

**HB 247
RESOURCES
COMMITTEE
SUBSTITUTE,
AMENDMENTS
& ANALYSIS
(FILE 8)**

<TARGET><BILL>HB 247</BILL><SUBJECT>HB 247 RESOURCES
COMMITTEE SUBSTITUTE, AMENDMENTS AND ANALYSIS (FILE
8)</SUBJECT><COMM>HRES29</COMM></TARGET>

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3/18/16

CS FOR HOUSE BILL NO. 247(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:

Referred:

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to interest applicable to delinquent tax; relating to the oil and gas
 2 production tax, tax payments, and credits; relating to refunds for the gas storage facility
 3 tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state
 4 oil refinery infrastructure expenditures tax credit; relating to oil and gas lease
 5 expenditures and production tax credits for municipal entities; establishing a legislative
 6 working group to study the tax structure for oil and gas produced south of 68 degrees
 7 North latitude; and providing for an effective date."

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

9 * **Section 1.** AS 38.05.036(a) is amended to read:

10 (a) The department may conduct audits regarding royalty and net profits under
 11 oil and gas contracts, agreements, or leases under this chapter and regarding costs
 12 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and
 13 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes

1 of an audit under this section,

2 (1) the department may examine the books, papers, records, or
3 memoranda of a person regarding matters related to the audit; and

4 (2) the records and premises where a business is conducted shall be
5 open at all reasonable times for inspection by the department.

6 * **Sec. 2.** AS 38.05.036(b) is amended to read:

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

14 * **Sec. 3.** AS 38.05.036(c) is amended to read:

15 (c) The department may obtain from the Department of Revenue all
16 information obtained under AS 43 relating to royalty and net profits and to exploration
17 incentive credits. The department may use the information for purposes of carrying out
18 its responsibilities and functions under this chapter [AND AS 41.09]. Information
19 made available to the department that was obtained under AS 43 is confidential and
20 subject to the provisions of AS 43.05.230.

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

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

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

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

1 * **Sec. 6.** AS 43.05.225 is amended to read:

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

3 (1) a delinquent tax under this title,

4 (A) before January 1, 2014, bears interest in each calendar
5 quarter at the rate of five percentage points above the annual rate charged
6 member banks for advances by the 12th Federal Reserve District as of the first
7 day of that calendar quarter, or at the annual rate of 11 percent, whichever is
8 greater, compounded quarterly as of the last day of that quarter; or

9 (B) on and after January 1, 2014, bears interest [IN EACH
10 CALENDAR QUARTER] at the rate of three percentage points above the
11 annual rate charged member banks for advances by the 12th Federal Reserve
12 District as of the first day of that calendar quarter **compounded quarterly as**
13 **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) unclaimed property that is not timely paid or delivered, as
17 allowed by AS 34.45.470(a).

18 * **Sec. 7.** AS 43.20.046(e) is amended to read:

19 (e) **Subject to the requirements in AS 43.55.028(e), the** [THE] department
20 may use available money in the oil and gas tax credit fund established in AS 43.55.028
21 to make the refund applied for under (d) of this section in whole or in part if the
22 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN
23 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT
24 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,
25 the claimant's total tax liability under this chapter for the calendar year in which the
26 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"
27 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED
28 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS
29 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

30 * **Sec. 8.** AS 43.20.047(e) is amended to read:

31 (e) **Subject to the requirements in AS 43.55.028(e), the** [THE] department

1 may use money available in the oil and gas tax credit fund established in AS 43.55.028
2 to make a refund or payment under (d) of this section in whole or in part if the
3 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN
4 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT
5 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,
6 the claimant's total tax liability under this chapter for the calendar year in which the
7 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"
8 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED
9 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS
10 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

11 * **Sec. 9.** AS 43.20.053(e) is amended to read:

12 (e) Subject to the requirements in AS 43.55.028(e), the [THE] department
13 may use money available in the oil and gas tax credit fund established in AS 43.55.028
14 to make a refund or payment under (d) of this section in whole or in part if the
15 department finds that,

16 [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING
17 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS
18 TITLE; AND

19 (2)] after application of all available tax credits, the claimant's total tax
20 liability under this chapter for the calendar year in which the claim is made is zero.

21 * **Sec. 10.** AS 43.55.011(m) is amended to read:

22 (m) Notwithstanding any contrary provision of [AS 38.05.180(i),
23 AS 41.09.010,] AS 43.55.024 [,] or 43.55.025, the department shall provide by
24 regulation a method to ensure that, for a calendar year for which a producer's tax
25 liability is limited by (j), (k), or (o) of this section, tax credits based on a lease
26 expenditure incurred before January 1, 2011, that are otherwise available under
27 [AS 38.05.180(i), AS 41.09.010,] AS 43.55.024 [,] or 43.55.025 and allocated to gas
28 subject to the limitations in (j), (k), and (o) of this section are accounted for as though
29 the credits had been applied first against a tax liability calculated without regard to the
30 limitations under (j), (k), and (o) of this section so as to reduce the tax liability to the
31 maximum amount provided for under (j) or (o) of this section for the production of gas

1 or (k) of this section for the production of oil. The regulation must provide for a
2 reasonable method to allocate tax credits to gas subject to (j) and (o) of this section.
3 Only the amount of a tax credit remaining after the accounting provided for under this
4 subsection may be used for a later calendar year, transferred to another person, or
5 applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o)
6 of this section to the extent otherwise allowed.

7 * **Sec. 11.** AS 43.55.023(a) is amended to read:

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

10 (1) notwithstanding that a qualified capital expenditure may be a
11 deductible lease expenditure for purposes of calculating the production tax value of oil
12 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
13 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or
14 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
15 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
16 expenditure;

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

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

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

24 (3) a credit for a qualified capital expenditure incurred to explore for,
25 develop, or produce oil or gas deposits located north of 68 degrees North latitude may
26 be taken only if the expenditure is incurred before January 1, 2014.

27 * **Sec. 12.** AS 43.55.023(b) is amended to read:

28 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
29 credit in the amount of 25 percent of a carried-forward annual loss. For lease
30 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
31 explore for, develop, or produce oil or gas deposits located north of 68 degrees North

1 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
2 percent of a carried-forward annual loss. For lease expenditures incurred on and after
3 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north
4 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in
5 the amount of 35 percent of a carried-forward annual loss. For lease expenditures
6 incurred on or after January 1, 2014, and before January 1, 2017, to explore for,
7 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
8 producer or explorer may elect to take a tax credit in the amount of 25 percent of a
9 carried-forward annual loss. For lease expenditures incurred on or after January 1,
10 2017, to explore for, develop, or produce oil or gas deposits located south of 68
11 degrees North latitude, a producer or explorer may elect to take a tax credit in
12 the amount of 10 percent of a carried-forward annual loss. A credit under this
13 subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of
14 this subsection,

15 (1) a carried-forward annual loss is the amount of a producer's or
16 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
17 previous calendar year that was not deductible in calculating production tax values for
18 that calendar year under AS 43.55.160;

19 (2) for lease expenditures incurred on or after January 1, 2017,
20 any reduction under AS 43.55.160(f) or (g) is added back to the calculation of
21 production tax values for that calendar year under AS 43.55.160 for the
22 determination of a carried-forward annual loss.

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

24 (d) A person that is entitled to take a tax credit under this section that wishes
25 to transfer the unused credit to another person or obtain a cash payment under
26 AS 43.55.028 may apply to the department for a transferable tax credit certificate. An
27 application under this subsection must be in a form prescribed by the department and
28 must include supporting information and documentation that the department
29 reasonably requires. The department shall grant or deny an application, or grant an
30 application as to a lesser amount than that claimed and deny it as to the excess, not
31 later than 120 days after the latest of (1) March 31 of the year following the calendar

1 year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward
2 annual loss for which the credit is claimed was incurred; (2) the date the statement
3 required under AS 43.55.030(a) or (e) was filed for the calendar year in which the
4 [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which
5 the credit is claimed was incurred; or (3) the date the application was received by the
6 department. If, based on the information then available to it, the department is
7 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
8 the applicant a transferable tax credit certificate for the amount of the credit. A
9 certificate issued under this subsection does not expire.

10 * **Sec. 14.** AS 43.55.023(e) is amended to read:

11 (e) A person to which a transferable tax credit certificate is issued under (d) of
12 this section may transfer the certificate to another person, and a transferee may further
13 transfer the certificate. Subject to the limitations set out in **former (a) of this section**
14 **and (b) - (d)** [(a) - (d)] of this section, and notwithstanding any action the department
15 may take with respect to the applicant under (g) of this section, the owner of a
16 certificate may apply the credit or a portion of the credit shown on the certificate only
17 against a tax levied by AS 43.55.011(e). However, a credit shown on a transferable tax
18 credit certificate may not be applied to reduce a transferee's total tax liability under
19 AS 43.55.011(e) for oil and gas produced during a calendar year to less than 80
20 percent of the tax that would otherwise be due without applying that credit. Any
21 portion of a credit not used under this subsection may be applied in a later period.

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

23 (l) A producer or explorer may apply for a tax credit for a well lease
24 expenditure incurred in the state south of 68 degrees North latitude after June 30,
25 2010, as follows:

26 (1) notwithstanding that a well lease expenditure incurred in the state
27 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
28 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
29 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),
30 AS 41.09.010,] AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
31 well lease expenditure in the state south of 68 degrees North latitude may elect to

1 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of

2 (A) 40 percent of an [THAT] expenditure incurred before
3 January 1, 2017;

4 (B) 30 percent of an expenditure incurred on or after
5 January 1, 2017, and before January 1, 2018;

6 (C) 20 percent of an expenditure incurred on or after
7 January 1, 2018 [; A TAX CREDIT UNDER THIS PARAGRAPH MAY BE
8 APPLIED FOR A SINGLE CALENDAR YEAR];

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

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

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

17 * **Sec. 16.** 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) or to whom a production tax credit certificate has been issued under
21 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. The department may not purchase a
23 total of more than \$200,000,000 in tax credit certificates from a person in a
24 calendar year. Before purchasing a certificate or part of a certificate, [IF] the
25 department shall find [FINDS] that

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

29 (2) the application is not the result of the division of a single entity
30 into multiple entities that would reasonably be expected to apply as a single entity
31 if the \$200,000,000 limitations in this subsection did not exist [APPLICANT DOES

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NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE];

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

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

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

* **Sec. 17.** AS 43.55.028 is amended by adding a new subsection to read:

(j) If an applicant has an outstanding liability to the state directly related to the applicant's oil or gas production or exploration and the department has not previously reduced the amount paid to that applicant for a certificate because of that outstanding liability, the department may purchase only that portion of a certificate that exceeds the outstanding liability. With the applicant's consent, the department may apply the amount by which the department reduced its purchase of a certificate because of an outstanding liability to satisfy the outstanding liability. Satisfaction of an outstanding liability under this subsection does not affect the applicant's ability to contest that liability. The department may enter into contracts or agreements with another department to which the outstanding liability is owed.

* **Sec. 18.** AS 43.55.029(a) is amended to read:

(a) An explorer or producer that has applied for a production tax credit under former AS 43.55.023(a) [, (b),] or (l) or under AS 43.55.023(b) or 43.55.025(a) may make a present assignment of the production tax credit certificate expected to be issued by the department to a third-party assignee. The assignment may be made either at the time the application is filed with the department or not later than 30 days after the date of filing with the department. Once a notice of assignment in compliance with this section is filed with the department, the assignment is irrevocable and cannot be modified by the explorer or producer without the written consent of the assignee named in the assignment. If a production tax credit certificate is issued to the explorer

1 or producer, the notice of assignment remains effective and shall be filed with the
2 department by the explorer or producer together with any application for the
3 department to purchase the certificate under AS 43.55.028(e).

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

5 (a) A producer that produces oil or gas from a lease or property in the state
6 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
7 for that oil or gas, shall file with the department on March 31 of the following year a
8 statement, under oath, in a form prescribed by the department, giving, with other
9 information required, the following:

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

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

15 (3) the gross amount of oil and the gross amount of gas produced from
16 each lease or property, separately identifying the gross amount of gas produced from
17 each oil and gas lease to which an effective election under AS 43.55.014(a) applies,
18 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of
19 the gross amount of oil and gas owned by the producer;

20 (4) the gross value at the point of production of the oil and of the gas
21 produced from each lease or property owned by the producer and the costs of
22 transportation of the oil and gas;

23 (5) the name of the first purchaser and the price received for the oil and
24 for the gas, unless relieved from this requirement in whole or in part by the
25 department;

26 (6) the producer's qualified capital expenditures, [AS DEFINED IN
27 AS 43.55.023,] other lease expenditures under AS 43.55.165, and adjustments or other
28 payments or credits under AS 43.55.170;

29 (7) the production tax values of the oil and gas under AS 43.55.160(a)
30 or of the oil under AS 43.55.160(h), as applicable;

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

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

3 * **Sec. 20.** AS 43.55.030(e) is amended to read:

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

10 (1) the explorer's or producer's qualified capital expenditures, [AS
11 DEFINED IN AS 43.55.023,] other lease expenditures under AS 43.55.165, and
12 adjustments or other payments or credits under AS 43.55.170; and

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

16 * **Sec. 21.** AS 43.55.165(a) is amended to read:

17 (a) **For** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION,
18 FOR] purposes of this chapter, a producer's lease expenditures for a calendar year are

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

20 (A) incurred by the producer during the calendar year after
21 March 31, 2006, to explore for, develop, or produce oil or gas deposits located
22 within the producer's leases or properties in the state or, in the case of land in
23 which the producer does not own an operating right, operating interest, or
24 working interest, to explore for oil or gas deposits within other land in the
25 state; and

26 (B) allowed by the department by regulation, based on the
27 department's determination that the costs satisfy the following three
28 requirements:

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

31 (ii) the costs must be ordinary and necessary costs of

1 exploring for, developing, or producing, as applicable, oil or gas
2 deposits; and

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

5 (2) a reasonable allowance for that calendar year, as determined under
6 regulations adopted by the department, for overhead expenses that are directly related
7 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

8 * **Sec. 22.** AS 43.55.165(e) is amended to read:

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

10 (1) depreciation, depletion, or amortization;

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

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

17 (4) interest or other financing charges or costs of raising equity or debt
18 capital;

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

20 (6) costs arising from fraud, wilful misconduct, gross negligence,
21 violation of law, or failure to comply with an obligation under a lease, permit, or
22 license issued by the state or federal government;

23 (7) fines or penalties imposed by law;

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

27 (9) costs incurred in organizing a partnership, joint venture, or other
28 business entity or arrangement;

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

- 1 (11) surcharges levied under AS 43.55.201 or 43.55.300;
- 2 (12) an expenditure otherwise deductible under (b) of this section that
3 is a result of an internal transfer, a transaction with an affiliate, or a transaction
4 between related parties, or is otherwise not an arm's length transaction, unless the
5 producer establishes to the satisfaction of the department that the amount of the
6 expenditure does not exceed the fair market value of the expenditure;
- 7 (13) an expenditure incurred to purchase an interest in any corporation,
8 partnership, limited liability company, business trust, or any other business entity,
9 whether or not the transaction is treated as an asset sale for federal income tax
10 purposes;
- 11 (14) a tax levied under AS 43.55.011 or 43.55.014;
- 12 (15) costs incurred for dismantlement, removal, surrender, or
13 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
14 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
15 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
16 excluded under this paragraph if the dismantlement, removal, surrender, or
17 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
18 renovating, or improving the facility, pipeline, well pad, platform, or other structure;
- 19 (16) costs incurred for containment, control, cleanup, or removal in
20 connection with any unpermitted release of oil or a hazardous substance and any
21 liability for damages imposed on the producer or explorer for that unpermitted release;
22 this paragraph does not apply to the cost of developing and maintaining an oil
23 discharge prevention and contingency plan under AS 46.04.030;
- 24 (17) costs incurred to satisfy a work commitment under an exploration
25 license under AS 38.05.132;
- 26 (18) that portion of expenditures, that would otherwise be qualified
27 capital expenditures, [AS DEFINED IN AS 43.55.023,] incurred during a calendar
28 year that are less than the product of \$0.30 multiplied by the total taxable production
29 from each lease or property, in BTU equivalent barrels, during that calendar year,
30 except that, when a portion of a calendar year is subject to this provision, the
31 expenditures and volumes shall be prorated within that calendar year;

1 (19) costs incurred for repair, replacement, or deferred maintenance of
2 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is
3 undertaken in response to a failure, problem, or event that results in an unscheduled
4 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for
5 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or
6 equipment, other than a well, that is undertaken in response to, or is otherwise
7 associated with, an unpermitted release of a hazardous substance or of gas; however,
8 costs under this paragraph that would otherwise constitute lease expenditures under (a)
9 and (b) of this section may be treated as lease expenditures if the department
10 determines that the repair or replacement is solely necessitated by an act of war, by an
11 unanticipated grave natural disaster or other natural phenomenon of an exceptional,
12 inevitable, and irresistible character, the effects of which could not have been
13 prevented or avoided by the exercise of due care or foresight, or by an intentional or
14 negligent act or omission of a third party, other than a party or its agents in privity of
15 contract with, or employed by, the producer or an operator acting for the producer, but
16 only if the producer or operator, as applicable, exercised due care in operating and
17 maintaining the facility, pipeline, structure, or equipment, and took reasonable
18 precautions against the act or omission of the third party and against the consequences
19 of the act or omission; in this paragraph,

20 (A) "costs incurred for repair, replacement, or deferred
21 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
22 to dismantle and remove the facility, pipeline, structure, or equipment that is
23 being replaced;

24 (B) "hazardous substance" has the meaning given in
25 AS 46.03.826;

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

27 (20) costs incurred to construct, acquire, or operate a refinery or crude
28 oil topping plant, regardless of whether the products of the refinery or topping plant
29 are used in oil or gas exploration, development, or production operations; however, if
30 a producer owns a refinery or crude oil topping plant that is located on or near the
31 premises of the producer's lease or property in the state and that processes the

1 producer's oil produced from that lease or property into a product that the producer
2 uses in the operation of the lease or property in drilling for or producing oil or gas, the
3 producer's lease expenditures include the amount calculated by subtracting from the
4 fair market value of the product used the prevailing value, as determined under
5 AS 43.55.020(f), of the oil that is processed;

6 (21) costs of lobbying, public relations, public relations advertising, or
7 policy advocacy.

8 * **Sec. 23.** AS 43.55.165(f) is amended to read:

9 (f) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as
10 to expenditures incurred to explore for an oil or gas deposit located within land in
11 which an explorer does not own a working interest, the term "producer" in this section
12 includes "explorer."

13 * **Sec. 24.** AS 43.55.170(c) is amended to read:

14 (c) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as
15 to expenditures incurred to explore for an oil or gas deposit located within land in
16 which an explorer does not own a working interest, the term "producer" in this section
17 includes "explorer."

18 * **Sec. 25.** AS 43.55.890 is amended to read:

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

- 25 (1) the amount of oil or gas production;
- 26 (2) the amount of taxes levied under this chapter or paid under this
27 chapter;
- 28 (3) the effective tax rates under this chapter;
- 29 (4) the gross value of oil or gas at the point of production;
- 30 (5) the transportation costs for oil or gas;
- 31 (6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];

- 1 (7) exploration expenditures under AS 43.55.025;
2 (8) production tax values of oil or gas under AS 43.55.160;
3 (9) lease expenditures under AS 43.55.165;
4 (10) adjustments to lease expenditures under AS 43.55.170;
5 (11) tax credits applicable or potentially applicable against taxes levied
6 by this chapter.

7 * **Sec. 26.** AS 43.55.895(b) is amended to read:

8 (b) A municipal entity subject to taxation because of this section

9 (1) is eligible for [ALL] tax credits **proportionate to its production**
10 **taxable under AS 43.55.011(e); and**

11 **(2) shall allocate its lease expenditures in proportion to its**
12 **production taxable under AS 43.55.011(e)** [UNDER THIS CHAPTER TO THE
13 SAME EXTENT AS ANY OTHER PRODUCER].

14 * **Sec. 27.** AS 43.55.900 is amended by adding a new paragraph to read:

15 (26) "qualified capital expenditure"

16 (A) means, except as otherwise provided in (B) of this
17 paragraph, an expenditure that is a lease expenditure under AS 43.55.165 and
18 is

19 (i) incurred for geological or geophysical exploration;

20 (ii) treated as a capitalized expenditure under 26 U.S.C.
21 (Internal Revenue Code), as amended, regardless of elections made
22 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
23 treated as a capitalized expenditure for federal income tax reporting
24 purposes by the person incurring the expenditure; or

25 (iii) treated as a capitalized expenditure under 26 U.S.C.
26 (Internal Revenue Code), as amended, regardless of elections made
27 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
28 eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal
29 Revenue Code), as amended;

30 (B) does not include an expenditure incurred to acquire an asset
31 the cost of previously acquiring which was a lease expenditure under

1 AS 43.55.165 or would have been a lease expenditure under AS 43.55.165 if it
2 had been incurred after March 31, 2006, or that has previously been placed in
3 service in the state; an expenditure to acquire an asset is not excluded under
4 this subparagraph if not more than an immaterial portion of the asset meets a
5 description under this subparagraph; for purposes of this subparagraph, "asset"
6 includes geological, geophysical, and well data and interpretations.

7 * **Sec. 28.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, and 41.09.090 are
8 repealed.

9 * **Sec. 29.** AS 43.55.023(a), 43.55.023(l), 43.55.023(n), 43.55.023(o), 43.55.028(i),
10 43.55.075(d)(1), 43.55.165(j), and 43.55.165(k) are repealed.

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

13 LEGISLATIVE WORKING GROUP. (a) A legislative working group is established
14 to analyze the Cook Inlet fiscal regime for oil and gas, review the state's tax structure and
15 rates on oil and gas produced south of 68 degrees North latitude, recommend changes to the
16 legislature for consideration during the First Regular Session of the Thirtieth Alaska State
17 Legislature, and develop terms for a comprehensive fiscal regime for the area south of 68
18 degrees North latitude including,

19 (1) a tax structure that accounts for the unique circumstances for each oil and
20 gas producing area south of 68 degrees North latitude;

21 (2) incentives for the exploration, development, and production of oil and gas
22 south of 68 degrees North latitude;

23 (3) consideration of the competitiveness of the area to attract new oil and gas
24 development;

25 (4) consideration of the unique market considerations of the Cook Inlet
26 sedimentary basin and the need to support energy supply security for communities in
27 Southcentral Alaska;

28 (5) alternative means of state support for the exploration, development, and
29 production of oil and gas in this area, including through the Alaska Industrial Export and
30 Development Authority;

31 (6) analysis of whether refundable state tax credits are still necessary for a

1 new regime;

2 (7) evaluation of the need for disclosure of some confidential information to
3 help legislators shape policy, including an evaluation of the associated state and federal
4 constitutional issues related to statutory waivers of taxpayer confidentiality.

5 (b) The working group consists of

6 (1) two co-chairs, one of whom is a member of the house appointed by the
7 speaker of the house of representatives, and one of whom is a member of the senate appointed
8 by the president of the senate; and

9 (2) members appointed by the co-chairs; members must be legislators.

10 (c) The co-chairs of the working group may form an advisory group to the working
11 group, composed of members who are not legislators and who have expertise and skills to
12 assist in the review and development of a new plan for the tax structure and rates on oil and
13 gas produced south of 68 degrees North latitude. The members of an advisory group may
14 include commissioners or employees of state departments, members of the oil and gas
15 industry or trade associations, and economists.

16 (d) The working group is to be supported by legislative consultants now under
17 contract through the Legislative Budget and Audit Committee.

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

20 APPLICABILITY. Sections 7 - 9, 16, and 17 of this Act apply to a refund or payment
21 applied for on or after January 1, 2017.

22 * **Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 TRANSITION: QUALIFIED CAPITAL EXPENDITURES AND WELL LEASE
25 EXPENDITURES. (a) Notwithstanding the repeal of AS 43.55.023(a), (l), (n), and (o) by sec.
26 29 of this Act, and the amendments to AS 43.55.023(d) and (e), 43.55.029(a), 43.55.165(f),
27 and 43.55.170(c) by secs. 13, 14, 18, 23, and 24 of this Act, a taxpayer who incurs

28 (1) a qualified capital expenditure before the effective date of sec. 29 of this
29 Act that qualifies for a qualified capital expenditure credit under AS 43.55.023(a) may apply
30 for a credit or transferable tax credit certificate under AS 43.55.023 and assign the tax credit
31 under AS 43.55.029, as those sections read on the day before the effective date of sec. 29 of

1 this Act;

2 (2) a well lease expenditure before the effective date of sec. 29 of this Act that
3 qualifies for a well lease expenditure credit under AS 43.55.023(I) may apply for a credit or
4 transferable tax credit certificate under AS 43.55.023 and assign the tax credit under
5 AS 43.55.029, as those sections read on the day before the effective date of sec. 29 of this
6 Act.

7 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023 and
8 43.55.029, as those sections read on the day before the effective date of sec. 29 of this Act, for
9 qualified capital expenditures and well lease expenditures incurred before the effective date of
10 sec. 29 of this Act.

11 * **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 **TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER**
14 **2006 AND BEFORE 2010.** Notwithstanding AS 43.55.165(a), as amended by sec. 21 of this
15 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 29 of this Act, AS 43.55.165(j) and (k)
16 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010
17 under AS 43.55.165, as that section read on the day before the effective date of sec. 29 of this
18 Act.

19 * **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 **TRANSITION: REGULATIONS.** The Department of Revenue and the Department of
22 Natural Resources may adopt regulations necessary to implement the changes made by this
23 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not
24 before the effective date of the law implemented by the regulation. The Department of
25 Revenue shall adopt regulations governing the use of tax credits under AS 43.55 for a
26 calendar year for which the applicable tax credit provisions of AS 43.55 differ as between
27 parts of the year as a result of this Act.

28 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 **TRANSITION: RETROACTIVITY OF REGULATIONS.** Notwithstanding any
31 contrary provision of AS 44.62.240,

1 (1) if the Department of Revenue expressly designates in a regulation that the
2 regulation applies retroactively, a regulation adopted by the Department of Revenue to
3 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
4 the effective date of the law implemented by the regulation;

5 (2) if the Department of Natural Resources expressly designates in the
6 regulation that the regulation applies retroactively, a regulation adopted by the Department of
7 Natural Resources to implement, interpret, make specific, or otherwise carry out the statutory
8 amendments in this Act affecting the administration of oil and gas leases issued under
9 AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation relates to the treatment of oil
10 and gas production taxes in determining net profits under those leases, may apply
11 retroactively to the effective date of the law implemented by the regulation.

12 * **Sec. 36.** Sections 30 and 34 of this Act take effect immediately under AS 01.10.070(c).

13 * **Sec. 37.** Sections 13, 14, 18 - 25, 27, 29, 32, and 33 of this Act take effect January 1,
14 2022.

15 * **Sec. 38.** Except as provided in secs. 36 and 37 of this Act, this Act takes effect January 1,
16 2017.

Alaska State Legislature

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Rep. Bob Herron
Rep. Andy Josephson
Rep. Craig Johnson
Rep. Kurt Olson
Rep. Paul Seaton
Rep. Geran Tarr

House Resources Committee

Summary of Changes

From HB 247 to CS HB 247 (RES) Work Draft \P

- For the North Slope, maintain the existing fiscal system put in place in 2013. Do not make changes at this time to the gross minimum tax or to the tax floor.
- Prevent the use of a gross value reduction for new oil from increasing the size of a loss.
- Statewide, the state can reimburse each eligible company, per year, a maximum of \$200 million from the Oil and Gas Tax Credit Fund.
- For Cook Inlet and Middle Earth, reduce the 40% Well Lease Expenditure credit to 30% in 2017 and to 20% in 2018.
- For Cook Inlet and Middle Earth, reduce the 25% Net Operating Loss credit to 10%, effective Jan. 1, 2017. Maintain current transferability and refundability options (subject to the annual cap).
- Maintain the current interest rate on delinquent taxes at 3 points above the Federal Reserve Discount Rate. Change from simple interest to interest compounding quarterly.

- Ensure municipal entities who are oil and gas producers eligible for credits only in proportion to production that is subject to production taxes. Lease expenditures would be similarly proportioned to taxable production.
- In case of a company with outstanding liability to the state related to oil and gas activities, allow the Department of Revenue to withhold the amount of the liability from any repurchase of a credit certificate. Applicant may authorize the payment of its liability out of the amount withheld.
- For Cook Inlet, create a legislative working group to develop system reform for evaluation by the full legislature in 2017.

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Rep. Paul Seaton
Rep. Geran Tarr

House Resources Committee

Sectional Analysis for CS HB 247 (RES) Version P

- Short Title: Tax; Credits; Interest; Refunds; Oil and Gas
- Sections 1-5 Conforming language related to the repeal in section 28 of a DNR exploration credit program that applied pre-2007, AS 41.09.
- Section 6 Interest rate on delinquent taxes. Retains current interest rate of three points above the Federal Reserve rate. Changes from simple interest to interest compounding quarterly.
- Section 7 Conforming language related to the 'outstanding liability of the state' provisions in Section 17. Section 7 ensures that for purposes of the natural gas storage facility credit, the new Section 17 rules related to 'outstanding liability' apply.
- Section 8 Conforming language related to the 'outstanding liability of the state' provisions in Section 17. Section 8 ensures that for purposes of the liquefied natural gas storage facility credit, the new Section 17 rules related to 'outstanding liability' apply.
- Section 9 Conforming language related to the 'outstanding liability of the state' provisions in Section 17. Section 9 ensures that for purposes of the qualified in-state oil refinery infrastructure expenditures credit, the new Section 17 rules related to 'outstanding liability' apply.

- Secs. 10-11 Conforming language to the repeal in Section 28 of the DNR exploration credit programs in AS 38.05.180(i) and 41.09.
- Section 12 Reduces the amount of the carried-forward annual loss tax credit south of 68 degrees North latitude, from 25% to 10%.
Requires that, for purposes of calculating a carried-forward annual loss, any reduction due to the Gross Value Reduction for new oil on the North Slope is added back to the tax calculation. This prevents the use of a GVR credit from increasing the size of a loss.
- Section 13 Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 14 Conforming to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 15 Reduces the 40% well lease expenditure credit for areas south of 68 degrees North latitude from 40% to 30% on Jan. 1, 2017; and from 30% to 20% on Jan. 1, 2018. Also, conforming changes to the Sec. 28 repeal of AS 38.05.180(i) and AS 41.09.
- Section 16 Limits the maximum state repurchase of tax credits to \$200 million per company, per year.
Requires the Department of Revenue to, before purchasing a certificate, find that the applicant is the result of the division of a single entity into multiple entities that would reasonably have been expected to apply as a single entity.
- Section 17 Ensures an outstanding liability to the state related to oil and gas activity is withheld from the amount of a tax credit certificate purchased by the Department of Revenue using the Oil and Gas Tax Credit Fund. The Department may use the withheld amount to satisfy an outstanding liability, with the applicant's consent; this action would not affect the applicant's ability to contest a liability.
- Section 18 Conforming to the Section 29 repeal of the QCE, AS 43.55.023(a), and WLE, AS 43.55.023(l), credits on Jan. 1, 2022.
- Section 19 Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 20 Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.

- Section 21 Conforming to the repeal of 43.55.165(j) and (k) in Section 29.
- Section 22 Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 23 Conforming to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 24 Conforming to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 25 Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
- Section 26 Requires allocations of lease expenditures and tax credits between taxable and exempt production for a municipal entity.
- Section 27 Provides a new definition for 'qualified capital expenditure' that will apply after the QCE credit is repealed on Jan. 1, 2022, per Section 29.
- Section 28 Repeals two DNR oil and gas exploration credit programs, AS 38.05.180(i) and AS 41.09. The 38.05.180(i) program is not used. The AS 41.09 program ended in 2007.
- Section 29 Repeals the QCE credit and the WLE credit on Jan. 1, 2022. Repeals 43.55.165(j) and (k), which applied before 2010.
- Section 30 Creates a legislative working group to review the fiscal regime for Cook Inlet and Middle Earth during the interim, and present recommended changes to the legislature during the 2017 regular session.
- Section 31 Applicability language related to the new requirements for purchasing transferable tax credit certificates through the Oil and Gas Tax Credit Fund.
- Section 32 Transition language for the Jan. 1, 2022 repeal in Section 29 of the QCE credit and the WLE credit; the effect is to ensure that expenditures incurred before the repeal date are eligible for the credits.
- Section 33 Transition language related to the Section 29 repeal of 43.55.165(j) and (k).
- Section 34 Transition language empowering the Department of Revenue and the Department of Natural Resources to adopt regulations related to this bill.
- Section 35 Transition language related to retroactive regulations.

- Section 36 Immediate effective date for the legislative working group and for the authority for DNR and DOR to write regulations for this bill.
- Section 37 Delayed effective date of Jan. 1, 2022, for the repeal of the QCE credit and the WLE credit; applies to sections 13, 14, 18-25, 27, 29, 32 and 33.
- Section 38 Effective date of Jan. 1, 2017, for all other bill sections.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 247
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB247-DOR-TAX-03-21-16
Title: TAX;CREDITS;INTEREST;REFUNDS;O & G
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Resources Committee

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues		***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 1,500.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/17

Why this fiscal note differs from previous version:

Revised to conform to proposed changes in the Work Draft Committee Substitute version "P" adopted by the House Resources Committee on March 19. The companion OGTCF-FUNDCAP fiscal note is also being revised at this time.

Prepared By: Ken Alper, Director
Division: Tax Division
Approved By: Jerry Burnett, Deputy Commissioner
Agency: Department of Revenue

Phone: (907)465-8221
Date: 03/21/2016 11:00 AM
Date: 03/21/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. CS HB247(RES)\P

Analysis

Bill Background

This legislation is a comprehensive attempt to reform and reduce the cost of Alaska's current program of providing direct tax credit rebates and other advantages to oil and gas companies. Various credits have been added to statute since 2003, with state repurchase beginning in 2007. Through the end of FY 2015, about \$7.4 billion in tax credits were received by companies. This includes both credits used against tax liability and credits repurchased by the state; it also includes activity on both the North Slope and other areas of the state.

A substantial number of companies rely on these credits to support and subsidize their Alaska operations. Currently, in many cases the state is paying 55%-65% of the cost of a project during the development phase, and up to 85% of exploration costs. These large numbers result from "stacking" multiple credits. With the transition towards a system based mostly on operating loss credits, and the repeal or reduction of the expenditure credits that are stacked with those loss credits, the state's contribution towards many projects will be reduced roughly by half.

There are several themes, or goals, of this legislation as originally introduced. These include:

- * Reduce the state's annual cash outlay
- * Protect Net Operating Loss credits especially for exploration activity
- * Limit repurchases to companies who need the support
- * Strengthen the minimum tax and prevent abuses to the system
- * Be more open and transparent
- * Honor and pay credits earned to date and through any transition period.

To address the final bullet point, above, this legislation envisions a fund capitalization appropriation to cover any tax credits earned through the effective date. As originally introduced, this would have covered the last of the credits that would have been paid in FY 2016 if not for the \$500 million limit established by the governor's line-item veto, all estimated credits that would be paid in FY 2017, and credits earned in the first part of calendar year 2016 before the effective date of the bill. The transition funds will total nearly \$1 billion.

As amended, the fund capitalization will be adequate to cover all anticipated costs through FY17 but will require additional appropriation for FY18 and beyond. Although the narrative of this fiscal note describes all changes in the bill, only the "revenue" changes are captured on the first page. The reduction in state spending due to changes in this bill are captured in the "Oil and Gas Tax Credit Fund FUND CAP" fiscal note.

Summary of Fiscal Impact

An earlier version of this fiscal note described DOR's estimate for this legislation as originally introduced. With the revisions proposed in the committee substitute, we anticipate a fiscal impact of \$45-\$60 million per year beginning in FY17. Of this, nearly all will be saved through reduced operating budget expenditures. Only a small indeterminate amount would come from increased revenues, due to the restoration of compound interest for assessed delinquent taxes.

The savings occur because some tax credit certificates would be smaller or would no longer be earned due to the repeal and reduction of certain specific credits as well as the closing of certain loopholes.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. CS HB247(RES)\P

Analysis Continued

Implementation Cost

The changes anticipated in this bill will require somewhat substantial reprogramming of the Tax Revenue Management System and Revenue Online tax portal. We have requested an estimate from the software developer, and currently assume a one-time cost of about \$1,500,000 to accomplish this. We do not anticipate any additional costs to administer the tax program.

There will also be a need for substantial amendments to existing regulations to fully implement the changes.

Detail of Specific Provisions

1) Repeal of certain credits and closing of loopholes

The committee substitute reduces the Well Lease Expenditure Credit (AS 43.55.023(l)) from 40% to 30% in 2017 and 20% in 2018. This credit, and the 20% Qualified Capital Expenditure Credit (AS 43.55.023(a)) are repealed in 2022 in anticipation of the sunset of the existing "Cook Inlet Tax Caps" and a new tax regime for Cook Inlet. Also in 2017, the Carried Forward Annual Loss (or "New Operating Loss," AS 43.55.023(b)) credit is reduced from 25% to 10% for areas outside the North Slope.

The net effect of these changes will be to reduce state contribution for new projects from the current 45-65% range to 30% beginning in 2018. Companies who do not have an operating loss will remain eligible to receive the Capital and Well credits. This would continue to provide cash support to potentially profitable companies who, due to existing tax caps, effectively pay no production taxes.

The bill also eliminates a loophole that enables companies who have production of "new oil" on the North Slope but also claim a net operating loss. With the changes, companies will no longer be able to use a Gross Value Reduction to increase the size of a net operating loss credit. Current law can result in situations where the credit received can be greater than 100% of a company's actual loss.

It also eliminates another loophole that has been used by municipal utilities who also own oil or gas production. If a portion of that production is sold to an outside party, the proposed change ensures that these entities are only able to deduct or claim a pro-rated portion of their lease expenditures for the purpose of applying for credits.

2) Deferral or loss of eligibility for credit repurchase

Currently any company with less than 50,000 bbl / day of production in Alaska is eligible to have tax credit certificates repurchased by the state without limit, subject to appropriation. This legislation adds an additional restriction to repurchase, so that no single company can receive more than \$200 million per year in state cash repurchases. Although this would not have any impact based on currently forecasted activity, it provides an element of protection from very large "outlier" projects that could otherwise result in multibillion dollar state credit liability in advance of production.

3) Other changes

Additionally, the bill restores quarterly compound interest for delinquent taxes, underpayments, and tax assessments. Current statute has included simple interest since 2014, which is believed to be an inadvertent amendment made in SB21.

The committee substitute also repeals several older and currently unused exploration incentive credit programs, and authorizes the Department of Revenue to use credit certificates to offset a company's other obligations to the state prior to repurchase. It also establishes a legislative working group to review the state's tax structure for Cook Inlet and other areas outside the North Slope, to provide recommendations to the legislature for consideration in 2017.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 247
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB247-DOR-OGTCF-3-21-16
Title: TAX;CREDITS;INTEREST;REFUNDS;O & G
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Resources Committee

Department: Fund Capitalization
Appropriation: Fund Capitalization (no approps out)
Allocation: Oil and Gas Tax Credit Fund
OMB Component Number: 2894

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits	926,575.0	73,425.0	(60,000.0)	(55,000.0)	(55,000.0)	(55,000.0)	(55,000.0)	(55,000.0)
Miscellaneous								
Total Operating	926,575.0	73,425.0	(60,000.0)	(55,000.0)	(55,000.0)	(55,000.0)	(55,000.0)	(55,000.0)

Fund Source (Operating Only)

1004 Gen Fund	926,575.0	73,425.0	(60,000.0)	(55,000.0)	(55,000.0)	(55,000.0)	(55,000.0)
Total	926,575.0	73,425.0	(60,000.0)	(55,000.0)	(55,000.0)	(55,000.0)	(55,000.0)

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/17

Why this fiscal note differs from previous version:

Revised to conform to proposed changes in the Work Draft Committee Substitute version "P" adopted by the House Resources Committee on March 19. The companion TAX fiscal note is also being revised at this time.

