

House Finance passed a budget which represented an increase in expenditures of over 5%, but how much of an increase for k-12????? And the Senate is sweating over appropriating an additional \$36m for k-12 education. \$36 m? that's the skins and seeds! And it is incredibly short-sighted.

Everyone is playing politics with our children, even school boards and administrations. Everyone claims to put children first, but right now Alaska's children are coming last. School board members and school administrators are selling them short in order to stay in the good graces of legislators.

District after district has testified that a 2% increase will STILL mean reducing teaching staffs and increasing class sizes. There is no reason for this when we have a budget surplus and are contemplating giving oil companies \$2 BILLION!

**I believe that the increase in k-12 funding needs to be at least 3% per year (\$170 in year 1 in the BSA).**

To do less, is to rob our children. Our children's generation will be burdened by debt and an aging population like no other. We owe it to them to give them the best education possible so that they will not be crushed by these burdens.

Thank you for consideration of my opinions

Anne Kilkenny  
P. O. Box 870163  
Wasilla, Alaska USA  
99687-0163

907-376-6225

Live Simply. Love Generously. Care Deeply. Speak Kindly. Leave the rest to God.

**Subject:**

FW: HB 110 - Opposed

> Dear Members of the Alaska State Legislature:  
>  
> If reducing oil taxes is a such a sure-fire way to increase  
> production, why can't you get concurrence on that from the oil companies?  
>  
> From my perspective, the oil companies are probably looking on with  
> amusement, not even bothering to indicate what would please them  
> production wise, while the  
>  
> members of the legislature who favor HB110 are frantically putting forth the  
> simplistic theory that reducing taxing will automatically increase production.  
>  
> Doesn't appear to be such a slam-dunk to me - or more importantly to the oil  
> companies.  
>  
> If you would stake the interests of the citizens of Alaska on the  
> premise lower taxes equal increased production, please seek proof to  
> support that proposition  
>  
> before giving away the store.  
>  
> Right now, your only guarantee from the oil companies is that they  
> guarantee nothing.  
>  
> Sincerely,  
>  
> Andrea Veach  
> PO Box 90534  
> Anchorage, Alaska 99509  
> Home phone: 349-7302  
>  
>  
>  
>  
>  
>  
>  
>  
> Please vote no on HB110.  
> Thank you.  
> Andrea Veach  
> PO Box 90534  
> Anchorage, Alaska 99509  
> Phone: 349-7302

**Subject:**

FW: Changing oil and gas taxes not wise at this time

> March 18, 2011  
>  
> Re: Changing oil taxes is not right for now  
>  
> Dear Senator Wielechowski:  
>  
> Changing the oil and gas taxes at this time is insane. Alaska would  
> not be sitting on huge windfall surpluses if not for former Governor  
> Palin's efforts to give us Alaskans a fair share of our rapidly  
> depleting oil reserves on the North Slope.  
>  
> I ask you and your senate colleagues to resist this urge to give  
> additional subsidies, tax breaks, and incentives that claim to get  
> more Alaskans working. Total lie.  
>  
> Alaskans need tax incentives to upgrade their homes and make them more  
> energy efficient with a 1% long term loan program.  
>  
> We need to have our fuel capped at \$3 a gallon as we watch crude oil  
> prices climb into the atmosphere.  
>  
> We need a transportation subsidy so that Alaskans can afford to travel  
> around their state.  
>  
> We need a State-Wide Energy Grid so that ALL Alaskans will benefit  
> when our state funds and subsidizes projects like Susitna or any other  
> alternative energy project.  
>  
> And finally, and perhaps more important, the Governor and legislature  
> need to fully fund the education needs of our state from the huge oil  
> windfall surplus.  
>  
> And finally, finally, Senator, you are asking the right questions as  
> stated in the news report below.  
>  
> They need to be answered.  
>  
> Best regards,  
>  
> Nels Anderson, Jr.  
> 2440 E Tudor #135  
> Anchorage, Alaska 99507  
> 907-337-9031  
> [ndor@gci.net](mailto:ndor@gci.net)  
>  
>  
>  
>  
> Oil taxes and authorship  
> by FDNMstaff  
> 03.14.11 - 06:36 pm

