

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3105

RES, Section 28

FIN, Section 32

AS 43.55.900(7)

“gross value at the point of production”

means

for , the value . . . at the . . . meter . . . in .

..

for . . . the value . . . where . . . metered

[]

RES, Section 20

FIN, Section 24

AS 43.55.150(a)

... gross value at the point of production is
calculated using the reasonable

...

RES, Section 21

AS 43.55.150(d)

if the commissioner completes a detailed fiscal analysis and determines . . . the long-term fiscal interests of the state [would be served] . . . the department. . . . gross value [to be calculated based upon

] royalty . . . valuation [or] another
a value

FIN, Section 25

AS 43.55.150(d)

... the department
. gross value [to be calculated based upon
] royalty ... valuation [or]
another a
value

RES, Section 22

FIN, Section 26

AS 43.55.160(c)

... lease expenditures ... are the costs
of the point of production ... on
or after April 1/ , 2006 ... that are the
costs of
oil
or gas ... in the state.

RES Section 22

AS 43.55.160(c) (continued)

In determining . . . [. . .] costs . . . the department shall give substantial weight . . . to typical . . . as to [billable] costs . . . under . . . and [. . .].

FIN Section 26

AS 43.55.160(c) (continued)

This CS gives _____ to industry practices and standards. DNR's net profit share lease regulations are looked to only if industry practices and standards

or

Section 22/26

AS 43.55.160(d) provides specific examples of, and exclusions from, “direct costs”

- FIN CS adds “ ” to exclusion of depreciation/amortization
- FIN CS clarifies language of several exclusions
- FIN CS deletes RES CS exclusion for “disuse,” dismantlement, restoration, etc.

Section 22/26 (cont.)

- FIN CS retains RES CS fair market rule for non-arm's length transactions but RES language referring to IRS provisions
- Note: fair market rule for *adjustments* to lease expenditures is moved from subsec. (A) to
- FIN CS deletes RES CS treatment of

RES, Section 22

AS 43.55.160(g)

... a producer that is ... and produces
under 55,000 BOE/day may reduce the net value
by ... equal to the
following fraction of the production tax value:

$(5,000 - 0.2 * [\text{average daily production} - 5,000]) \div$
 $\text{average daily production}$

RES, Section 22

AS 43.55.160(h) – producer's qualification for an allowance. Expires 12/31/2013.

This is an anti-splitting provision to prevent abuse of the *per producer* allowance under AS 43.55.160(g).

It is essentially the same anti-splitting provision that is in sec. 21 of the original bill, for the \$73 million *per producer* allowance.

FIN, Sec. 26 (cont.)

Allowance provision in RES CS version
(AS 43.55.160(g) & (h)) is replaced with a new
provision in FIN CS (AS 43.55.170)

Credit = _____ of up
to _____ of production

Up to \$14 million/yr, non-transferable, not
carried forward, expires 2016.

FIN, Sec. 26 (cont.)

Credit provision of AS 43.55.170
has essentially the same *anti-
splitting provision* as the
Governor's bill and the RES CS

AS 43.55.170(c)

FIN, Section 36

Department of Revenue is directed to the effects of the AS 43.55.170 credit on exploration, encouraging new entrants, etc., and by 2015, including recommending whether to extend credit provision.

RES, Section 13

AS 43.55.024(a)

... a producer ... that incurs a
... may ... elect ... to
take a ... in the amount of
of that expenditure.

FIN, Section 12

AS 43.55.024(a)

... a producer ... that incurs a
... may ... elect ... to
take a ... in the amount of
of that expenditure.

[

]

Section 12/13 (cont.)

AS 43.55.024(h)(2)

“qualified capital expenditure” does not include an expenditure incurred . . . for . . . an extended period of disuse, dismantlement, removal . . . or abandonment . . . or for the restoration of a lease, field, [etc.]

Section 12/13 (cont.)

AS 43.55.024(b)

A producer . . . may elect to take a . . . of 25 / . . . of a carried-forward [which is the amount of a previous year's that were because they would have reduced the production tax value of the oil and gas below zero].

Section 12/13 (cont.)

AS 43.55.024(d) – (f)

A producer entitled to a tax credit may apply to the Dep't of Revenue for a Once issued, a certificate may be used for its face value, but a transferee may not apply a certificate to reduce its tax liability by more than during a calendar year.

Section 12/13 (cont.)