Prepared By:	Ken Alper, Director	Phone:	(907)465-8221
Division:	Tax	Date:	03/21/2016 11:00 AM
Approved By:	Jerry Burnett Deputy Commissioner	Date:	03/21/16
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. CS HB 247(RES)P

Analysis

The legislation would make substantial changes to Alaska's oil and gas tax credit system.

Most provisions of the bill will take effect on January 1, 2017. The intent of the fund transfer described in this fiscal note is to provide adequate funds to repurchase all tax credit certificates that are earned in advance of the effective date. However, with the reduced scope of the bill as currently amended, the funds provided will need to be supplemented in order to repurchase all credits requested in FY18 and beyond.

Sec. 25(e) of the latest version of the Operating Budget (HB256 as it passed the Senate), includes an appropriation to the oil and gas tax credit fund of \$73,425.0. This is the amount required by statute, according to AS 43.55.028(c), and is the amount expected to be made available in the absence of credit reform legislation.

The \$926,575.0 appropriation to the Tax Credit Fund is the amount necessary, when added to the amount in the Operating Budget to equal \$1 billion in transition funds. This appropriation shall be contingent on passage of a version of this bill. The demand for a \$1 billion transition fund is based on our initial estimate of the state's expected liability to repurchase tax credit certificates earned through the originally proposed effective date. This is estimated as follows:

FY16- DOR estimates a total demand for the current fiscal year of \$700 million. The appropriation to the Tax Credit Fund was capped at \$500 million due to a line item veto of the FY16 operating budget (sec. 8(b), ch1, SSSLA15). Based on this limitation, approximately \$200 million in additional credit liability is expected to be outstanding at the end of the fiscal year.

FY17- In the Fall 2015 forecast, DOR estimated total demand for FY17 of \$425 million. The bulk of these credits will be based on actual industry expenditures made during calendar year 2015, which will be applied for after the annual Production Tax returns are filed on approximately March 31, 2016. Under current law, most of those credit certificates would be issued in July of 2016 and refunded early in FY17.

FY18- In the Fall 2015 forecast, DOR estimated total demand for FY18 of \$375 million. This estimate is largely based upon known and planned company activity for calendar year 2016, with the same time delay and process as described for FY17, above. A portion of that demand, representing activity through the July 1, 2016, will also be paid via the transition fund. The preliminary estimate for this is \$200 million.

The proposed committee substitute delays the effective date of the bill, and reduces the scope of repealed and deferred credit repurchases. Because of these changes, the \$1 billion in "transition" funding will no longer be adequate to meet all needed future demand. As currently proposed, there will still be substantial ongoing demand for repurchased credits in future years. Therefore, we would anticipate additional funds would be needed before the end of FY18.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 247
Fiscal Note Number: _____
() Publish Date: _____

Identifier: CS HB247 (RES) 3-22-16
Title: TAX;CREDITS;INTEREST;REFUNDS;O & G
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Resources Committee

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
			FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	***	***	***	***	***	***	***
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	***	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	***	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **01/01/17**

Why this fiscal note differs from previous version:

The House Resources Committee deleted the \$1.5 million in capital costs and adopted an indeterminate fiscal note. The updated fiscal note is one page.

Prepared By: Representative Nageak
House Resources Committee
Representative Talerico
House Resources Committee

Phone: (907)465-3473
Date: 03/22/2016

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 247
Fiscal Note Number: _____
() Publish Date: _____

Identifier: CS HB 247(RES) 3-22-16
Title: TAX;CREDITS;INTEREST;REFUNDS;O & G
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Resources Committee

Department: Fund Capitalization
Appropriation: Fund Capitalization (no approps out)
Allocation: Oil and Gas Tax Credit Fund
OMB Component Number: 2894

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation	Governor's					
Requested	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	***	***	***	***	***	***	***
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	***	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	***	***	***	***	***	***

Positions

Full-time	***	***	***	***	***	***	***
Part-time	***	***	***	***	***	***	***
Temporary	***	***	***	***	***	***	***

Change in Revenues	***	***	***	***	***	***	***
---------------------------	-----	-----	-----	-----	-----	-----	-----

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **01/01/17**

Why this fiscal note differs from previous version:

The House Resources Committee deleted the \$926.6 appropriation and adopted an indeterminate fiscal note. The updated fiscal note is one page.

Prepared By: Representative Nageak
House Resources Committee
Representative Talerico
House Resources Committee

Phone: (907)465-3473
Date: 03/22/2016

INDEX -- AMENDMENTS to CS HB247 (RES) \P

<u>Amendment</u>	<u>Legal Ref.</u>	<u>Offered by</u>	<u>Short topic</u>
Am 1	P.55	Nageak	Technical Amendment
Am 2	P.22	Nageak	Outstanding liability definition
Am 3	P.13	Seaton	Surety bond
Am 4	P.33	Seaton	Limits maximum NOL in Cook Inlet
Am 5	P.29	Seaton	Cook Inlet, Middle Earth WLE credit
Am 6	P.30	Seaton	Cook Inlet, Middle Earth QCE credit
Am 7	P.31	Seaton	Middle Earth, Cook Inlet NOL credits
Am 8	P.32	Seaton	Cook Inlet NOL credit
Am 9	P.14	Seaton	North Slope NOL credit
Am 10	P.18	Seaton	Sliding scale credit / North Slope
Am 11	P.34	Seaton	New oil per-barrel credit on North Slope / hard floor
Am 12	P.19	Seaton	Per-barrel credit for new oil on North Slope
Am 13	P.17	Seaton	Limit 20% GVR for new oil to a five-year benefit
Am 14	P.15	Seaton	Removes new oil incentive for certain leases
Am 15	P.16	Seaton	Reduce 20% new oil reduction on North Slope
Am 16	P.35	Tarr	Increase interest rate for delinquent taxes
Am 17	P.4	Josephson	Increase interest rate for delinquent taxes
Am 18	P.28	Josephson	Credit pre-approval for QCE, WLE
Am 19	P.49	Josephson	Per-company cap for repurchases
Am 20	P.37	Tarr	Per-company cap for repurchases
Am 21	P.56	Josephson	Per-company cap for repurchases
Am 22	P.38	Tarr	Restrictions on credit use
Am 23	P.23	Josephson	Caps and prohibitions on credit refundability
Am 24	P.39	Tarr	Working group membership
Am 25	P.9	Josephson	Information disclosure
Am 26	P.40	Tarr	Public disclosure for credits

Am 27	P. 11	Josephson	Public disclosure for credits (Identical to Am. 26)
Am 28	P.54	Josephson	Data sharing
Am 29	P.45	Tarr	Outstanding liability definition (Identical to Am. 2)
Am 30	P.42	Tarr	Outstanding liability definition
Am 31	P.41	Tarr	North Slope minimum tax increase
Am 32	P.53	Josephson	North Slope minimum tax increase (Identical to Am. 31)
Am 33	P. 27	Josephson	Floor-hardening provisions and monthly calculations
Am 34	P.36	Tarr	Cook Inlet credits
Am 35	P.7	Josephson	QCE, WLE in Cook Inlet
Am 36	P.43	Tarr	Alaska hire restrictions on credit repurchase
Am 37	P.52	Josephson	Credit restrictions
Am 38	P.44	Tarr	Gross value at point of production
Am 39	P.50	Josephson	Credit repurchase restriction
Am 40	P.26	Josephson	Reduces new oil value reduction on the North Slope
Am 41	P.25	Josephson	WLE in Cook Inlet
Am 42	P.3	Josephson	Hardens minimum tax floor
Am 43	P.46	Tarr	Restore HB 247 original
Am 44	P.47	Tarr	Restore HB 247 with 2017 effective date change
Am 45	P.57	Josephson	Sharing of confidential taxpayer information

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE NAGEAK

TO: CSHB 247(RES), Draft Version "P"

ADOPTED
W/ 2 CHANGES.
① AMD: P 1, L 18
② AMD: P 3, LNS 23
& 24

1 Page 3, line 8:

2 Delete "or"

3 Insert "[OR]"

4

5 Page 3, line 9, following "2014,":

6 Insert "and before January 1, 2017,"

7

8 Page 3, lines 9 - 10:

9 Delete "[IN EACH CALENDAR QUARTER]"

10 Insert "in each calendar quarter"

11

12 Page 3, lines 12 - 13:

13 Delete "compounded quarterly as of the last day of that quarter"

14

15 Page 3, line 13:

16 Following "quarter":

17 Insert ";

18

19 (C) on and after January 1, 2017, bears interest at the rate
20 of three percentage points above the annual rate charged member banks
21 for advances by the 12th Federal Reserve District as of the first day of that
22 calendar quarter, compounded quarterly as of the last day of that
23 quarter;"

① ADD
"IN EACH CALENDAR
QUARTER"

1 Page 3, line 19:

2 Delete "AS 43.55.028(e)"

3 Insert "AS 43.55.028(j)"

4

5 Page 3, line 31:

6 Delete "AS 43.55.028(e)"

7 Insert "AS 43.55.028(j)"

8

9 Page 4, line 12:

10 Delete "AS 43.55.028(e)"

11 Insert "AS 43.55.028(j)"

12

13 Page 8, line 2:

14 Delete "an [THAT]"

15 Insert "that"

16

17 Page 8, line 4:

18 Delete "an"

19 Insert "that"

20

21 Page 8, line 6:

22 Delete "an"

23 Insert "that"

24

25 Page 8, line 31:

26 Delete "limitations"

27 Insert "limitation"

28

29 Page 9, line 12, following "applicant":

30 Insert "or claimant"

31

1 Page 9, line 13:
2 Following "applicant's":
3 Insert "or claimant's"
4 Delete "production or exploration"
5 Insert "exploration, development, or production"
6

7 Page 9, line 14:
8 Following "applicant":
9 Insert "or claimant"
10 Following "certificate":
11 Insert "or refund"
12

13 Page 9, line 15, following "certificate":
14 Insert "or pay only that portion of a refund"
15

16 Page 9, line 16, following "applicant's":
17 Insert "or claimant's"
18

19 Page 9, line 17, following "certificate":
20 Insert "or payment for a refund"
21

22 Page 17, line 7: ^② INSERT "AS"
23 Delete "and 41.09.090"
24 Insert "41.09.090; and 43.20.053(j)(4)"
25

26 Page 18, line 16: INSERT "AS" INSERT "AS"
27 Delete "now"

AMENDMENT #2

ADOPTED

OFFERED IN THE HOUSE

BY REPRESENTATIVE NAGEAK

TO: CSHB 247(RES), Draft Version "P"

1 Page 9, line 21, following "owed.":

2 Insert "In this subsection, "outstanding liability" means an amount of tax, interest,
3 penalty, fee, rental, royalty, or other charge for which the state has issued a demand for
4 payment that has not been paid when due and, if contested, has not been finally resolved
5 against the state."

AMENDMENT #3

ADOPTED

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 1, line 5, following "entities;":

2 Insert "relating to a business license for an oil or gas business;"

3

4 Page 17, following line 6:

5 Insert a new bill section to read:

6 **** Sec. 28.** AS 43.70.020 is amended by adding a new subsection to read:

7 (g) A person whose business engages in oil or gas exploration or development
8 must, in addition to filing the regular application required by this section, file with the
9 commissioner a surety bond of \$250,000 running to unsecured creditors licensed in the
10 state before being entitled to a license under this chapter. The commissioner shall
11 waive the surety bond requirement under this subsection if the business produces oil or
12 gas in commercial quantities."

13

14 Renumber the following bill sections accordingly.

15

16 Page 18, lines 25 - 26:

17 Delete "sec. 29"

18 Insert "sec. 30"

19

20 Page 18, line 28:

21 Delete "sec. 29"

22 Insert "sec. 30"

23

1 Page 18, line 31:

2 Delete "sec. 29"

3 Insert "sec. 30"

4

5 Page 19, line 2:

6 Delete "sec. 29"

7 Insert "sec. 30"

8

9 Page 19, line 5:

10 Delete "sec. 29"

11 Insert "sec. 30"

12

13 Page 19, line 8:

14 Delete "sec. 29"

15 Insert "sec. 30"

16

17 Page 19, line 10:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 19, line 15:

22 Delete "sec. 29"

23 Insert "sec. 30"

24

25 Page 19, line 17:

26 Delete "sec. 29"

27 Insert "sec. 30"

28

29 Page 20, line 12:

30 Delete "Sections 30 and 34"

31 Insert "Sections 31 and 35"

1

2 Page 20, line 13:

3 Delete "29, 32, and 33"

4 Insert "30, 33, and 34"

5

6 Page 20, line 15:

7 Delete "secs. 36 and 37"

8 Insert "secs. 37 and 38"

AMENDMENT #24

ADOPTED

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 18, line 9, following "legislators":
- 2 Insert "and must include members of the majority and minority caucuses"

WITHDRAWN

29-GH2609 P.33
Nauman/Shutts
3/21/16

AMENDMENT #4

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 6, line 9:

2 Delete "For"

3 Insert "Subject to the limitations in (q) of this section, for"

4

5 Page 8, following line 16:

6 Insert new bill sections to read:

7 * Sec. 16. AS 43.55.023 is amended by adding a new subsection to read:

8 (q) In a single calendar year, the department may not grant a credit accrued
9 under (b) of this section against the taxes due under this chapter and a cash payment
10 under AS 43.55.028 resulting from a credit under (b) of this section if the credit or
11 payment, or the sum of the credit and payment, exceeds

12 (1) \$50,000,000 for each person;

13 (2) \$200,000,000 for each unit.

14 (r) If the total application of credits accrued under (b) of this section against
15 taxes due under this chapter and applications for cash payments under AS 43.55.028
16 resulting from a credit under (b) of this section exceed \$200,000,000 for each unit, the
17 department shall prorate the application of credits accrued under (b) of this section
18 against taxes due under this chapter and applications for cash payments under
19 AS 43.55.028 resulting from a credit under (b) of this section by ownership interest in
20 the unit.

21 * Sec. 17. AS 43.55.028(a) is amended to read:

22 (a) The oil and gas tax credit fund is established as a separate fund of the state.

23 The purpose of the fund is to purchase transferable tax credit certificates issued under

1 AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to
2 pay refunds and payments claimed under AS 43.20.046, 43.20.047, or 43.20.053. A
3 purchase of a transferable tax credit certificate issued under AS 43.55.023 is
4 subject to the limitations in AS 43.55.023(g)."
5

6 Renumber the following bill sections accordingly.
7

8 Page 18, line 20:

9 Delete "16, and 17"

10 Insert "18, and 19"

11

12 Page 18, lines 25 - 26:

13 Delete "sec. 29"

14 Insert "sec. 31"

15

16 Page 18, line 27:

17 Delete "18, 23, and 24"

18 Insert "20, 25, and 26"

19

20 Page 18, line 28:

21 Delete "sec. 29"

22 Insert "sec. 31"

23

24 Page 18, line 31:

25 Delete "sec. 29"

26 Insert "sec. 31"

27

28 Page 19, line 2:

29 Delete "sec. 29"

30 Insert "sec. 31"

31

- 1 Page 19, line 5:
- 2 Delete "sec. 29"
- 3 Insert "sec. 31"
- 4
- 5 Page 19, line 8:
- 6 Delete "sec. 29"
- 7 Insert "sec. 31"
- 8
- 9 Page 19, line 10:
- 10 Delete "sec. 29"
- 11 Insert "sec. 31"
- 12
- 13 Page 19, line 14:
- 14 Delete "sec. 21"
- 15 Insert "sec. 23"
- 16
- 17 Page 19, line 15:
- 18 Delete "sec. 29"
- 19 Insert "sec. 31"
- 20
- 21 Page 19, line 17:
- 22 Delete "sec. 29"
- 23 Insert "sec. 31"
- 24
- 25 Page 20, line 12:
- 26 Delete "Sections 30 and 34"
- 27 Insert "Sections 32 and 36"
- 28
- 29 Page 20, line 13:
- 30 Delete "18 - 25, 27, 29, 32, and 33"
- 31 Insert "20 - 27, 29, 31, 34, and 35"

1

2 Page 20, line 15:

3 Delete "secs. 36 and 37"

4 Insert "secs. 38 and 39"

FAILED

29-GH2609.P.29
Shutts
3/21/16

AMENDMENT #5

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 7, line 22, through page 8, line 16:

2 Delete all material and insert:

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

4 (l) A producer or explorer may apply for a tax credit for a well lease
5 expenditure incurred in the state south of 68 degrees North latitude after June 30,
6 2010, as follows:

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

16 (2) a producer or explorer may take a credit for a well lease
17 expenditure incurred in the state south of 68 degrees North latitude in connection with
18 geological or geophysical exploration or in connection with an exploration well only if
19 the producer or explorer

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

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

1 **(3) a producer or explorer may take a credit for a well lease**
 2 **expenditure incurred in the state in the Cook Inlet sedimentary basin only if the**
 3 **producer or explorer incurs the expenditure before July 1, 2016.**

4 * Sec. 16. AS 43.55.023(l), as amended by sec. 15 of this Act, is amended to read:

5 (l) A producer or explorer may apply for a tax credit for a well lease
 6 expenditure incurred in the state south of 68 degrees North latitude after June 30,
 7 2010, as follows:

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

15 **(A) 40 percent of an [THAT] expenditure incurred before January 1,**
 16 **2017;**

17 **(B) 30 percent of an expenditure incurred on or after January 1,**
 18 **2017, and before January 1, 2018;**

19 **(C) 20 percent of an expenditure incurred on or after January 1,**
 20 **2018** [; A TAX CREDIT UNDER THIS PARAGRAPH MAY BE APPLIED FOR A
 21 SINGLE CALENDAR YEAR];

22 (2) a producer or explorer may take a credit for a well lease
 23 expenditure incurred in the state south of 68 degrees North latitude in connection with
 24 geological or geophysical exploration or in connection with an exploration well only if
 25 the producer or explorer

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

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

30 (3) a producer or explorer may take a credit for a well lease
 31 expenditure incurred in the state in the Cook Inlet sedimentary basin only if the

1 producer or explorer incurs the expenditure before July 1, 2016."

2

3 Renumber the following bill sections accordingly.

4

5 Page 18, line 20:

6 Delete "16, and 17"

7 Insert "17, and 18"

8

9 Page 18, lines 25 - 26:

10 Delete "sec. 29"

11 Insert "sec. 30"

12

13 Page 18, line 27:

14 Delete "18, 23, and 24"

15 Insert "19, 24, and 25"

16

17 Page 18, line 28:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 18, line 31:

22 Delete "sec. 29"

23 Insert "sec. 30"

24

25 Page 19, line 2:

26 Delete "sec. 29"

27 Insert "sec. 30"

28

29 Page 19, line 5:

30 Delete "sec. 29"

31 Insert "sec. 30"

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Page 19, line 8:

Delete "sec. 29"

Insert "sec. 30"

Page 19, line 10:

Delete "sec. 29"

Insert "sec. 30"

Page 19, line 14:

Delete "sec. 21"

Insert "sec. 22"

Page 19, line 15:

Delete "sec. 29"

Insert "sec. 30"

Page 19, line 17:

Delete "sec. 29"

Insert "sec. 30"

Page 20, line 12:

Delete "Sections 30 and 34"

Insert "Sections 31 and 35"

Page 20, following line 12:

Insert a new bill section to read:

"* Sec. 37. Section 15 of this Act takes effect July 1, 2016."

Renumber the following bill sections accordingly.

1 Page 20, line 13:

2 Delete "18 - 25, 27, 29, 32, and 33"

3 Insert "19 - 26, 28, 30, 33, and 34"

4

5 Page 20, line 15:

6 Delete "secs. 36 and 37"

7 Insert "secs. 37 - 39"

FAILED

29-GH2609.P.30
Shutts
3/21/16

AMENDMENT ~~756~~ 6

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 5, line 26, following "January 1, 2014":
- 2 Insert ":
- 3 **(4) a credit for a qualified capital expenditure incurred to explore**
- 4 **for, develop, or produce oil or gas deposits located in the Cook Inlet sedimentary**
- 5 **basin may only be taken if the expenditure is incurred before January 1, 2017"**

WITHDRAWN BY
SPONSOR

29-GH2609\P.31
Nauman/Shutts
3/21/16

AMENDMENT ~~7~~ 7

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 5, line 8:

2 Delete "A"

3 Insert "Subject to the limitation in (q) of this section, a [A]"

4

5 Page 6, line 11, following "latitude,":

6 Insert "excluding the Cook Inlet sedimentary basin,"

7

8 Page 6, line 12, following "loss,":

9 Insert "Subject to the limitation in (q) of this section, for lease expenditures
10 incurred on or after January 1, 2017, to explore for, develop, or produce oil or gas
11 deposits located in the Cook Inlet sedimentary basin, a producer or explorer may elect
12 to take a tax credit in the amount of five percent of a carried-forward annual loss."

13

14 Page 8, following line 16:

15 Insert a new bill section to read:

16 "* Sec. 16. AS 43.55.023 is amended by adding a new subsection to read:

17 (q) A producer or explorer may not take a tax credit or apply for a transferable
18 tax credit certificate resulting from an expenditure that qualifies for a credit under (a)
19 or (b) of this section for expenditures incurred in the Cook Inlet sedimentary basin if,
20 in a calendar year, the total amount of credits and certificates applied for under (a) and
21 (b) of this section exceed 30 percent of the combined expenditures that qualify for a
22 credit under (a) and (b) of this section."

23

1 Renumber the following bill sections accordingly.

2

3 Page 18, line 20:

4 Delete "16, and 17"

5 Insert "17, and 18"

6

7 Page 18, lines 25 - 26:

8 Delete "sec. 29"

9 Insert "sec. 30"

10

11 Page 18, line 27:

12 Delete "18, 23, and 24"

13 Insert "19, 24, and 25"

14

15 Page 18, line 28:

16 Delete "sec. 29"

17 Insert "sec. 30"

18

19 Page 18, line 31:

20 Delete "sec. 29"

21 Insert "sec. 30"

22

23 Page 19, line 2:

24 Delete "sec. 29"

25 Insert "sec. 30"

26

27 Page 19, line 5:

28 Delete "sec. 29"

29 Insert "sec. 30"

30

31 Page 19, line 8:

- 1 Delete "sec. 29"
- 2 Insert "sec. 30"
- 3
- 4 Page 19, line 10:
 - 5 Delete "sec. 29"
 - 6 Insert "sec. 30"
 - 7
- 8 Page 19, line 14:
 - 9 Delete "sec. 21"
 - 10 Insert "sec. 22"
 - 11
- 12 Page 19, line 15:
 - 13 Delete "sec. 29"
 - 14 Insert "sec. 30"
 - 15
- 16 Page 19, line 17:
 - 17 Delete "sec. 29"
 - 18 Insert "sec. 30"
 - 19
- 20 Page 20, line 12:
 - 21 Delete "Sections 30 and 34"
 - 22 Insert "Sections 31 and 35"
 - 23
- 24 Page 20, line 13:
 - 25 Delete "18 - 25, 27, 29, 32, and 33"
 - 26 Insert "19 - 26, 28, 30, 33, and 34"
 - 27
- 28 Page 20, line 15:
 - 29 Delete "secs. 36 and 37"
 - 30 Insert "secs. 37 and 38"

WITHDRAWN
BY SPONSOR

29-GH2609 P.32
Nauman/Shutts
3/21/16

AMENDMENT ~~7~~ 8

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 6, line 11, following "latitude":

2 Insert "excluding the Cook Inlet sedimentary basin,"

3

4 Page 6, line 12, following "loss":

5 Insert "For lease expenditures incurred on or after January 1, 2017, to explore
6 for, develop, or produce oil or gas deposits located in the Cook Inlet sedimentary basin,
7 a producer or explorer may elect to take a tax credit in the amount of 25 percent of a
8 carried-forward annual loss."

FAILED

29-GH2609\P.14
Nauman/Shutts
3/19/16

AMENDMENT ~~8~~ 9

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 6, line 5:

2 Delete "35"

3 Insert "25 [35]"

4

5 Page 18, line 20, following "APPLICABILITY.":

6 Insert "(a)"

7

8 Page 18, following line 21:

9 Insert a new subsection to read:

10 "(b) The change in the percentage of the carried-forward annual loss tax credit
11 applicable to oil or gas deposits located north of 68 degrees North latitude under
12 AS 43.55.023(b), enacted by sec. 12 of this Act, applies to a tax credit taken for a tax year
13 beginning on or after the effective date of sec. 12 of this Act."

FAILED

29-GH2609.P.18
Nauman/Shutts
3/19/16

AMENDMENT ~~10~~ 10

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 8, following line 16:

2 Insert a new bill section to read:

3 **"* Sec. 16.** AS 43.55.024(j) is amended to read:

4 (j) A producer may apply against the producer's tax liability for the calendar
5 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
6 each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria
7 in AS 43.55.160(f) or (g) and that is produced during a calendar year after
8 December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax
9 credit under this subsection may not reduce a producer's tax liability for a calendar
10 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The
11 amount of the tax credit for a barrel of taxable oil subject to this subsection produced
12 during a month of the calendar year is

13 (1) \$8 FOR EACH BARREL OF TAXABLE OIL IF THE
14 AVERAGE GROSS VALUE AT THE POINT OF PRODUCTION FOR THE
15 MONTH IS LESS THAN \$80 A BARREL;

16 (2) \$7 FOR EACH BARREL OF TAXABLE OIL IF THE AVERAGE
17 GROSS VALUE AT THE POINT OF PRODUCTION FOR THE MONTH IS
18 GREATER THAN OR EQUAL TO \$80 A BARREL, BUT LESS THAN \$90 A
19 BARREL;

20 (3) \$6 FOR EACH BARREL OF TAXABLE OIL IF THE AVERAGE
21 GROSS VALUE AT THE POINT OF PRODUCTION FOR THE MONTH IS
22 GREATER THAN OR EQUAL TO \$90 A BARREL, BUT LESS THAN \$100 A
23 BARREL;

1 (4)] \$5 for each barrel of taxable oil if the average gross value at the
2 point of production for the month is [GREATER THAN OR EQUAL TO \$100 A
3 BARREL, BUT] less than \$110 a barrel;

4 (2) [(5)] \$4 for each barrel of taxable oil if the average gross value at
5 the point of production for the month is greater than or equal to \$110 a barrel, but less
6 than \$120 a barrel;

7 (3) [(6)] \$3 for each barrel of taxable oil if the average gross value at
8 the point of production for the month is greater than or equal to \$120 a barrel, but less
9 than \$130 a barrel;

10 (4) [(7)] \$2 for each barrel of taxable oil if the average gross value at
11 the point of production for the month is greater than or equal to \$130 a barrel, but less
12 than \$140 a barrel;

13 (5) [(8)] \$1 for each barrel of taxable oil if the average gross value at
14 the point of production for the month is greater than or equal to \$140 a barrel, but less
15 than \$150 a barrel;

16 (6) [(9)] zero if the average gross value at the point of production for
17 the month is greater than or equal to \$150 a barrel."
18

19 Renumber the following bill sections accordingly.
20

21 Page 18, line 20:

22 Delete "16, and 17"

23 Insert "17, and 18"

24
25 Page 18, lines 25 - 26 :

26 Delete "sec. 29"

27 Insert "sec. 30"

28
29 Page 18, line 27:

30 Delete "18. 23, and 24"

31 Insert "19, 24. and 25"

1

2 Page 18, line 28:

3 Delete "sec. 29"

4 Insert "sec. 30"

5

6 Page 18, line 31:

7 Delete "sec. 29"

8 Insert "sec. 30"

9

10 Page 19, line 2:

11 Delete "sec. 29"

12 Insert "sec. 30"

13

14 Page 19, line 5:

15 Delete "sec. 29"

16 Insert "sec. 30"

17

18 Page 19, line 8:

19 Delete "sec. 29"

20 Insert "sec. 30"

21

22 Page 19, line 10:

23 Delete "sec. 29"

24 Insert "sec. 30"

25

26 Page 19, line 14:

27 Delete "sec. 21"

28 Insert "sec. 22"

29

30 Page 19, line 15:

31 Delete "sec. 29"

1 Insert "sec. 30"

2

3 Page 19, line 17:

4 Delete "sec. 29"

5 Insert "sec. 30"

6

7 Page 20, line 12:

8 Delete "Sections 30 and 34"

9 Insert "Sections 31 and 35"

10

11 Page 20, line 13:

12 Delete "18 - 25, 27, 29, 32, and 33"

13 Insert "19 - 26, 28, 30, 33, and 34"

14

15 Page 20, line 15:

16 Delete "secs. 36 and 37"

17 Insert "secs. 37 and 38"

FAILED

AMENDMENT ~~#10~~ #11

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 247(RES), Draft Version "P"

1 Page 8, following line 16:

2 Insert a new bill section to read:

3 **"* Sec. 16.** AS 43.55.024(i) is amended to read:

4 (i) A producer may apply against the producer's tax liability for the calendar
5 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
6 AS 43.55.011(e) [THAT MEETS ONE OR MORE OF THE CRITERIA IN
7 AS 43.55.160(f) OR (g) AND] that is produced during a calendar year after
8 December 31, 2013, from leases or properties north of 68 degrees North latitude.
9 A tax credit authorized by this subsection may not reduce a producer's tax liability for
10 a calendar year under AS 43.55.011(e) below the amount calculated under
11 AS 43.55.011(f) [ZERO]."
12

13 Renumber the following bill sections accordingly.

14

15 Page 17, line 7:

16 Delete "and 41.09.090"

17 Insert "41.09.090; and AS 43.55.024(j)"

18

19 Page 18, line 20:

20 Delete "16, and 17"

21 Insert "17, and 18"

22

23 Page 18, lines 25 - 26:

1 Delete "sec. 29"

2 Insert "sec. 30"

3

4 Page 18, line 27:

5 Delete "18, 23, and 24"

6 Insert "19, 24, and 25"

7

8 Page 18, line 28:

9 Delete "sec. 29"

10 Insert "sec. 30"

11

12 Page 18, line 31:

13 Delete "sec. 29"

14 Insert "sec. 30"

15

16 Page 19, line 2:

17 Delete "sec. 29"

18 Insert "sec. 30"

19

20 Page 19, line 5:

21 Delete "sec. 29"

22 Insert "sec. 30"

23

24 Page 19, line 8:

25 Delete "sec. 29"

26 Insert "sec. 30"

27

28 Page 19, line 10:

29 Delete "sec. 29"

30 Insert "sec. 30"

31

1 Page 19, line 14:

2 Delete "sec. 21"

3 Insert "sec. 22"

4

5 Page 19, line 15:

6 Delete "sec. 29"

7 Insert "sec. 30"

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9 Page 19, line 17:

10 Delete "sec. 29"

11 Insert "sec. 30"

12

13 Page 20, line 12:

14 Delete "Sections 30 and 34"

15 Insert "Sections 31 and 35"

16

17 Page 20, line 13:

18 Delete "18 - 25, 27, 29, 32, and 33"

19 Insert "19 - 26, 28, 30, 33, and 34"

20

21 Page 20, line 15:

22 Delete "secs. 36 and 37"

23 Insert "secs. 37 and 38"

WITHDRAWN
BY SPONSOR

29-GH2609/P.19
Nauman/Shutts
3/19/16

AMENDMENT # ~~11~~ 12

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON
TO: CSHB 247(RES), Draft Version "P"

1 Page 8, following line 16:
2 Insert a new bill section to read:
3 **** Sec. 16. AS 43.55.024(i) is amended to read:**
4 (i) A producer may apply against the producer's tax liability for the calendar
5 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
6 AS 43.55.011(e) [THAT MEETS ONE OR MORE OF THE CRITERIA IN
7 AS 43.55.160(f) OR (g) AND] that is produced during a calendar year after
8 December 31, 2013, from leases or properties north of 68 degrees North latitude.
9 A tax credit authorized by this subsection may not reduce a producer's tax liability for
10 a calendar year under AS 43.55.011(e) below zero."
11

12 Renumber the following bill sections accordingly.
13

14 Page 17, line 7:
15 Delete "and 41.09.090"
16 Insert "41.09.090; and AS 43.55.024(j)"
17

18 Page 18, line 20:
19 Delete "16, and 17"
20 Insert "17, and 18"
21

22 Page 18, lines 25 - 26:
23 Delete "sec. 29"

1 Insert "sec. 30"

2

3 Page 18, line 27:

4 Delete "18, 23, and 24"

5 Insert "19, 24, and 25"

6

7 Page 18, line 28:

8 Delete "sec. 29"

9 Insert "sec. 30"

10

11 Page 18, line 31:

12 Delete "sec. 29"

13 Insert "sec. 30"

14

15 Page 19, line 2:

16 Delete "sec. 29"

17 Insert "sec. 30"

18

19 Page 19, line 5:

20 Delete "sec. 29"

21 Insert "sec. 30"

22

23 Page 19, line 8:

24 Delete "sec. 29"

25 Insert "sec. 30"

26

27 Page 19, line 10:

28 Delete "sec. 29"

29 Insert "sec. 30"

30

31 Page 19, line 14:

- 1 Delete "sec. 21"
- 2 Insert "sec. 22"
- 3
- 4 Page 19, line 15:
 - 5 Delete "sec. 29"
 - 6 Insert "sec. 30"
 - 7
- 8 Page 19, line 17:
 - 9 Delete "sec. 29"
 - 10 Insert "sec. 30"
 - 11
- 12 Page 20, line 12:
 - 13 Delete "Sections 30 and 34"
 - 14 Insert "Sections 31 and 35"
 - 15
- 16 Page 20, line 13:
 - 17 Delete "18 - 25, 27, 29, 32, and 33"
 - 18 Insert "19 - 26, 28, 30, 33, and 34"
 - 19
- 20 Page 20, line 15:
 - 21 Delete "secs. 36 and 37"
 - 22 Insert "secs. 37 and 38"

FAILED

29-GH2609P.17
Nauman/Shutts
3/19/16

AMENDMENT ~~#13~~ 13

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON
TO: CSHB 247(RES), Draft Version "P"

1 Page 11, following line 15:

2 Insert a new bill section to read:

3 **"* Sec. 21. AS 43.55.160(f) is amended to read:**

4 (f) On and after January 1, 2014, in the calculation of an annual production tax
5 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
6 point of production of oil or gas produced from a lease or property north of 68 degrees
7 North latitude meeting one or more of the following criteria is reduced by 20 percent:
8 (1) the oil or gas is produced from a lease or property that does not contain a lease that
9 was within a unit on January 1, 2003; (2) the oil or gas is produced from a
10 participating area established after December 31, 2011, that is within a unit formed
11 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
12 contain a reservoir that had previously been in a participating area established before
13 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
14 existing participating area by the Department of Natural Resources on and after
15 January 1, 2014, and the producer demonstrates to the department that the volume of
16 oil or gas produced is from acreage added to an existing participating area. This
17 subsection does not apply to gas produced before 2022 that is used in the state or to
18 gas produced on and after January 1, 2022. For oil or gas produced after January 1,
19 2017, the reduction under this subsection shall apply to oil or gas produced from
20 a lease or property for the first five years after the commencement of production
21 in commercial quantities of oil or gas from that lease or property. For oil or gas
22 produced before January 1, 2017, the reduction under this subsection for a lease
23 or property shall expire January 1, 2022. A reduction under this subsection may not

1 reduce the gross value at the point of production below zero. In this subsection,
2 "participating area" means a reservoir or portion of a reservoir producing or
3 contributing to production as approved by the Department of Natural Resources."
4

5 Page 18, lines 25 - 26:

6 Delete "sec. 29"

7 Insert "sec. 30"

8

9 Page 18, line 27:

10 Delete "23, and 24"

11 Insert "24, and 25"

12

13 Page 18, line 28:

14 Delete "sec. 29"

15 Insert "sec. 30"

16

17 Page 18, line 31:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 19, line 2:

22 Delete "sec. 29"

23 Insert "sec. 30"

24

25 Page 19, line 5:

26 Delete "sec. 29"

27 Insert "sec. 30"

28

29 Page 19, line 8:

30 Delete "sec. 29"

31 Insert "sec. 30"

1

2 Page 19, line 10:

3 Delete "sec. 29"

4 Insert "sec. 30"

5

6 Page 19, line 14:

7 Delete "sec. 21"

8 Insert "sec. 22"

9

10 Page 19, line 15:

11 Delete "sec. 29"

12 Insert "sec. 30"

13

14 Page 19, line 17:

15 Delete "sec. 29"

16 Insert "sec. 30"

17

18 Page 20, line 12:

19 Delete "Sections 30 and 34"

20 Insert "Sections 31 and 35"

21

22 Page 20, line 13:

23 Delete "18 - 25, 27, 29, 32, and 33"

24 Insert "18 - 20, 22 - 26, 28, 30, 33, and 34"

25

26 Page 20, line 15:

27 Delete "secs. 36 and 37"

28 Insert "secs. 37 and 38"

FAILED

29-GH2609P.15
Nauman/Shutts
3/19/16

AMENDMENT ~~HB~~ 14

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON
TO: CSHB 247(RES), Draft Version "P"

1 Page 5, following line 6:

2 Insert a new bill section to read:

3 **** Sec. 11. AS 43.55.020(a) is amended to read:**

4 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
5 the tax as follows:

6 (1) for oil and gas produced before January 1, 2014, an installment
7 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
8 as allowed by law, is due for each month of the calendar year on the last day of the
9 following month; except as otherwise provided under (2) of this subsection, the
10 amount of the installment payment is the sum of the following amounts, less 1/12 of
11 the tax credits that are allowed by law to be applied against the tax levied by
12 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
13 not be less than zero:

14 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
15 produced from leases or properties in the state outside the Cook Inlet
16 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
17 the greater of

18 (i) zero; or

19 (ii) the sum of 25 percent and the tax rate calculated for
20 the month under AS 43.55.011(g) multiplied by the remainder obtained
21 by subtracting 1/12 of the producer's adjusted lease expenditures for the
22 calendar year of production under AS 43.55.165 and 43.55.170 that are
23 deductible for the oil and gas under AS 43.55.160 from the gross value

1 at the point of production of the oil and gas produced from the leases or
2 properties during the month for which the installment payment is
3 calculated;

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

6 (i) zero;

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

11 (iii) the sum of 25 percent and the tax rate calculated for
12 the month under AS 43.55.011(g) multiplied by the remainder obtained
13 by subtracting 1/12 of the producer's adjusted lease expenditures for the
14 calendar year of production under AS 43.55.165 and 43.55.170 that are
15 deductible for the oil and gas under AS 43.55.160 from the gross value
16 at the point of production of the oil and gas produced from those leases
17 or properties during the month for which the installment payment is
18 calculated;

19 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
20 each lease or property, the greater of

21 (i) zero; or

22 (ii) the sum of 25 percent and the tax rate calculated for
23 the month under AS 43.55.011(g) multiplied by the remainder obtained
24 by subtracting 1/12 of the producer's adjusted lease expenditures for the
25 calendar year of production under AS 43.55.165 and 43.55.170 that are
26 deductible under AS 43.55.160 for the oil or gas, respectively,
27 produced from the lease or property from the gross value at the point of
28 production of the oil or gas, respectively, produced from the lease or
29 property during the month for which the installment payment is
30 calculated;