> - Posted by Christopher Eshleman, Daily News-Miner staff  
>  
>  
>  
> The Senate Resources Committee just dove straight into a question of  
> authorship beneath a proposal to update oil taxes, with a member  
> asking the state's revenue commissioner to make a more direct case for  
> the plan.  
>  
> Sen. Bill Wielechowski of Anchorage told Bryan Butcher, interim  
> commissioner, to avoid relying on oil companies to explain how the  
> proposal might improve the North Slope investment climate.  
>  
> "Is this your bill or is this the industry's bill?" Wielechowski asked  
> Butcher.  
>  
> Butcher answered that "this is the state's bill ... but ultimately  
> you're going to have to hear from the producers, from the companies,"  
> as to expectations of its potential effect.  
>  
> "You shouldn't be relying on industry to prove your case,"  
> Wielechowski replied. He challenged Butcher to introduce his own  
> analysis of how well the cuts, which would rewrite a number of  
> sections in tax law, might work in influencing exploration. "This is  
> not the industry's burden," he said. "This is your bill. You need to come in and prove your  
> case."  
>  
> Butcher said investments are decisions for private companies to make.  
> "As the public sector, we can't say we're going to force the private  
> sector to do A, B, C if this passes," he said.  
>  
> The exchange, halfway through a committee hearing, drew a measured  
> follow-up from commission member Sen. Lesil McGuire. She asked the  
> panel to guard against allowing an adversarial, "courtroom climate"  
> during upcoming hearings and suggested signs to date don't suggest oil  
> companies themselves had a significant hand in writing the plan.  
> McGuire noted policy makers and administrators often propose bills as  
> the result of high public interest, although she conceded some derive  
> almost directly from industry requests.  
>  
> The plan to cut taxes follows a campaign season focused in large part  
> on debate over declining throughput in the trans-Alaska oil pipeline.  
> "Those are facts, and those facts bear consideration," McGuire said of  
> declining oil production.  
>  
> © newsminer.com 2011

**Subject:**

FW: Public Testimony on Oil Tax; Pushing for Parking for Anchorage Hikers

Gentlemen:

I do not support the Governor's oil tax plan. Please vote no. Let's use the extra money from the current tax system to invest in alternative energy or educating Alaskans! Alaska needs to leverage its political stability and having a known oil resource to its advantage. Just say no.

Karl Kassel was recently spot-lighted in the News Miner for his extremely efficient home design. Surely there's more to be done. Invest in Alaska, not in multinational corporations. Entice smaller oil companies not the giants who have obtained hundreds of billions in profits over the past few decades.

Thank you.

Craig Partyka  
PO Box 457  
Ester AK 99725

**Subject:**

FW: Reminder - Public Testimony On Oil Tax Bill Today and Tomorrow

Dear Editor:

Governor Parnell's idea to rollback two billion dollars in oil taxes is a mistake. There is no guarantee whatsoever from the oil industry, which has made record profits in our state, that they would reinvest in Alaska. We need those revenues to fund education, to build roads, and to create the infrastructure that will be there when the oil companies leave.

Sincerely,  
Bridget Smith and Jim Asper  
137 Sixth Street  
Juneau, AK 99801  
586-1411

Keep fighting them.

Bridget Smith

**From:** [REDACTED]  
**Sent:** Thursday, March 24, 2011 9:51 AM  
**To:** [REDACTED]  
**Subject:** New Pom:HB 110 Production Tax On Oil And Gas

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Julie Anderson  
432 W 10th Ave

Anchorage 99501, Julie574  
[juliea@gci.net](mailto:juliea@gci.net)

I urge you to support the HB110 and pass this legislation NOW! We cannot afford to wait another year. I see my friends and family losing jobs every year. Good jobs - for both rural and urban people.  
Thank you - Julie



# Alaska State Legislature

Please enter into the record my testimony to the House <sup>Finance</sup> ~~Resources~~ Committee  
committee name  
 committee on HB 110 dated 3/25/11  
bill/subject

I support the house bill  
 No. 110 in the legislature of the  
 State of Alaska.

Yes, I love Alaska!

Signed: Kristen Mucci  
Testifier

Representing (Optional)  
380 Congress Circle Unit D  
Address  
230-0618  
Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee  
 committee name  
 committee on HB 110 dated 03/25/11  
 bill/subject

*I am in favor of HB110. The long term effects on our economy, our families, and our pipeline will be detrimental if we don't act now to attract and engage oil business. Thank you for your consideration.*

Signed: *[Signature]*  
 Testifier

Representing (Optional)  
5950 E. Liberty Ct. Wasilla, AK 99654  
 Address  
607.599.8234  
 Phone No.