AS 43.55.024(i) – nontransferable credit for transitional investment expenditures

... transitional investment expenditures
[TIE] are ... [incurred
4 4] [/2001 through
/2006] ... less ... [proceeds from] the
... acquired ... as a result of
[those] capital expenditures

Section 12/13 (cont.)

AS 43.55.024(i) (cont.)

- a producer may . . . take a tax credit . . . of 20 percent of the producer's [TIE] but only [up to] one-half of the producer's qualified capital expenditures . . . during the month
- credits are non-transferable
- credit provision expires April 1 [], 2013

FIN, Sections 13-17

AS 43.55.025 (from SB 185)

The FIN CS

- extends the sunset for these exploration credits to
- fixes an ambiguity re: \$20 million cap for Cook Inlet
- makes conforming amendments

RES, Sections 7, 12

AS 43.55.020(a) and (g)

- 95 percent of principal production tax (AS 43.55.011(e)), net of credits, due each month. Remaining portion due at end of next calendar quarter.
- 100 percent of tax on lessor royalty interest (AS 43.55.011(f)) due each month.
- Bill does not specify payment of progressive-rate oil tax (AS 43.55.011(g)).

FIN, Section 7

AS 43.55.020(a)

95 percent of production tax (AS 43.55.011(e)-(g)), net of credits, due each month. Remaining portion due

FIN, Section 11

AS 43.55.020(f) - "Prevailing value"

The Governor's bill clarified that prevailing value applies where there is of oil or gas. The FIN CS also clarifies that where there is a sale, prevailing value may be calculated for the when that makes more sense than the month during which the oil or gas was produced.

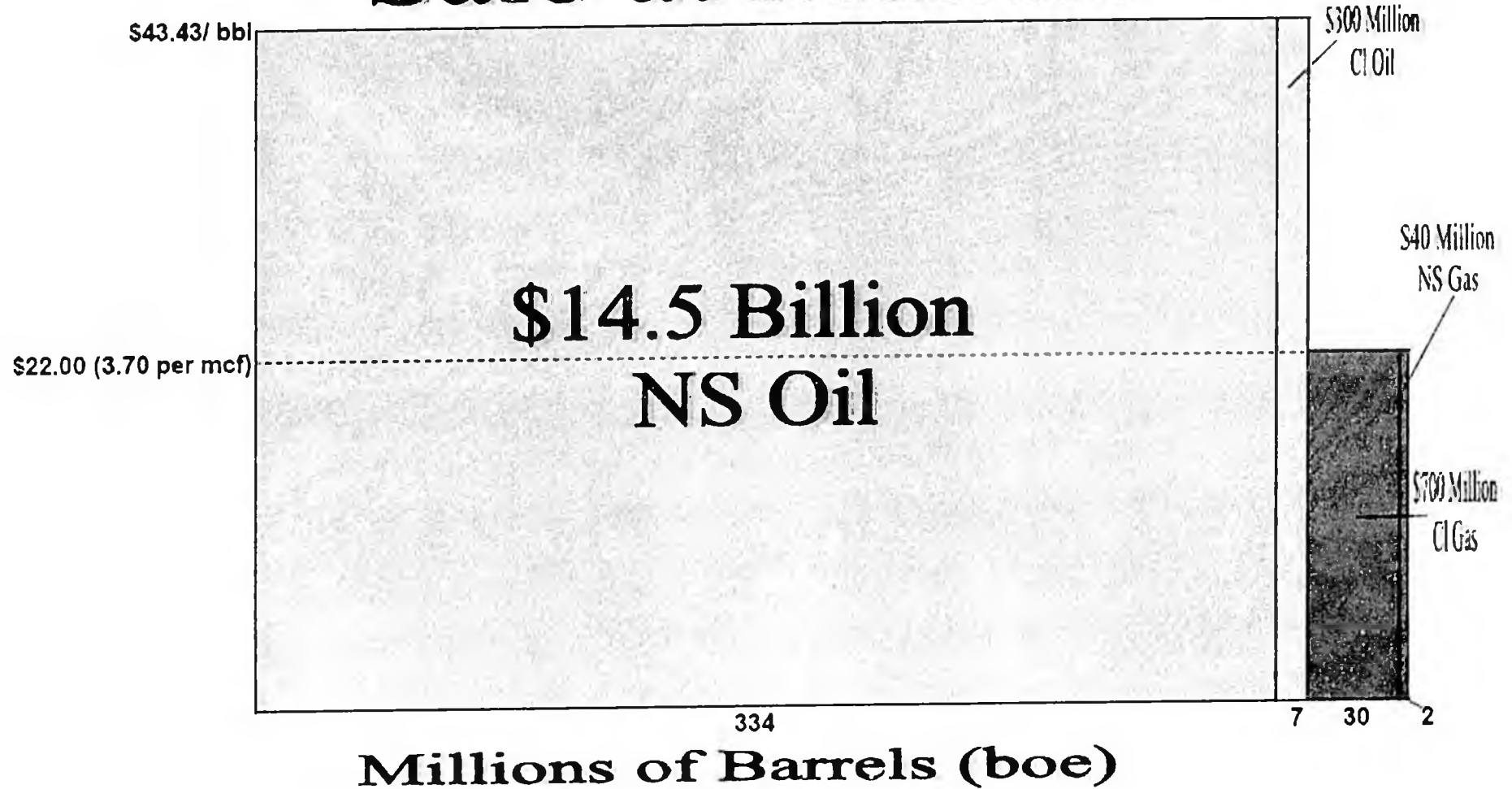
And finally . . .