31 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

1 (i) the sum of 25 percent and the tax rate calculated for
2 the month under AS 43.55.011(g) multiplied by the remainder obtained
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the
4 calendar year of production under AS 43.55.165 and 43.55.170 that are
5 deductible for the oil and gas under AS 43.55.160 from the gross value
6 at the point of production of the oil and gas produced from the leases or
7 properties during the month for which the installment payment is
8 calculated, but not less than zero; or

9 (ii) four percent of the gross value at the point of
10 production of the oil and gas produced from the leases or properties
11 during the month, but not less than zero;

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

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

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

29 (B) the applicable tax rate for gas provided under
30 AS 43.55.011(i), multiplied by the gross value at the point of production of the
31 gas taxable under AS 43.55.011(i) and produced from the lease or property

1 during the month;

2 (4) any amount of tax levied by AS 43.55.011, net of any credits
3 applied as allowed by law, that exceeds the total of the amounts due as installment
4 payments of estimated tax is due on March 31 of the year following the calendar year
5 of production;

6 (5) for oil and gas produced on and after January 1, 2014, and before
7 January 1, 2022, an installment payment of the estimated tax levied by
8 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
9 month of the calendar year on the last day of the following month; except as otherwise
10 provided under (6) of this subsection, the amount of the installment payment is the
11 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
12 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
13 of the installment payment may not be less than zero:

14 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
15 produced from leases or properties in the state outside the Cook Inlet
16 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
17 the greater of

18 (i) zero; or

19 (ii) 35 percent multiplied by the remainder obtained by
20 subtracting 1/12 of the producer's adjusted lease expenditures for the
21 calendar year of production under AS 43.55.165 and 43.55.170 that are
22 deductible for the oil and gas under AS 43.55.160 from the gross value
23 at the point of production of the oil and gas produced from the leases or
24 properties during the month for which the installment payment is
25 calculated;

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

28 (i) zero;

29 (ii) zero percent, one percent, two percent, three
30 percent, or four percent, as applicable, of the gross value at the point of
31 production of the oil and gas produced from the leases or properties

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during the month for which the installment payment is calculated; or

(iii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil and gas subject to AS 43.55.160(f) [OR (g)];

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

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for the oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(D) for oil and gas subject to AS 43.55.011(p), the lesser of

(i) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

(ii) four percent of the gross value at the point of production of the oil and gas produced from the leases or properties

1 during the month, but not less than zero;

2 (6) an amount calculated under (5)(C) of this subsection for oil or gas
3 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
4 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
5 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
6 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
7 amount of taxable gas produced during the month for the amount of taxable gas
8 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
9 (2)(A), as applicable, the amount of taxable oil produced during the month for the
10 amount of taxable oil produced during the calendar year;

11 (7) for oil and gas produced on or after January 1, 2022, an installment
12 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
13 as allowed by law, is due for each month of the calendar year on the last day of the
14 following month; the amount of the installment payment is the sum of the following
15 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
16 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment
17 payment may not be less than zero:

18 (A) for oil produced from leases or properties that include land
19 north of 68 degrees North latitude, the greatest of

20 (i) zero;

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

25 (iii) 35 percent multiplied by the remainder obtained by
26 subtracting 1/12 of the producer's adjusted lease expenditures for the
27 calendar year of production under AS 43.55.165 and 43.55.170 that are
28 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
29 the point of production of the oil produced from those leases or
30 properties during the month for which the installment payment is
31 calculated, except that, for the purposes of this calculation, a reduction

1 from the gross value at the point of production may apply for oil
2 subject to AS 43.55.160(f) [OR 43.55.160(f) AND (g)];

3 (B) for oil produced before or during the last calendar year
4 under AS 43.55.024(b) for which the producer could take a tax credit under
5 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
6 sedimentary basin, no part of which is north of 68 degrees North latitude, other
7 than leases or properties subject to AS 43.55.011(p), the greater of

8 (i) zero; or

9 (ii) 35 percent multiplied by the remainder obtained by
10 subtracting 1/12 of the producer's adjusted lease expenditures for the
11 calendar year of production under AS 43.55.165 and 43.55.170 that are
12 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
13 the point of production of the oil produced from the leases or properties
14 during the month for which the installment payment is calculated;

15 (C) for oil and gas produced from leases or properties subject
16 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
17 the sum of

18 (i) 35 percent multiplied by the remainder obtained by
19 subtracting 1/12 of the producer's adjusted lease expenditures for the
20 calendar year of production under AS 43.55.165 and 43.55.170 that are
21 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
22 the point of production of the oil produced from the leases or properties
23 during the month for which the installment payment is calculated, but
24 not less than zero; and

25 (ii) 13 percent of the gross value at the point of
26 production of the gas produced from the leases or properties during the
27 month, but not less than zero;

28 (D) for oil produced from leases or properties in the state, no
29 part of which is north of 68 degrees North latitude, other than leases or
30 properties subject to (B) or (C) of this paragraph, the greater of

31 (i) zero; or

1 (ii) 35 percent multiplied by the remainder obtained by
 2 subtracting 1/12 of the producer's adjusted lease expenditures for the
 3 calendar year of production under AS 43.55.165 and 43.55.170 that are
 4 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
 5 the point of production of the oil produced from the leases or properties
 6 during the month for which the installment payment is calculated;

7 (E) for gas produced from each lease or property in the state,
 8 other than a lease or property subject to AS 43.55.011(p), 13 percent of the
 9 gross value at the point of production of the gas produced from the lease or
 10 property during the month for which the installment payment is calculated, but
 11 not less than zero;

12 (8) an amount calculated under (7)(C) of this subsection may not
 13 exceed four percent of the gross value at the point of production of the oil and gas
 14 produced from leases or properties subject to AS 43.55.011(p) during the month for
 15 which the installment payment is calculated;

16 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
 17 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
 18 of production is determined under AS 43.55.011(f)(1) or (2) but substituting the
 19 phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1)
 20 and (2) for the phrase "calendar year for which the tax is due.""

21
 22 **Renumber the following bill sections accordingly.**

23
 24 **Page 6, line 20:**

25 **Delete "or (g)"**

26
 27 **Page 8, following line 16:**

28 **Insert new bill sections to read:**

29 **"* Sec. 17. AS 43.55.024(i) is amended to read:**

30 (i) A producer may apply against the producer's tax liability for the calendar
 31 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under

1 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) [OR (g)]
2 and that is produced during a calendar year after December 31, 2013. A tax credit
3 authorized by this subsection may not reduce a producer's tax liability for a calendar
4 year under AS 43.55.011(e) below zero.

5 * Sec. 18. AS 43.55.024(j) is amended to read:

6 (j) A producer may apply against the producer's tax liability for the calendar
7 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
8 each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria
9 in AS 43.55.160(f) [OR (g)] and that is produced during a calendar year after
10 December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax
11 credit under this subsection may not reduce a producer's tax liability for a calendar
12 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The
13 amount of the tax credit for a barrel of taxable oil subject to this subsection produced
14 during a month of the calendar year is

15 (1) \$8 for each barrel of taxable oil if the average gross value at the
16 point of production for the month is less than \$80 a barrel;

17 (2) \$7 for each barrel of taxable oil if the average gross value at the
18 point of production for the month is greater than or equal to \$80 a barrel, but less than
19 \$90 a barrel;

20 (3) \$6 for each barrel of taxable oil if the average gross value at the
21 point of production for the month is greater than or equal to \$90 a barrel, but less than
22 \$100 a barrel;

23 (4) \$5 for each barrel of taxable oil if the average gross value at the
24 point of production for the month is greater than or equal to \$100 a barrel, but less
25 than \$110 a barrel;

26 (5) \$4 for each barrel of taxable oil if the average gross value at the
27 point of production for the month is greater than or equal to \$110 a barrel, but less
28 than \$120 a barrel;

29 (6) \$3 for each barrel of taxable oil if the average gross value at the
30 point of production for the month is greater than or equal to \$120 a barrel, but less
31 than \$130 a barrel:

1 (7) \$2 for each barrel of taxable oil if the average gross value at the
2 point of production for the month is greater than or equal to \$130 a barrel, but less
3 than \$140 a barrel;

4 (8) \$1 for each barrel of taxable oil if the average gross value at the
5 point of production for the month is greater than or equal to \$140 a barrel, but less
6 than \$150 a barrel;

7 (9) zero if the average gross value at the point of production for the
8 month is greater than or equal to \$150 a barrel."
9

10 Renumber the following bill sections accordingly.

11
12 Page 11, following line 15:

13 Insert new bill sections to read:

14 **** Sec. 24.** AS 43.55.160(a) is amended to read:

15 (a) For oil and gas produced before January 1, 2022, except as provided in (b)
16 **and** [,] (f) [, AND (g)] of this section, for the purposes of

17 (1) AS 43.55.011(e)(1) and (2), the annual production tax value of
18 taxable oil, gas, or oil and gas produced during a calendar year in a category for which
19 a separate annual production tax value is required to be calculated under this
20 paragraph is the gross value at the point of production of that oil, gas, or oil and gas
21 taxable under AS 43.55.011(e), less the producer's lease expenditures under
22 AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas in that
23 category produced by the producer during the calendar year, as adjusted under
24 AS 43.55.170; a separate annual production tax value shall be calculated for

25 (A) oil and gas produced from leases or properties in the state
26 that include land north of 68 degrees North latitude, other than gas produced
27 before 2022 and used in the state;

28 (B) oil and gas produced from leases or properties in the state
29 outside the Cook Inlet sedimentary basin, no part of which is north of 68
30 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)
31 and (b); this subparagraph does not apply to

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- (i) gas produced before 2022 and used in the state; or
- (ii) oil and gas subject to AS 43.55.011(p);

(C) oil produced before 2022 from each lease or property in the Cook Inlet sedimentary basin;

(D) gas produced before 2022 from each lease or property in the Cook Inlet sedimentary basin;

(E) gas produced before 2022 from each lease or property in the state outside the Cook Inlet sedimentary basin and used in the state, other than gas subject to AS 43.55.011(p);

(F) oil and gas subject to AS 43.55.011(p) produced from leases or properties in the state;

(G) oil and gas produced from leases or properties in the state no part of which is north of 68 degrees North latitude, other than oil or gas described in (B), (C), (D), (E), or (F) of this paragraph;

(2) AS 43.55.011(g), for oil and gas produced before January 1, 2014, the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

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

1 AS 43.55.170; this subparagraph does not apply to gas subject to
2 AS 43.55.011(o);

3 (C) oil produced during a month from a lease or property in the
4 Cook Inlet sedimentary basin is the gross value at the point of production of
5 the oil taxable under AS 43.55.011(e) and produced by the producer from that
6 lease or property, less 1/12 of the producer's lease expenditures under
7 AS 43.55.165 for the calendar year applicable to the oil produced by the
8 producer from that lease or property, as adjusted under AS 43.55.170;

9 (D) gas produced during a month from a lease or property in the
10 Cook Inlet sedimentary basin is the gross value at the point of production of
11 the gas taxable under AS 43.55.011(e) and produced by the producer from that
12 lease or property, less 1/12 of the producer's lease expenditures under
13 AS 43.55.165 for the calendar year applicable to the gas produced by the
14 producer from that lease or property, as adjusted under AS 43.55.170;

15 (E) gas produced during a month from a lease or property
16 outside the Cook Inlet sedimentary basin and used in the state is the gross
17 value at the point of production of that gas taxable under AS 43.55.011(e) and
18 produced by the producer from that lease or property, less 1/12 of the
19 producer's lease expenditures under AS 43.55.165 for the calendar year
20 applicable to that gas produced by the producer from that lease or property, as
21 adjusted under AS 43.55.170.

22 * Sec. 25. AS 43.55.160(h) is amended to read:

23 (h) For oil produced on and after January 1, 2022, except as provided in (b)
24 and [,] (f) [, AND (g)] of this section, for the purposes of AS 43.55.011(e)(3), the
25 annual production tax value of oil taxable under AS 43.55.011(e) produced by a
26 producer during a calendar year

27 (1) from leases or properties in the state that include land north of 68
28 degrees North latitude is the gross value at the point of production of that oil, less the
29 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
30 explore for, develop, or produce oil and gas deposits located in the state north of 68
31 degrees North latitude or located in leases or properties in the state that include land

1 north of 68 degrees North latitude, as adjusted under AS 43.55.170;

2 (2) before or during the last calendar year under AS 43.55.024(b) for
3 which the producer could take a tax credit under AS 43.55.024(a), from leases or
4 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
5 north of 68 degrees North latitude, other than leases or properties subject to
6 AS 43.55.011(p), is the gross value at the point of production of that oil, less the
7 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
8 explore for, develop, or produce oil and gas deposits located in the state outside the
9 Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil
10 and gas deposits located in a lease or property that includes land north of 68 degrees
11 North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from
12 which commercial production has not begun, as adjusted under AS 43.55.170;

13 (3) from leases or properties subject to AS 43.55.011(p) is the gross
14 value at the point of production of that oil, less the producer's lease expenditures under
15 AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and
16 gas deposits located in leases or properties subject to AS 43.55.011(p) or, before
17 January 1, 2027, located in leases or properties in the state outside the Cook Inlet
18 sedimentary basin, no part of which is north of 68 degrees North latitude from which
19 commercial production has not begun, as adjusted under AS 43.55.170;

20 (4) from leases or properties in the state no part of which is north of 68
21 degrees North latitude, other than leases or properties subject to (2) or (3) of this
22 subsection, is the gross value at the point of production of that oil less the producer's
23 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for,
24 develop, or produce oil and gas deposits located in the state south of 68 degrees North
25 latitude, other than oil and gas deposits located in a lease or property in the state that
26 includes land north of 68 degrees North latitude, and excluding lease expenditures that
27 are deductible under (2) or (3) of this subsection or would be deductible under (2) or
28 (3) of this subsection if not prohibited by (b) of this section, as adjusted under
29 AS 43.55.170."

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31 Renumber the following bill sections accordingly.

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Page 17, following line 6:

Insert a new bill section to read:

**** Sec. 33. AS 43.98.050 is amended to read:**

Sec. 43.98.050. Duties. The duties of the board include the following:

(1) establish and maintain a salient collection of information related to oil and gas exploration, development, and production in the state and related to tax structures, rates, and credits in other regions with oil and gas resources;

(2) review historical, current, and potential levels of investment in the state's oil and gas sector;

(3) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(4) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(5) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to confidential information;

(6) make written findings and recommendations to the Alaska State Legislature before

(A) January 31, 2015, or as soon thereafter as practicable, regarding

(i) changes to the state's regulatory environment and permitting structure that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(ii) the status of the oil and gas industry labor pool in the state and the effectiveness of workforce development efforts by the

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state;

(iii) the status of the oil-and-gas-related infrastructure of the state, including a description of infrastructure deficiencies; and

(iv) the competitiveness of the state's fiscal oil and gas tax regime when compared to other regions of the world;

(B) January 15, 2017, regarding

(i) the state's tax structure and rates on oil and gas produced south of 68 degrees North latitude;

(ii) a tax structure that takes into account the unique economic circumstances for each oil and gas producing area south of 68 degrees North latitude;

(iii) a reduction in the gross value at the point of production for oil and gas produced south of 68 degrees North latitude that is similar to the reduction in gross value at the point of production in AS 43.55.160(f) [AND (g)];

(iv) other incentives for oil and gas production south of 68 degrees North latitude;

(C) January 31, 2021, or as soon thereafter as practicable, regarding

(i) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources;

(ii) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources; and

(iii) a review of the current effectiveness and future value of any provisions of the state's oil and gas tax laws that are expiring in the next five years."

Renumber the following bill sections accordingly.

1 Page 17, line 7:

2 Delete "and 41.09.090"

3 Insert "41.09.090; and AS 43.55.160(g),"

4

5 Page 18, line 20:

6 Delete "16, and 17"

7 Insert "19, and 20"

8

9 Page 18, line 20, following "APPLICABILITY.":

10 Insert "(a)"

11

12 Page 18, following line 21:

13 Insert a new subsection to read:

14 "(b) The repeal of AS 43.55.160(g) by sec. 34 of this Act and the conforming changes
15 to AS 43.55.020(a), as amended by sec. 11 of this Act, AS 43.55.024(i) and (j), as amended
16 by secs. 17 and 18 of this Act, AS 43.55.160(a) and (h), as amended by secs. 24 and 25 of this
17 Act, and AS 43.98.050, as amended by sec. 33 of this Act, apply to oil or gas produced from a
18 lease or property on or after the effective date of sec. 34 of this Act."

19

20 Page 18, lines 25 - 26:

21 Delete "sec. 29"

22 Insert "sec. 35"

23

24 Page 18, line 27:

25 Delete "secs. 13, 14, 18, 23, and 24"

26 Insert "secs. 14, 15, 21, 28, and 29"

27

28 Page 18, line 28:

29 Delete "sec. 29"

30 Insert "sec. 35"

31

1 Page 18, line 31:

2 Delete "sec. 29"

3 Insert "sec. 35"

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5 Page 19, line 2:

6 Delete "sec. 29"

7 Insert "sec. 35"

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9 Page 19, line 5:

10 Delete "sec. 29"

11 Insert "sec. 35"

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13 Page 19, line 8:

14 Delete "sec. 29"

15 Insert "sec. 35"

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17 Page 19, line 10:

18 Delete "sec. 29"

19 Insert "sec. 35"

20

21 Page 19, line 14:

22 Delete "sec. 21"

23 Insert "sec. 26"

24

25 Page 19, line 15:

26 Delete "sec. 29"

27 Insert "sec. 35"

28

29 Page 19, line 17:

30 Delete "sec. 29"

31 Insert "sec. 35"

1

2 Page 20, line 12:

3 Delete "Sections 30 and 34"

4 Insert "Sections 36 and 40"

5

6 Page 20, line 13:

7 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"

8 Insert "Sections 14, 15, 21 - 23, 26 - 30, 32, 35, 38, and 39"

9

10 Page 20, line 15:

11 Delete "secs. 36 and 37"

12 Insert "secs. 42 and 43"

WITHDRAWN
BY SPONSOR

29-GH2609P.16
Nauman/Shutts
3/19/16

AMENDMENT # ~~14~~ 15

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON
TO: CSHB 247(RES), Draft Version "P"

1 Page 11, following line 15:

2 Insert a new bill section to read:

3 **** Sec. 21.** AS 43.55.160(f) is amended to read:

4 (f) On and after January 1, 2014, in the calculation of an annual production tax
5 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
6 point of production of oil or gas produced from a lease or property north of 68 degrees
7 North latitude meeting one or more of the following criteria is reduced by 10 [20]
8 percent: (1) the oil or gas is produced from a lease or property that does not contain a
9 lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a
10 participating area established after December 31, 2011, that is within a unit formed
11 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
12 contain a reservoir that had previously been in a participating area established before
13 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
14 existing participating area by the Department of Natural Resources on and after
15 January 1, 2014, and the producer demonstrates to the department that the volume of
16 oil or gas produced is from acreage added to an existing participating area. This
17 subsection does not apply to gas produced before 2022 that is used in the state or to
18 gas produced on and after January 1, 2022. A reduction under this subsection may not
19 reduce the gross value at the point of production below zero. In this subsection,
20 "participating area" means a reservoir or portion of a reservoir producing or
21 contributing to production as approved by the Department of Natural Resources."
22

23 Page 18. line 20, following "APPLICABILITY.":

1 Insert "(a)"

2

3 Page 18, following line 21:

4 Insert a new subsection to read:

5 "(b) The change in the percentage reduction in the gross value at the point of
6 production of oil or gas produced from a lease or property under AS 43.55.160(f), as amended
7 by sec. 21 of this Act, applies to oil or gas produced from a lease or property on or after the
8 effective date of sec. 21 of this Act."

9

10 Page 18, lines 25 - 26:

11 Delete "sec. 29"

12 Insert "sec. 30"

13

14 Page 18, line 27:

15 Delete "23, and 24"

16 Insert "24, and 25"

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18 Page 18, line 28:

19 Delete "sec. 29"

20 Insert "sec. 30"

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22 Page 18, line 31:

23 Delete "sec. 29"

24 Insert "sec. 30"

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26 Page 19, line 2:

27 Delete "sec. 29"

28 Insert "sec. 30"

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30 Page 19, line 5:

31 Delete "sec. 29"

1 Insert "sec. 30"

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3 Page 19, line 8:

4 Delete "sec. 29"

5 Insert "sec. 30"

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7 Page 19, line 10:

8 Delete "sec. 29"

9 Insert "sec. 30"

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11 Page 19, line 14:

12 Delete "sec. 21"

13 Insert "sec. 22"

14

15 Page 19, line 15:

16 Delete "sec. 29"

17 Insert "sec. 30"

18

19 Page 19, line 17:

20 Delete "sec. 29"

21 Insert "sec. 30"

22

23 Page 20, line 12:

24 Delete "Sections 30 and 34"

25 Insert "Sections 31 and 35"

26

27 Page 20, line 13:

28 Delete "18 - 25, 27, 29, 32, and 33"

29 Insert "18 - 20, 22 - 26, 28, 30, 33, and 34"

30

31 Page 20, line 15:

- 1 Delete "secs. 36 and 37"
- 2 Insert "secs. 37 and 38"

FAILED

29-GH2609P.35
Shutts
3/21/16

AMENDMENT #16

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 3, line 10:
- 2 Delete "three"
- 3 Insert "seven [THREE]"

FAILED

29-GH2609\P.4
Shutts
3/19/16

AMENDMENT # 17

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 3, line 10:
- 2 Delete "three"
- 3 Insert "five [THREE]"

FAILED

29-GH2609P.28
Nauman/Shutts
3/21/16

AMENDMENT #18

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

1 Page 5, line 8:

2 Delete "A"

3 Insert "Subject to the limitation in (g) of this section, a [A]"

4

5 Page 7, line 23:

6 Delete "A"

7 Insert "Subject to the limitation in (g) of this section, a [A]"

8

9 Page 8, following line 16:

10 Insert a new bill section to read:

11 **** Sec. 16. AS 43.55.023 is amended by adding a new subsection to read:**

12 (q) For a calendar year starting on or after January 1, 2017, to qualify for a
13 credit under this section, a producer or explorer shall, by July 1 of the year before the
14 credit is expected to be claimed, submit to the commissioner the total amount of
15 expenditures expected to be claimed in the next calendar year. To receive a credit after
16 January 1, 2017, the commissioner shall approve the amount under this subsection.
17 The commissioner, in consultation with the commissioner of natural resources, may
18 not approve an amount under this subsection unless the credit is necessary to make the
19 activity of the producer or explorer economically feasible. This subsection does not
20 apply to a credit under (b) of this section."

21

22 Renumber the following bill sections accordingly.

23

1 Page 18, line 20:

2 Delete "16, and 17"

3 Insert "17, and 18"

4

5 Page 18, lines 25 - 26:

6 Delete "sec. 29"

7 Insert "sec. 30"

8

9 Page 18, line 27:

10 Delete "18, 23, and 24"

11 Insert "19, 24, and 25"

12

13 Page 18, line 28:

14 Delete "sec. 29"

15 Insert "sec. 30"

16

17 Page 18, line 31:

18 Delete "sec. 29"

19 Insert "sec. 30"

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21 Page 19, line 2:

22 Delete "sec. 29"

23 Insert "sec. 30"

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25 Page 19, line 5:

26 Delete "sec. 29"

27 Insert "sec. 30"

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29 Page 19, line 8:

30 Delete "sec. 29"

31 Insert "sec. 30"

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2 Page 19, line 10:

3 Delete "sec. 29"

4 Insert "sec. 30"

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6 Page 19, line 14:

7 Delete "sec. 21"

8 Insert "sec. 22"

9

10 Page 19, line 15:

11 Delete "sec. 29"

12 Insert "sec. 30"

13

14 Page 19, line 17:

15 Delete "sec. 29"

16 Insert "sec. 30"

17

18 Page 20, line 12:

19 Delete "Sections 30 and 34"

20 Insert "Sections 31 and 35"

21

22 Page 20, line 13:

23 Delete "18 - 25, 27, 29, 32, and 33"

24 Insert "19 - 26, 28, 30, 33, and 34"

25

26 Page 20, line 15:

27 Delete "secs. 36 and 37"

28 Insert "secs. 37 and 38"

WITHDRAWN
BY SPONSOR

29-GH2609/P.49
Shutts
3/21/16

AMENDMENT #19

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 8, line 23:
- 2 Delete "\$200,000,000"
- 3 Insert "\$75,000,000"
- 4
- 5 Page 8, line 23, following "person":
- 6 Insert "for each lease"
- 7
- 8 Page 8, line 31:
- 9 Delete "\$200,000,000"
- 10 Insert "\$75,000,000"

FAILED

29-GH2609\P.37
Shutts
3/21/16

AMENDMENT #20

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 8, line 23:
- 2 Delete "\$200,000,000"
- 3 Insert "\$100,000,000"
- 4
- 5 Page 8, line 31:
- 6 Delete "\$200,000,000"
- 7 Insert "\$100,000,000"

WITHDRAWN
BY SPONSOR

29-GH2609/P.56
Shutts
3/21/16

AMENDMENT #21

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

1 Page 3, line 19, following "AS 43.55.028(e)":

2 Insert "and (j)"

3

4 Page 3, line 31, following "AS 43.55.028(e)":

5 Insert "and (j)"

6

7 Page 4, line 12, following "AS 43.55.028(e)":

8 Insert "and (j)"

9

10 Page 8, line 24, following "year":

11 Insert "; the amount by which a person has received a payment or refund claimed
12 under AS 43.20.046, 43.20.047, or 43.20.053 counts toward the \$200,000,000 limitation"

13

14 Page 9, line 21, following "owed.":

15 Insert "In this subsection, "outstanding liability" means the amount of the tax, interest,
16 penalty, fee, rental, royalty, or other charge for which the state has issued a demand for
17 payment that has not been paid when due and, if contested, has not been finally resolved
18 against the state."

FAILED

AMENDMENT #22

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

1 Page 7, line 14:

2 Delete "and (b) - (d) [(a) - (d)] of this section"

3 Insert ", (b) - (d) [(a) - (d)] of this section, and AS 43.55.028(e)"

4

5 Page 7, line 20, following "credit":

6 Insert "and may not be applied to reduce a transferee's total tax liability under
7 AS 43.55.011(e) by more than \$100,000,000 in a calendar year"

8

9 Page 8, following line 16:

10 Insert a new bill section to read:

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

12 (h) Subject to the limitations in AS 43.55.028(e), a [A] producer that
13 purchases a production tax credit certificate may apply the credits against its
14 production tax levied by AS 43.55.011(e) for up to \$100,000,000 of its production
15 tax liability in a calendar year. Regardless of the price the producer paid for the
16 certificate, the producer may receive a credit against its production tax liability for the
17 full amount of the credit, but for not more than the amount for which the certificate is
18 issued. A production tax credit allowed under this section may not be applied more
19 than once."

20

21 Renumber the following bill sections accordingly.

22

23 Page 8, line 23:

1 Delete "\$200,000,000"

2 Insert "\$100,000,000"

3

4 Page 8, line 24, following "year":

5 Insert ". The amount by which a person has reduced the person's production tax
6 liability under AS 43.55.011(e) by using transferable tax credit certificates counts
7 toward the \$100,000,000 limitation"

8

9 Page 8, line 31:

10 Delete "\$200,000,000"

11 Insert "\$100,000,000"

12

13 Page 18, line 20:

14 Delete "16, and 17"

15 Insert "17, and 18"

16

17 Page 18, lines 25 - 26:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 18, line 27:

22 Delete "18, 23, and 24"

23 Insert "19, 24, and 25"

24

25 Page 18, line 28:

26 Delete "sec. 29"

27 Insert "sec. 30"

28

29 Page 18, line 31:

30 Delete "sec. 29"

31 Insert "sec. 30"

1

2 Page 19, line 2:

3 Delete "sec. 29"

4 Insert "sec. 30"

5

6 Page 19, line 5:

7 Delete "sec. 29"

8 Insert "sec. 30"

9

10 Page 19, line 8:

11 Delete "sec. 29"

12 Insert "sec. 30"

13

14 Page 19, line 10:

15 Delete "sec. 29"

16 Insert "sec. 30"

17

18 Page 19, line 14:

19 Delete "sec. 21"

20 Insert "sec. 22"

21

22 Page 19, line 15:

23 Delete "sec. 29"

24 Insert "sec. 30"

25

26 Page 19, line 17:

27 Delete "sec. 29"

28 Insert "sec. 30"

29

30 Page 20, line 12:

31 Delete "Sections 30 and 34"

- 1 Insert "Sections 31 and 35"
- 2
- 3 Page 20, line 13:
- 4 Delete "18 - 25, 27, 29, 32, and 33"
- 5 Insert "19 - 26, 28, 30, 33, and 34"
- 6
- 7 Page 20, line 15:
- 8 Delete "secs. 36 and 37"
- 9 Insert "secs. 37 and 38"

WITHDRAWN
BY
SPONSOR

29-GH2609\P.23
Shutts
3/20/16

AMENDMENT #23

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

- 1 Page 8, line 23:
- 2 Delete "\$200,000,000"
- 3 Insert "\$75,000,000"
- 4
- 5 Page 8, line 23, following "person":
- 6 Insert "for each lease"
- 7
- 8 Page 8, line 31:
- 9 Delete "\$200,000,000"
- 10 Insert "\$75,000,000"
- 11
- 12 Page 9, line 8:
- 13 Delete "and"
- 14
- 15 Page 9, line 9, following "(5)":
- 16 Insert "during the calendar year preceding the calendar year in which the
- 17 application is made, the applicant's revenue generated from the applicant's oil and gas
- 18 business, including the revenue of the applicant's affiliates if the applicant is part of an
- 19 affiliated group, did not exceed \$10,000,000,000; and
- 20 (6)"

ADOPTED

29-GH2609\P.39
Shutts
3/21/16

AMENDMENT #24

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 18, line 9, following "legislators":
- 2 Insert "and must include members of the majority and minority caucuses"

WITHDRAWN
BY SPONSOR

29-GH2609\P.9
Nauman
3/20/16

AMENDMENT #25

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

1 Page 6, line 12, following "loss.":

2 Insert "To be eligible for a production tax credit authorized under this subsection,
3 a producer or explorer shall comply with regulations adopted under (q) of this section."

4

5 Page 8, following line 16:

6 Insert a new bill section to read:

7 **** Sec. 16. AS 43.55.023 is amended by adding a new subsection to read:**

8 (q) To qualify for a credit under (b) of this section, the department shall adopt
9 regulations requiring a producer or explorer to provide information related to the
10 expenditure that generated the carried-forward annual loss. The regulations adopted
11 by the department under this subsection shall, if applicable and the information has not
12 previously been provided, require a producer or explorer to submit the information
13 that would have been required under AS 43.55.025(c)(2), (f)(2), (j), (k), (m), or (n),
14 had the carry-forward loss been generated because of an activity described in those
15 subsections."

16

17 Renumber the following bill sections accordingly.

18

19 Page 18, line 20:

20 Delete "16, and 17"

21 Insert "17, and 18"

22

23 Page 18, lines 25 - 26:

1 Delete "sec. 29"

2 Insert "sec. 30"

3

4 Page 18, line 27:

5 Delete "18, 23, and 24"

6 Insert "19, 24, and 25"

7

8 Page 18, line 28:

9 Delete "sec. 29"

10 Insert "sec. 30"

11

12 Page 18, line 31:

13 Delete "sec. 29"

14 Insert "sec. 30"

15

16 Page 19, line 2:

17 Delete "sec. 29"

18 Insert "sec. 30"

19

20 Page 19, line 5:

21 Delete "sec. 29"

22 Insert "sec. 30"

23

24 Page 19, line 8:

25 Delete "sec. 29"

26 Insert "sec. 30"

27

28 Page 19, line 10:

29 Delete "sec. 29"

30 Insert "sec. 30"

31

1 Page 19, line 14:

2 Delete "sec. 21"

3 Insert "sec. 22"

4

5 Page 19, line 15:

6 Delete "sec. 29"

7 Insert "sec. 30"

8

9 Page 19, line 17:

10 Delete "sec. 29"

11 Insert "sec. 30"

12

13 Page 20, line 12:

14 Delete "Sections 30 and 34"

15 Insert "Sections 31 and 35"

16

17 Page 20, line 13:

18 Delete "18 - 25, 27, 29, 32, and 33"

19 Insert "19 - 26, 28, 30, 33, and 34"

20

21 Page 20, line 15:

22 Delete "secs. 36 and 37"

23 Insert "secs. 37 and 38"

FAILED

AMENDMENT #26

OFFERED IN THE HOUSE BY REPRESENTATIVE TARR
TO: CSHB 247(RES), Draft Version "P"

1 Page 1, line 1, following "Act":

2 Insert "relating to confidential information status and public record status of
3 information in the possession of the Department of Revenue;"

4
5 Page 2, following line 31:

6 Insert a new bill section to read:

7 **** Sec. 6. AS 40.25.100(a) is amended to read:**

8 (a) Information in the possession of the Department of Revenue that discloses
9 the particulars of the business or affairs of a taxpayer or other person, including
10 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
11 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
12 AS 43.05.230(i) - (l) [AS 43.05.230(i) OR (k)] or for purposes of investigation and
13 law enforcement. The information shall be kept confidential except when its
14 production is required in an official investigation, administrative adjudication under
15 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
16 publication of statistics presented in a manner that prevents the identification of
17 particular reports and items, prohibit the publication of tax lists showing the names of
18 taxpayers who are delinquent and relevant information that may assist in the collection
19 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
20 under AS 43.05.405 - 43.05.499."

21
22 Renumber the following bill sections accordingly.

23

1 Page 3, following line 17:

2 Insert a new bill section to read:

3 **** Sec. 8.** AS 43.05.230 is amended by adding a new subsection to read:

4 (I) The following information for persons claiming a credit under AS 43.55 is
5 public:

6 (1) the name of each person claiming a credit under AS 43.55;

7 (2) the aggregate amount of credits under AS 43.55 claimed by the
8 taxpayer in the calendar year, except for the credit in AS 43.55.024(j); and

9 (3) a description of the taxpayer's activities that generated the credits
10 claimed under AS 43.55."

11

12 Renumber the following bill sections accordingly.

13

14 Page 18, line 20:

15 Delete "Sections 7 - 9, 16, and 17"

16 Insert "Sections 9 - 11, 18, and 19"

17

18 Page 18, lines 25 - 26:

19 Delete "sec. 29"

20 Insert "sec. 31"

21

22 Page 18, line 27:

23 Delete "secs. 13, 14, 18, 23, and 24"

24 Insert "secs. 15, 16, 20, 25, and 26"

25

26 Page 18, line 28:

27 Delete "sec. 29"

28 Insert "sec. 31"

29

30 Page 18, line 31:

31 Delete "sec. 29"

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

- 1 Delete "Sections 30 and 34"
- 2 Insert "Sections 32 and 36"
- 3
- 4 Page 20, line 13:
 - 5 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"
 - 6 Insert "Sections 15, 16, 20 - 27, 29, 31, 34, and 35"
 - 7
- 8 Page 20, line 15:
 - 9 Delete "secs. 36 and 37"
 - 10 Insert "secs. 38 and 39"

WITHDRAWN
BY
SPONSOR

29-GH2609P.11
Nauman/Shutts
3/19/16

AMENDMENT #27

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

1 Page 1, line 1, following "Act":

2 Insert "relating to confidential information status and public record status of
3 information in the possession of the Department of Revenue;"

4
5 Page 2, following line 31:

6 Insert a new bill section to read:

7 **** Sec. 6.** AS 40.25.100(a) is amended to read:

8 (a) Information in the possession of the Department of Revenue that discloses
9 the particulars of the business or affairs of a taxpayer or other person, including
10 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
11 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
12 AS 43.05.230(i) - (l) [AS 43.05.230(i) OR (k)] or for purposes of investigation and
13 law enforcement. The information shall be kept confidential except when its
14 production is required in an official investigation, administrative adjudication under
15 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
16 publication of statistics presented in a manner that prevents the identification of
17 particular reports and items, prohibit the publication of tax lists showing the names of
18 taxpayers who are delinquent and relevant information that may assist in the collection
19 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
20 under AS 43.05.405 - 43.05.499."

21
22 Renumber the following bill sections accordingly.

23

1 Page 3, following line 17:

2 Insert a new bill section to read:

3 **** Sec. 8.** AS 43.05.230 is amended by adding a new subsection to read:

4 (I) The following information for persons claiming a credit under AS 43.55 is
5 public information:

6 (1) the name of each person claiming a credit under AS 43.55;

7 (2) the aggregate amount of credits under AS 43.55 claimed by the
8 taxpayer in the calendar year, except for the credit in AS 43.55.024(j); and

9 (3) a description of the taxpayer's activities that generated the credits
10 claimed under AS 43.55."
11

12 Renumber the following bill sections accordingly.
13

14 Page 18, line 20:

15 Delete "Sections 7 - 9, 16, and 17"

16 Insert "Sections 9 - 11, 18, and 19"
17

18 Page 18, lines 25 - 26:

19 Delete "sec. 29"

20 Insert "sec. 31"
21

22 Page 18, line 27:

23 Delete "secs. 13, 14, 18, 23, and 24"

24 Insert "secs. 15, 16, 20, 25, and 26"
25

26 Page 18, line 28:

27 Delete "sec. 29"

28 Insert "sec. 31"
29

30 Page 18, line 31:

31 Delete "sec. 29"

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

- 1 Delete "Sections 30 and 34"
- 2 Insert "Sections 32 and 36"
- 3
- 4 Page 20, line 13:
 - 5 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"
 - 6 Insert "Sections 15, 16, 20 - 27, 29, 31, 34, and 35"
 - 7
- 8 Page 20, line 15:
 - 9 Delete "secs. 36 and 37"
 - 10 Insert "secs. 38 and 39"

FAILED

~~116~~

29-GH2609\P.54
Nauman/Shutts
3/21/16

AMENDMENT #28

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

1 Page 8, following line 16:

2 Insert a new bill section to read:

3 **"* Sec. 16. AS 43.55.023 is amended by adding a new subsection to read:**

4 (q) For the lease expenditures incurred toward a credit under this section, a
5 producer or explorer shall

6 (1) agree, in writing, to the requirements that an explorer must agree to
7 under AS 43.55.025(f)(2); and

8 (2) submit to the Department of Natural Resources all data that an
9 explorer must submit under AS 43.55.025(f)(2)."

