

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3087

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

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

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

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

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

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5-5-06

Amendment: # 16
to amend

MEMBER

Favor

Oppose

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

4 7

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5-5-06

Amendment: #16

MEMBER

Favor

Oppose

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

7 4

Withdrawal

24-GS2052N.7
Chenoweth
5/5/06

#17

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

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

1 Page 10, line 25:

2 Delete "July 1"

3 Insert "January 1"

4

5 Page 11, line 1:

6 Delete "July 1"

7 Insert "January 1"

8

9 Page 11, line 2:

10 Delete "July 1"

11 Insert "January 1"

12

13 Page 11, line 3:

14 Delete "July 1"

15 Insert "January 1"

16

17 Page 11, line 4:

18 Delete "July 1"

19 Insert "January 1"

20

21 Page 11, line 7:

22 Delete "July 1"

23 Insert "January 1"

24

1 Page 11, line 8:

2 Delete "July 1"

3 Insert "January 1"

4

5 Page 11, line 23:

6 Delete "July 31, 2013"

7 Insert "January 31, 2013"

8

9 Page 11, line 28:

10 Delete "July 1"

11 Insert "January 1"

12

13 Page 21, line 5:

14 Delete "July 1"

15 Insert "January 1"

16

17 Page 23, line 29:

18 Delete "July 1"

19 Insert "January 1"

20

21 Page 24, line 1:

22 Delete "July 1"

23 Insert "January 1"

24

25 Page 25, line 1:

26 Delete "July 1"

27 Insert "January 1"

28

29 Page 26, line 31:

30 Delete "July 1"

31 Insert "January 1"

1

2 Page 27, line 2:

3 Delete "\$6,000,000"

4 Insert "\$12,000,000"

5

6 Page 27, line 4:

7 Delete "July 1"

8 Insert "January 1"

9

10 Page 27, line 9:

11 Delete "July 1"

12 Insert "January 1"

13

14 Page 32, line 18:

15 Delete "July 1"

16 Insert "January 1"

17

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

19 Delete all material.

20

21 Reletter the following subsections accordingly.

22

23 Page 33, following line 17:

24 Insert "TRANSITIONAL PROVISIONS."

25

26 Page 33, line 19:

27 Delete "July 1"

28 Insert "January 1"

29

30 Page 33, line 22:

31 Delete "July 1"

1 Insert "January 1"

2

3 Page 33, line 26:

4 Delete "June 30, 2006"

5 Insert "December 31, 2005"

6

7 Page 34, line 4:

8 Delete "July 1"

9 Insert "January 1"

10

11 Page 34, line 8:

12 Delete "(g)(1)"

13 Insert "(b)(1)"

14

15 Page 34, line 9:

16 Delete "June 30, 2006"

17 Insert "December 31, 2005"

18

19 Page 34, line 10:

20 Delete "(g)(2)"

21 Insert "(b)(2)"

22

23 Page 34, line 14:

24 Delete "July 1"

25 Insert "January 1"

26

27 Page 34, line 17:

28 Delete "June 30, 2006"

29 Insert "December 31, 2005"

30

31 Page 34, line 26:

1 Delete "July 1"

2 Insert "January 1"

3

4 Page 34, line 28:

5 Delete "(i)(1)"

6 Insert "(d)(1)"

7

8 Page 34, lines 29 - 30:

9 Delete "June 30, 2006"

10 Insert "December 31, 2005"

11

12 Page 34, line 31:

13 Delete "(i)(2)"

14 Insert "(d)(2)"

15

16 Page 35, line 3:

17 Delete "(g)(1)"

18 Insert "(b)(1)"

19

20 Page 35, line 4:

21 Delete "(h)(1)"

22 Insert "(c)(1)"

23

24 Page 35, lines 5 - 6:

25 Delete "June 30, 2006"

26 Insert "December 31, 2005"

27

28 Page 35, line 16:

29 Delete "July 1"

30 Insert "January 1"

31

1 Page 36, lines 2 - 5:

2 Delete all material and insert:

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

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

#18

24-GS2052N.9
Chenoweth
5/5/06

Failed 4-7

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

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

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

[30]

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5/5/06

Amendment: # 18
amend + amend

MEMBER

Favor

Oppose

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

2 - 9

HOUSE FINANCE COMMITTEE ROLL CALL

DATE: 5/5/06

Amendment: # 10

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

4 7

#19

Withdrawn

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

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

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

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

5

6 Page 2, following line 25:

7 Insert a new bill section to read:

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

9 (b) The board may

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

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

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

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

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

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

5 Renumber the following bill sections accordingly.

6
7 Page 12, following line 17:

8 Insert a new subsection to read:

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

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

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

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

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

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

27
28 Reletter the following subsection accordingly.