RES Section 25, FIN Section 29

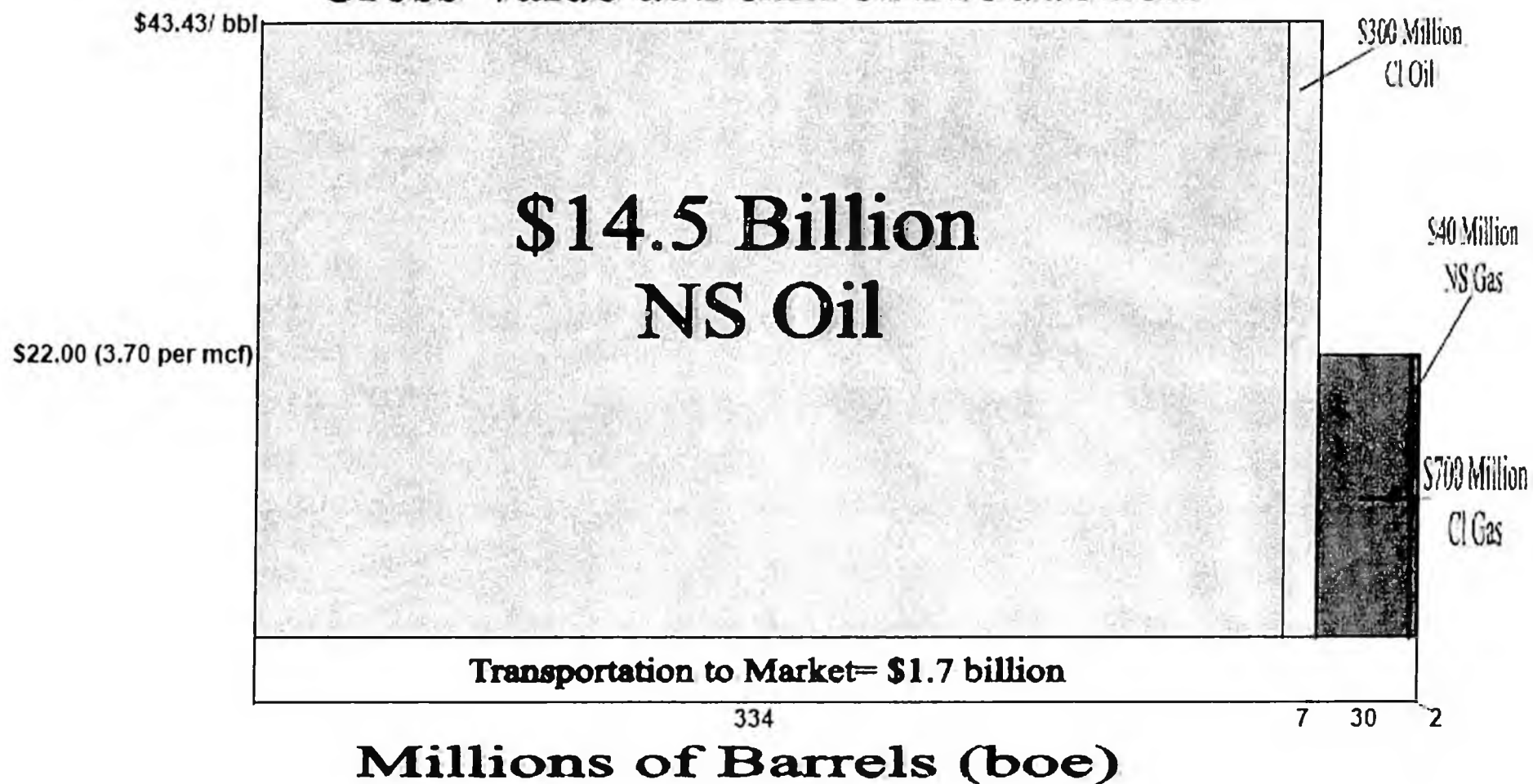
The RES CS increased the oil conservation surcharge under AS 43.55.300 from 3 cents per barrel to 5 cents.