10

11 Renumber the following bill sections accordingly.

12

13 Page 18, line 20:

14 Delete "16, and 17"

15 Insert "17, and 18"

16

17 Page 18, lines 25 - 26:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 18, line 27:

22 Delete "18, 23, and 24"

23 Insert "19, 24, and 25"

1

2 Page 18, line 28:

3 Delete "sec. 29"

4 Insert "sec. 30"

5

6 Page 18, line 31:

7 Delete "sec. 29"

8 Insert "sec. 30"

9

10 Page 19, line 2:

11 Delete "sec. 29"

12 Insert "sec. 30"

13

14 Page 19, line 5:

15 Delete "sec. 29"

16 Insert "sec. 30"

17

18 Page 19, line 8:

19 Delete "sec. 29"

20 Insert "sec. 30"

21

22 Page 19, line 10:

23 Delete "sec. 29"

24 Insert "sec. 30"

25

26 Page 19, line 14:

27 Delete "sec. 21"

28 Insert "sec. 22"

29

30 Page 19, line 15:

31 Delete "sec. 29"

- 1 Insert "sec. 30"
- 2
- 3 Page 19, line 17:
- 4 Delete "sec. 29"
- 5 Insert "sec. 30"
- 6
- 7 Page 20, line 12:
- 8 Delete "Sections 30 and 34"
- 9 Insert "Sections 31 and 35"
- 10
- 11 Page 20, line 13:
- 12 Delete "18 - 25, 27, 29, 32, and 33"
- 13 Insert "19 - 26, 28, 30, 33, and 34"
- 14
- 15 Page 20, line 15:
- 16 Delete "secs. 36 and 37"
- 17 Insert "secs. 37 and 38"

WITHDRAWN
BY
SPONSOR

29-GH2609P.45
Shutts
3/21/16

AMENDMENT #29

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

- 1 Page 9, line 21, following "owed.":
- 2 Insert "In this subsection, "outstanding liability" means an amount of tax, interest,
- 3 penalty, fee, rental, royalty, or other charge for which the state has issued a demand for
- 4 payment that has not been paid when due and, if contested, has not been finally resolved
- 5 against the state."

FAILED

29-GH2609P.42
Shutts
3/21/16

AMENDMENT #30

OFFERED IN THE HOUSE BY REPRESENTATIVE TARR
TO: CSHB 247(RES), Draft Version "P"

1 Page 3, lines 22 - 24:

2 Delete ", [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING
3 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS
4 TITLE; AND (2)]"

5 Insert "(1) the claimant does not have an outstanding liability to the state [FOR
6 UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and (2)"

7

8 Page 4, lines 3 - 5:

9 Delete ", [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING
10 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS
11 TITLE; AND (2)]"

12 Insert "(1) the claimant does not have an outstanding liability to the state [FOR
13 UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and (2)"

14

15 Page 4, lines 15 - 17:

16 Delete ", [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING
17 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS
18 TITLE; AND (2)]"

19 Insert "(1) the claimant does not have an outstanding liability to the state [FOR
20 UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and (2)"

21

22 Page 17, following line 6:

23 Insert a new bill section to read:

1 **** Sec. 28.** AS 43.99.950 is amended by adding a new paragraph to read:

2 (3) "outstanding liability to the state" means an amount of tax, interest,
3 penalty, fee, rental, royalty, or other charge for which the state has issued a demand
4 for payment that has not been paid when due and, if contested, has not been finally
5 resolved against the state."
6

7 Renumber the following bill sections accordingly.
8

9 Page 18, lines 25 - 26:

10 Delete "sec. 29"

11 Insert "sec. 30"

12

13 Page 18, line 28:

14 Delete "sec. 29"

15 Insert "sec. 30"

16

17 Page 18, line 31:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 19, line 2:

22 Delete "sec. 29"

23 Insert "sec. 30"

24

25 Page 19, line 5:

26 Delete "sec. 29"

27 Insert "sec. 30"

28

29 Page 19, line 8:

30 Delete "sec. 29"

31 Insert "sec. 30"

- 1
- 2 **Page 19, line 10:**
- 3 **Delete "sec. 29"**
- 4 **Insert "sec. 30"**
- 5
- 6 **Page 19, line 15:**
- 7 **Delete "sec. 29"**
- 8 **Insert "sec. 30"**
- 9
- 10 **Page 19, line 17:**
- 11 **Delete "sec. 29"**
- 12 **Insert "sec. 30"**
- 13
- 14 **Page 20, line 12:**
- 15 **Delete "Sections 30 and 34"**
- 16 **Insert "Sections 31 and 35"**
- 17
- 18 **Page 20, line 13:**
- 19 **Delete "29, 32, and 33"**
- 20 **Insert "30, 33, and 34"**
- 21
- 22 **Page 20, line 15:**
- 23 **Delete "secs. 36 and 37"**
- 24 **Insert "secs. 37 and 38"**

WITHDRAWN
BY SPONSOR

29-GH2609\P.41
Nauman/Shutts
3/21/16

AMENDMENT #31

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

1 Page 4, following line 20:

2 Insert a new bill section to read:

3 **"* Sec. 10. AS 43.55.011(f) is amended to read:**

4 (f) The levy of tax under (e) of this section for

5 (1) oil and gas produced before January 1, 2017 [JANUARY 1,
6 2022], from leases or properties that include land north of 68 degrees North latitude,
7 other than gas subject to (o) of this section, may not be less than

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

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

16 (C) two 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 over \$17.50 but not over \$20;

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

1 (E) zero percent of the gross value at the point of production
2 when the average price per barrel for Alaska North Slope crude oil for sale on
3 the United States West Coast during the calendar year for which the tax is due
4 is \$15 or less; [AND]

5 (2) oil and gas produced on and after January 1, 2017, and before
6 January 1, 2022, from leases or properties that include land north of 68 degrees North
7 latitude, other than gas subject to (o) of this section, may not be less than five
8 percent of the gross value at the point of production; and

9 (3) oil produced on and after January 1, 2022, from leases or
10 properties that include land north of 68 degrees North latitude may not be less
11 than five percent of the gross value at the point of production

12 [(A) FOUR PERCENT OF THE GROSS VALUE AT THE
13 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
14 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
15 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
16 THE TAX IS DUE IS MORE THAN \$25;

17 (B) THREE PERCENT OF THE GROSS VALUE AT THE
18 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
19 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
20 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
21 THE TAX IS DUE IS OVER \$20 BUT NOT OVER \$25;

22 (C) TWO PERCENT OF THE GROSS VALUE AT THE
23 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
24 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
25 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
26 THE TAX IS DUE IS OVER \$17.50 BUT NOT OVER \$20;

27 (D) ONE PERCENT OF THE GROSS VALUE AT THE
28 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
29 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
30 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
31 THE TAX IS DUE IS OVER \$15 BUT NOT OVER \$17.50; OR

1 (E) ZERO PERCENT OF THE GROSS VALUE AT THE
2 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
3 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
4 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
5 THE TAX IS DUE IS \$15 OR LESS]."
6

7 Renumber the following bill sections accordingly.
8

9 Page 5, following line 6:

10 Insert new bill sections to read:

11 **** Sec. 12.** AS 43.55.020(a) is amended to read:

12 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
13 the tax as follows:

14 (1) for oil and gas produced before January 1, 2014, an installment
15 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
16 as allowed by law, is due for each month of the calendar year on the last day of the
17 following month; except as otherwise provided under (2) of this subsection, the
18 amount of the installment payment is the sum of the following amounts, less 1/12 of
19 the tax credits that are allowed by law to be applied against the tax levied by
20 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
21 not be less than zero:

22 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
23 produced from leases or properties in the state outside the Cook Inlet
24 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
25 the greater of

26 (i) zero; or

27 (ii) the sum of 25 percent and the tax rate calculated for
28 the month under AS 43.55.011(g) multiplied by the remainder obtained
29 by subtracting 1/12 of the producer's adjusted lease expenditures for the
30 calendar year of production under AS 43.55.165 and 43.55.170 that are
31 deductible for the oil and gas under AS 43.55.160 from the gross value

1 at the point of production of the oil and gas produced from the leases or
2 properties during the month for which the installment payment is
3 calculated;

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

6 (i) zero;

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

11 (iii) the sum of 25 percent and the tax rate calculated for
12 the month under AS 43.55.011(g) multiplied by the remainder obtained
13 by subtracting 1/12 of the producer's adjusted lease expenditures for the
14 calendar year of production under AS 43.55.165 and 43.55.170 that are
15 deductible for the oil and gas under AS 43.55.160 from the gross value
16 at the point of production of the oil and gas produced from those leases
17 or properties during the month for which the installment payment is
18 calculated;

19 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
20 each lease or property, the greater of

21 (i) zero; or

22 (ii) the sum of 25 percent and the tax rate calculated for
23 the month under AS 43.55.011(g) multiplied by the remainder obtained
24 by subtracting 1/12 of the producer's adjusted lease expenditures for the
25 calendar year of production under AS 43.55.165 and 43.55.170 that are
26 deductible under AS 43.55.160 for the oil or gas, respectively,
27 produced from the lease or property from the gross value at the point of
28 production of the oil or gas, respectively, produced from the lease or
29 property during the month for which the installment payment is
30 calculated;

31 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

1 (i) the sum of 25 percent and the tax rate calculated for
2 the month under AS 43.55.011(g) multiplied by the remainder obtained
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the
4 calendar year of production under AS 43.55.165 and 43.55.170 that are
5 deductible for the oil and gas under AS 43.55.160 from the gross value
6 at the point of production of the oil and gas produced from the leases or
7 properties during the month for which the installment payment is
8 calculated, but not less than zero; or

9 (ii) four percent of the gross value at the point of
10 production of the oil and gas produced from the leases or properties
11 during the month, but not less than zero;

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

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

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

29 (B) the applicable tax rate for gas provided under
30 AS 43.55.011(i), multiplied by the gross value at the point of production of the
31 gas taxable under AS 43.55.011(i) and produced from the lease or property

1 during the month;

2 (4) any amount of tax levied by AS 43.55.011, net of any credits
3 applied as allowed by law, that exceeds the total of the amounts due as installment
4 payments of estimated tax is due on March 31 of the year following the calendar year
5 of production;

6 (5) for oil and gas produced on and after January 1, 2014, and before
7 January 1, 2022, an installment payment of the estimated tax levied by
8 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
9 month of the calendar year on the last day of the following month; except as otherwise
10 provided under (6) of this subsection, the amount of the installment payment is the
11 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
12 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
13 of the installment payment may not be less than zero:

14 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
15 produced from leases or properties in the state outside the Cook Inlet
16 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
17 the greater of

18 (i) zero; or

19 (ii) 35 percent multiplied by the remainder obtained by
20 subtracting 1/12 of the producer's adjusted lease expenditures for the
21 calendar year of production under AS 43.55.165 and 43.55.170 that are
22 deductible for the oil and gas under AS 43.55.160 from the gross value
23 at the point of production of the oil and gas produced from the leases or
24 properties during the month for which the installment payment is
25 calculated;

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

28 (i) zero;

29 (ii) zero percent, one percent, two percent, three
30 percent, [OR] four percent, or five percent, as applicable, of the gross
31 value at the point of production of the oil and gas produced from the

1 leases or properties during the month for which the installment
2 payment is calculated; or

3 (iii) 35 percent multiplied by the remainder obtained by
4 subtracting 1/12 of the producer's adjusted lease expenditures for the
5 calendar year of production under AS 43.55.165 and 43.55.170 that are
6 deductible for the oil and gas under AS 43.55.160 from the gross value
7 at the point of production of the oil and gas produced from those leases
8 or properties during the month for which the installment payment is
9 calculated, except that, for the purposes of this calculation, a reduction
10 from the gross value at the point of production may apply for oil and
11 gas subject to AS 43.55.160(f) or (g);

12 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
13 each lease or property, the greater of

14 (i) zero; or

15 (ii) 35 percent multiplied by the remainder obtained by
16 subtracting 1/12 of the producer's adjusted lease expenditures for the
17 calendar year of production under AS 43.55.165 and 43.55.170 that are
18 deductible under AS 43.55.160 for the oil or gas, respectively,
19 produced from the lease or property from the gross value at the point of
20 production of the oil or gas, respectively, produced from the lease or
21 property during the month for which the installment payment is
22 calculated;

23 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

24 (i) 35 percent multiplied by the remainder obtained by
25 subtracting 1/12 of the producer's adjusted lease expenditures for the
26 calendar year of production under AS 43.55.165 and 43.55.170 that are
27 deductible for the oil and gas under AS 43.55.160 from the gross value
28 at the point of production of the oil and gas produced from the leases or
29 properties during the month for which the installment payment is
30 calculated, but not less than zero; or

31 (ii) four percent of the gross value at the point of

1 production of the oil and gas produced from the leases or properties
2 during the month, but not less than zero;

3 (6) an amount calculated under (5)(C) of this subsection for oil or gas
4 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
5 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
6 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
7 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
8 amount of taxable gas produced during the month for the amount of taxable gas
9 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
10 (2)(A), as applicable, the amount of taxable oil produced during the month for the
11 amount of taxable oil produced during the calendar year;

12 (7) for oil and gas produced on or after January 1, 2022, an installment
13 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
14 as allowed by law, is due for each month of the calendar year on the last day of the
15 following month; the amount of the installment payment is the sum of the following
16 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
17 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment
18 payment may not be less than zero:

19 (A) for oil produced from leases or properties that include land
20 north of 68 degrees North latitude, the greatest of

21 (i) zero;

22 (ii) five [ZERO PERCENT, ONE PERCENT, TWO
23 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
24 APPLICABLE,] of the gross value at the point of production of the oil
25 produced from the leases or properties during the month for which the
26 installment payment is calculated; or

27 (iii) 35 percent multiplied by the remainder obtained by
28 subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
31 the point of production of the oil produced from those leases or

1 properties during the month for which the installment payment is
2 calculated, except that, for the purposes of this calculation, a reduction
3 from the gross value at the point of production may apply for oil
4 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

5 (B) for oil produced before or during the last calendar year
6 under AS 43.55.024(b) for which the producer could take a tax credit under
7 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
8 sedimentary basin, no part of which is north of 68 degrees North latitude, other
9 than leases or properties subject to AS 43.55.011(p), the greater of

10 (i) zero; or

11 (ii) 35 percent multiplied by the remainder obtained by
12 subtracting 1/12 of the producer's adjusted lease expenditures for the
13 calendar year of production under AS 43.55.165 and 43.55.170 that are
14 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
15 the point of production of the oil produced from the leases or properties
16 during the month for which the installment payment is calculated;

17 (C) for oil and gas produced from leases or properties subject
18 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
19 the sum of

20 (i) 35 percent multiplied by the remainder obtained by
21 subtracting 1/12 of the producer's adjusted lease expenditures for the
22 calendar year of production under AS 43.55.165 and 43.55.170 that are
23 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
24 the point of production of the oil produced from the leases or properties
25 during the month for which the installment payment is calculated, but
26 not less than zero; and

27 (ii) 13 percent of the gross value at the point of
28 production of the gas produced from the leases or properties during the
29 month, but not less than zero;

30 (D) for oil produced from leases or properties in the state, no
31 part of which is north of 68 degrees North latitude, other than leases or

1 properties subject to (B) or (C) of this paragraph, the greater of

2 (i) zero; or

3 (ii) 35 percent multiplied by the remainder obtained by
4 subtracting 1/12 of the producer's adjusted lease expenditures for the
5 calendar year of production under AS 43.55.165 and 43.55.170 that are
6 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
7 the point of production of the oil produced from the leases or properties
8 during the month for which the installment payment is calculated;

9 (E) for gas produced from each lease or property in the state,
10 other than a lease or property subject to AS 43.55.011(p), 13 percent of the
11 gross value at the point of production of the gas produced from the lease or
12 property during the month for which the installment payment is calculated, but
13 not less than zero;

14 (8) an amount calculated under (7)(C) of this subsection may not
15 exceed four percent of the gross value at the point of production of the oil and gas
16 produced from leases or properties subject to AS 43.55.011(p) during the month for
17 which the installment payment is calculated;

18 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
19 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
20 of production is determined under AS 43.55.011(f) [AS 43.55.011(f)(1) OR (2)] but
21 substituting the phrase "month for which the installment payment is calculated" in
22 AS 43.55.011(f) [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for
23 which the tax is due."

24 * **Sec. 13.** AS 43.55.020(i) is amended to read:

25 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
26 this section, if the amount of a tax payment, including an installment payment, due
27 under (a)(1) - (5) [(4)] of this section is affected by the retroactive application of a
28 regulation adopted under this chapter, the department shall determine whether the
29 retroactive application of the regulation caused an underpayment or an overpayment of
30 the amount due and adjust the interest due on the affected payment as follows:

31 (1) if an underpayment of the amount due occurred, the department

1 shall waive interest that would otherwise accrue for the underpayment before the first
2 day of the second month following the month in which the regulation became
3 effective, if

4 (A) the department determines that the producer's
5 underpayment resulted because the regulation was not in effect when the
6 payment was due; and

7 (B) the producer demonstrates that it made a good faith
8 estimate of its tax obligation in light of the regulations then in effect when the
9 payment was due and paid the estimated tax;

10 (2) if an overpayment of the amount due occurred and the department
11 determines that the producer's overpayment resulted because the regulation was not in
12 effect when the payment was due, the obligation for a refund for the overpayment does
13 not begin to accrue interest earlier than the following, as applicable:

14 (A) except as otherwise provided under (B) of this paragraph,
15 the first day of the second month following the month in which the regulation
16 became effective;

17 (B) 90 days after an amended statement under AS 43.55.030(a)
18 and an application to request a refund of production tax paid is filed, if the
19 overpayment was for a period for which an amended statement under
20 AS 43.55.030(a) was required to be filed before the regulation became
21 effective."
22

23 Renumber the following bill sections accordingly.
24

25 Page 18, line 20:

26 Delete "16, and 17"

27 Insert "19, and 20"
28

29 Page 18, lines 25 - 26:

30 Delete "sec. 29"

31 Insert "sec. 32"

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

- 1 Insert "sec. 24"
- 2
- 3 Page 19, line 15:
- 4 Delete "sec. 29"
- 5 Insert "sec. 32"
- 6
- 7 Page 19, line 17:
- 8 Delete "sec. 29"
- 9 Insert "sec. 32"
- 10
- 11 Page 20, line 12:
- 12 Delete "Sections 30 and 34"
- 13 Insert "Sections 33 and 37"
- 14
- 15 Page 20, line 13:
- 16 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"
- 17 Insert "Sections 16, 17, 21 - 28, 30, 32, 35, and 36"
- 18
- 19 Page 20, line 15:
- 20 Delete "secs. 36 and 37"
- 21 Insert "secs. 39 and 40"

FAILED

#12

29-GH2609\P.53
Nauman/Shutts
3/21/16

AMENDMENT #32

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

- 1 Page 4, following line 20:
- 2 Insert a new bill section to read:
- 3 **** Sec. 10.** AS 43.55.011(f) is amended to read:
- 4 (f) The levy of tax under (e) of this section for
 - 5 (1) oil and gas produced before January 1, 2017 [JANUARY 1,
 - 6 2022], from leases or properties that include land north of 68 degrees North latitude,
 - 7 other than gas subject to (o) of this section, may not be less than
 - 8 (A) four percent of the gross value at the point of production
 - 9 when the average price per barrel for Alaska North Slope crude oil for sale on
 - 10 the United States West Coast during the calendar year for which the tax is due
 - 11 is more than \$25;
 - 12 (B) three percent of the gross value at the point of production
 - 13 when the average price per barrel for Alaska North Slope crude oil for sale on
 - 14 the United States West Coast during the calendar year for which the tax is due
 - 15 is over \$20 but not over \$25;
 - 16 (C) two 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 over \$17.50 but not over \$20;
 - 20 (D) one percent of the gross value at the point of production
 - 21 when the average price per barrel for Alaska North Slope crude oil for sale on
 - 22 the United States West Coast during the calendar year for which the tax is due
 - 23 is over \$15 but not over \$17.50; or

1 (E) zero percent of the gross value at the point of production
2 when the average price per barrel for Alaska North Slope crude oil for sale on
3 the United States West Coast during the calendar year for which the tax is due
4 is \$15 or less; [AND]

5 (2) oil **and gas** produced on and after **January 1, 2017, and before**
6 January 1, 2022, from leases or properties that include land north of 68 degrees North
7 latitude, **other than gas subject to (o) of this section**, may not be less than **five**
8 **percent of the gross value at the point of production; and**

9 (3) **oil produced on and after January 1, 2022, from leases or**
10 **properties that include land north of 68 degrees North latitude may not be less**
11 **than five percent of the gross value at the point of production**

12 [(A) FOUR PERCENT OF THE GROSS VALUE AT THE
13 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
14 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
15 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
16 THE TAX IS DUE IS MORE THAN \$25;

17 (B) THREE PERCENT OF THE GROSS VALUE AT THE
18 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
19 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
20 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
21 THE TAX IS DUE IS OVER \$20 BUT NOT OVER \$25;

22 (C) TWO PERCENT OF THE GROSS VALUE AT THE
23 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
24 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
25 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
26 THE TAX IS DUE IS OVER \$17.50 BUT NOT OVER \$20;

27 (D) ONE PERCENT OF THE GROSS VALUE AT THE
28 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
29 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
30 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
31 THE TAX IS DUE IS OVER \$15 BUT NOT OVER \$17.50; OR

1 (E) ZERO PERCENT OF THE GROSS VALUE AT THE
2 POINT OF PRODUCTION WHEN THE AVERAGE PRICE PER BARREL
3 FOR ALASKA NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED
4 STATES WEST COAST DURING THE CALENDAR YEAR FOR WHICH
5 THE TAX IS DUE IS \$15 OR LESS]."
6

7 Renumber the following bill sections accordingly.
8

9 Page 5, following line 6:

10 Insert new bill sections to read:

11 **** Sec. 12. AS 43.55.020(a) is amended to read:**

12 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
13 the tax as follows:

14 (1) for oil and gas produced before January 1, 2014, an installment
15 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
16 as allowed by law, is due for each month of the calendar year on the last day of the
17 following month; except as otherwise provided under (2) of this subsection, the
18 amount of the installment payment is the sum of the following amounts, less 1/12 of
19 the tax credits that are allowed by law to be applied against the tax levied by
20 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
21 not be less than zero:

22 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
23 produced from leases or properties in the state outside the Cook Inlet
24 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
25 the greater of

26 (i) zero; or

27 (ii) the sum of 25 percent and the tax rate calculated for
28 the month under AS 43.55.011(g) multiplied by the remainder obtained
29 by subtracting 1/12 of the producer's adjusted lease expenditures for the
30 calendar year of production under AS 43.55.165 and 43.55.170 that are
31 deductible for the oil and gas under AS 43.55.160 from the gross value

1 at the point of production of the oil and gas produced from the leases or
2 properties during the month for which the installment payment is
3 calculated;

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

6 (i) zero;

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

11 (iii) the sum of 25 percent and the tax rate calculated for
12 the month under AS 43.55.011(g) multiplied by the remainder obtained
13 by subtracting 1/12 of the producer's adjusted lease expenditures for the
14 calendar year of production under AS 43.55.165 and 43.55.170 that are
15 deductible for the oil and gas under AS 43.55.160 from the gross value
16 at the point of production of the oil and gas produced from those leases
17 or properties during the month for which the installment payment is
18 calculated;

19 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
20 each lease or property, the greater of

21 (i) zero; or

22 (ii) the sum of 25 percent and the tax rate calculated for
23 the month under AS 43.55.011(g) multiplied by the remainder obtained
24 by subtracting 1/12 of the producer's adjusted lease expenditures for the
25 calendar year of production under AS 43.55.165 and 43.55.170 that are
26 deductible under AS 43.55.160 for the oil or gas, respectively,
27 produced from the lease or property from the gross value at the point of
28 production of the oil or gas, respectively, produced from the lease or
29 property during the month for which the installment payment is
30 calculated;

31 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

1 (i) the sum of 25 percent and the tax rate calculated for
2 the month under AS 43.55.011(g) multiplied by the remainder obtained
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the
4 calendar year of production under AS 43.55.165 and 43.55.170 that are
5 deductible for the oil and gas under AS 43.55.160 from the gross value
6 at the point of production of the oil and gas produced from the leases or
7 properties during the month for which the installment payment is
8 calculated, but not less than zero; or

9 (ii) four percent of the gross value at the point of
10 production of the oil and gas produced from the leases or properties
11 during the month, but not less than zero;

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

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

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

29 (B) the applicable tax rate for gas provided under
30 AS 43.55.011(i), multiplied by the gross value at the point of production of the
31 gas taxable under AS 43.55.011(i) and produced from the lease or property

1 during the month;

2 (4) any amount of tax levied by AS 43.55.011, net of any credits
3 applied as allowed by law, that exceeds the total of the amounts due as installment
4 payments of estimated tax is due on March 31 of the year following the calendar year
5 of production;

6 (5) for oil and gas produced on and after January 1, 2014, and before
7 January 1, 2022, an installment payment of the estimated tax levied by
8 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
9 month of the calendar year on the last day of the following month; except as otherwise
10 provided under (6) of this subsection, the amount of the installment payment is the
11 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
12 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
13 of the installment payment may not be less than zero:

14 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
15 produced from leases or properties in the state outside the Cook Inlet
16 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
17 the greater of

18 (i) zero; or

19 (ii) 35 percent multiplied by the remainder obtained by
20 subtracting 1/12 of the producer's adjusted lease expenditures for the
21 calendar year of production under AS 43.55.165 and 43.55.170 that are
22 deductible for the oil and gas under AS 43.55.160 from the gross value
23 at the point of production of the oil and gas produced from the leases or
24 properties during the month for which the installment payment is
25 calculated;

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

28 (i) zero;

29 (ii) zero percent, one percent, two percent, three
30 percent, [OR] four percent, or five percent, as applicable, of the gross
31 value at the point of production of the oil and gas produced from the

1 leases or properties during the month for which the installment
2 payment is calculated; or

3 (iii) 35 percent multiplied by the remainder obtained by
4 subtracting 1/12 of the producer's adjusted lease expenditures for the
5 calendar year of production under AS 43.55.165 and 43.55.170 that are
6 deductible for the oil and gas under AS 43.55.160 from the gross value
7 at the point of production of the oil and gas produced from those leases
8 or properties during the month for which the installment payment is
9 calculated, except that, for the purposes of this calculation, a reduction
10 from the gross value at the point of production may apply for oil and
11 gas subject to AS 43.55.160(f) or (g);

12 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
13 each lease or property, the greater of

14 (i) zero; or

15 (ii) 35 percent multiplied by the remainder obtained by
16 subtracting 1/12 of the producer's adjusted lease expenditures for the
17 calendar year of production under AS 43.55.165 and 43.55.170 that are
18 deductible under AS 43.55.160 for the oil or gas, respectively,
19 produced from the lease or property from the gross value at the point of
20 production of the oil or gas, respectively, produced from the lease or
21 property during the month for which the installment payment is
22 calculated;

23 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

24 (i) 35 percent multiplied by the remainder obtained by
25 subtracting 1/12 of the producer's adjusted lease expenditures for the
26 calendar year of production under AS 43.55.165 and 43.55.170 that are
27 deductible for the oil and gas under AS 43.55.160 from the gross value
28 at the point of production of the oil and gas produced from the leases or
29 properties during the month for which the installment payment is
30 calculated, but not less than zero; or

31 (ii) four percent of the gross value at the point of

1 production of the oil and gas produced from the leases or properties
2 during the month, but not less than zero;

3 (6) an amount calculated under (5)(C) of this subsection for oil or gas
4 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
5 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
6 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
7 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
8 amount of taxable gas produced during the month for the amount of taxable gas
9 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
10 (2)(A), as applicable, the amount of taxable oil produced during the month for the
11 amount of taxable oil produced during the calendar year;

12 (7) for oil and gas produced on or after January 1, 2022, an installment
13 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
14 as allowed by law, is due for each month of the calendar year on the last day of the
15 following month; the amount of the installment payment is the sum of the following
16 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
17 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment
18 payment may not be less than zero:

19 (A) for oil produced from leases or properties that include land
20 north of 68 degrees North latitude, the greatest of

21 (i) zero;

22 (ii) five [ZERO PERCENT, ONE PERCENT, TWO
23 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
24 APPLICABLE,] of the gross value at the point of production of the oil
25 produced from the leases or properties during the month for which the
26 installment payment is calculated; or

27 (iii) 35 percent multiplied by the remainder obtained by
28 subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
31 the point of production of the oil produced from those leases or

1 properties during the month for which the installment payment is
2 calculated, except that, for the purposes of this calculation, a reduction
3 from the gross value at the point of production may apply for oil
4 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

5 (B) for oil produced before or during the last calendar year
6 under AS 43.55.024(b) for which the producer could take a tax credit under
7 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
8 sedimentary basin, no part of which is north of 68 degrees North latitude, other
9 than leases or properties subject to AS 43.55.011(p), the greater of

10 (i) zero; or

11 (ii) 35 percent multiplied by the remainder obtained by
12 subtracting 1/12 of the producer's adjusted lease expenditures for the
13 calendar year of production under AS 43.55.165 and 43.55.170 that are
14 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
15 the point of production of the oil produced from the leases or properties
16 during the month for which the installment payment is calculated;

17 (C) for oil and gas produced from leases or properties subject
18 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
19 the sum of

20 (i) 35 percent multiplied by the remainder obtained by
21 subtracting 1/12 of the producer's adjusted lease expenditures for the
22 calendar year of production under AS 43.55.165 and 43.55.170 that are
23 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
24 the point of production of the oil produced from the leases or properties
25 during the month for which the installment payment is calculated, but
26 not less than zero; and

27 (ii) 13 percent of the gross value at the point of
28 production of the gas produced from the leases or properties during the
29 month, but not less than zero;

30 (D) for oil produced from leases or properties in the state, no
31 part of which is north of 68 degrees North latitude, other than leases or

1 properties subject to (B) or (C) of this paragraph, the greater of

2 (i) zero; or

3 (ii) 35 percent multiplied by the remainder obtained by
4 subtracting 1/12 of the producer's adjusted lease expenditures for the
5 calendar year of production under AS 43.55.165 and 43.55.170 that are
6 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
7 the point of production of the oil produced from the leases or properties
8 during the month for which the installment payment is calculated;

9 (E) for gas produced from each lease or property in the state,
10 other than a lease or property subject to AS 43.55.011(p), 13 percent of the
11 gross value at the point of production of the gas produced from the lease or
12 property during the month for which the installment payment is calculated, but
13 not less than zero;

14 (8) an amount calculated under (7)(C) of this subsection may not
15 exceed four percent of the gross value at the point of production of the oil and gas
16 produced from leases or properties subject to AS 43.55.011(p) during the month for
17 which the installment payment is calculated;

18 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
19 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
20 of production is determined under AS 43.55.011(f) [AS 43.55.011(f)(1) OR (2)] but
21 substituting the phrase "month for which the installment payment is calculated" in
22 AS 43.55.011(f) [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for
23 which the tax is due."

24 * Sec. 13. AS 43.55.020(i) is amended to read:

25 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
26 this section, if the amount of a tax payment, including an installment payment, due
27 under (a)(1) - ~~(5)~~ [(4)] of this section is affected by the retroactive application of a
28 regulation adopted under this chapter, the department shall determine whether the
29 retroactive application of the regulation caused an underpayment or an overpayment of
30 the amount due and adjust the interest due on the affected payment as follows:

31 (1) if an underpayment of the amount due occurred, the department

1 shall waive interest that would otherwise accrue for the underpayment before the first
2 day of the second month following the month in which the regulation became
3 effective, if

4 (A) the department determines that the producer's
5 underpayment resulted because the regulation was not in effect when the
6 payment was due; and

7 (B) the producer demonstrates that it made a good faith
8 estimate of its tax obligation in light of the regulations then in effect when the
9 payment was due and paid the estimated tax;

10 (2) if an overpayment of the amount due occurred and the department
11 determines that the producer's overpayment resulted because the regulation was not in
12 effect when the payment was due, the obligation for a refund for the overpayment does
13 not begin to accrue interest earlier than the following, as applicable:

14 (A) except as otherwise provided under (B) of this paragraph,
15 the first day of the second month following the month in which the regulation
16 became effective;

17 (B) 90 days after an amended statement under AS 43.55.030(a)
18 and an application to request a refund of production tax paid is filed, if the
19 overpayment was for a period for which an amended statement under
20 AS 43.55.030(a) was required to be filed before the regulation became
21 effective."
22

23 Renumber the following bill sections accordingly.
24

25 Page 18, line 20:

26 Delete "16, and 17"

27 Insert "19, and 20"
28

29 Page 18, lines 25 - 26:

30 Delete "sec. 29"

31 Insert "sec. 32"

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

- 1 Insert "sec. 24"
- 2
- 3 Page 19, line 15:
- 4 Delete "sec. 29"
- 5 Insert "sec. 32"
- 6
- 7 Page 19, line 17:
- 8 Delete "sec. 29"
- 9 Insert "sec. 32"
- 10
- 11 Page 20, line 12:
- 12 Delete "Sections 30 and 34"
- 13 Insert "Sections 33 and 37"
- 14
- 15 Page 20, line 13:
- 16 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"
- 17 Insert "Sections 16, 17, 21 - 28, 30, 32, 35, and 36"
- 18
- 19 Page 20, line 15:
- 20 Delete "secs. 36 and 37"
- 21 Insert "secs. 39 and 40"

FAILED

#2

29-GH2609\P.27
Nauman/Shutts
3/19/16

AMENDMENT #33

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

1 Page 1, line 4, following "credit;":

2 Insert "relating to the minimum tax for certain oil and gas production; relating to
3 the minimum tax calculation for monthly installment payments of estimated tax;"

4

5 Page 5, following line 6:

6 Insert a new bill section to read:

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

8 **Sec. 43.55.022. Limitations on tax credits.** (a) A tax credit or a fraction of a
9 tax credit under AS 43.55.023, 43.55.024, and 43.55.025 may not be subtracted in
10 calculating an installment payment of estimated tax required under AS 43.55.020(a) if
11 the resulting amount of the installment payment would be less than the amount in
12 AS 43.55.020(a)(5)(B)(ii) or (7)(A)(ii), as applicable.

13 (b) The total amount of tax credits under AS 43.55.023, 43.55.024, and
14 43.55.025 that may be applied against a tax levied by AS 43.55.011(e) for a calendar
15 year may not exceed the sum of the amount of the tax credits or fractions of tax credits
16 that are allowed under (a) of this section to be subtracted in calculating the installment
17 payments of estimated tax for each month in the calendar year."

18

19 Renumber the following bill sections accordingly.

20

21 Page 6, following line 22:

22 Insert a new bill section to read:

23 **** Sec. 14.** AS 43.55.023(c) is amended to read:

1 (c) A credit or portion of a credit under this section may not be used to reduce
 2 a person's tax liability under AS 43.55.011(e) for any calendar year below the amount
 3 calculated under AS 43.55.011(f) [ZERO], and any unused credit or portion of a
 4 credit not used under this subsection may be applied in a later calendar year."
 5

6 Renumber the following bill sections accordingly.
 7

8 Page 8, following line 16:

9 Insert new bill sections to read:

10 "* Sec. 18. AS 43.55.024(g) is amended to read:

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

14 * Sec. 19. AS 43.55.024(i) is amended to read:

15 (i) A producer may apply against the producer's tax liability for the calendar
 16 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
 17 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and
 18 that is produced during a calendar year after December 31, 2013. A tax credit
 19 authorized by this subsection may not reduce a producer's tax liability for a calendar
 20 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f)
 21 [ZERO].

22 * Sec. 20. AS 43.55.025(i) is amended to read:

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

24 (1) a credit may not be applied to reduce a taxpayer's tax liability under
 25 AS 43.55.011(e) below the amount calculated under AS 43.55.011(f) [ZERO] for a
 26 calendar year; and

27 (2) an amount of the production tax credit in excess of the amount that
 28 may be applied for a calendar year under this subsection may be carried forward and
 29 applied against the taxpayer's tax liability under AS 43.55.011(e) in one or more later
 30 calendar years."
 31

1 Renumber the following bill sections accordingly.

2

3 Page 18, line 20, following "APPLICABILITY.":

4 Delete "Sections 7 - 9, 16, and 17"

5 Insert "(a) Sections 7 - 9, 21, and 22"

6

7 Page 18, following line 21:

8 Insert a new subsection to read:

9 "(b) The limitations on the use of tax credits added in AS 43.55.022, added by
10 sec. 11 of this Act, AS 43.55.024(g) and (i), as amended by secs. 18 and 19 of this
11 Act, and AS 43.55.025(i), as amended by sec. 20 of this Act, apply to credits applied
12 to reduce a tax liability for a tax year starting on or after the effective date of secs. 11
13 and 18 - 20 of this Act."

14

15 Page 18, lines 25 - 26:

16 Delete "sec. 29"

17 Insert "sec. 34"

18

19 Page 18, line 27:

20 Delete "secs. 13, 14, 18, 23, and 24"

21 Insert "secs. 15, 16, 23, 28, and 29"

22

23 Page 18, line 28:

24 Delete "sec. 29"

25 Insert "sec. 34"

26

27 Page 18, line 31:

28 Delete "sec. 29"

29 Insert "sec. 34"

30

31 Page 19, line 2:

- 1 Delete "sec. 29"
- 2 Insert "sec. 34"
- 3
- 4 Page 19, line 5:
 - 5 Delete "sec. 29"
 - 6 Insert "sec. 34"
 - 7
- 8 Page 19, line 8:
 - 9 Delete "sec. 29"
 - 10 Insert "sec. 34"
 - 11
- 12 Page 19, line 10:
 - 13 Delete "sec. 29"
 - 14 Insert "sec. 34"
 - 15
- 16 Page 19, line 14:
 - 17 Delete "sec. 21"
 - 18 Insert "sec. 26"
 - 19
- 20 Page 19, line 15:
 - 21 Delete "sec. 29"
 - 22 Insert "sec. 34"
 - 23
- 24 Page 19, line 17:
 - 25 Delete "sec. 29"
 - 26 Insert "sec. 34"
 - 27
- 28 Page 20, line 12:
 - 29 Delete "Sections 30 and 34"
 - 30 Insert "Sections 35 and 39"
 - 31

1 Page 20, line 13:

2 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"

3 Insert "Sections 15, 16, 23 - 30, 32, 34, 37, and 38"

4

5 Page 20, line 15:

6 Delete "secs. 36 and 37"

7 Insert "secs. 41 and 42"

FAILED

AMENDMENT #34

OFFERED IN THE HOUSE BY REPRESENTATIVE TARR
TO: CSHB 247(RES), Draft Version "P"

1 Page 6, line 6:

2 Delete "and before January 1, 2017,"

3

4 Page 6, lines 9 - 12:

5 Delete "For lease expenditures incurred on or after January 1, 2017, to explore
6 for, develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
7 producer or explorer may elect to take a tax credit in the amount of 10 percent of a
8 carried-forward annual loss."

9

10 Page 8, line 2:

11 Delete "40"

12 Insert "30 [40]"

13

14 Page 8, line 4:

15 Delete "30"

16 Insert "20"

17

18 Page 8, lines 5 - 8:

19 Delete ", and before January 1, 2018;

20 (C) 20 percent of an expenditure incurred on or after
21 January 1, 2018"

FAILED

29-GH2609\P.7
Shutts
3/19/16

AMENDMENT #35

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

1 Page 5, lines 7 - 26:

2 Delete all material and insert:

3 **** Sec. 11. AS 43.55.023(a) is amended to read:**

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

6 (1) notwithstanding that a qualified capital expenditure may be a
7 deductible lease expenditure for purposes of calculating the production tax value of oil
8 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
9 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
10 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
11 against a tax levied by AS 43.55.011(e) in the amount of

12 (A) 20 percent of an [THAT] expenditure incurred before
13 July 1, 2016;

14 (B) 10 percent of an expenditure incurred on or after
15 July 1, 2016;

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

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

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

23 (3) a credit for a qualified capital expenditure incurred to explore for,

1 develop, or produce oil or gas deposits located north of 68 degrees North latitude may
2 be taken only if the expenditure is incurred before January 1, 2014.