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

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

24-GS2052N.14
Chenoweth
5/5/06

20
2006
SH

Held

AMENDMENT

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

1 Page 3, lines 28 - 30:

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

5 Insert "The tax is equal to

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

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

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

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

OR property
for the
12 month
period
ending

or properties

For the 12 month
period ending

leases or properties

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

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

7 Page 4, line 28:

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

9 Insert "The"

10
11 Page 5, lines 7 - 26:

12 Delete all material and insert:

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

19 Page 20, lines 6 - 8:

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

206

h

*Notes
Subcommittee*

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

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault *for*
R. Steberg

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

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

2 Delete all material and insert the following new material:

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

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

10 Page 5, lines 7 - 26:

11 Delete all material and insert the following new material:

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

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

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

10 Page 20, lines 2 - 11:

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

19 Page 22, line 11:

20 Delete "."

21 Insert the following material:

22 ";

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

Failed 3-8

21

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

Kerthula

TO: HCS CSSB 305(FIN) Version N

Page 3, lines 25-30:

Delete all material and insert:

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

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

Delete all material and insert:

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

Page 20, lines 8-10:

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

Page 26, line 6:

Insert a new subsection (j) to read:

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

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

Renumber the following subsection accordingly.

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: # 21

MEMBER

Favor

Oppose

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

3 - 0

Failed 4-6

22

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

Ker Hule

TO: HCS CSSB 305(FIN) Version N

Page 20, line 4:

Delete "(A)"

Page 20, lines 8-10:

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: # 22

MEMBER

Favor

Oppose

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

4 6

withdrawn

23

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KerHula*

TO: HCS CSSB 305(FIN) Version N

Page 19, lines 5-30:

Delete all material.

Failed 2-7

24

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

KF-Hule

TO: HCS CSSB 305(FIN) Version N

Page 9, line 8:

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

Page 20, line 12:

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

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

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

2 ✓ 7

withdrawn

25

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

Ker Holen

TO: HCS CSSB 305(FIN) Version N

Page-36, line 4:

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

Failed 3-6

26

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kerr Hull*

TO: HCS CSSB 305(FIN) Version N

Add a new section to AS 43.55 to read:

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

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: #26

MEMBER

Favor

Oppose

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

3 6

Failed

AMENDMENT

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

Page 4, line 31:

Following "section." insert:

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

Page 29, following line 19:

Insert new Sec. 43.55.420:

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

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

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: # 27

MEMBER

Favor

Oppose

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5

Amendment: 23

MEMBER

Favor

Oppose

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

Saved

28

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KerHule*

TO: HCS CSSB 305(FIN) Version N

Page 23, lines 16-18 :

Delete:

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

And insert:

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

AMENDMENT

failed
2-8

29

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

BY REPRESENTATIVE *Kethula*

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

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

Page 22, lines 14-23:

- Delete all material; and insert:

"(A) production supplies;

(B) purchased fuel;

(C) routine maintenance;

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

and

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

Page 22, line 25:

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

Renumber the following subparagraphs accordingly.

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

Delete all material; and insert:

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: 29

MEMBER

Favor

Oppose

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

Failed

30

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kerthule*

TO: HCS CSSB 305(FIN) Version N

Page 22, lines 9-11:

Delete all material.

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/06

Amendment: 30

MEMBER

Favor

Oppose

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

w/D

31

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KE-HUL*

TO: HCS CSSB 305(FIN) Version N

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

* Delete all material and insert:

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

W/D

32

AMENDMENT

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

Page 22, lines 20-23:

Delete all material.

Page 22, line 25

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

Renumber the following subparagraphs accordingly.