3 * **Sec. 12.** AS 43.55.023(a), as amended by sec. 11 of this Act, is amended to read:

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

6 (1) notwithstanding that a qualified capital expenditure may be a
7 deductible lease expenditure for purposes of calculating the production tax value of oil
8 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
9 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or
10 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
11 against a tax levied by AS 43.55.011(e) in the amount of

12 (A) 20 percent of an expenditure incurred before July 1, 2016;

13 (B) 10 percent of an expenditure incurred on or after July 1,

14 2016;

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

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

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

22 (3) a credit for a qualified capital expenditure incurred to explore for,
23 develop, or produce oil or gas deposits located north of 68 degrees North latitude may
24 be taken only if the expenditure is incurred before January 1, 2014."

25
26 **Renumber the following bill sections accordingly.**

27
28 **Page 8, following line 16:**

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

30 **** Sec. 17.** AS 43.55.023(*I*), as amended by sec. 16 of this Act, is amended to read:

31 (*I*) A producer or explorer may apply for a tax credit for a well lease

1 expenditure incurred in the state south of 68 degrees North latitude after June 30,
2 2010, as 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 purposes
5 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
6 credit for that expenditure is taken under [(a) OF THIS SECTION,] AS 43.20.043, or
7 AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state
8 south of 68 degrees North latitude may elect to apply a tax credit against a tax levied
9 by AS 43.55.011(e) in the amount of

10 (A) 40 percent of an expenditure incurred before January 1,
11 2017;

12 (B) 30 percent of an expenditure incurred on or after January 1,
13 2017, and before January 1, 2018;

14 (C) 20 percent of an expenditure incurred on or after January 1,
15 2018;

16 (2) a producer or explorer may take a credit for a well lease
17 expenditure incurred in the state south of 68 degrees North latitude in connection with
18 geological or geophysical exploration or in connection with an exploration well only if
19 the producer or explorer

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

22 (B) submits to the Department of Natural Resources all data
23 that would be required to be submitted under AS 43.55.025(f)(2)."
24

25 Renumber the following bill sections accordingly.

26

27 Page 9, line 24:

28 Delete "(l) or under AS 43.55.023(b)"

29 Insert "under AS 43.55.023(b) or (l)"

30

31 Page 10, following line 3:

1 Insert a new bill section to read:

2 **** Sec. 21.** AS 43.55.029(a), as amended by sec. 20 of this Act, is amended to read:

3 (a) An explorer or producer that has applied for a production tax credit under
4 former AS 43.55.023(a) or (l) or under AS 43.55.023(b) or (l) or 43.55.025(a) may
5 make a present assignment of the production tax credit certificate expected to be
6 issued by the department to a third-party assignee. The assignment may be made either
7 at the time the application is filed with the department or not later than 30 days after
8 the date of filing with the department. Once a notice of assignment in compliance with
9 this section is filed with the department, the assignment is irrevocable and cannot be
10 modified by the explorer or producer without the written consent of the assignee
11 named in the assignment. If a production tax credit certificate is issued to the explorer
12 or producer, the notice of assignment remains effective and shall be filed with the
13 department by the explorer or producer together with any application for the
14 department to purchase the certificate under AS 43.55.028(e)."

15

16 Renumber the following bill sections accordingly.

17

18 Page 17, line 9:

19 Delete "43.55.023(l), 43.55.023(n)"

20

21 Page 17, following line 10:

22 Insert a new bill section to read:

23 **** Sec. 33.** AS 43.55.023(l) and 43.55.023(n) are repealed."

24

25 Page 18, line 20:

26 Delete "16, and 17"

27 Insert "18, and 19"

28

29 Page 18, lines 24 - 25:

30 Delete "AND WELL LEASE EXPENDITURES"

31

- 1 Page 18, line 25:
- 2 Delete ", (l), (n),"
- 3
- 4 Page 18, line 26:
- 5 Delete "sec. 29"
- 6 Insert "sec. 32"
- 7
- 8 Page 18, line 27:
- 9 Delete "secs. 13, 14, 18, 23, and 24"
- 10 Insert "secs. 14, 15, 20, 26, and 27"
- 11
- 12 Page 18, line 28:
- 13 Delete "(1)"
- 14 Delete "sec. 29"
- 15 Insert "sec. 32"
- 16
- 17 Page 18, line 31:
- 18 Delete "sec. 29"
- 19 Insert "sec. 32"
- 20
- 21 Page 19, line 1:
- 22 Delete ";"
- 23 Insert "."
- 24
- 25 Page 19, lines 2 - 6:
- 26 Delete all material.
- 27
- 28 Page 19, line 8:
- 29 Delete "sec. 29"
- 30 Insert "sec. 32"
- 31

1 Page 19, line 10:

2 Delete "sec. 29"

3 Insert "sec. 32"

4

5 Page 19, following line 10:

6 Insert a new bill section to read:

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

9 **TRANSITION: WELL LEASE EXPENDITURES.** (a) Notwithstanding the repeal of
10 AS 43.55.023(*l*) and (n) by sec. 33 of this Act, and the amendment to AS 43.55.029(a) by sec.
11 21 of this Act, a taxpayer who incurs a well lease expenditure before the effective date of sec.
12 33 of this Act that qualifies for a well lease expenditure credit under AS 43.55.023(*l*) may
13 apply for a credit or transferable tax credit certificate under AS 43.55.023 and assign the tax
14 credit under AS 43.55.029, as those sections read on the day before the effective date of sec.
15 33 of this Act.

16 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023 and
17 43.55.029, as those sections read on the day before the effective date of sec. 33 of this Act, for
18 qualified capital expenditures and well lease expenditures incurred before the effective date of
19 sec. 33 of this Act."

20

21 Renumber the following bill sections accordingly.

22

23 Page 19, line 14:

24 Delete "sec. 21"

25 Insert "sec. 24"

26

27 Page 19, line 15:

28 Delete "sec. 29"

29 Insert "sec. 32"

30

31 Page 19, line 17:

1 Delete "sec. 29"

2 Insert "sec. 32"

3

4 Page 20, line 12:

5 Delete "Sections 30 and 34"

6 Insert "Sections 34 and 39"

7

8 Page 20, following line 12:

9 Insert a new bill section to read:

10 **"* Sec. 42. Section 11 of this Act takes effect July 1, 2016."**

11

12 Renumber the following bill sections accordingly.

13

14 Page 20, line 13:

15 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"

16 Insert "Sections 14, 15, 20, 22 - 28, 30, 32, 36, and 38"

17

18 Page 20, lines 13 - 14:

19 Delete "January 1, 2022"

20 Insert "July 1, 2017"

21

22 Page 20, following line 14:

23 Insert a new bill section to read:

24 **"* Sec. 44. Sections 21, 33, and 37 of this Act take effect January 1, 2022."**

25

26 Renumber the following bill section accordingly.

27

28 Page 20, line 15:

29 Delete "secs. 36 and 37"

30 Insert "secs. 41 - 44"

FAILED

29-GH2609/P.43
Nauman/Shutts
3/21/16

AMENDMENT #36

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

1 Page 9, line 11:

2 Delete "a new subsection"

3 Insert "new subsections"

4

5 Page 9, following line 21:

6 Insert a new subsection to read:

7 "(k) The percentage of a transferable tax credit certificate issued under
8 AS 43.55.023(d) or former AS 43.55.023(m) or a production tax credit certificate
9 issued under AS 43.55.025(f) purchased by the department may not exceed the
10 percentage of resident workers in the applicant's workforce in the state in the
11 preceding calendar year, including workers employed by the applicant's contractors.
12 An amount of a credit not purchased because of application of this subsection may be
13 applied against the applicant's tax liability under this chapter. In this subsection,
14 "resident worker" has the meaning given in AS 43.40.092(b)."

FAILED

~~18~~

29-GH2609\P.52
Nauman/Shutts
3/21/16

AMENDMENT #37

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

1 Page 6, line 12, following "loss.":
2 Insert "Notwithstanding that a qualified capital expenditure may be a deductible
3 lease expenditure for purposes of calculating the production tax value of oil, gas, or oil
4 and gas under AS 43.55.160(a), a producer or explorer may not apply against the taxes
5 due under this chapter a credit under this subsection in the same tax year that a
6 producer or explorer applies a credit under (a) of this section."

7
8 Page 9, line 11:
9 Delete "a new subsection"
10 Insert "new subsections"

11
12 Page 9, following line 21:
13 Insert a new subsection to read:
14 "(k) The department may not, in the same calendar year, purchase both a
15 transferable tax credit certificate or a portion of a transferable tax credit certificate
16 issued as a result of a carried-forward annual loss under AS 43.55.023(b) and a
17 qualified expenditure under AS 43.55.023(a)."

18
19 Page 18, line 20, following "APPLICABILITY.":
20 Insert "(a)"

21
22 Page 18, following line 21:
23 Insert a new subsection to read:

1 "(b) The limitation on the purchase of tax credits by the Department of Revenue
2 under AS 43.55.023(b), as amended by sec. 12 of this Act, and AS 43.55.028(k), added by
3 sec. 17 of this Act, applies to credit purchases from credit purchase applications received on
4 or after the effective date of secs. 12 and 17 of this Act."

FAILED

29-GH2609\P.44
Nauman/Shutts
3/21/16

AMENDMENT

#38

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

1 Page 11, following line 15:

2 Insert a new bill section to read:

3 "* Sec. 21. AS 43.55.150 is amended by adding a new subsection to read:

4 (d) The gross value at the point of production may not be less than zero."

5

6 Renumber the following bill sections accordingly.

7

8 Page 18, lines 25 - 26:

9 Delete "sec. 29"

10 Insert "sec. 30"

11

12 Page 18, line 27:

13 Delete "23, and 24"

14 Insert "24, and 25"

15

16 Page 18, line 28:

17 Delete "sec. 29"

18 Insert "sec. 30"

19

20 Page 18, line 31:

21 Delete "sec. 29"

22 Insert "sec. 30"

23

1 Page 19, line 2:

2 Delete "sec. 29"

3 Insert "sec. 30"

4

5 Page 19, line 5:

6 Delete "sec. 29"

7 Insert "sec. 30"

8

9 Page 19, line 8:

10 Delete "sec. 29"

11 Insert "sec. 30"

12

13 Page 19, line 10:

14 Delete "sec. 29"

15 Insert "sec. 30"

16

17 Page 19, line 14:

18 Delete "sec. 21"

19 Insert "sec. 22"

20

21 Page 19, line 15:

22 Delete "sec. 29"

23 Insert "sec. 30"

24

25 Page 19, line 17:

26 Delete "sec. 29"

27 Insert "sec. 30"

28

29 Page 20, line 12:

30 Delete "Sections 30 and 34"

31 Insert "Sections 31 and 35"

1

2 Page 20, line 13:

3 Delete "18 - 25, 27, 29, 32, and 33"

4 Insert "18 - 20, 22 - 26, 28, 30, 33, and 34"

5

6 Page 20, line 15:

7 Delete "secs. 36 and 37"

8 Insert "secs. 37 and 38"

FAILED

~~HB~~

29-GH2609\P.50
Shutts
3/21/16

AMENDMENT #39

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

- 1 Page 9, line 8:
- 2 Delete "and"
- 3 Insert "[AND]"
- 4
- 5 Page 9, line 9, following "(5)":
- 6 Insert "during the calendar year preceding the calendar year in which the
- 7 application is made, the applicant's revenue generated from the applicant's oil and gas
- 8 business, including the revenue of the applicant's affiliates if the applicant is part of an
- 9 affiliated group, did not exceed \$10,000,000,000; and
- 10 (6)"

FAILED

~~HS~~

29-GH2609\P.26
Nauman/Shutts
3/19/16

AMENDMENT #40

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 247(RES), Draft Version "P"

1 Page 11, following line 15:

2 Insert new bill sections to read:

3 **** Sec. 21. AS 43.55.160(f) is amended to read:**

4 (f) On and after January 1, 2014, in the calculation of an annual production tax
5 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
6 point of production of oil or gas produced from a lease or property north of 68 degrees
7 North latitude meeting one or more of the following criteria is reduced by 20 percent:
8 (1) the oil or gas is produced from a lease or property that does not contain a lease that
9 was within a unit on January 1, 2003; (2) the oil or gas is produced from a
10 participating area established after December 31, 2011, that is within a unit formed
11 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
12 contain a reservoir that had previously been in a participating area established before
13 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
14 existing participating area by the Department of Natural Resources on and after
15 January 1, 2014, and the producer demonstrates to the department that the volume of
16 oil or gas produced is from acreage added to an existing participating area. This
17 subsection does not apply to gas produced before 2022 that is used in the state or to
18 gas produced on and after January 1, 2022. **For oil or gas produced after January 1,**
19 **2017, the reduction under this subsection shall apply to oil or gas produced from**
20 **a lease or property for the first four years after the commencement of production**
21 **in commercial quantities of oil or gas from that lease or property. For oil or gas**
22 **produced before January 1, 2017, the reduction under this subsection for a lease**
23 **or property shall expire January 1, 2021.** A reduction under this subsection may not

1 reduce the gross value at the point of production below zero. In this subsection,
 2 "participating area" means a reservoir or portion of a reservoir producing or
 3 contributing to production as approved by the Department of Natural Resources.

4 * **Sec. 22.** AS 43.55.160(g) is amended to read:

5 (g) On and after January 1, 2014, in addition to the reduction under (f) of this
 6 section, in the calculation of an annual production tax value of a producer under
 7 (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or
 8 gas produced from a lease or property north of 68 degrees North latitude that does not
 9 contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if
 10 the oil or gas is produced from a unit made up solely of leases that have a royalty
 11 share of more than 12.5 percent in amount or value of the production removed or sold
 12 from the lease as determined under AS 38.05.180(f). This subsection does not apply if
 13 the royalty obligation for one or more of the leases in the unit has been reduced to 12.5
 14 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the
 15 annual production tax value is calculated. This subsection does not apply to gas
 16 produced before 2022 that is used in the state or to gas produced on and after
 17 January 1, 2022. **For oil or gas produced after January 1, 2017, the reduction**
 18 **under this subsection shall apply to oil or gas produced from a lease or property**
 19 **for the first four years after the commencement of production in commercial**
 20 **quantities of oil or gas from that lease or property. For oil or gas produced before**
 21 **January 1, 2017, the reduction under this subsection for a lease or property shall**
 22 **expire January 1, 2021.** A reduction under this subsection may not reduce the gross
 23 value at the point of production below zero."
 24

25 Renumber the following bill sections accordingly.

26
 27 Page 18, lines 25 - 26:

28 Delete "sec. 29"

29 Insert "sec. 31"

30
 31 Page 18, line 27:

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

1 Page 19, line 15:

2 Delete "sec. 29"

3 Insert "sec. 31"

4

5 Page 19, line 17:

6 Delete "sec. 29"

7 Insert "sec. 31"

8

9 Page 20, line 12:

10 Delete "Sections 30 and 34"

11 Insert "Sections 32 and 36"

12

13 Page 20, line 13:

14 Delete "18 - 25, 27, 29, 32, and 33"

15 Insert "18 - 20, 23 - 27, 29, 31, 34, and 35"

16

17 Page 20, line 15:

18 Delete "secs. 36 and 37"

19 Insert "secs. 38 and 39"

FAILED

~~36~~

29-GH2609\P.25
Shutts
3/21/16

AMENDMENT #41

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

1 Page 8, lines 5 - 7:

2 Delete "and before January 1, 2018;

3 (C) 20 percent of an expenditure incurred on or after
4 January 1, 2018"

6 Page 9, line 22, through page 10, line 3:

7 Delete all material and insert:

8 "* Sec. 18. AS 43.55.029(a) is amended to read:

9 (a) An explorer or producer that has applied for a production tax credit under
10 former AS 43.55.023(l) or AS 43.55.023(a) or [,] (b) [, OR (l)] or 43.55.025(a) may
11 make a present assignment of the production tax credit certificate expected to be
12 issued by the department to a third-party assignee. The assignment may be made either
13 at the time the application is filed with the department or not later than 30 days after
14 the date of filing with the department. Once a notice of assignment in compliance with
15 this section is filed with the department, the assignment is irrevocable and cannot be
16 modified by the explorer or producer without the written consent of the assignee
17 named in the assignment. If a production tax credit certificate is issued to the explorer
18 or producer, the notice of assignment remains effective and shall be filed with the
19 department by the explorer or producer together with any application for the
20 department to purchase the certificate under AS 43.55.028(e).

21 * Sec. 19. AS 43.55.029(a), as amended by sec. 18 of this Act, is amended to read:

22 (a) An explorer or producer that has applied for a production tax credit under
23 former AS 43.55.023(a) or (l) [AS 43.55.023(l)] or AS 43.55.023(b) [AS 43.55.023(a)

1 OR (b)] or 43.55.025(a) may make a present assignment of the production tax credit
2 certificate expected to be issued by the department to a third-party assignee. The
3 assignment may be made either at the time the application is filed with the department
4 or not later than 30 days after the date of filing with the department. Once a notice of
5 assignment in compliance with this section is filed with the department, the
6 assignment is irrevocable and cannot be modified by the explorer or producer without
7 the written consent of the assignee named in the assignment. If a production tax credit
8 certificate is issued to the explorer or producer, the notice of assignment remains
9 effective and shall be filed with the department by the explorer or producer together
10 with any application for the department to purchase the certificate under
11 AS 43.55.028(e)."

12

13 Renumber the following bill sections accordingly.

14

15 Page 17, following line 8:

16 Insert a new bill section to read:

17 "* Sec. 30. AS 43.55.023(l) and 43.55.023(n) are repealed."

18

19 Renumber the following bill sections accordingly.

20

21 Page 17, line 9:

22 Delete "43.55.023(l), 43.55.023(n),"

23

24 Page 18, lines 24 - 25:

25 Delete "AND WELL LEASE EXPENDITURES"

26

27 Page 18, line 25:

28 Delete ", (l), (n),"

29

30 Page 18, line 26:

31 Delete "sec. 29"

- 1 Insert "sec. 31"
- 2
- 3 Page 18, line 27:
- 4 Delete "18, 23, and 24"
- 5 Insert "19, 24, and 25"
- 6
- 7 Page 18, line 28:
- 8 Delete "(1)"
- 9 Delete "sec. 29"
- 10 Insert "sec. 31"
- 11
- 12 Page 18, line 31:
- 13 Delete "sec. 29"
- 14 Insert "sec. 31"
- 15
- 16 Page 19, line 1:
- 17 Delete ";
- 18 Insert "."
- 19
- 20 Page 19, lines 2 - 6:
- 21 Delete all material.
- 22
- 23 Page 19, line 8:
- 24 Delete "sec. 29"
- 25 Insert "sec. 31"
- 26
- 27 Page 19, line 10:
- 28 Delete "sec. 29"
- 29 Insert "sec. 31"
- 30
- 31 Page 19, following line 10:

1 Insert a new bill section to read:

2 **"* Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 **TRANSITION: WELL LEASE EXPENDITURES.** (a) Notwithstanding the repeal of
5 AS 43.55.023(*l*) and (*n*) by sec. 30 of this Act, and the amendment to AS 43.55.029(a) by sec.
6 18 of this Act, a producer or explorer who incurs a well lease expenditure before the effective
7 date of sec. 30 of this Act that qualifies for a well lease expenditure credit under
8 AS 43.55.023(*l*) may apply for a credit or transferable tax credit certificate under
9 AS 43.55.023 and assign the tax credit under AS 43.55.029, as those sections read on the day
10 before the effective date of sec. 30 of this Act.

11 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023 and
12 43.55.029, as those sections read on the day before the effective date of sec. 30 of this Act, for
13 qualified capital expenditures and well lease expenditures incurred before the effective date of
14 sec. 30 of this Act."

15

16 Renumber the following bill sections accordingly.

17

18 Page 19, line 14:

19 Delete "sec. 21"

20 Insert "sec. 22"

21

22 Page 19, line 15:

23 Delete "sec. 29"

24 Insert "sec. 31"

25

26 Page 19, line 17:

27 Delete "sec. 29"

28 Insert "sec. 31"

29

30 Page 20, line 12:

31 Delete "Sections 30 and 34"

1 Insert "Sections 32 and 37"

2

3 Page 20, following line 12:

4 Insert a new bill section to read:

5 **"* Sec. 40. Sections 18, 30, and 35 of this Act take effect July 1, 2017."**

6

7 Renumber the following bill sections accordingly.

8

9 Page 20, line 13:

10 Delete "18 - 25, 27, 29, 32, and 33"

11 Insert "19 - 26, 28, 31, 34, and 36"

12

13 Page 20, line 15:

14 Delete "secs. 36 and 37"

15 Insert "secs. 39 - 41"

FAILED

#1

29-GH2609P.3
Nauman/Shutts
3/19/16

AMENDMENT #42

OFFERED IN THE HOUSE BY REPRESENTATIVE JOSEPHSON
TO: CSHB 247(RES), Draft Version "P"

1 Page 1, line 4, following "credit;":
2 Insert "relating to a limitation on the application of tax credits; relating to the
3 calculation for monthly installment payments of estimated tax;"
4

5 Page 5, following line 6:
6 Insert a new bill section to read:
7 **"* Sec. 11. AS 43.55 is amended by adding a new section to read:**
8 **Sec. 43.55.022. Limitations on tax credits.** A tax credit or a fraction of a tax
9 credit under AS 43.55.023, 43.55.024, and 43.55.025 may not be subtracted in
10 calculating an installment payment of estimated tax required under AS 43.55.020(a) if
11 the resulting amount of the installment payment would be less than the amount in
12 AS 43.55.020(a)(5)(B)(ii) or 43.55.020(a)(7)(A)(ii), as applicable."
13

14 Renumber the following bill sections accordingly.
15

16 Page 6, following line 22:
17 Insert a new bill section to read:
18 **"* Sec. 14. AS 43.55.023(c) is amended to read:**
19 (c) A credit or portion of a credit under this section may not be used to reduce
20 a person's tax liability under AS 43.55.011(e) for any calendar year below the amount
21 calculated under AS 43.55.011(f) [ZERO], and any unused credit or portion of a
22 credit not used under this subsection may be applied in a later calendar year."
23

1 Renumber the following bill sections accordingly.

2

3 Page 8, following line 16:

4

Insert new bill sections to read:

5

**** Sec. 18.** AS 43.55.024(g) is amended to read:

6

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

8

9

*** Sec. 19.** AS 43.55.024(i) is amended to read:

10

(i) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013. A tax credit authorized by this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below **the amount calculated under AS 43.55.011(f)** [ZERO].

16

17

*** Sec. 20.** AS 43.55.025(i) is amended to read:

18

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

19

(1) a credit may not be applied to reduce a taxpayer's tax liability under AS 43.55.011(e) below **the amount calculated under AS 43.55.011(f)** [ZERO] for a calendar year; and

21

22

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

25

26

27 Renumber the following bill sections accordingly.

28

29 Page 18, line 20, following "APPLICABILITY.":

30

Insert "(a)"

31

1 Page 18, line 20:

2 Delete "16, and 17"

3 Insert "21, and 22"

4

5 Page 18, following line 21:

6 Insert a new subsection to read:

7 "(b) The limitations on the use of tax credits added in AS 43.55.022, added by sec. 11
8 of this Act, AS 43.55.024(g) and (i), as amended by secs. 18 and 19 of this Act, and
9 AS 43.55.025(i), as amended by sec. 20 of this Act, apply to credits applied to reduce a tax
10 liability for a tax year starting on or after the effective date of secs. 11 and 18 - 20 of this
11 Act."

12

13 Page 18, lines 25 - 26:

14 Delete "sec. 29"

15 Insert "sec. 34"

16

17 Page 18, line 27:

18 Delete "secs. 13, 14, 18, 23, and 24"

19 Insert "secs. 15, 16, 23, 28, and 29"

20

21 Page 18, line 28:

22 Delete "sec. 29"

23 Insert "sec. 34"

24

25 Page 18, line 31:

26 Delete "sec. 29"

27 Insert "sec. 34"

28

29 Page 19, line 2:

30 Delete "sec. 29"

31 Insert "sec. 34"

- 1
- 2 **Page 19, line 5:**
- 3 **Delete "sec. 29"**
- 4 **Insert "sec. 34"**
- 5
- 6 **Page 19, line 8:**
- 7 **Delete "sec. 29"**
- 8 **Insert "sec. 34"**
- 9
- 10 **Page 19, line 10:**
- 11 **Delete "sec. 29"**
- 12 **Insert "sec. 34"**
- 13
- 14 **Page 19, line 14:**
- 15 **Delete "sec. 21"**
- 16 **Insert "sec. 26"**
- 17
- 18 **Page 19, line 15:**
- 19 **Delete "sec. 29"**
- 20 **Insert "sec. 34"**
- 21
- 22 **Page 19, line 17:**
- 23 **Delete "sec. 29"**
- 24 **Insert "sec. 34"**
- 25
- 26 **Page 20, line 12:**
- 27 **Delete "Sections 30 and 34"**
- 28 **Insert "Sections 35 and 39"**
- 29
- 30 **Page 20, line 13:**
- 31 **Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"**

1 Insert "Sections 15, 16, 23 - 30, 32, 34, 37, and 38"

2

3 Page 20, line 15:

4 Delete "secs. 36 and 37"

5 Insert "secs. 41 and 42"

FAILED

29-GH2609/P.46
Nauman
3/21/16

AMENDMENT #43

OFFERED IN THE HOUSE

BY REPRESENTATIVE TARR

TO: CSHB 247(RES), Draft Version "P"

1 Page 1, lines 1 - 7:

2 Delete all material and insert:

3 **"An Act relating to confidential information status and public record status of**
4 **information in the possession of the Department of Revenue; relating to interest**
5 **applicable to delinquent tax; relating to disclosure of oil and gas production tax credit**
6 **information; relating to refunds for the gas storage facility tax credit, the liquefied**
7 **natural gas storage facility tax credit, and the qualified in-state oil refinery**
8 **infrastructure expenditures tax credit; relating to the minimum tax for certain oil and**
9 **gas production; relating to the minimum tax calculation for monthly installment**
10 **payments of estimated tax; relating to interest on monthly installment payments of**
11 **estimated tax; relating to limitations for the application of tax credits; relating to oil and**
12 **gas production tax credits for certain losses and expenditures; relating to limitations for**
13 **nontransferable oil and gas production tax credits based on oil production and the**
14 **alternative tax credit for oil and gas exploration; relating to purchase of tax credit**
15 **certificates from the oil and gas tax credit fund; relating to a minimum for gross value at**
16 **the point of production; relating to lease expenditures and tax credits for municipal**
17 **entities; adding a definition for "qualified capital expenditure"; adding a definition for**
18 **"outstanding liability to the state"; repealing oil and gas exploration incentive credits;**

1 **repealing the limitation on the application of credits against tax liability for lease**
2 **expenditures incurred before January 1, 2011; repealing provisions related to the**
3 **monthly installment payments for estimated tax for oil and gas produced before**
4 **January 1, 2014; repealing the oil and gas production tax credit for qualified capital**
5 **expenditures and certain well expenditures; repealing the calculation for certain lease**
6 **expenditures applicable before January 1, 2011; making conforming amendments; and**
7 **providing for an effective date."**

8

9 Page 1, line 9, through page 20, line 16:

10 Delete all material and insert:

11 **** Section 1. AS 38.05.036(a) is amended to read:**12 (a) The department may conduct audits regarding royalty and net profits under
13 oil and gas contracts, agreements, or leases under this chapter and regarding costs
14 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and
15 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes
16 of audit under this section,17 (1) the department may examine the books, papers, records, or
18 memoranda of a person regarding matters related to the audit; and19 (2) the records and premises where a business is conducted shall be
20 open at all reasonable times for inspection by the department.21 *** Sec. 2. AS 38.05.036(b) is amended to read:**22 (b) The Department of Revenue may obtain from the department information
23 relating to royalty and net profits payments and to exploration incentive credits under
24 this chapter [OR UNDER AS 41.09], whether or not that information is confidential.
25 The Department of Revenue may use the information in carrying out its functions and
26 responsibilities under AS 43, and shall hold that information confidential to the extent
27 required by an agreement with the department or by AS 38.05.035(a)(8) [,
28 AS 41.09.010(d),] or AS 43.05.230.29 *** Sec. 3. AS 38.05.036(c) is amended to read:**

1 (c) The department may obtain from the Department of Revenue all
2 information obtained under AS 43 relating to royalty and net profits and to exploration
3 incentive credits. The department may use the information for purposes of carrying out
4 its responsibilities and functions under this chapter [AND AS 41.09]. Information
5 made available to the department that was obtained under AS 43 is confidential and
6 subject to the provisions of AS 43.05.230.

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

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

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

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

18 * Sec. 6. AS 40.25.100(a) is amended to read:

19 (a) Information in the possession of the Department of Revenue that discloses
20 the particulars of the business or affairs of a taxpayer or other person, including
21 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
22 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
23 AS 43.05.230(i) - (l) [AS 43.05.230(i) OR (k)] or for purposes of investigation and
24 law enforcement. The information shall be kept confidential except when its
25 production is required in an official investigation, administrative adjudication under
26 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
27 publication of statistics presented in a manner that prevents the identification of
28 particular reports and items, prohibit the publication of tax lists showing the names of
29 taxpayers who are delinquent and relevant information that may assist in the collection
30 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
31 under AS 43.05.405 - 43.05.499.

1 * **Sec. 7.** AS 43.05.225 is amended to read:

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

3 (1) a delinquent tax under this title,

4 [(A) BEFORE JANUARY 1, 2014, BEARS INTEREST IN
5 EACH CALENDAR QUARTER AT THE RATE OF FIVE PERCENTAGE
6 POINTS ABOVE THE ANNUAL RATE CHARGED MEMBER BANKS
7 FOR ADVANCES BY THE 12TH FEDERAL RESERVE DISTRICT AS OF
8 THE FIRST DAY OF THAT CALENDAR QUARTER, OR AT THE
9 ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,
10 COMPOUNDED QUARTERLY AS OF THE LAST DAY OF THAT
11 QUARTER; OR

12 (B) ON AND AFTER JANUARY 1, 2014,] bears interest in
13 each calendar quarter at the rate of seven [THREE] percentage points above
14 the annual rate charged member banks for advances by the 12th Federal
15 Reserve District as of the first day of that calendar quarter compounded
16 quarterly as of the last day of that quarter;

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

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

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

21 * **Sec. 8.** AS 43.05.230 is amended by adding a new subsection to read:

22 (I) The name of each person claiming a credit under AS 43.55, the aggregate
23 amount of credits under AS 43.55, except for the credit in AS 43.55.024(j), claimed by
24 the taxpayer in the calendar year, and a description of the taxpayer's activities that
25 generated the credits claimed are public information.

26 * **Sec. 9.** AS 43.20.046(e) is amended to read:

27 (e) The department may use available money in the oil and gas tax credit fund
28 established in AS 43.55.028 to make the refund applied for under (d) of this section in
29 whole or in part if the department finds that (1) the claimant does not have an
30 outstanding liability to the state [FOR UNPAID DELINQUENT TAXES UNDER
31 THIS TITLE]; and (2) after application of all available tax credits, the claimant's total

1 tax liability under this chapter for the calendar year in which the claim is made is zero.
2 [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS AN AMOUNT
3 OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT
4 THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY
5 RESOLVED IN THE TAXPAYER'S FAVOR.]

6 * Sec. 10. AS 43.20.047(e) is amended to read:

7 (e) The department may use money available in the oil and gas tax credit fund
8 established in AS 43.55.028 to make a refund or payment under (d) of this section in
9 whole or in part if the department finds that

10 (1) the claimant does not have an outstanding liability to the state
11 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and

12 (2) after application of all available tax credits, the claimant's total tax
13 liability under this chapter for the calendar year in which the claim is made is zero. [IN
14 THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS AN AMOUNT OF
15 TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT THAT
16 HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY
17 RESOLVED IN THE TAXPAYER'S FAVOR.]

18 * Sec. 11. AS 43.20.053(e) is amended to read:

19 (e) The department may use money available in the oil and gas tax credit fund
20 established in AS 43.55.028 to make a refund or payment under (d) of this section in
21 whole or in part if the department finds that

22 (1) the claimant does not have an outstanding liability to the state
23 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and

24 (2) after application of all available tax credits, the claimant's total tax
25 liability under this chapter for the calendar year in which the claim is made is zero.

26 * Sec. 12. AS 43.55.011(f) is repealed and reenacted to read:

27 (f) The levy of tax under (e) of this section for

28 (1) oil and gas produced before January 1, 2022, from leases or
29 properties that include land north of 68 degrees North latitude, other than gas subject
30 to (o) of this section, may not be less than five percent of the gross value at the point
31 of production; and

1 (2) oil produced on and after January 1, 2022, from leases or properties
2 that include land north of 68 degrees North latitude, may not be less than five percent
3 of the gross value at the point of production.

4 * Sec. 13. AS 43.55.020(a) is amended to read:

5 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
6 the tax as follows:

7 (1) for oil and gas produced before January 1, 2014, an installment
8 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
9 as allowed by law, is due for each month of the calendar year on the last day of the
10 following month; except as otherwise provided under (2) of this subsection, the
11 amount of the installment payment is the sum of the following amounts, less 1/12 of
12 the tax credits that are allowed by law to be applied against the tax levied by
13 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
14 not be less than zero:

15 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
16 produced from leases or properties in the state outside the Cook Inlet
17 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
18 the greater of

19 (i) zero; or

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

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

30 (i) zero;

31 (ii) zero percent, one percent, two percent, three

1 percent, or four percent, as applicable, of the gross value at the point of
2 production of the oil and gas produced from the leases or properties
3 during the month for which the installment payment is calculated; or

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

12 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
13 each lease or property, the greater of

14 (i) zero; or

15 (ii) the sum of 25 percent and the tax rate calculated for
16 the month under AS 43.55.011(g) multiplied by the remainder obtained
17 by subtracting 1/12 of the producer's adjusted lease expenditures for the
18 calendar year of production under AS 43.55.165 and 43.55.170 that are
19 deductible under AS 43.55.160 for the oil or gas, respectively,
20 produced from the lease or property from the gross value at the point of
21 production of the oil or gas, respectively, produced from the lease or
22 property during the month for which the installment payment is
23 calculated;

24 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

25 (i) the sum of 25 percent and the tax rate calculated for
26 the month under AS 43.55.011(g) multiplied by the remainder obtained
27 by subtracting 1/12 of the producer's adjusted lease expenditures for the
28 calendar year of production under AS 43.55.165 and 43.55.170 that are
29 deductible for the oil and gas under AS 43.55.160 from the gross value
30 at the point of production of the oil and gas produced from the leases or
31 properties during the month for which the installment payment is

1 calculated, but not less than zero; or

2 (ii) four percent of the gross value at the point of
3 production of the oil and gas produced from the leases or properties
4 during the month, but not less than zero;

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

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

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

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

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

30 (5) for oil and gas produced on and after January 1, 2014, and before
31 January 1, 2022, an installment payment of the estimated tax levied by

1 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
2 month of the calendar year on the last day of the following month; except as otherwise
3 provided under (6) of this subsection, the amount of the installment payment is the
4 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
5 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
6 of the installment payment may not be less than zero:

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

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained by
13 subtracting 1/12 of the producer's adjusted lease expenditures for the
14 calendar year of production under AS 43.55.165 and 43.55.170 that are
15 deductible for the oil and gas under AS 43.55.160 from the gross value
16 at the point of production of the oil and gas produced from the leases or
17 properties during the month for which the installment payment is
18 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) five [ZERO PERCENT, ONE PERCENT, TWO
23 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
24 APPLICABLE,] of the gross value at the point of production of the oil
25 and gas produced from the leases or properties during the month for
26 which the installment payment is calculated; or

27 (iii) 35 percent multiplied by the remainder obtained by
28 subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil and gas under AS 43.55.160 from the gross value
31 at the point of production of the oil and gas produced from those leases

1 or properties during the month for which the installment payment is
2 calculated, except that, for the purposes of this calculation, a reduction
3 from the gross value at the point of production may apply for oil and
4 gas subject to AS 43.55.160(f) or (g);

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

7 (i) zero; or

8 (ii) 35 percent multiplied by the remainder obtained by
9 subtracting 1/12 of the producer's adjusted lease expenditures for the
10 calendar year of production under AS 43.55.165 and 43.55.170 that are
11 deductible under AS 43.55.160 for the oil or gas, respectively,
12 produced from the lease or property from the gross value at the point of
13 production of the oil or gas, respectively, produced from the lease or
14 property during the month for which the installment payment is
15 calculated;

16 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

17 (i) 35 percent multiplied by the remainder obtained by
18 subtracting 1/12 of the producer's adjusted lease expenditures for the
19 calendar year of production under AS 43.55.165 and 43.55.170 that are
20 deductible for the oil and gas under AS 43.55.160 from the gross value
21 at the point of production of the oil and gas produced from the leases or
22 properties during the month for which the installment payment is
23 calculated, but not less than zero; or

24 (ii) four percent of the gross value at the point of
25 production of the oil and gas produced from the leases or properties
26 during the month, but not less than zero;

27 (6) an amount calculated under (5)(C) of this subsection for oil or gas
28 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
29 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
30 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
31 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the

1 amount of taxable gas produced during the month for the amount of taxable gas
2 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
3 (2)(A), as applicable, the amount of taxable oil produced during the month for the
4 amount of taxable oil produced during the calendar year;

5 (7) for oil and gas produced on or after January 1, 2022, an installment
6 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
7 as allowed by law, is due for each month of the calendar year on the last day of the
8 following month; the amount of the installment payment is the sum of the following
9 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
10 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment
11 payment may not be less than zero:

12 (A) for oil produced from leases or properties that include land
13 north of 68 degrees North latitude, the greatest of

14 (i) zero;

15 (ii) five [ZERO PERCENT, ONE PERCENT, TWO
16 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
17 APPLICABLE,] of the gross value at the point of production of the oil
18 produced from the leases or properties during the month for which the
19 installment payment is calculated; or

20 (iii) 35 percent multiplied by the remainder obtained by
21 subtracting 1/12 of the producer's adjusted lease expenditures for the
22 calendar year of production under AS 43.55.165 and 43.55.170 that are
23 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
24 the point of production of the oil produced from those leases or
25 properties during the month for which the installment payment is
26 calculated, except that, for the purposes of this calculation, a reduction
27 from the gross value at the point of production may apply for oil
28 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

29 (B) for oil produced before or during the last calendar year
30 under AS 43.55.024(b) for which the producer could take a tax credit under
31 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet

1 sedimentary basin, no part of which is north of 68 degrees North latitude, other
2 than leases or properties subject to AS 43.55.011(p), the greater of

3 (i) zero; or

4 (ii) 35 percent multiplied by the remainder obtained by
5 subtracting 1/12 of the producer's adjusted lease expenditures for the
6 calendar year of production under AS 43.55.165 and 43.55.170 that are
7 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
8 the point of production of the oil produced from the leases or properties
9 during the month for which the installment payment is calculated;

10 (C) for oil and gas produced from leases or properties subject
11 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
12 the sum of

13 (i) 35 percent multiplied by the remainder obtained by
14 subtracting 1/12 of the producer's adjusted lease expenditures for the
15 calendar year of production under AS 43.55.165 and 43.55.170 that are
16 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
17 the point of production of the oil produced from the leases or properties
18 during the month for which the installment payment is calculated, but
19 not less than zero; and

20 (ii) 13 percent of the gross value at the point of
21 production of the gas produced from the leases or properties during the
22 month, but not less than zero;

23 (D) for oil produced from leases or properties in the state, no
24 part of which is north of 68 degrees North latitude, other than leases or
25 properties subject to (B) or (C) of this paragraph, the greater of

26 (i) zero; or

27 (ii) 35 percent multiplied by the remainder obtained by
28 subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
31 the point of production of the oil produced from the leases or properties

1 during the month for which the installment payment is calculated;

2 (E) for gas produced from each lease or property in the state,
3 other than a lease or property subject to AS 43.55.011(p), 13 percent of the
4 gross value at the point of production of the gas produced from the lease or
5 property during the month for which the installment payment is calculated, but
6 not less than zero;

7 (8) an amount calculated under (7)(C) of this subsection may not
8 exceed four percent of the gross value at the point of production of the oil and gas
9 produced from leases or properties subject to AS 43.55.011(p) during the month for
10 which the installment payment is calculated;

11 (9) for purposes of the calculation under [(1)(B)(ii),] (5)(B)(ii) [,] and
12 (7)(A)(ii) of this subsection, the [APPLICABLE] percentage of the gross value at the
13 point of production is determined under AS 43.55.011(f)(1) or (2) but substituting the
14 phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1)
15 and (2) for the phrase "calendar year for which the tax is due."

16 * **Sec. 14.** AS 43.55.020(g) is repealed and reenacted to read:

17 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
18 amount of an installment payment required under (a)(3), (5), (6), or (7) of this section
19 that is not paid when due bears interest (1) at the rate provided for an underpayment
20 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from
21 the date the installment payment is due until March 31 following the calendar year of
22 production; and (2) as provided for a delinquent tax under AS 43.05.225 after that
23 March 31, interest accrued under (1) of this subsection that remains unpaid after that
24 March 31 is treated as an addition to tax that bears interest under (2) of this subsection,
25 an unpaid amount of tax due under (a)(4) of this section that is not paid when due
26 bears interest as provided for a delinquent tax under AS 43.05.225.

27 * **Sec. 15.** AS 43.55.020(h) is amended to read:

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

29 (1) an overpayment of an installment payment required under (a)(3)
30 [(a)(1), (2), (3)], (5), (6), or (7) of this section bears interest at the rate provided for an
31 overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,

1 compounded daily, from the later of the date the installment payment is due or the date
2 the overpayment is made, until the earlier of

3 (A) the date it is refunded or is applied to an underpayment; or

4 (B) March 31 following the calendar year of production;

5 (2) except as provided under (1) of this subsection, interest with
6 respect to an overpayment is allowed only on any net overpayment of the payments
7 required under (a) of this section that remains after the later of March 31 following the
8 calendar year of production or the date that the statement required under
9 AS 43.55.030(a) is filed;

10 (3) interest is allowed under (2) of this subsection only from a date that
11 is 90 days after the later of March 31 following the calendar year of production or the
12 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed
13 if the overpayment was refunded within the 90-day period;

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

16 * Sec. 16. AS 43.55.020(i) is amended to read:

17 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
18 this section, if the amount of a tax payment, including an installment payment, due
19 under ~~(a)(3) - (5)~~ [(a)(1) - (4)] of this section is affected by the retroactive application
20 of a regulation adopted under this chapter, the department shall determine whether the
21 retroactive application of the regulation caused an underpayment or an overpayment of
22 the amount due and adjust the interest due on the affected payment as follows:

23 (1) if an underpayment of the amount due occurred, the department
24 shall waive interest that would otherwise accrue for the underpayment before the first
25 day of the second month following the month in which the regulation became
26 effective, if

27 (A) the department determines that the producer's
28 underpayment resulted because the regulation was not in effect when the
29 payment was due; and

30 (B) the producer demonstrates that it made a good faith
31 estimate of its tax obligation in light of the regulations then in effect when the

1 payment was due and paid the estimated tax;

2 (2) if an overpayment of the amount due occurred and the department
3 determines that the producer's overpayment resulted because the regulation was not in
4 effect when the payment was due, the obligation for a refund for the overpayment does
5 not begin to accrue interest earlier than the following, as applicable:

6 (A) except as otherwise provided under (B) of this paragraph,
7 the first day of the second month following the month in which the regulation
8 became effective;

9 (B) 90 days after an amended statement under AS 43.55.030(a)
10 and an application to request a refund of production tax paid is filed, if the
11 overpayment was for a period for which an amended statement under
12 AS 43.55.030(a) was required to be filed before the regulation became
13 effective.

14 * **Sec. 17.** AS 43.55 is amended by adding a new section to read:

15 **Sec. 43.55.022. Limitations on tax credits.** (a) Notwithstanding any contrary
16 provision of AS 43.55, the application of tax credits under AS 43.55 is subject to the
17 limitations set out in this section.

18 (b) A tax credit or a fraction of a tax credit under AS 43.55.023, 43.55.024,
19 and 43.55.025 may not be subtracted in calculating an installment payment of
20 estimated tax required under AS 43.55.020(a) if the resulting amount of the
21 installment payment would be less than the amount in AS 43.55.020(a)(5)(B)(ii) or
22 43.55.020(a)(7)(A)(ii), as applicable.

23 (c) The total amount of tax credits under AS 43.55.023, 43.55.024, and
24 43.55.025 that may be applied against a tax levied by AS 43.55.011(e) for a calendar
25 year may not exceed the sum of the amount of the tax credits or fractions of tax credits
26 that are allowed under (b) of this section to be subtracted in calculating the installment
27 payments of estimated tax for each month in the calendar year.

28 * **Sec. 18.** AS 43.55.023(b) is amended to read:

29 (b) [BEFORE JANUARY 1, 2014, A PRODUCER OR EXPLORER MAY
30 ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 25 PERCENT OF A
31 CARRIED-FORWARD ANNUAL LOSS. FOR LEASE EXPENDITURES

1 INCURRED ON AND AFTER JANUARY 1, 2014, AND BEFORE JANUARY 1,
2 2016, TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS
3 LOCATED NORTH OF 68 DEGREES NORTH LATITUDE, A PRODUCER OR
4 EXPLORER MAY ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 45
5 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS.] For lease expenditures
6 incurred on and after January 1, 2016, to explore for, develop, or produce oil or gas
7 deposits located north of 68 degrees North latitude, a producer or explorer may elect to
8 take a tax credit in the amount of 35 percent of a carried-forward annual loss. For lease
9 expenditures incurred on or after January 1, 2014, to explore for, develop, or produce
10 oil or gas deposits located south of 68 degrees North latitude, a producer or explorer
11 may elect to take a tax credit in the amount of 25 percent of a carried-forward annual
12 loss. A credit under this subsection may be applied against a tax levied by
13 AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the
14 amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165
15 and 43.55.170 for a previous calendar year that was not deductible in calculating
16 production tax values for that calendar year under AS 43.55.160. For the purpose of
17 a credit under this subsection, any reduction under AS 43.55.160(f) or (g) is
18 added back to the calculation of production tax values for that calendar year
19 under AS 43.55.160 for the determination of a carried-forward annual loss.

20 * Sec. 19. AS 43.55.023(c) is amended to read:

21 (c) A credit or portion of a credit under this section may not be used to reduce
22 a person's tax liability under AS 43.55.011(e) for any calendar year below the amount
23 calculated under AS 43.55.011(f) [ZERO], and any unused credit or portion of a
24 credit not used under this subsection may be applied in a later calendar year. An
25 unused credit or portion of a credit may not be applied in a calendar year later
26 than the 10th calendar year in which the carried-forward annual loss for which
27 the credit is claimed was incurred.

28 * Sec. 20. AS 43.55.023(d) is amended to read:

29 (d) A person that is entitled to take a tax credit under this section that wishes
30 to transfer the unused credit to another person or obtain a cash payment under
31 AS 43.55.028 may apply to the department for a transferable tax credit certificate. An

1 application under this subsection must be in a form prescribed by the department and
2 must include supporting information and documentation that the department
3 reasonably requires. The department shall grant or deny an application, or grant an
4 application as to a lesser amount than that claimed and deny it as to the excess, not
5 later than 120 days after the latest of (1) March 31 of the year following the calendar
6 year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward
7 annual loss for which the credit is claimed was incurred; (2) the date the statement
8 required under AS 43.55.030(a) or (e) was filed for the calendar year in which the
9 [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which
10 the credit is claimed was incurred; or (3) the date the application was received by the
11 department. If, based on the information then available to it, the department is
12 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
13 the applicant a transferable tax credit certificate for the amount of the credit. A
14 certificate issued under this subsection expires after 10 years from the calendar
15 year in which the carried-forward annual loss for which the credit is claimed was
16 incurred [DOES NOT EXPIRE].

17 * Sec. 21. AS 43.55.023(e) is amended to read:

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

29 * Sec. 22. AS 43.55.023 is amended by adding a new section to read:

30 (q) A producer or explorer shall comply with the notice and information
31 provision requirements in AS 43.55.025(f)(2) for the lease expenditures incurred

1 towards a credit under this section. The Department of Natural Resources shall hold
2 the confidential information under AS 43.55.025(f)(2)(C). For a producer or explorer
3 required to comply with the notice and information requirements of this section, the
4 Department of Natural Resources may publish the name of the producer or explorer,
5 the location of the well or seismic exploration, and the date on which information
6 required to be submitted under this section may be released.

7 * **Sec. 23.** AS 43.55.024(g) is amended to read:

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

11 * **Sec. 24.** AS 43.55.024(i) is amended to read:

12 (i) A producer may apply against the producer's tax liability for the calendar
13 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
14 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and
15 that is produced during a calendar year after December 31, 2013. A tax credit
16 authorized by this subsection may not reduce a producer's tax liability for a calendar
17 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f)
18 [ZERO].

19 * **Sec. 25.** AS 43.55.025(i) is amended to read:

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

21 (1) a credit may not be applied to reduce a taxpayer's tax liability under
22 AS 43.55.011(e) below the amount calculated under AS 43.55.011(f) [ZERO] for a
23 calendar year; and

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

28 * **Sec. 26.** AS 43.55.028(e) is amended to read:

29 (e) The department, on the written application of a person to whom a
30 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
31 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under

1 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
2 purchase, in whole or in part, the certificate if the department finds that

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

6 (2) the applicant does not have an outstanding liability to the state
7 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE];

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

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

14 (5) the applicant's revenues generated from the applicant's oil and
15 gas business, including the revenues of the applicant's affiliates if the applicant is
16 part of an affiliated group, during the calendar year preceding the calendar year
17 in which the application is made were less than \$10,000,000,000;

18 (6) the amount expended for the purchase and amounts previously
19 purchased from the applicant during the calendar year the sum of which would
20 not exceed \$25,000,000; and

21 (7) the purchase is consistent with this section and regulations adopted
22 under this section.

23 * Sec. 27. AS 43.55.028 is amended by adding a new subsections to read:

24 (j) The percentage of a transferable tax credit certificate or a production tax
25 credit certificate purchased by the department may not exceed the percentage of the
26 applicant's workforce in the state in the previous calendar year that were resident
27 workers. The applicant's workforce in the state includes resident workers employed by
28 the applicant's contractors. An amount of a credit not purchased due to application of
29 this subsection may be applied against the applicant's tax liability under this chapter.
30 In this subsection, "resident worker" has the meaning given in AS 43.40.092(b).

31 * Sec. 28. AS 43.55.029(a) is amended to read:

1 (a) An explorer or producer that has applied for a production tax credit under
2 **AS 43.55.023(b)** [AS 43.55.023(a), (b), OR (d)] or 43.55.025(a) may make a present
3 assignment of the production tax credit certificate expected to be issued by the
4 department to a third-party assignee. The assignment may be made either **when** [AT
5 THE TIME] the application is filed with the department or not later than 30 days after
6 the date of filing with the department. Once a notice of assignment in compliance with
7 this section is filed with the department, the assignment is irrevocable and cannot be
8 modified by the explorer or producer without the written consent of the assignee
9 named in the assignment. If a production tax credit certificate is issued to the explorer
10 or producer, the notice of assignment remains effective and shall be filed with the
11 department by the explorer or producer together with any application for the
12 department to purchase the certificate under AS 43.55.028(e).

13 * Sec. 29. AS 43.55.030(a) is amended to read:

14 (a) A producer that produces oil or gas from a lease or property in the state
15 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
16 for that oil or gas, shall file with the department on March 31 of the following year a
17 statement, under oath, in a form prescribed by the department, giving, with other
18 information required, the following:

19 (1) a description of each lease or property from which oil or gas was
20 produced, by name, legal description, lease number, or accounting codes assigned by
21 the department;

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

24 (3) the gross amount of oil and the gross amount of gas produced from
25 each lease or property, separately identifying the gross amount of gas produced from
26 each oil and gas lease to which an effective election under AS 43.55.014(a) applies,
27 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of
28 the gross amount of oil and gas owned by the producer;

29 (4) the gross value at the point of production of the oil and of the gas
30 produced from each lease or property owned by the producer and the costs of
31 transportation of the oil and gas;

1 (5) the name of the first purchaser and the price received for the oil and
 2 for the gas, unless relieved from this requirement in whole or in part by the
 3 department;

4 (6) the producer's qualified capital expenditures, [AS DEFINED IN
 5 AS 43.55.023,] other lease expenditures under AS 43.55.165, and adjustments or other
 6 payments or credits under AS 43.55.170;

7 (7) the production tax values of the oil and gas under AS 43.55.160(a)
 8 or of the oil under AS 43.55.160(h), as applicable;

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

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

12 * **Sec. 30.** AS 43.55.030(e) is amended to read:

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

19 (1) the explorer's or producer's qualified capital expenditures, [AS
 20 DEFINED IN AS 43.55.023,] other lease expenditures under AS 43.55.165, and
 21 adjustments or other payments or credits under AS 43.55.170; and

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

25 * **Sec. 31.** AS 43.55.150 is amended by adding a new subsection to read:

26 (d) The gross value at the point of production may not be less than zero.

27 * **Sec. 32.** AS 43.55.165(a) is amended to read:

28 (a) **For** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION,
 29 FOR] purposes of this chapter, a producer's lease expenditures for a calendar year are

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

31 (A) incurred by the producer during the calendar year after

1 March 31, 2006, to explore for, develop, or produce oil or gas deposits located
 2 within the producer's leases or properties in the state or, in the case of land in
 3 which the producer does not own an operating right, operating interest, or
 4 working interest, to explore for oil or gas deposits within other land in the
 5 state; and

6 (B) allowed by the department by regulation, based on the
 7 department's determination that the costs satisfy the following three
 8 requirements:

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

11 (ii) the costs must be ordinary and necessary costs of
 12 exploring for, developing, or producing, as applicable, oil or gas
 13 deposits; and

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

16 (2) a reasonable allowance for that calendar year, as determined under
 17 regulations adopted by the department, for overhead expenses that are directly related
 18 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

19 * Sec. 33. AS 43.55.165(e) is amended to read:

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

21 (1) depreciation, depletion, or amortization;

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

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

28 (4) interest or other financing charges or costs of raising equity or debt
 29 capital;

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

31 (6) costs arising from fraud, wilful misconduct, gross negligence,

1 violation of law, or failure to comply with an obligation under a lease, permit, or
2 license issued by the state or federal government;

3 (7) fines or penalties imposed by law;

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

7 (9) costs incurred in organizing a partnership, joint venture, or other
8 business entity or arrangement;

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

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

13 (12) an expenditure otherwise deductible under (b) of this section that
14 is a result of an internal transfer, a transaction with an affiliate, or a transaction
15 between related parties, or is otherwise not an arm's length transaction, unless the
16 producer establishes to the satisfaction of the department that the amount of the
17 expenditure does not exceed the fair market value of the expenditure;

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

22 (14) a tax levied under AS 43.55.011 or 43.55.014;

23 (15) costs incurred for dismantlement, removal, surrender, or
24 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
25 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
26 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
27 excluded under this paragraph if the dismantlement, removal, surrender, or
28 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
29 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

30 (16) costs incurred for containment, control, cleanup, or removal in
31 connection with any unpermitted release of oil or a hazardous substance and any

1 liability for damages imposed on the producer or explorer for that unpermitted release;
2 this paragraph does not apply to the cost of developing and maintaining an oil
3 discharge prevention and contingency plan under AS 46.04.030;

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

6 (18) that portion of expenditures, that would otherwise be qualified
7 capital expenditures, [AS DEFINED IN AS 43.55.023,] incurred during a calendar
8 year that are less than the product of \$0.30 multiplied by the total taxable production
9 from each lease or property, in BTU equivalent barrels, during that calendar year,
10 except that, when a portion of a calendar year is subject to this provision, the
11 expenditures and volumes shall be prorated within that calendar year;

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

31 (A) "costs incurred for repair, replacement, or deferred

1 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
2 to dismantle and remove the facility, pipeline, structure, or equipment that is
3 being replaced;

4 (B) "hazardous substance" has the meaning given in
5 AS 46.03.826;

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

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

17 (21) costs of lobbying, public relations, public relations advertising, or
18 policy advocacy.

19 * **Sec. 34.** AS 43.55.165(f) is amended to read:

20 (f) For purposes of AS 43.55.023(b) [AS 43.55.023(a) AND (b)] and only as
21 to expenditures incurred to explore for an oil or gas deposit located within land in
22 which an explorer does not own a working interest, the term "producer" in this section
23 includes "explorer."

24 * **Sec. 35.** AS 43.55.170(c) is amended to read:

25 (c) For purposes of AS 43.55.023(b) [AS 43.55.023(a) AND (b)] and only as
26 to expenditures incurred to explore for an oil or gas deposit located within land in
27 which an explorer does not own a working interest, the term "producer" in this section
28 includes "explorer."

29 * **Sec. 36.** AS 43.55.890 is amended to read:

30 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary
31 provision of AS 40.25.100, and regardless of whether the information is considered

1 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
 2 particular returns or reports, the department may publish the following information
 3 under this chapter, if aggregated among three or more producers or explorers, showing
 4 by month or calendar year and by lease or property, unit, or area of the state:

- 5 (1) the amount of oil or gas production;
- 6 (2) the amount of taxes levied under this chapter or paid under this
 7 chapter;
- 8 (3) the effective tax rates under this chapter;
- 9 (4) the gross value of oil or gas at the point of production;
- 10 (5) the transportation costs for oil or gas;
- 11 (6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];
- 12 (7) exploration expenditures under AS 43.55.025;
- 13 (8) production tax values of oil or gas under AS 43.55.160;
- 14 (9) lease expenditures under AS 43.55.165;
- 15 (10) adjustments to lease expenditures under AS 43.55.170;
- 16 (11) tax credits applicable or potentially applicable against taxes levied
 17 by this chapter.

18 * **Sec. 37.** AS 43.55.895(b) is amended to read:

19 (b) A municipal entity subject to taxation because of this section is eligible for
 20 [ALL] tax credits proportionate to its production taxable under AS 43.55.011(e). A
 21 municipal entity shall allocate its lease expenditures in proportion to its
 22 production taxable under AS 43.55.011(e) [UNDER THIS CHAPTER TO THE
 23 SAME EXTENT AS ANY OTHER PRODUCER].

24 * **Sec. 38.** AS 43.55.900 is amended by adding a new paragraph to read:

- 25 (26) "qualified capital expenditure"
- 26 (A) means except as otherwise provided in (B) of this
 27 paragraph, an expenditure that is a lease expenditure under AS 43.55.165 and
 28 is
- 29 (i) incurred for geological or geophysical exploration;
 - 30 (ii) treated as a capitalized expenditure under 26 U.S.C.
 31 (Internal Revenue Code), as amended, regardless of elections made

1 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
 2 treated as a capitalized expenditure for federal income tax reporting
 3 purposes by the person incurring the expenditure; or

4 (iii) treated as a capitalized expenditure under 26 U.S.C.
 5 (Internal Revenue Code), as amended, regardless of elections made
 6 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
 7 eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal
 8 Revenue Code), as amended;

9 (B) does not include an expenditure incurred to acquire an asset

10 (i) the cost of previously acquiring which was a lease
 11 expenditure under AS 43.55.165 or would have been a lease
 12 expenditure under AS 43.55.165 if it had been incurred after March 31,
 13 2006; or

14 (ii) that has previously been placed in service in the
 15 state; an expenditure to acquire an asset is not excluded under this
 16 paragraph if not more than an immaterial portion of the asset meets a
 17 description under this paragraph; for purposes of this subparagraph,
 18 "asset" includes geological, geophysical, and well data and
 19 interpretations.

20 * **Sec. 39.** AS 43.99.950 is amended by adding a new paragraph to read:

21 (3) "outstanding liability to the state" means an amount of tax, interest,
 22 penalty, fee, rental, royalty, or other charge for which the state has issued a demand
 23 for payment that has not been paid when due and, if contested, has not been finally
 24 resolved against the state.

25 * **Sec. 40.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;
 26 AS 43.20.053(j)(4); AS 43.55.011(m), 43.55.020(a)(1), 43.55.020(a)(2), 43.55.023(a),
 27 43.55.023(l), 43.55.023(n), AS 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(j), and
 28 43.55.165(k) are repealed.

29 * **Sec. 41.** The uncodified law of the State of Alaska is amended by adding a new section to
 30 read:

31 **APPLICABILITY.** (a) Section 17 of this Act applies to credits against the oil and gas

1 production tax levied by AS 43.55.011(e) for oil and gas produced on and after July 1, 2016.

2 (b) Sections 8 - 11 and 26 - 28 of this Act, and the repeal of AS 43.55.023(a) and (l)
3 in sec. 40 of this Act, apply to expenditures incurred on and after July 1, 2016.

4 (c) Sections 12, 13, and 16 of this Act apply to oil and gas produced on and after
5 July 1, 2016.

6 (d) For the purpose of determining the last calendar year that a credit or an unused
7 portion of a credit under AS 43.55.023(c) or credit certificate under AS 43.55.023(d) may be
8 carried forward due to the limitations in AS 43.55.023(c) and (d), as amended by secs. 19 and
9 20 of this Act,

10 (1) the carried-forward annual loss for a tax credit under AS 43.55.023(c), for
11 expenditures incurred before July 1, 2016, is considered to have been incurred on July 1,
12 2016;

13 (2) the carried-forward annual loss for a tax credit certificate under
14 AS 43.55.023(d), for expenditures incurred before July 1, 2016, is considered to have been
15 incurred on the later of July 1, 2016, or the date the tax credit certificate is issued.

16 * Sec. 42. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 **TRANSITION: REGULATIONS.** The Department of Revenue and the Department of
19 Natural Resources may adopt regulations necessary to implement the changes made by this
20 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not
21 before the effective date of the law implemented by the regulation. The Department of
22 Revenue shall adopt regulations governing the use of tax credits under AS 43.55 for a
23 calendar year for which the applicable tax credit provisions of AS 43.55 differ as between
24 parts of the year as a result of this Act.

25 * Sec. 43. The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 **TRANSITION: RETROACTIVITY OF REGULATIONS.** Notwithstanding any
28 contrary provision of AS 44.62.240,

29 (1) if the Department of Revenue expressly designates in a regulation that the
30 regulation applies retroactively, a regulation adopted by the Department of Revenue to
31 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to

1 July 1, 2016, as applicable;

2 (2) a regulation adopted by the Department of Natural Resources to
3 implement, interpret, make specific, or otherwise carry out statutory provisions for the
4 administration of oil and gas leases issued under AS 38.05.180(f)(3)(B), (D), or (E), to the
5 extent the regulation relates to the treatment of oil and gas production taxes in determining net
6 profits under those leases, may apply retroactively to July 1, 2016, as applicable, if the
7 Department of Natural Resources expressly designates in the regulation that the regulation
8 applies retroactively to one of those dates.

9 * Sec. 44. Sections 17, 42, and 43 of this Act take effect immediately under
10 AS 01.10.070(c).

11 * Sec. 45. Except as provided in sec. 44 of this Act, this Act takes effect July 1, 2016."

FAILED

29-GH2609P.47
Nauman/Shutts
3/21/16

AMENDMENT #44

OFFERED IN THE HOUSE BY REPRESENTATIVE TARR
TO: CSHB 247(RES), Draft Version "P"

- 1 Page 1, lines 1 - 7:
- 2 Delete all material and insert:
- 3 **""An Act relating to confidential information status and public record status of**
- 4 **information in the possession of the Department of Revenue; relating to interest**
- 5 **applicable to delinquent tax; relating to disclosure of oil and gas production tax credit**
- 6 **information; relating to refunds for the gas storage facility tax credit, the liquefied**
- 7 **natural gas storage facility tax credit, and the qualified in-state oil refinery**
- 8 **infrastructure expenditures tax credit; relating to the minimum tax for certain oil and**
- 9 **gas production; relating to the minimum tax calculation for monthly installment**
- 10 **payments of estimated tax; relating to interest on monthly installment payments of**
- 11 **estimated tax; relating to limitations for the application of tax credits; relating to oil and**
- 12 **gas production tax credits for certain losses and expenditures; relating to limitations for**
- 13 **nontransferable oil and gas production tax credits based on oil production and the**
- 14 **alternative tax credit for oil and gas exploration; relating to purchase of tax credit**
- 15 **certificates from the oil and gas tax credit fund; relating to a minimum for gross value at**
- 16 **the point of production; relating to lease expenditures and tax credits for municipal**
- 17 **entities; adding a definition for "qualified capital expenditure"; adding a definition for**
- 18 **"outstanding liability to the state"; repealing oil and gas exploration incentive credits;**

1 **repealing the limitation on the application of credits against tax liability for lease**
2 **expenditures incurred before January 1, 2011; repealing provisions related to the**
3 **monthly installment payments for estimated tax for oil and gas produced before**
4 **January 1, 2014; repealing the oil and gas production tax credit for qualified capital**
5 **expenditures and certain well expenditures; repealing the calculation for certain lease**
6 **expenditures applicable before January 1, 2011; making conforming amendments; and**
7 **providing for an effective date."**

8

9 Page 1, line 9, through page 20, line 16:

10 Delete all material and insert:

11 **** Section 1. AS 38.05.036(a) is amended to read:**

12 (a) The department may conduct audits regarding royalty and net profits under
13 oil and gas contracts, agreements, or leases under this chapter and regarding costs
14 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and
15 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes
16 of audit under this section,

17 (1) the department may examine the books, papers, records, or
18 memoranda of a person regarding matters related to the audit; and

19 (2) the records and premises where a business is conducted shall be
20 open at all reasonable times for inspection by the department.

21 *** Sec. 2. AS 38.05.036(b) is amended to read:**

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

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

1 (c) The department may obtain from the Department of Revenue all
2 information obtained under AS 43 relating to royalty and net profits and to exploration
3 incentive credits. The department may use the information for purposes of carrying out
4 its responsibilities and functions under this chapter [AND AS 41.09]. Information
5 made available to the department that was obtained under AS 43 is confidential and
6 subject to the provisions of AS 43.05.230.

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

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

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

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

18 * Sec. 6. AS 40.25.100(a) is amended to read:

19 (a) Information in the possession of the Department of Revenue that discloses
20 the particulars of the business or affairs of a taxpayer or other person, including
21 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
22 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
23 AS 43.05.230(i) - (l) [AS 43.05.230(i) OR (k)] or for purposes of investigation and
24 law enforcement. The information shall be kept confidential except when its
25 production is required in an official investigation, administrative adjudication under
26 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
27 publication of statistics presented in a manner that prevents the identification of
28 particular reports and items, prohibit the publication of tax lists showing the names of
29 taxpayers who are delinquent and relevant information that may assist in the collection
30 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
31 under AS 43.05.405 - 43.05.499.

1 * **Sec. 7.** AS 43.05.225 is amended to read:

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

3 (1) a delinquent tax under this title,

4 [(A) BEFORE JANUARY 1, 2014, BEARS INTEREST IN
5 EACH CALENDAR QUARTER AT THE RATE OF FIVE PERCENTAGE
6 POINTS ABOVE THE ANNUAL RATE CHARGED MEMBER BANKS
7 FOR ADVANCES BY THE 12TH FEDERAL RESERVE DISTRICT AS OF
8 THE FIRST DAY OF THAT CALENDAR QUARTER, OR AT THE
9 ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,
10 COMPOUNDED QUARTERLY AS OF THE LAST DAY OF THAT
11 QUARTER; OR

12 (B) ON AND AFTER JANUARY 1, 2014,] bears interest in
13 each calendar quarter at the rate of seven [THREE] percentage points above
14 the annual rate charged member banks for advances by the 12th Federal
15 Reserve District as of the first day of that calendar quarter compounded
16 quarterly as of the last day of that quarter;

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

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

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

21 * **Sec. 8.** AS 43.05.230 is amended by adding a new subsection to read:

22 (I) The name of each person claiming a credit under AS 43.55, the aggregate
23 amount of credits under AS 43.55, except for the credit in AS 43.55.024(j), claimed by
24 the taxpayer in the calendar year, and a description of the taxpayer's activities that
25 generated the credits claimed are public information.

26 * **Sec. 9.** AS 43.20.046(e) is amended to read:

27 (e) The department may use available money in the oil and gas tax credit fund
28 established in AS 43.55.028 to make the refund applied for under (d) of this section in
29 whole or in part if the department finds that (1) the claimant does not have an
30 outstanding liability to the state [FOR UNPAID DELINQUENT TAXES UNDER
31 THIS TITLE]; and (2) after application of all available tax credits, the claimant's total

1 tax liability under this chapter for the calendar year in which the claim is made is zero.
2 [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS AN AMOUNT
3 OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT
4 THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY
5 RESOLVED IN THE TAXPAYER'S FAVOR.]

6 * Sec. 10. AS 43.20.047(e) is amended to read:

7 (e) The department may use money available in the oil and gas tax credit fund
8 established in AS 43.55.028 to make a refund or payment under (d) of this section in
9 whole or in part if the department finds that

10 (1) the claimant does not have an outstanding liability to the state [FOR
11 UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and

12 (2) after application of all available tax credits, the claimant's total tax
13 liability under this chapter for the calendar year in which the claim is made is zero. [IN
14 THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS AN AMOUNT OF
15 TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT THAT
16 HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY
17 RESOLVED IN THE TAXPAYER'S FAVOR.]

18 * Sec. 11. AS 43.20.053(e) is amended to read:

19 (e) The department may use money available in the oil and gas tax credit fund
20 established in AS 43.55.028 to make a refund or payment under (d) of this section in
21 whole or in part if the department finds that

22 (1) the claimant does not have an outstanding liability to the state [FOR
23 UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and

24 (2) after application of all available tax credits, the claimant's total tax
25 liability under this chapter for the calendar year in which the claim is made is zero.

26 * Sec. 12. AS 43.55.011(f) is repealed and reenacted to read:

27 (f) The levy of tax under (e) of this section for

28 (1) oil and gas produced before January 1, 2022, from leases or
29 properties that include land north of 68 degrees North latitude, other than gas subject
30 to (o) of this section, may not be less than five percent of the gross value at the point
31 of production; and

1 (2) oil produced on and after January 1, 2022, from leases or properties
2 that include land north of 68 degrees North latitude, may not be less than five percent
3 of the gross value at the point of production.

4 * **Sec. 13.** AS 43.55.020(a) is amended to read:

5 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
6 the tax as follows:

7 (1) for oil and gas produced before January 1, 2014, an installment
8 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
9 as allowed by law, is due for each month of the calendar year on the last day of the
10 following month; except as otherwise provided under (2) of this subsection, the
11 amount of the installment payment is the sum of the following amounts, less 1/12 of
12 the tax credits that are allowed by law to be applied against the tax levied by
13 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
14 not be less than zero:

15 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
16 produced from leases or properties in the state outside the Cook Inlet
17 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
18 the greater of

19 (i) zero; or

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

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

30 (i) zero;

31 (ii) zero percent, one percent, two percent, three percent,

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or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated; or

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

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

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for the oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(D) for oil and gas subject to AS 43.55.011(p), the lesser of

(i) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is

- 1 calculated, but not less than zero; or
- 2 (ii) four percent of the gross value at the point of
- 3 production of the oil and gas produced from the leases or properties
- 4 during the month, but not less than zero;
- 5 (2) an amount calculated under (1)(C) of this subsection for oil or gas
- 6 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
- 7 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
- 8 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
- 9 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
- 10 amount of taxable gas produced during the month for the amount of taxable gas
- 11 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
- 12 (2)(A), as applicable, the amount of taxable oil produced during the month for the
- 13 amount of taxable oil produced during the calendar year;
- 14 (3) an installment payment of the estimated tax levied by
- 15 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
- 16 on the last day of the following month; the amount of the installment payment is the
- 17 sum of
- 18 (A) the applicable tax rate for oil provided under
- 19 AS 43.55.011(i), multiplied by the gross value at the point of production of the
- 20 oil taxable under AS 43.55.011(i) and produced from the lease or property
- 21 during the month; and
- 22 (B) the applicable tax rate for gas provided under
- 23 AS 43.55.011(i), multiplied by the gross value at the point of production of the
- 24 gas taxable under AS 43.55.011(i) and produced from the lease or property
- 25 during the month;
- 26 (4) any amount of tax levied by AS 43.55.011, net of any credits
- 27 applied as allowed by law, that exceeds the total of the amounts due as installment
- 28 payments of estimated tax is due on March 31 of the year following the calendar year
- 29 of production;
- 30 (5) for oil and gas produced on and after January 1, 2014, and before
- 31 January 1, 2022, an installment payment of the estimated tax levied by

1 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 2 month of the calendar year on the last day of the following month; except as otherwise
 3 provided under (6) of this subsection, the amount of the installment payment is the
 4 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 5 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 6 of the installment payment may not be less than zero:

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

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained by
 13 subtracting 1/12 of the producer's adjusted lease expenditures for the
 14 calendar year of production under AS 43.55.165 and 43.55.170 that are
 15 deductible for the oil and gas under AS 43.55.160 from the gross value
 16 at the point of production of the oil and gas produced from the leases or
 17 properties during the month for which the installment payment is
 18 calculated;

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

21 (i) zero;

22 (ii) five [ZERO PERCENT, ONE PERCENT, TWO
 23 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
 24 APPLICABLE,] of the gross value at the point of production of the oil
 25 and gas produced from the leases or properties during the month for
 26 which the installment payment is calculated; or

27 (iii) 35 percent multiplied by the remainder obtained by
 28 subtracting 1/12 of the producer's adjusted lease expenditures for the
 29 calendar year of production under AS 43.55.165 and 43.55.170 that are
 30 deductible for the oil and gas under AS 43.55.160 from the gross value
 31 at the point of production of the oil and gas produced from those leases

1 or properties during the month for which the installment payment is
2 calculated, except that, for the purposes of this calculation, a reduction
3 from the gross value at the point of production may apply for oil and
4 gas subject to AS 43.55.160(f) or (g);

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

7 (i) zero; or

8 (ii) 35 percent multiplied by the remainder obtained by
9 subtracting 1/12 of the producer's adjusted lease expenditures for the
10 calendar year of production under AS 43.55.165 and 43.55.170 that are
11 deductible under AS 43.55.160 for the oil or gas, respectively,
12 produced from the lease or property from the gross value at the point of
13 production of the oil or gas, respectively, produced from the lease or
14 property during the month for which the installment payment is
15 calculated;

16 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

17 (i) 35 percent multiplied by the remainder obtained by
18 subtracting 1/12 of the producer's adjusted lease expenditures for the
19 calendar year of production under AS 43.55.165 and 43.55.170 that are
20 deductible for the oil and gas under AS 43.55.160 from the gross value
21 at the point of production of the oil and gas produced from the leases or
22 properties during the month for which the installment payment is
23 calculated, but not less than zero; or

24 (ii) four percent of the gross value at the point of
25 production of the oil and gas produced from the leases or properties
26 during the month, but not less than zero;

27 (6) an amount calculated under (5)(C) of this subsection for oil or gas
28 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
29 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
30 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
31 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the

1 amount of taxable gas produced during the month for the amount of taxable gas
2 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
3 (2)(A), as applicable, the amount of taxable oil produced during the month for the
4 amount of taxable oil produced during the calendar year;

5 (7) for oil and gas produced on or after January 1, 2022, an installment
6 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
7 as allowed by law, is due for each month of the calendar year on the last day of the
8 following month; the amount of the installment payment is the sum of the following
9 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
10 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment
11 payment may not be less than zero:

12 (A) for oil produced from leases or properties that include land
13 north of 68 degrees North latitude, the greatest of

14 (i) zero;

15 (ii) five [ZERO PERCENT, ONE PERCENT, TWO
16 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
17 APPLICABLE,] of the gross value at the point of production of the oil
18 produced from the leases or properties during the month for which the
19 installment payment is calculated; or

20 (iii) 35 percent multiplied by the remainder obtained by
21 subtracting 1/12 of the producer's adjusted lease expenditures for the
22 calendar year of production under AS 43.55.165 and 43.55.170 that are
23 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
24 the point of production of the oil produced from those leases or
25 properties during the month for which the installment payment is
26 calculated, except that, for the purposes of this calculation, a reduction
27 from the gross value at the point of production may apply for oil
28 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

29 (B) for oil produced before or during the last calendar year
30 under AS 43.55.024(b) for which the producer could take a tax credit under
31 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet

1 sedimentary basin, no part of which is north of 68 degrees North latitude, other
2 than leases or properties subject to AS 43.55.011(p), the greater of

3 (i) zero; or

4 (ii) 35 percent multiplied by the remainder obtained by
5 subtracting 1/12 of the producer's adjusted lease expenditures for the
6 calendar year of production under AS 43.55.165 and 43.55.170 that are
7 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
8 the point of production of the oil produced from the leases or properties
9 during the month for which the installment payment is calculated;

10 (C) for oil and gas produced from leases or properties subject to
11 AS 43.55.011(p), except as otherwise provided under (8) of this subsection, the
12 sum of

13 (i) 35 percent multiplied by the remainder obtained by
14 subtracting 1/12 of the producer's adjusted lease expenditures for the
15 calendar year of production under AS 43.55.165 and 43.55.170 that are
16 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
17 the point of production of the oil produced from the leases or properties
18 during the month for which the installment payment is calculated, but
19 not less than zero; and

20 (ii) 13 percent of the gross value at the point of
21 production of the gas produced from the leases or properties during the
22 month, but not less than zero;

23 (D) for oil produced from leases or properties in the state, no
24 part of which is north of 68 degrees North latitude, other than leases or
25 properties subject to (B) or (C) of this paragraph, the greater of

26 (i) zero; or

27 (ii) 35 percent multiplied by the remainder obtained by
28 subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
31 the point of production of the oil produced from the leases or properties

1 during the month for which the installment payment is calculated;

2 (E) for gas produced from each lease or property in the state,
3 other than a lease or property subject to AS 43.55.011(p), 13 percent of the
4 gross value at the point of production of the gas produced from the lease or
5 property during the month for which the installment payment is calculated, but
6 not less than zero;

7 (8) an amount calculated under (7)(C) of this subsection may not
8 exceed four percent of the gross value at the point of production of the oil and gas
9 produced from leases or properties subject to AS 43.55.011(p) during the month for
10 which the installment payment is calculated;

11 (9) for purposes of the calculation under [(1)(B)(ii),] (5)(B)(ii) [,] and
12 (7)(A)(ii) of this subsection, the [APPLICABLE] percentage of the gross value at the
13 point of production is determined under AS 43.55.011(f)(1) or (2) but substituting the
14 phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1)
15 and (2) for the phrase "calendar year for which the tax is due."

16 * **Sec. 14.** AS 43.55.020(g) is repealed and reenacted to read:

17 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
18 amount of an installment payment required under (a)(3), (5), (6), or (7) of this section
19 that is not paid when due bears interest (1) at the rate provided for an underpayment
20 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from
21 the date the installment payment is due until March 31 following the calendar year of
22 production; and (2) as provided for a delinquent tax under AS 43.05.225 after that
23 March 31, interest accrued under (1) of this subsection that remains unpaid after that
24 March 31 is treated as an addition to tax that bears interest under (2) of this subsection,
25 an unpaid amount of tax due under (a)(4) of this section that is not paid when due
26 bears interest as provided for a delinquent tax under AS 43.05.225.