W/D

33

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Ker-Hule*

TO: HCS CSSB 305(FIN) Version N

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

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

Failed
27

34

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Kr-Hul*

TO: HCS CSSB 305(FIN) Version N

Page 7, lines 27-29:

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

Page 8, line 1:

After "expenditure may" delete "also"

Page 12, line 20:

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/00

Amendment: 34

MEMBER

Favor

Oppose

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5/

Amendment: 35

MEMBER

Favor

Oppose

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

failed

35

AMENDMENT

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

Add a new section to AS 43.55 as follows:

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

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

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/5

Amendment: 34

MEMBER

Favor

Oppose

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

failed

36

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE *KE-HUL*

TO: HCS CSSB 305(FIN) Version N

Insert a new section to read:

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

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

Hold
New AMENDMENT ~~#34~~

37a dr

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

Page 12, line 1

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

Page 24, after line 6

Insert a new subsection to read:

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

Held
New AMENDMENT

~~#38~~

38a
sk

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

BY REPRESENTATIVE KERTTULA

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

2 Delete all material.

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

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

15 Delete all material.

16 Insert:

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

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

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

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

25 AS 38.05.180(j); or

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

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

A M E N D M E N T

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

BY REPRESENTATIVE KERTTULA

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

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

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

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

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

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

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

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

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

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

A M E N D M E N T

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

BY REPRESENTATIVE KERTTULA

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

AMENDMENT

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

BY REPRESENTATIVE KERTTULA

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

A M E N D M E N T

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

BY REPRESENTATIVE KERTTULA

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

A M E N D M E N T

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

BY REPRESENTATIVE KERTTULA

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

A M E N D M E N T

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

BY REPRESENTATIVE KERTTULA

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

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

7 (2) if for an exploration well,

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

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

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

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

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

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

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

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

AMENDMENT

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

BY REPRESENTATIVE KERTTULA

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

WID

39

24-GS2052N
5/5/06

AMENDMENT

REPRESENTATIVE KELLY

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

1 Page 22, lines 20 – 23

Delete all material

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

38(b)

24-GS2052N.19
Chenoweth
5/5/06

*failed
3-8*

AMENDMENT

OFFERED IN THE HOUSE

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

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

2 Delete all material.

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

13

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

15 Delete all material and insert:

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

17 (d) The commission may require

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

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

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

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

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

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

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

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

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

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

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

26 (A) to

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

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

31 (iii) minimize the adverse affects of exploration.

1 development, production, and transportation activity; or

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

3 and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 AS 43.55.012.

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

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

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

5 (1) 25 percent; or

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

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

9 of

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

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

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

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

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

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

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

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

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

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

2 and

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

4 and

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

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

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

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

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

19 and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (1) may not approve a tax reduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (2) if for an exploration well,

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

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

30 and

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

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

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

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 386

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

3- 8

Withdrawn

41

24-GS2052N.16
Chenoweth
5/5/06

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

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

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

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

4

5 Page 2, following line 25:

6 Insert a new bill section to read:

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

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

16

17 Renumber the following bill sections accordingly.

18

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

21 Page 2, line 13 and 22:

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

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

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

42

*failed
2-9*

24-GS2052N.21
Chenoweth
5/6/06

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

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

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

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

Note

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5-6-06

Amendment: 42

MEMBER

Favor

Oppose

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

2-

9

Withdrawn

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

AMENDMENT

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

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

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

5
6 Page 2, following line 25:

7 Insert a new bill section to read:

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

9 (b) The board may

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

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

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

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

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

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

5 Renumber the following bill sections accordingly.

6
7 Page 12, following line 17:

8 Insert a new subsection to read:

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

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

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

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

22 (4) the applicant

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

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

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

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

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

11

12 Reletter the following subsection accordingly.

13

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

withdrawn

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

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE WEYHRAUCH

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

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

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

5
6 Page 2, following line 25:

7 Insert a new bill section to read:

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

9 (b) The board may

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

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

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

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

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

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

5 Renumber the following bill sections accordingly.
 6

7 Page 12, following line 17:

8 Insert a new subsection to read:

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

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

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

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

22 (4) the applicant

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

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

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

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

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

Reletter the following subsection accordingly.

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

Withdrawn

44

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

AMENDMENT

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

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

**HOUSE FINANCE
COMMITTEE
ROLL CALL**

DATE: 5-6-04

Moved from Committee
Amendment: SB 305

MEMBER

Favor

Oppose

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

9 - 2

COMPARISON OF PPT BILL VERSIONS--HIGHLIGHTS

DRAFT 5/4/06 4:00pm.

5/4/2006

source: DOR

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

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

5 yr lookback
lookback 5 yr in up
claw back

does not - last credit
beginning of production

based on revised numbers
work on it for 30
small company

SEC 40 - impossible