27 * **Sec. 15.** AS 43.55.020(h) is amended to read:

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

29 (1) an overpayment of an installment payment required under (a)(3)
30 [(a)(1), (2), (3)], (5), (6), or (7) of this section bears interest at the rate provided for an
31 overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,

1 compounded daily, from the later of the date the installment payment is due or the date
2 the overpayment is made, until the earlier of

3 (A) the date it is refunded or is applied to an underpayment; or

4 (B) March 31 following the calendar year of production;

5 (2) except as provided under (1) of this subsection, interest with respect
6 to an overpayment is allowed only on any net overpayment of the payments required
7 under (a) of this section that remains after the later of March 31 following the calendar
8 year of production or the date that the statement required under AS 43.55.030(a) is
9 filed;

10 (3) interest is allowed under (2) of this subsection only from a date that
11 is 90 days after the later of March 31 following the calendar year of production or the
12 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed
13 if the overpayment was refunded within the 90-day period;

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

16 * Sec. 16. AS 43.55.020(i) is amended to read:

17 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
18 this section, if the amount of a tax payment, including an installment payment, due
19 under ~~(a)(3) - (5)~~ [(a)(1) - (4)] of this section is affected by the retroactive application
20 of a regulation adopted under this chapter, the department shall determine whether the
21 retroactive application of the regulation caused an underpayment or an overpayment of
22 the amount due and adjust the interest due on the affected payment as follows:

23 (1) if an underpayment of the amount due occurred, the department
24 shall waive interest that would otherwise accrue for the underpayment before the first
25 day of the second month following the month in which the regulation became
26 effective, if

27 (A) the department determines that the producer's
28 underpayment resulted because the regulation was not in effect when the
29 payment was due; and

30 (B) the producer demonstrates that it made a good faith estimate
31 of its tax obligation in light of the regulations then in effect when the payment

1 was due and paid the estimated tax;

2 (2) if an overpayment of the amount due occurred and the department
3 determines that the producer's overpayment resulted because the regulation was not in
4 effect when the payment was due, the obligation for a refund for the overpayment does
5 not begin to accrue interest earlier than the following, as applicable:

6 (A) except as otherwise provided under (B) of this paragraph,
7 the first day of the second month following the month in which the regulation
8 became effective;

9 (B) 90 days after an amended statement under AS 43.55.030(a)
10 and an application to request a refund of production tax paid is filed, if the
11 overpayment was for a period for which an amended statement under
12 AS 43.55.030(a) was required to be filed before the regulation became
13 effective.

14 * **Sec. 17.** AS 43.55 is amended by adding a new section to read:

15 **Sec. 43.55.022. Limitations on tax credits.** (a) Notwithstanding any contrary
16 provision of AS 43.55, the application of tax credits under AS 43.55 is subject to the
17 limitations set out in this section.

18 (b) A tax credit or a fraction of a tax credit under AS 43.55.023, 43.55.024, and
19 43.55.025 may not be subtracted in calculating an installment payment of estimated
20 tax required under AS 43.55.020(a) if the resulting amount of the installment payment
21 would be less than the amount in AS 43.55.020(a)(5)(B)(ii) or 43.55.020(a)(7)(A)(ii),
22 as applicable.

23 (c) The total amount of tax credits under AS 43.55.023, 43.55.024, and
24 43.55.025 that may be applied against a tax levied by AS 43.55.011(e) for a calendar
25 year may not exceed the sum of the amount of the tax credits or fractions of tax credits
26 that are allowed under (b) of this section to be subtracted in calculating the installment
27 payments of estimated tax for each month in the calendar year.

28 * **Sec. 18.** AS 43.55.023(b) is amended to read:

29 (b) [BEFORE JANUARY 1, 2014, A PRODUCER OR EXPLORER MAY
30 ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 25 PERCENT OF A
31 CARRIED-FORWARD ANNUAL LOSS. FOR LEASE EXPENDITURES

1 INCURRED ON AND AFTER JANUARY 1, 2014, AND BEFORE JANUARY 1,
2 2016, TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS
3 LOCATED NORTH OF 68 DEGREES NORTH LATITUDE, A PRODUCER OR
4 EXPLORER MAY ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 45
5 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS.] For lease expenditures
6 incurred on and after January 1, 2016, to explore for, develop, or produce oil or gas
7 deposits located north of 68 degrees North latitude, a producer or explorer may elect to
8 take a tax credit in the amount of 35 percent of a carried-forward annual loss. For lease
9 expenditures incurred on or after January 1, 2014, to explore for, develop, or produce
10 oil or gas deposits located south of 68 degrees North latitude, a producer or explorer
11 may elect to take a tax credit in the amount of 25 percent of a carried-forward annual
12 loss. A credit under this subsection may be applied against a tax levied by
13 AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the
14 amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165
15 and 43.55.170 for a previous calendar year that was not deductible in calculating
16 production tax values for that calendar year under AS 43.55.160. **For the purpose of**
17 **a credit under this subsection, any reduction under AS 43.55.160(f) or (g) is**
18 **added back to the calculation of production tax values for that calendar year**
19 **under AS 43.55.160 for the determination of a carried-forward annual loss.**

20 * Sec. 19. AS 43.55.023(c) is amended to read:

21 (c) A credit or portion of a credit under this section may not be used to reduce
22 a person's tax liability under AS 43.55.011(e) for any calendar year below **the amount**
23 **calculated under AS 43.55.011(f)** [ZERO], and any unused credit or portion of a
24 credit not used under this subsection may be applied in a later calendar year. **An**
25 **unused credit or portion of a credit may not be applied in a calendar year later**
26 **than the 10th calendar year in which the carried-forward annual loss for which**
27 **the credit is claimed was incurred.**

28 * Sec. 20. AS 43.55.023(d) is amended to read:

29 (d) A person that is entitled to take a tax credit under this section that wishes to
30 transfer the unused credit to another person or obtain a cash payment under
31 AS 43.55.028 may apply to the department for a transferable tax credit certificate. An

1 application under this subsection must be in a form prescribed by the department and
 2 must include supporting information and documentation that the department
 3 reasonably requires. The department shall grant or deny an application, or grant an
 4 application as to a lesser amount than that claimed and deny it as to the excess, not
 5 later than 120 days after the latest of (1) March 31 of the year following the calendar
 6 year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward
 7 annual loss for which the credit is claimed was incurred; (2) the date the statement
 8 required under AS 43.55.030(a) or (e) was filed for the calendar year in which the
 9 [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which
 10 the credit is claimed was incurred; or (3) the date the application was received by the
 11 department. If, based on the information then available to it, the department is
 12 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
 13 the applicant a transferable tax credit certificate for the amount of the credit. A
 14 certificate issued under this subsection **expires after 10 years from the calendar**
 15 **year in which the carried-forward annual loss for which the credit is claimed was**
 16 **incurred** [DOES NOT EXPIRE].

17 * Sec. 21. AS 43.55.023(e) is amended to read:

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

29 * Sec. 22. AS 43.55.023 is amended by adding a new section to read:

30 (q) A producer or explorer shall comply with the notice and information
 31 provision requirements in AS 43.55.025(f)(2) for the lease expenditures incurred

1 towards a credit under this section. The Department of Natural Resources shall hold
2 the confidential information under AS 43.55.025(f)(2)(C). For a producer or explorer
3 required to comply with the notice and information requirements of this section, the
4 Department of Natural Resources may publish the name of the producer or explorer,
5 the location of the well or seismic exploration, and the date on which information
6 required to be submitted under this section may be released.

7 * **Sec. 23.** AS 43.55.024(g) is amended to read:

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

11 * **Sec. 24.** AS 43.55.024(i) is amended to read:

12 (i) A producer may apply against the producer's tax liability for the calendar
13 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
14 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and
15 that is produced during a calendar year after December 31, 2013. A tax credit
16 authorized by this subsection may not reduce a producer's tax liability for a calendar
17 year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f)
18 [ZERO].

19 * **Sec. 25.** AS 43.55.025(i) is amended to read:

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

21 (1) a credit may not be applied to reduce a taxpayer's tax liability under
22 AS 43.55.011(e) below the amount calculated under AS 43.55.011(f) [ZERO] for a
23 calendar year; and

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

28 * **Sec. 26.** AS 43.55.028(e) is amended to read:

29 (e) The department, on the written application of a person to whom a
30 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
31 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under

1 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
2 purchase, in whole or in part, the certificate if the department finds that

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

6 (2) the applicant does not have an outstanding liability to the state
7 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE];

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

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

14 (5) the applicant's revenues generated from the applicant's oil and
15 gas business, including the revenues of the applicant's affiliates if the applicant is
16 part of an affiliated group, during the calendar year preceding the calendar year
17 in which the application is made were less than \$10,000,000,000;

18 (6) the amount expended for the purchase and amounts previously
19 purchased from the applicant during the calendar year the sum of which would
20 not exceed \$25,000,000; and

21 (7) the purchase is consistent with this section and regulations adopted
22 under this section.

23 * Sec. 27. AS 43.55.028 is amended by adding a new subsections to read:

24 (j) The percentage of a transferable tax credit certificate or a production tax
25 credit certificate purchased by the department may not exceed the percentage of the
26 applicant's workforce in the state in the previous calendar year that were resident
27 workers. The applicant's workforce in the state includes resident workers employed by
28 the applicant's contractors. An amount of a credit not purchased due to application of
29 this subsection may be applied against the applicant's tax liability under this chapter.
30 In this subsection, "resident worker" has the meaning given in AS 43.40.092(b).

31 * Sec. 28. AS 43.55.029(a) is amended to read:

1 (a) An explorer or producer that has applied for a production tax credit under
2 **AS 43.55.023(b)** [AS 43.55.023(a), (b), OR (f)] or 43.55.025(a) may make a present
3 assignment of the production tax credit certificate expected to be issued by the
4 department to a third-party assignee. The assignment may be made either **when** [AT
5 THE TIME] the application is filed with the department or not later than 30 days after
6 the date of filing with the department. Once a notice of assignment in compliance with
7 this section is filed with the department, the assignment is irrevocable and cannot be
8 modified by the explorer or producer without the written consent of the assignee
9 named in the assignment. If a production tax credit certificate is issued to the explorer
10 or producer, the notice of assignment remains effective and shall be filed with the
11 department by the explorer or producer together with any application for the
12 department to purchase the certificate under AS 43.55.028(e).

13 * **Sec. 29.** AS 43.55.030(a) is amended to read:

14 (a) A producer that produces oil or gas from a lease or property in the state
15 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
16 for that oil or gas, shall file with the department on March 31 of the following year a
17 statement, under oath, in a form prescribed by the department, giving, with other
18 information required, the following:

19 (1) a description of each lease or property from which oil or gas was
20 produced, by name, legal description, lease number, or accounting codes assigned by
21 the department;

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

24 (3) the gross amount of oil and the gross amount of gas produced from
25 each lease or property, separately identifying the gross amount of gas produced from
26 each oil and gas lease to which an effective election under AS 43.55.014(a) applies.
27 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of
28 the gross amount of oil and gas owned by the producer;

29 (4) the gross value at the point of production of the oil and of the gas
30 produced from each lease or property owned by the producer and the costs of
31 transportation of the oil and gas;

1 (5) the name of the first purchaser and the price received for the oil and
 2 for the gas, unless relieved from this requirement in whole or in part by the
 3 department;

4 (6) the producer's qualified capital expenditures, [AS DEFINED IN
 5 AS 43.55.023,] other lease expenditures under AS 43.55.165, and adjustments or other
 6 payments or credits under AS 43.55.170;

7 (7) the production tax values of the oil and gas under AS 43.55.160(a)
 8 or of the oil under AS 43.55.160(h), as applicable;

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

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

12 * **Sec. 30.** AS 43.55.030(e) is amended to read:

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

19 (1) the explorer's or producer's qualified capital expenditures, [AS
 20 DEFINED IN AS 43.55.023,] other lease expenditures under AS 43.55.165, and
 21 adjustments or other payments or credits under AS 43.55.170; and

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

25 * **Sec. 31.** AS 43.55.150 is amended by adding a new subsection to read:

26 (d) The gross value at the point of production may not be less than zero.

27 * **Sec. 32.** AS 43.55.165(a) is amended to read:

28 (a) **For** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION, FOR]
 29 purposes of this chapter, a producer's lease expenditures for a calendar year are

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

31 (A) incurred by the producer during the calendar year after

1 March 31, 2006, to explore for, develop, or produce oil or gas deposits located
 2 within the producer's leases or properties in the state or, in the case of land in
 3 which the producer does not own an operating right, operating interest, or
 4 working interest, to explore for oil or gas deposits within other land in the
 5 state; and

6 (B) allowed by the department by regulation, based on the
 7 department's determination that the costs satisfy the following three
 8 requirements:

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

11 (ii) the costs must be ordinary and necessary costs of
 12 exploring for, developing, or producing, as applicable, oil or gas
 13 deposits; and

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

16 (2) a reasonable allowance for that calendar year, as determined under
 17 regulations adopted by the department, for overhead expenses that are directly related
 18 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

19 * Sec. 33. AS 43.55.165(e) is amended to read:

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

21 (1) depreciation, depletion, or amortization;

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

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

28 (4) interest or other financing charges or costs of raising equity or debt
 29 capital;

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

31 (6) costs arising from fraud, wilful misconduct, gross negligence,

1 violation of law, or failure to comply with an obligation under a lease, permit, or
2 license issued by the state or federal government;

3 (7) fines or penalties imposed by law;

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

7 (9) costs incurred in organizing a partnership, joint venture, or other
8 business entity or arrangement;

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

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

13 (12) an expenditure otherwise deductible under (b) of this section that
14 is a result of an internal transfer, a transaction with an affiliate, or a transaction
15 between related parties, or is otherwise not an arm's length transaction, unless the
16 producer establishes to the satisfaction of the department that the amount of the
17 expenditure does not exceed the fair market value of the expenditure;

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

22 (14) a tax levied under AS 43.55.011 or 43.55.014;

23 (15) costs incurred for dismantlement, removal, surrender, or
24 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
25 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
26 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
27 excluded under this paragraph if the dismantlement, removal, surrender, or
28 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
29 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

30 (16) costs incurred for containment, control, cleanup, or removal in
31 connection with any unpermitted release of oil or a hazardous substance and any

1 liability for damages imposed on the producer or explorer for that unpermitted release;
2 this paragraph does not apply to the cost of developing and maintaining an oil
3 discharge prevention and contingency plan under AS 46.04.030;

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

6 (18) that portion of expenditures, that would otherwise be qualified
7 capital expenditures, [AS DEFINED IN AS 43.55.023,] incurred during a calendar
8 year that are less than the product of \$0.30 multiplied by the total taxable production
9 from each lease or property, in BTU equivalent barrels, during that calendar year,
10 except that, when a portion of a calendar year is subject to this provision, the
11 expenditures and volumes shall be prorated within that calendar year;

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

31 (A) "costs incurred for repair, replacement, or deferred

1 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
 2 to dismantle and remove the facility, pipeline, structure, or equipment that is
 3 being replaced;

4 (B) "hazardous substance" has the meaning given in
 5 AS 46.03.826;

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

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

17 (21) costs of lobbying, public relations, public relations advertising, or
 18 policy advocacy.

19 * **Sec. 34.** AS 43.55.165(f) is amended to read:

20 (f) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as to
 21 expenditures incurred to explore for an oil or gas deposit located within land in which
 22 an explorer does not own a working interest, the term "producer" in this section
 23 includes "explorer."

24 * **Sec. 35.** AS 43.55.170(c) is amended to read:

25 (c) For purposes of **AS 43.55.023(b)** [AS 43.55.023(a) AND (b)] and only as
 26 to expenditures incurred to explore for an oil or gas deposit located within land in
 27 which an explorer does not own a working interest, the term "producer" in this section
 28 includes "explorer."

29 * **Sec. 36.** AS 43.55.890 is amended to read:

30 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary
 31 provision of AS 40.25.100, and regardless of whether the information is considered

1 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
 2 particular returns or reports, the department may publish the following information
 3 under this chapter, if aggregated among three or more producers or explorers, showing
 4 by month or calendar year and by lease or property, unit, or area of the state:

- 5 (1) the amount of oil or gas production;
- 6 (2) the amount of taxes levied under this chapter or paid under this
 7 chapter;
- 8 (3) the effective tax rates under this chapter;
- 9 (4) the gross value of oil or gas at the point of production;
- 10 (5) the transportation costs for oil or gas;
- 11 (6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];
- 12 (7) exploration expenditures under AS 43.55.025;
- 13 (8) production tax values of oil or gas under AS 43.55.160;
- 14 (9) lease expenditures under AS 43.55.165;
- 15 (10) adjustments to lease expenditures under AS 43.55.170;
- 16 (11) tax credits applicable or potentially applicable against taxes levied
 17 by this chapter.

18 * Sec. 37. AS 43.55.895(b) is amended to read:

19 (b) A municipal entity subject to taxation because of this section is eligible for
 20 [ALL] tax credits proportionate to its production taxable under AS 43.55.011(e). A
 21 municipal entity shall allocate its lease expenditures in proportion to its
 22 production taxable under AS 43.55.011(e) [UNDER THIS CHAPTER TO THE
 23 SAME EXTENT AS ANY OTHER PRODUCER].

24 * Sec. 38. AS 43.55.900 is amended by adding a new paragraph to read:

25 (26) "qualified capital expenditure"

26 (A) means except as otherwise provided in (B) of this
 27 paragraph, an expenditure that is a lease expenditure under AS 43.55.165 and
 28 is

29 (i) incurred for geological or geophysical exploration;

30 (ii) treated as a capitalized expenditure under 26 U.S.C.

31 (Internal Revenue Code), as amended, regardless of elections made

1 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
 2 treated as a capitalized expenditure for federal income tax reporting
 3 purposes by the person incurring the expenditure; or

4 (iii) treated as a capitalized expenditure under 26 U.S.C.
 5 (Internal Revenue Code), as amended, regardless of elections made
 6 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
 7 eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal
 8 Revenue Code), as amended;

9 (B) does not include an expenditure incurred to acquire an asset

10 (i) the cost of previously acquiring which was a lease
 11 expenditure under AS 43.55.165 or would have been a lease
 12 expenditure under AS 43.55.165 if it had been incurred after March 31,
 13 2006; or

14 (ii) that has previously been placed in service in the
 15 state; an expenditure to acquire an asset is not excluded under this
 16 paragraph if not more than an immaterial portion of the asset meets a
 17 description under this paragraph; for purposes of this subparagraph,
 18 "asset" includes geological, geophysical, and well data and
 19 interpretations.

20 * **Sec. 39.** AS 43.99.950 is amended by adding a new paragraph to read:

21 (3) "outstanding liability to the state" means an amount of tax, interest,
 22 penalty, fee, rental, royalty, or other charge for which the state has issued a demand
 23 for payment that has not been paid when due and, if contested, has not been finally
 24 resolved against the state.

25 * **Sec. 40.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;
 26 AS 43.20.053(j)(4); AS 43.55.011(m), 43.55.020(a)(1), 43.55.020(a)(2), 43.55.023(a),
 27 43.55.023(l), 43.55.023(n), AS 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(j), and
 28 43.55.165(k) are repealed.

29 * **Sec. 41.** The uncodified law of the State of Alaska is amended by adding a new section to
 30 read:

31 **APPLICABILITY.** (a) Section 17 of this Act applies to credits against the oil and gas

1 production tax levied by AS 43.55.011(e) for oil and gas produced on and after January 1,
2 2017.

3 (b) Sections 8 - 11 and 26 - 28 of this Act, and the repeal of AS 43.55.023(a) and (f) in
4 sec. 40 of this Act, apply to expenditures incurred on and after January 1, 2017.

5 (c) Sections 12, 13, and 16 of this Act apply to oil and gas produced on and after
6 January 1, 2017.

7 (d) For the purpose of determining the last calendar year that a credit or an unused
8 portion of a credit under AS 43.55.023(c) or credit certificate under AS 43.55.023(d) may be
9 carried forward due to the limitations in AS 43.55.023(c) and (d), as amended by secs. 19 and
10 20 of this Act,

11 (1) the carried-forward annual loss for a tax credit under AS 43.55.023(c), for
12 expenditures incurred before January 1, 2017, is considered to have been incurred on
13 January 1, 2017;

14 (2) the carried-forward annual loss for a tax credit certificate under
15 AS 43.55.023(d), for expenditures incurred before January 1, 2017, is considered to have been
16 incurred on January 1, 2017, or the date the tax credit certificate is issued.

17 * **Sec. 42.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 **TRANSITION: REGULATIONS.** The Department of Revenue and the Department of
20 Natural Resources may adopt regulations necessary to implement the changes made by this
21 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not
22 before the effective date of the law implemented by the regulation. The Department of
23 Revenue shall adopt regulations governing the use of tax credits under AS 43.55 for a
24 calendar year for which the applicable tax credit provisions of AS 43.55 differ as between
25 parts of the year as a result of this Act.

26 * **Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 **TRANSITION: RETROACTIVITY OF REGULATIONS.** Notwithstanding any
29 contrary provision of AS 44.62.240,

30 (1) if the Department of Revenue expressly designates in a regulation that the
31 regulation applies retroactively, a regulation adopted by the Department of Revenue to

1 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
2 January 1, 2017, as applicable;

3 (2) a regulation adopted by the Department of Natural Resources to implement,
4 interpret, make specific, or otherwise carry out statutory provisions for the administration of
5 oil and gas leases issued under AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation
6 relates to the treatment of oil and gas production taxes in determining net profits under those
7 leases, may apply retroactively to January 1, 2017, as applicable, if the Department of Natural
8 Resources expressly designates in the regulation that the regulation applies retroactively to
9 one of those dates.

10 * **Sec. 44.** Sections 17, 42, and 43 of this Act take effect immediately under
11 AS 01.10.070(c).

12 * **Sec. 45.** Except as provided in sec. 44 of this Act, this Act takes effect January 1, 2017."

FAILED

AMENDMENT #45

BY REP TARR

OFFERED IN THE HOUSE

TO: CSHB 247(RES), Draft Version "P"

CO-SPONSOR: REP. JOSEPHSON

1 Page 1, line 1, following "tax;":

2 Insert "relating to confidential tax information in the possession of the
3 Department of Revenue;"

4
5 Page 3, following line 17:

6 Insert new bill sections to read:

7 ** Sec. 7. AS 43.05.230(f) is amended to read:

8 (f) A wilful violation of the provisions of this section or of a condition
9 imposed under AS 43.55.040(1)(B) is punishable by a fine of not more than \$5,000, or
10 by imprisonment for not more than two years, or by both. The penalty under this
11 subsection may be in addition to, and not in place of, an applicable criminal
12 sanction under state or federal law.

13 * Sec. 8. AS 43.05.230 is amended by adding a new subsection to read:

14 (l) The department may disclose confidential tax information, documents, or
15 other materials related to a credit for oil and gas investment, exploration, production,
16 delivery, storage, or use against a tax imposed under AS 43.20 or AS 43.55 to a
17 legislator, an agent of a legislator or a legislative committee, or a contractor of a
18 legislator or a legislative committee if

19 (1) the information is disclosed during an executive session of a
20 committee hearing or an executive session of a meeting of one house of the legislature
21 as a committee of the whole;

22 (2) only legislators, agents, and contractors complying with the
23 remainder of this subsection are in attendance at the committee meeting;

1 (3) written information, documents, or other materials are clearly
2 labeled as confidential tax information;

3 (4) the legislator, agent, or contractor has executed an agreement with
4 the department

5 (A) that acknowledges that tax information, documents, and
6 materials received under this subsection are confidential by law;

7 (B) that acknowledges that it is illegal to publicly disclose
8 confidential tax information, documents, or materials received under this
9 subsection unless the information is otherwise publicly available; and

10 (C) in which the legislator, agent, or contractor agrees not to

11 (i) disclose the information received during the meeting
12 or the contents of documents or materials viewed during a committee
13 meeting under this section; and

14 (ii) remove any written information, documents, or
15 materials from the physical location of the committee meeting."
16

17 Renumber the following bill sections accordingly.

18
19 Page 18, line 20:

20 Delete "Sections 7 - 9, 16, and 17"

21 Insert "Sections 9 - 11, 18, and 19"

22
23 Page 18, lines 25 - 26:

24 Delete "sec. 29"

25 Insert "sec. 31"

26
27 Page 18, line 27:

28 Delete "secs. 13, 14, 18, 23, and 24"

29 Insert "secs. 15, 16, 20, 25, and 26"

30
31 Page 18, line 28:

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

1 Page 19, line 17:

2 Delete "sec. 29"

3 Insert "sec. 31"

4

5 Page 20, line 12:

6 Delete "Sections 30 and 34"

7 Insert "Sections 32 and 36"

8

9 Page 20, line 13:

10 Delete "Sections 13, 14, 18 - 25, 27, 29, 32, and 33"

11 Insert "Sections 15, 16, 20 - 27, 29, 31, 34, and 35"

12

13 Page 20, line 15:

14 Delete "secs. 36 and 37"

15 Insert "secs. 38 and 39"

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Pulling Together to Build Our Future

Oil and Gas Tax Credit Reform

Department of Revenue

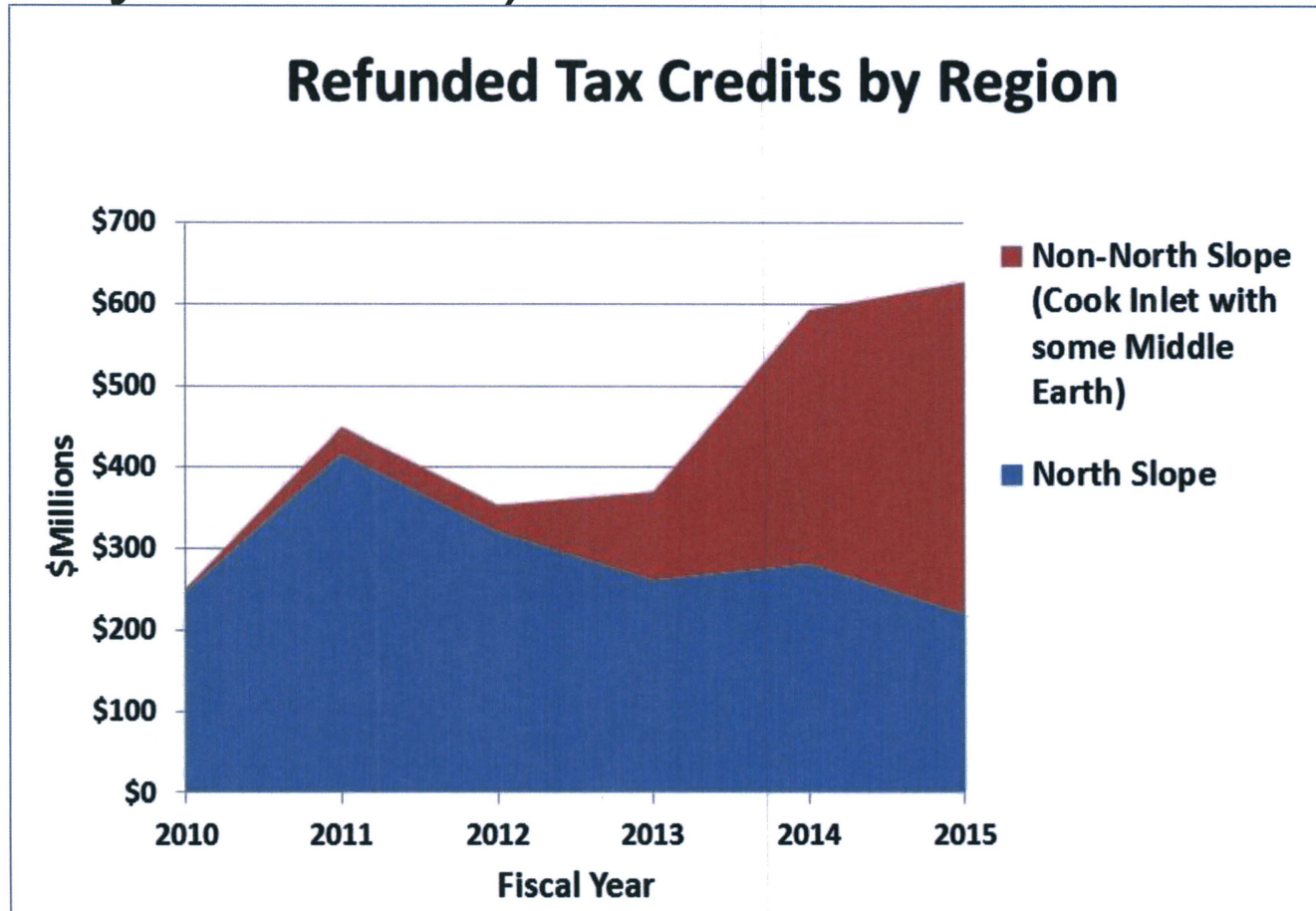
Initial Reaction to CS HB 247(RES)\P

Presentation to House Resources Committee

March 21, 2016

History of Oil and Gas Production Tax Credits

- Tremendous growth in non-North Slope (almost entirely Cook Inlet) refunded credits since FY10



History of Oil and Gas Production Tax Credits

Of the \$500 million in authorized credit repurchases for FY16:

- About \$473 million has already been paid
 - About \$200 million from North Slope and \$273 million from Cook Inlet / Interior
 - 58% non-North Slope, similar to FY15 data
- Nearly all are 2014 NOL's and Cook Inlet Drilling
- Still expect \$700 million total demand, but
 - Most of the applications DOR has in-hand don't need to be issued until next July

Major Bill Themes

- Reduce the state's annual cash outlay;
- Protect Net Operating Loss credits as a playing field leveler between legacy producers and newcomers;
- Limit repurchases;
- Strengthen the minimum tax;
- Be more open and transparent;
- Honor and pay credits earned to date and through any transition period.

Major Bill Concepts in Governor's Proposal

1. Exploration Credits
2. Cook Inlet Drilling Credits
3. Repurchase Limits
4. Remove Exceptions / Loopholes
5. Strengthen Minimum Tax
6. Other Provisions

Summary of Major Bill Provisions

Exploration Credits

HB247 Proposed / Kept in CS

- Allowing the .025(a) “alt. credit for exploration” to expire on 7/1/16, for North Slope and Cook Inlet
 - .025(a) credits remain for “Middle Earth” until 2022
- Also allowing the “Jack up Rig” and “Frontier Basin” credits to expire at the same time
- Preemptively repeal other exploration credit programs that are not currently being used, in AS 38.05.180(i) and AS 41.09.

Changes in Committee Substitute

- **Removes .025 DNR data requirements from .023(b)**

Summary of Major Bill Provisions

Cook Inlet Drilling Credits

Changes in Committee Substitute

- Orig proposal was to repeal 20% Capital (QCE; .023(a)) and 40% Well (WLE; .023(l)) credits on 7/1/16, while maintaining the 25% Operating Loss (NOL)
- **Phase-out of WLE in 2017-2018; QCE in 2022**
- **NOL reduced from 25% to 10% in 2017**

Impact of Changes

- Phase-in of reduction in Cook Inlet cash support; Original bill proposed reducing to **25%** in FY2017. CS reduces to **30%** halfway through FY2018
- By preserving “capital” and reducing “loss” credits, increases payments to producers (who pay zero taxes)

CS sets path for broader Cook Inlet tax reform by 2022 ⁷

Summary of Major Bill Provisions

Repurchase Limits

Changes in Committee Substitute

- **Increases cap to per company / per year payments from \$25 million to \$200 million**
- **Eliminates payment ineligibility for large (>\$10 bil.) companies, Alaska resident hire provision, and 10-year carry forward sunset**

Impact of Changes

- Provides limited cash flow protection to the state in event of a large “outlier” project such as proposed by Armstrong
 - Modeling showed annual credits from a similar project of up to \$800 million
 - Multiple partners could each receive \$200 million

Summary of Major Bill Provisions

Repurchase Limits (cont'd)

Historic Notes on large annual credits:

Over the 2007-2016 history of the tax credit program:

- There has only been **one** instance of a company who ever received **> \$200** million in a single year
- **Five** times ever when one company received between **\$100 - \$200** million in one year
- **11** times ever when one company received between **\$50 - \$100** million in one year

Summary of Major Bill Provisions

Remove Exceptions / Loopholes

CS retains two proposed changes to prevent artificially inflated net operating losses

- Can't use GVR (new oil value reduction) to increase the size of a Net Operating Loss (has led to credits greater than 100% of loss)
- If a municipal entity owns production and sells only a portion of that production to an outside party, only the pro-rata share of expenses can be deducted against revenue

Summary of Major Bill Provisions

Strengthen Minimum Tax

CS eliminated- items that impact legacy producers:

- Can't use an operating loss credit, to reduce payments below the 4% floor
- Prevent per-taxable-barrel credits earned in one month from being used against another month's taxes at true-up
- Increase in minimum tax from 4% to 5%

CS eliminated- items that impact new oil producers:

- Extend minimum tax to GVR-eligible "new" oil
- Not allow small producer credit to reduce tax payments below the floor

Summary of Major Bill Provisions

Other Provisions

Interest Rate Reform

- CS preserves fixing the error in SB21 that prevents compound interest on underpayments and assessments
- **Keeps current 3% above federal discount rate, versus 7% as proposed in HB247**

Confidentiality / Transparency

- **Eliminates making public, as proposed in HB247, the name of each company and how much they received in state repurchased credits**

Eliminates provision in which Transportation Costs can't reduce Gross Value below zero

Preserves authority to use Credit certificates to satisfy obligations to the state before repurchase

Bill CS Impact: Example Scenarios

North Slope Major Producer

- No change at any price

Bill CS Impact: Example Scenarios

North Slope New or Smaller Producer

- Higher oil prices: no change
- If company has an operating loss, the Gross Value Reduction cannot be used to increase the size of the loss to earn a larger NOL credit

Bill CS Impact: Example Scenarios

North Slope New Project Developer

- No change at any price
- Very large new projects limited by \$200 million / company / year cap
 - At a 35% NOL, that requires a bit over \$570 million / year in capital spending for a single company to reach the limit

Bill CS Impact: Example Scenarios

Cook Inlet Existing Producer

- Cook Inlet tax caps maintained
- Credit support reduced to 20-30% in 2017 and 20% in 2018-2021
- Capital credit repealed in 2022 in anticipation of new Cook Inlet tax regime
 - In 2022, absent a change, Cook Inlet will have a 35% tax with 10% NOL and no per-barrel or capital credit

Bill CS Impact: Example Scenarios

Cook Inlet New Field Developer

- In 2017, will receive about 35% credit support (blend of 20% capital and 30% well, plus 10% NOL)
- Beginning in 2018, repeal of Well credit and reduction of NOL to 10% results in 30% credit support (20% capital + 10% NOL)
- Very large new projects limited by \$200 million / company / year cap

Bill CS Impact: Example Scenarios

Interior / Frontier Area Explorer

- With repeal of Well credits and reduction of NOL, development projects will only receive 30% credit support beginning in 2018 (20% Capital + 10% NOL)
- However, exploration credits have been extended through 2022, meaning qualified expenditures will continue to receive 50% (40% Exploration + 10% NOL)

To-date Cost of Sunsetting Credits

Exploration Credits (various) 2007-sunset

- North Slope Refunded: \$270 million
- North Slope Against Liability: \$190 million
- Non-North Slope Refunded: \$160 million
- Non-North Slope Against Liability: \$0

Small Producer Credits 2007-2016

- North Slope Against Liability: \$340 million
- Non-North Slope Against Liability: \$60 million
- (these cannot be refunded)

Total: slightly over \$1 billion

Revenue Impact, Changes in CS

Preliminary Analysis of Bill Changes (\$millions) (based on Fall 2015 Forecast)

	FY17		FY18		FY19	
	HB247	CS HB247(RES)	HB247	CS HB247(RES)	HB247	CS HB247(RES)
Reduced Spending						
Credits Eliminated or Reduced						
North Slope	\$50	\$25	\$30	\$30	\$25	\$25
Cook Inlet / Mid Earth	\$150	\$20	\$125	\$30	\$75	\$30
Credits Deferred						
North Slope	\$100	\$0	\$120	\$0	\$50	\$0
Cook Inlet / Mid Earth	\$100	\$0	\$50	\$0	\$50	\$0
Budget Subtotal	\$400	\$45	\$325	\$60	\$200	\$55
Increased Revenue						
Floor "Hardening"	\$50	\$0	\$50	\$0	\$0	\$0
Floor Increase	\$50	\$0	\$50	\$0	\$50	\$0
Revenue Subtotal	\$100	\$0	\$100	\$0	\$50	\$0
Total Bill Impact	\$500	\$45	\$425	\$60	\$250	\$55

Implementation Cost

Transition

- Original bill was written with an effective date of 7/1/16 for nearly all changes
- **CS moves most changes to 1/1/17, with the full repeal of the Well Lease Expenditure credit on 1/1/18**
- The bill still includes a fund capitalization fiscal note for \$926,575,000, to the .028 fund
(The difference between the number in the operating budget and \$1,000,000,000)
- **The capitalization will cover all FY17 expected spending, but with the changes made in the committee substitute, additional appropriation will be needed in FY18 and beyond**

Implementation Cost

- The changes anticipated in this bill still require somewhat substantial reprogramming of the Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online and update the current tax return forms
- We have requested an estimate from the software developer, and currently assume a one-time cost of about \$1.5 million to accomplish this (no change)
- We do not anticipate any additional costs to administer the tax program
- There will also be a need for substantial amendments to existing regulations to fully implement the changes

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Pulling Together to Build Our Future

Thank You!

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CS HB 247: IMPACT OF PROPOSALS

House Resources Committee
Saturday, March 19, 2016

Janak Mayer, Chairman & Chief Technologist > janak.mayer@enalytica.com
Nikos Tsafos, President & Chief Analyst > nikos.tsafos@enalytica.com

<http://enalytica.com>

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CS HB247 SUMMARY

North Slope Provisions

- Remove impact of GVR in calculating NOL to ensure 35% support for North Slope spending
- \$200mm per-company cap on credits to protect against potential liability of major new developments

Cook Inlet Provisions

- Maintain 20% Qualified Capital Expenditure (QCE) Credit, sunset in 2022
- Reduce 40% Well Lease Expenditure (WLE) to 30% in 2017, effectively phased out after 2018
- Reduce 25% NOL Credit to 10%

General Provisions

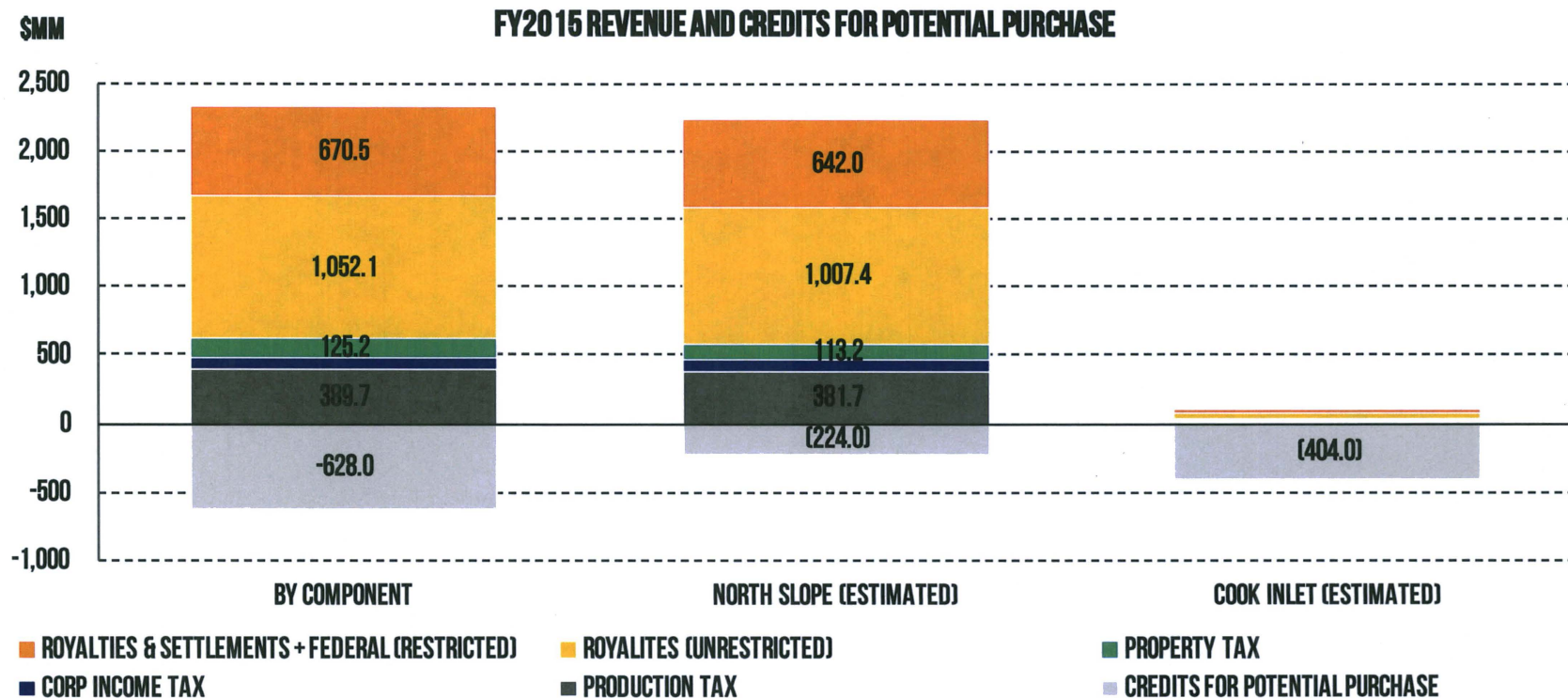
- Compound Interest on delinquent taxes
- Existing liabilities to state from oil & gas production withheld from refundable tax credits
- Working group to develop new Cook Inlet tax regime and present to 2017 regular session

BIG DIFFERENCE BETWEEN NORTH SLOPE AND COOK INLET

The majority of refundable credits go to Cook Inlet producers

Cook Inlet production, however, generates limited direct revenue for the state

Credits on the North Slope are more limited but also a far smaller fraction of total value generated



SOURCE: ALASKA DEPARTMENT OF REVENUE, REVENUE SOURCES BOOK; TAX DIVISION; ANALYTICA ESTIMATES

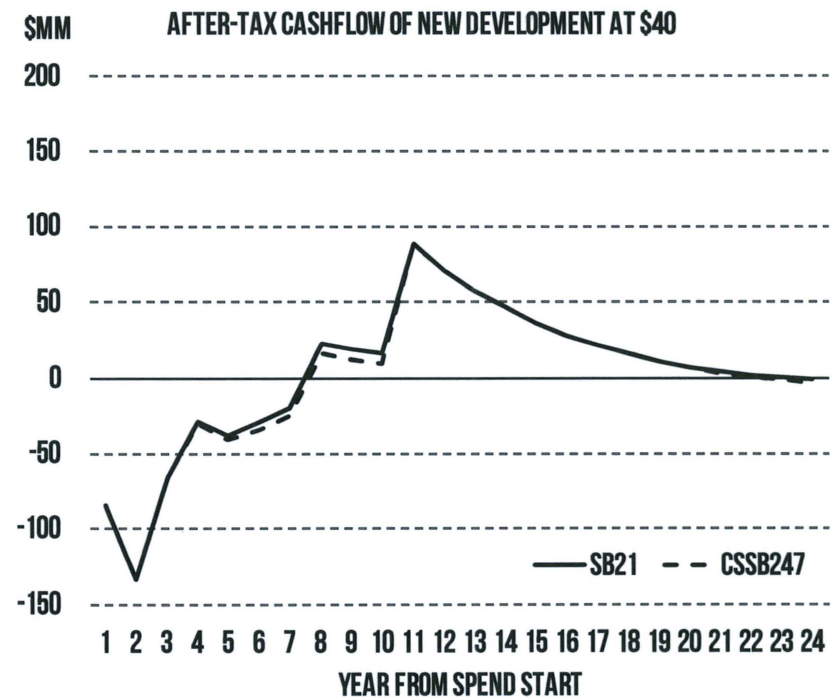
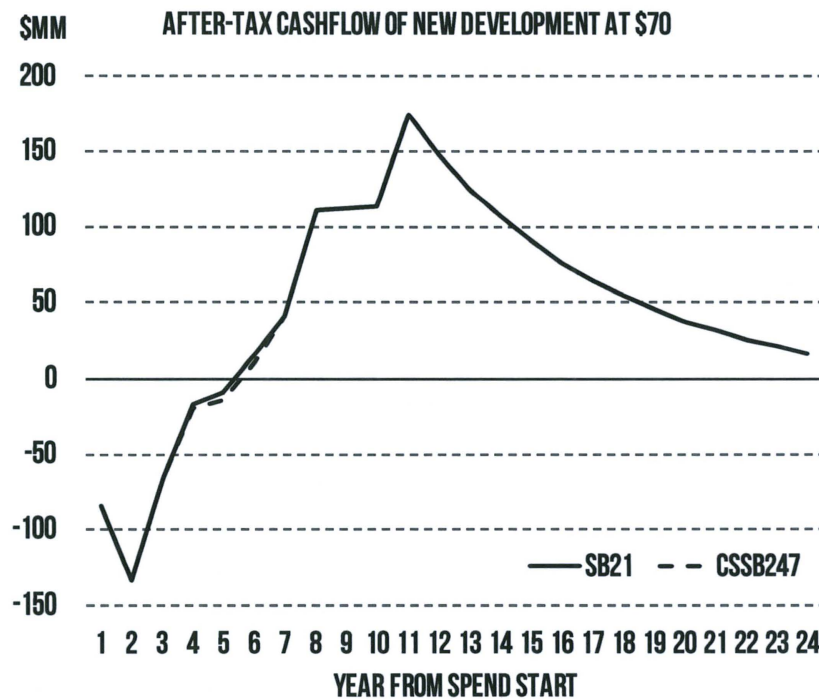
GVR RAISES NOL CREDIT ABOVE 35% OF ACTUAL LOSS

The purpose of the Gross Value Reduction (GVR) is to **lower the effective tax rate** on new production

One surprising and counter-intuitive effect is to **raise the effective rate of the NOL** credit

Issue after production from new development starts, but ongoing drilling costs mean NOL eligible

Exacerbated at low prices, but impact <\$10mm yr for 20mb/d new development



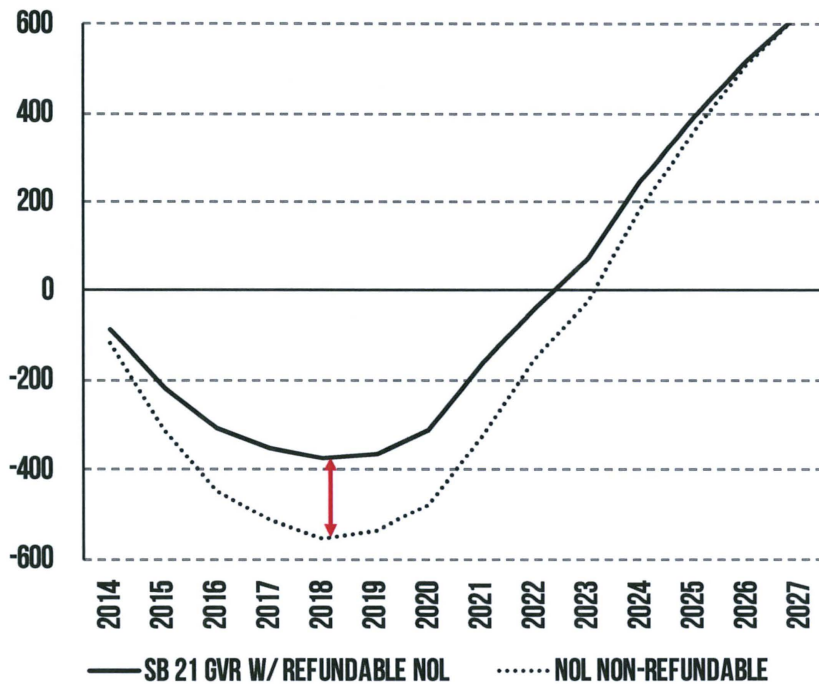
REFUNDABILITY LIMIT FOCUSED ON FUTURE LIABILITIES

Impact of low (\$25mm) refundable credit limit is to lower IRR / raise target price to meet hurdle IRR

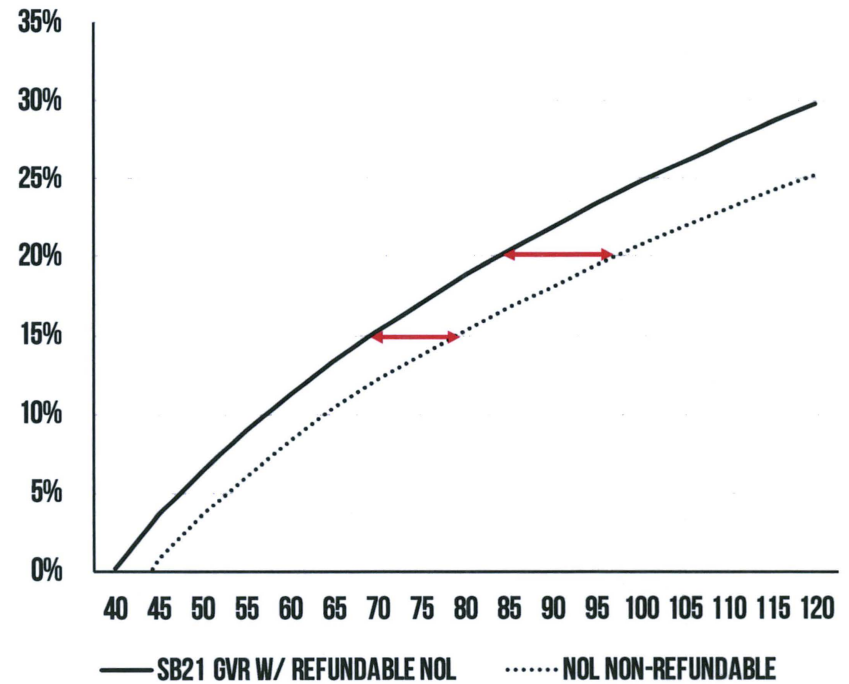
Near-Kuparak-sized new development could easily incur >\$2bn in NOL credits in development years

High \$200mm limit avoids impacts on current investments, while protecting against such 'outliers'

CUMULATIVE CASHFLOW (\$70/BBL)



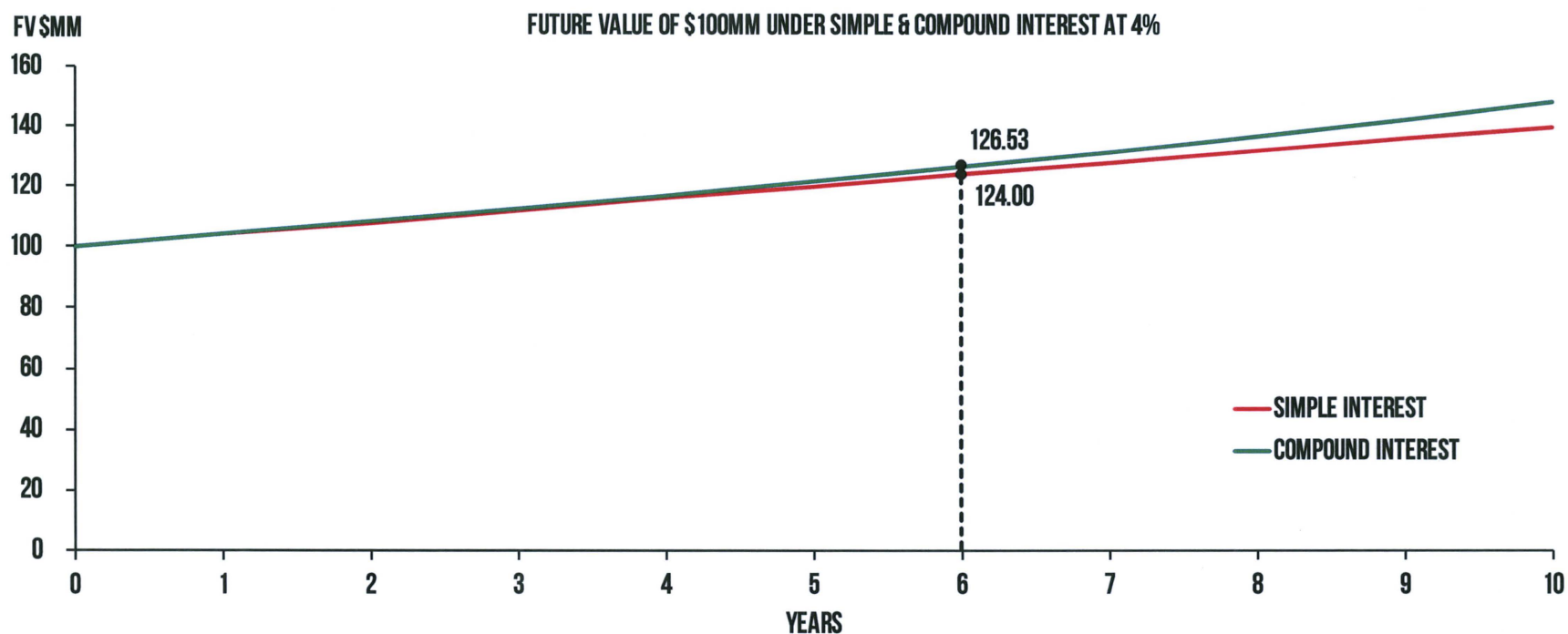
IRR SENSITIVITY



COMPOUND INTEREST AND CREDIT WITHHOLDING

Move to compound interest **increases penalty for delinquent taxes** only **marginally** at current rates

Taxpayers with outstanding liabilities related to oil & gas production have that **liability withheld from any refundable credit** certificate



REDUCTION IN COOK INLET SPENDING SUPPORT

Currently 3 credits in Cook Inlet

- 25% NOL credit for carried-forward annual loss, 'stackable' with either:
- 20% QCE credit for all qualified capital lease expenditures; or
- 40% WLE credit for well-related capital lease expenditures

On average, roughly **55% support for spending** under **status quo**

Under CS, 10% NOL credit for carried-forward annual loss, 'stackable' with 20% QCE credit

WLE credit reduced to 30% in 2017, effectively phased out after that point

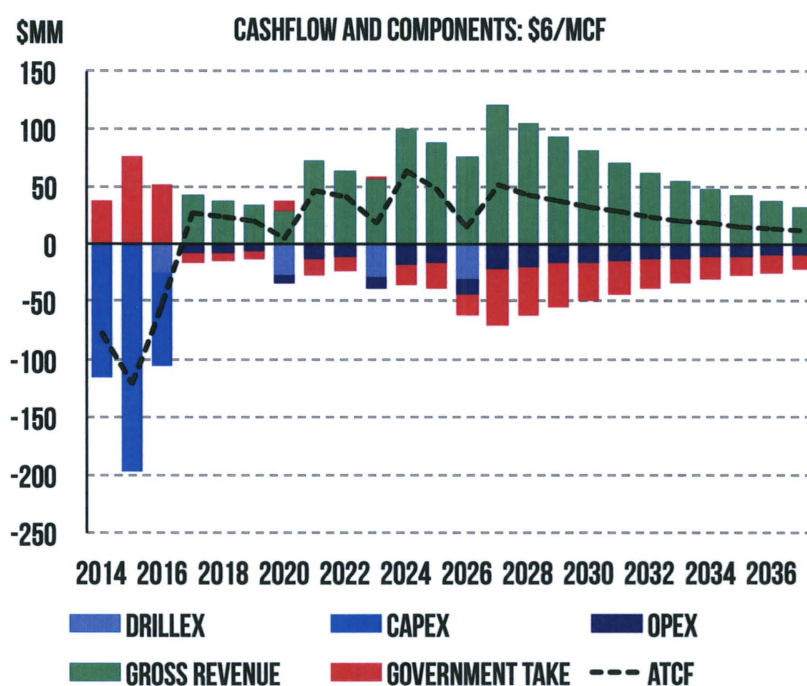
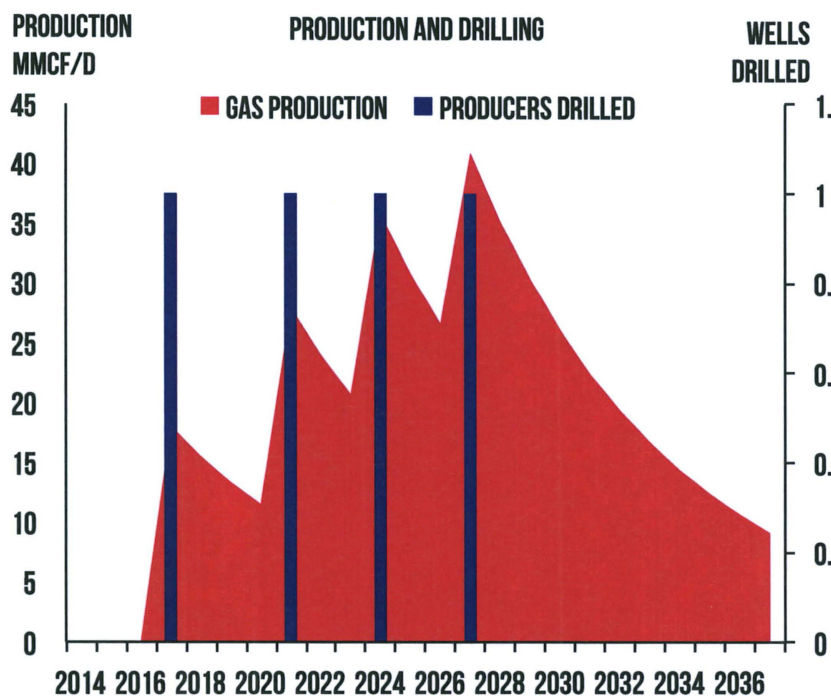
Effect is to:

- **reduce spending support to 30%** (vs 55% under status quo 25% in original bill) for new developments
- **reduce spending support to 20%** (vs 30% under status quo, 0% in original bill) for current production

COOK INLET #1: MARKET CONSTRAINED (ASSUMPTIONS)

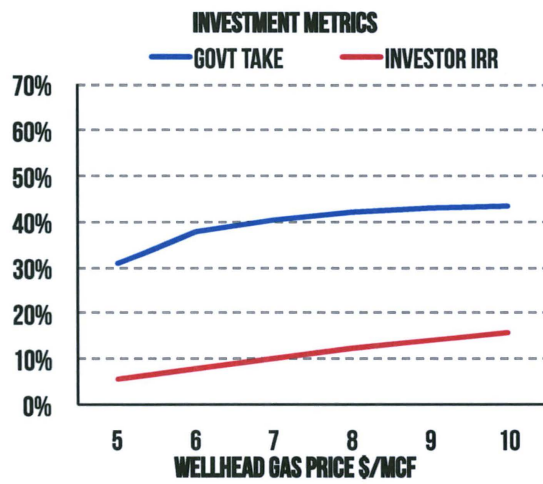
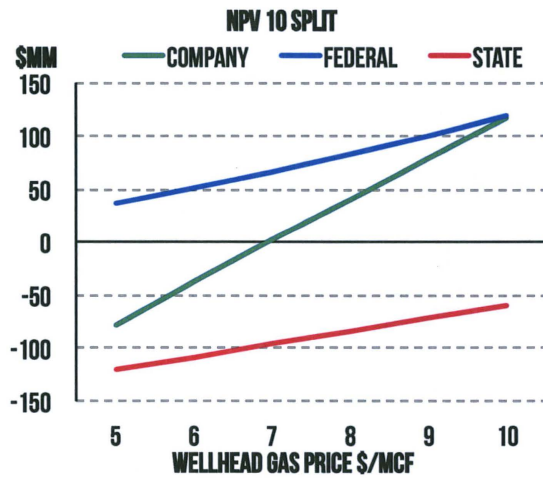
Large upfront investment but constrained gas market

Limited ability to sell gas: can only drill a well every few years

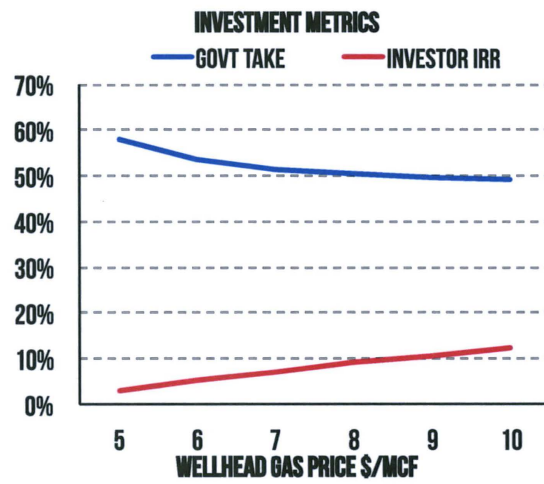
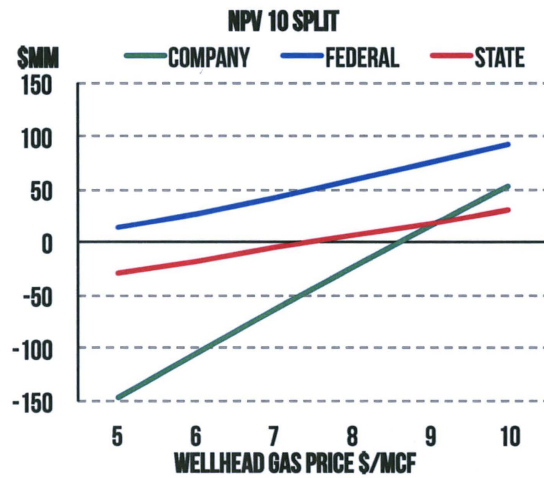


COOK INLET #1: MARKET CONSTRAINED (RESULTS)

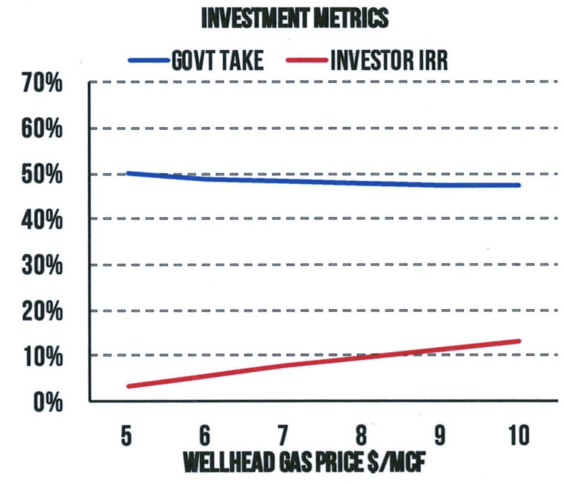
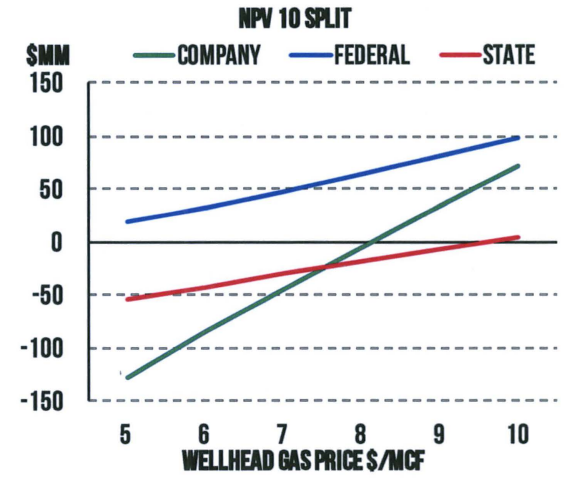
STATUS QUO



HB 247: NOL ONLY



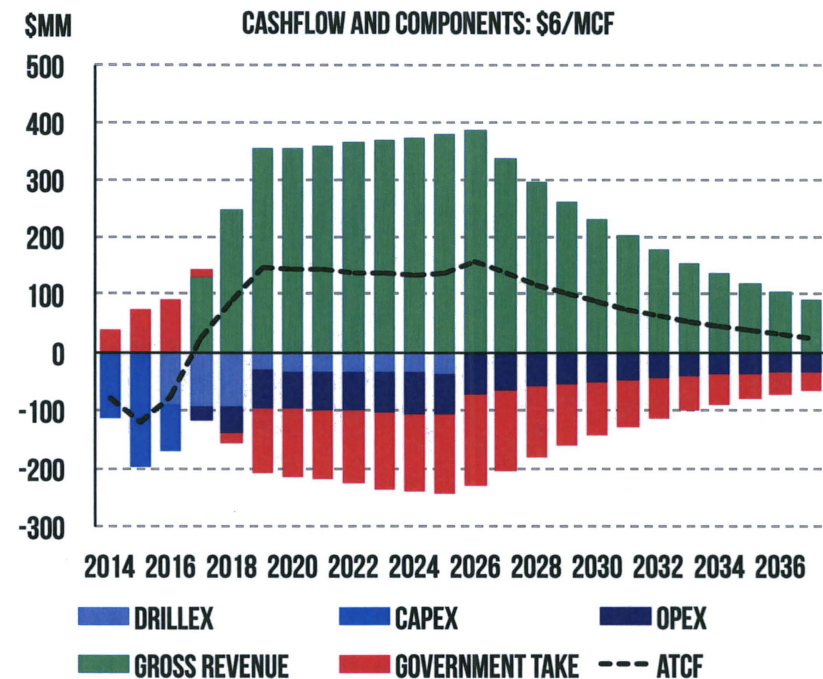
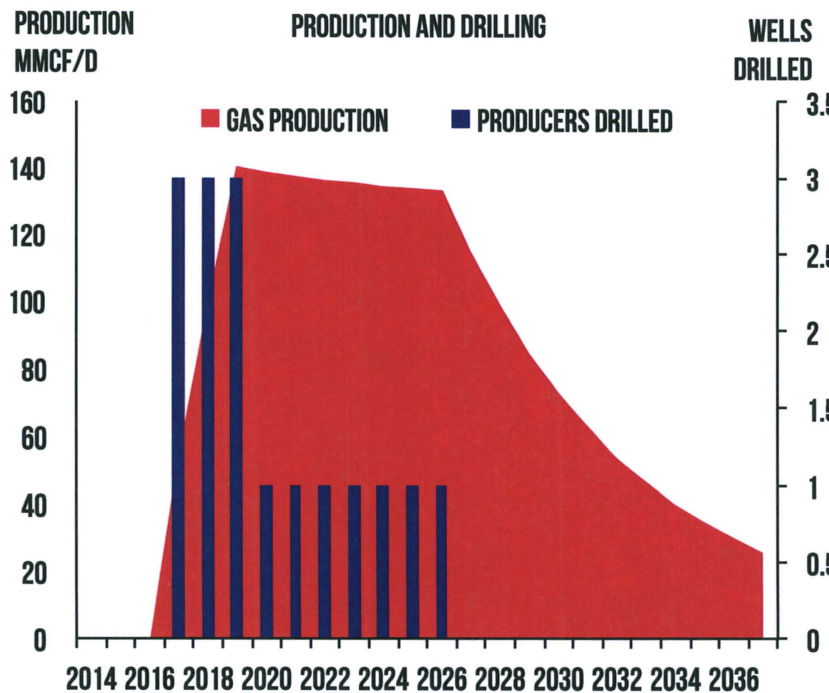
CS HB247: 10% NOL. 20% CAP



COOK INLET #2: UN-CONSTRAINED (ASSUMPTIONS)

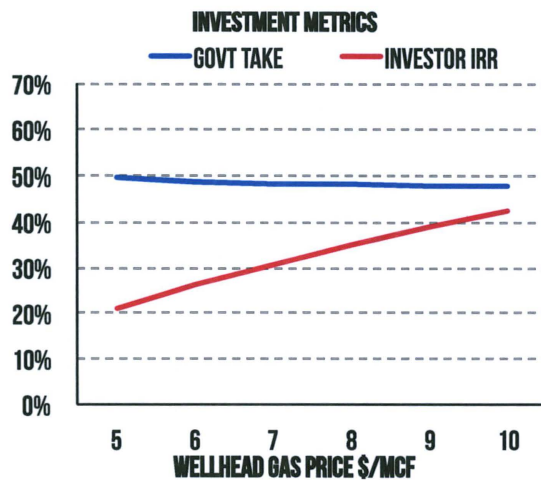
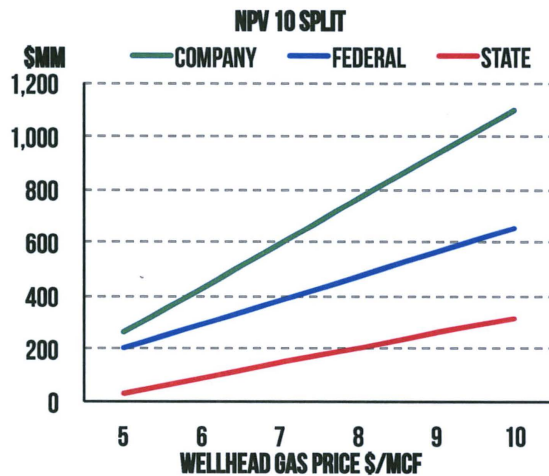
Large upfront investment but un-constrained gas market

Continued drilling lead to a plateau of 130 mmcf/d

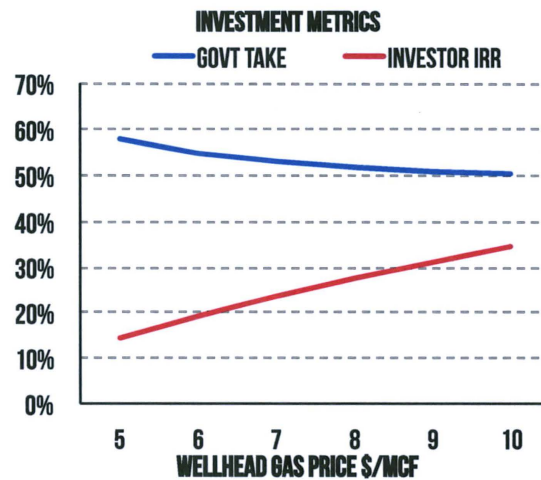
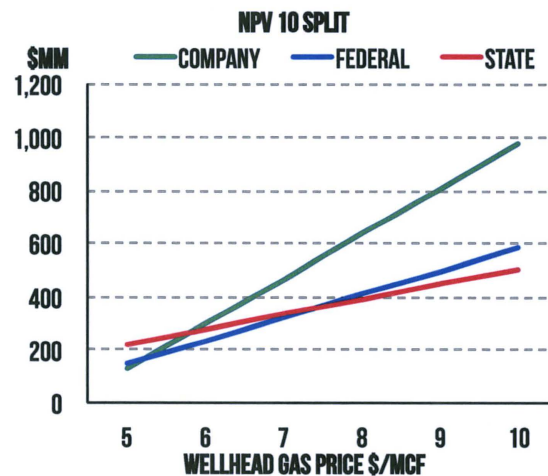


COOK INLET #2: UN-CONSTRAINED (RESULTS)

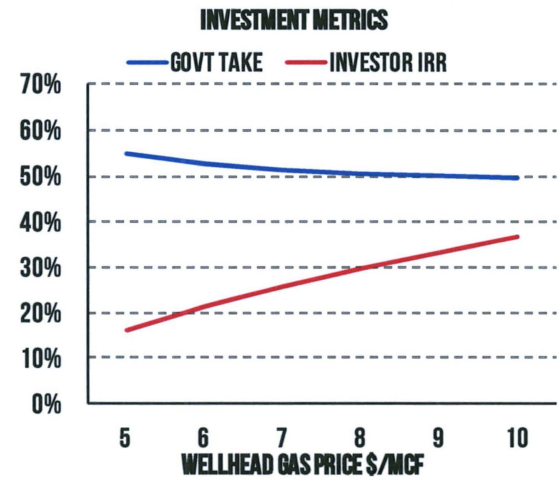
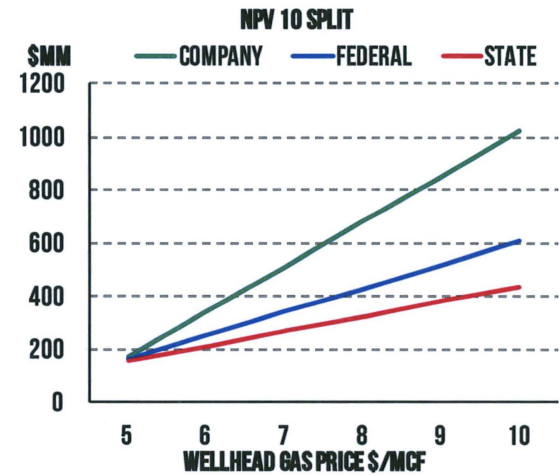
STATUS QUO



HB 247: NOL ONLY



CS HB247: 10% NOL. 20% CAP

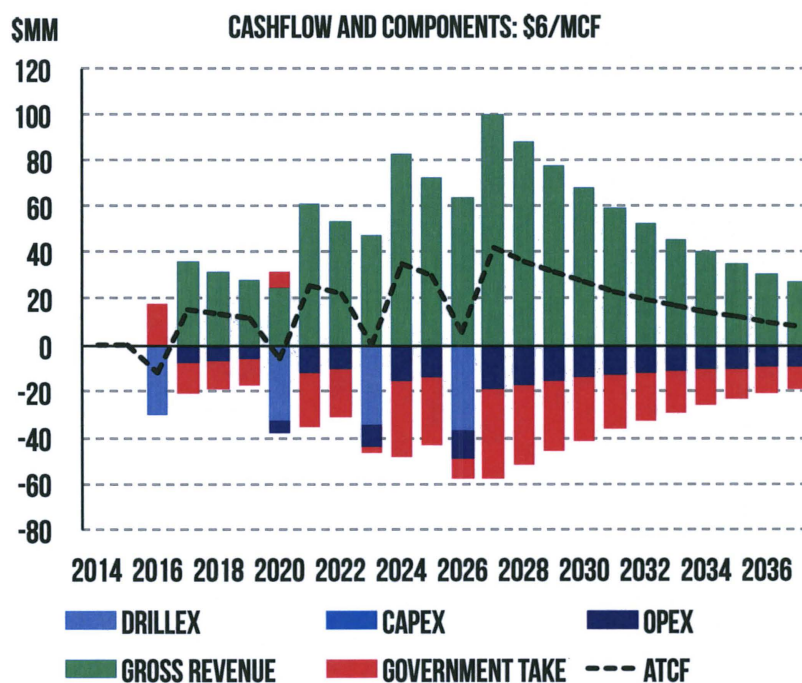
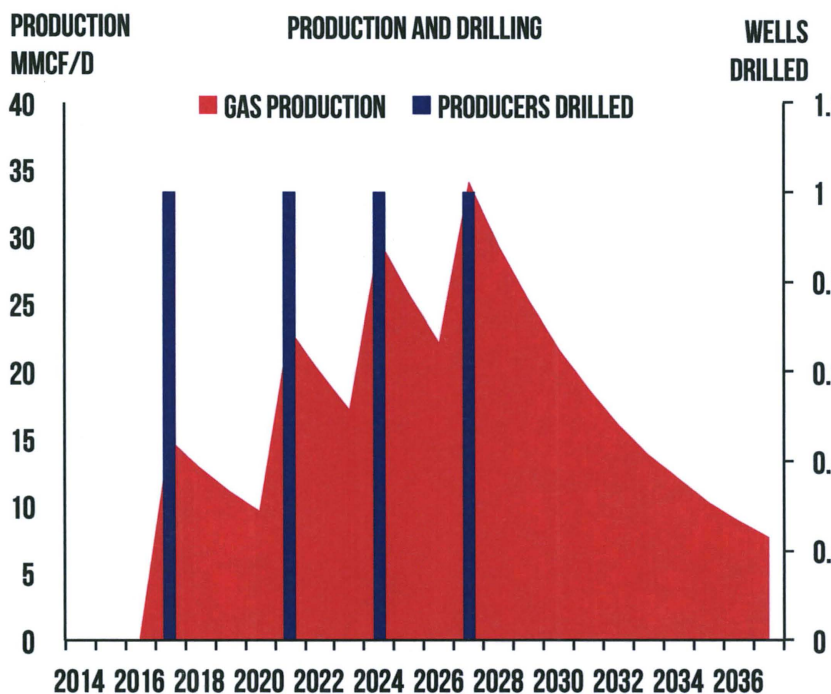


COOK INLET #3: DRILLING EXISTING FIELD (ASSUMPTIONS)

Drilling expenditures at existing production—smaller upfront investment

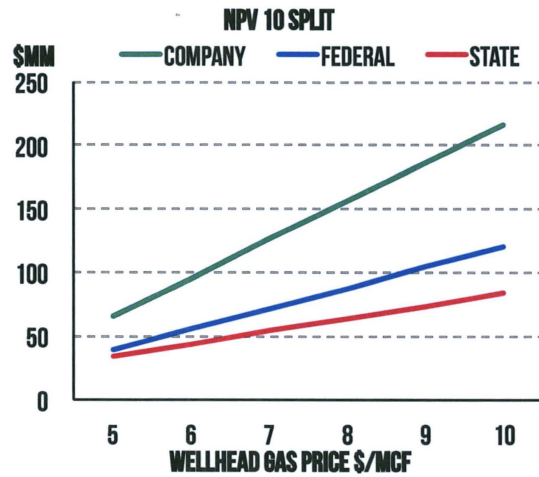
No market constrains assumed

This is a point-forward analysis—it ignores sunk, entry or acquisition costs

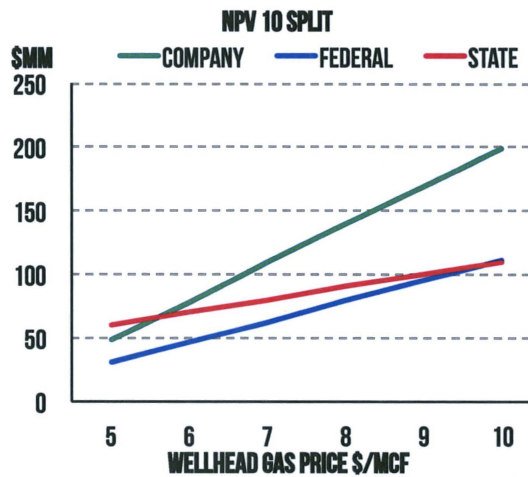


COOK INLET #3: DRILLING EXISTING FIELD (RESULTS)

STATUS QUO



HB 247: NO CREDITS



CS HB247: 20% CAP