The FIN CS increases it from 3 cents per barrel to

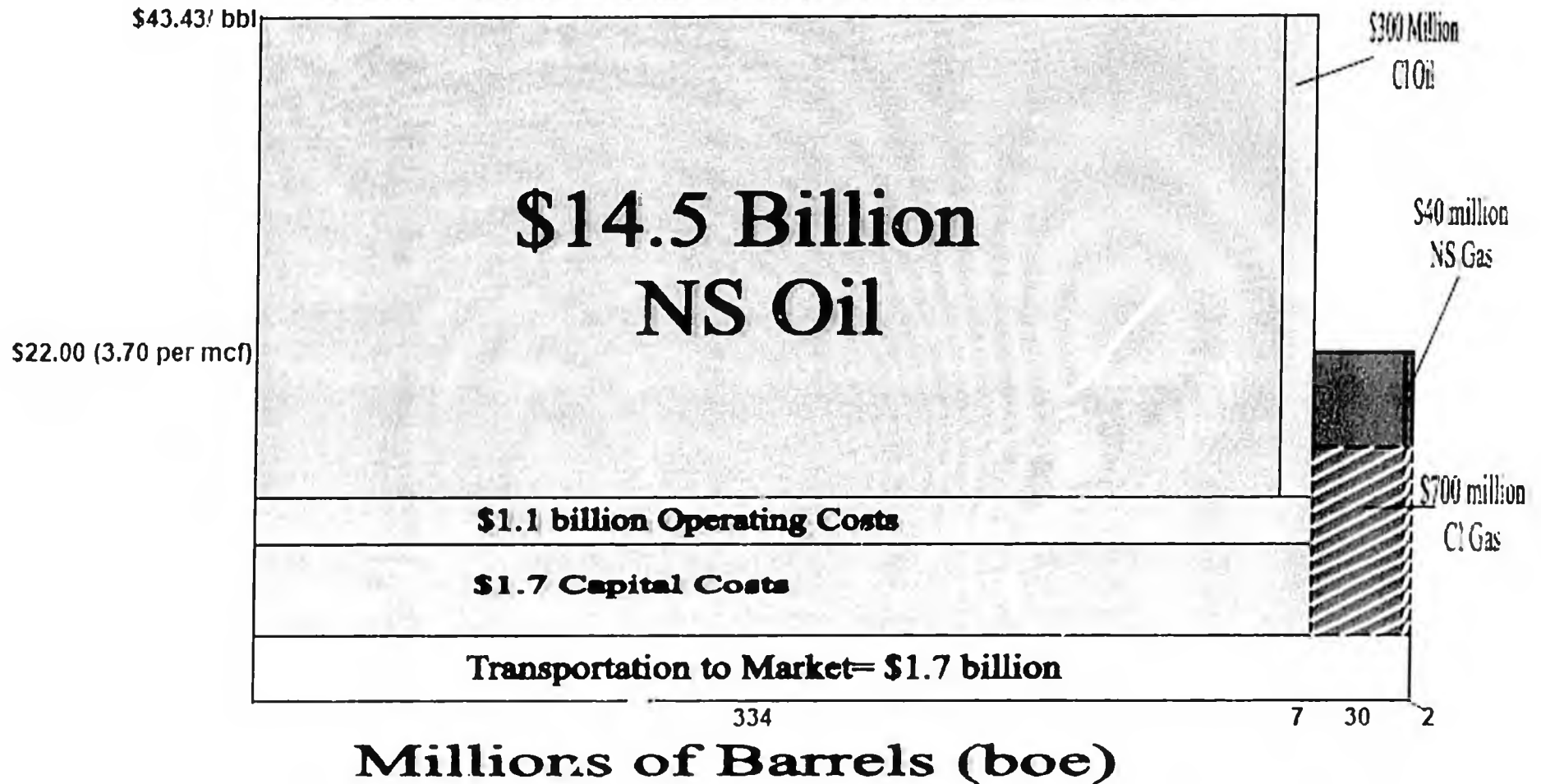
Sale at Market



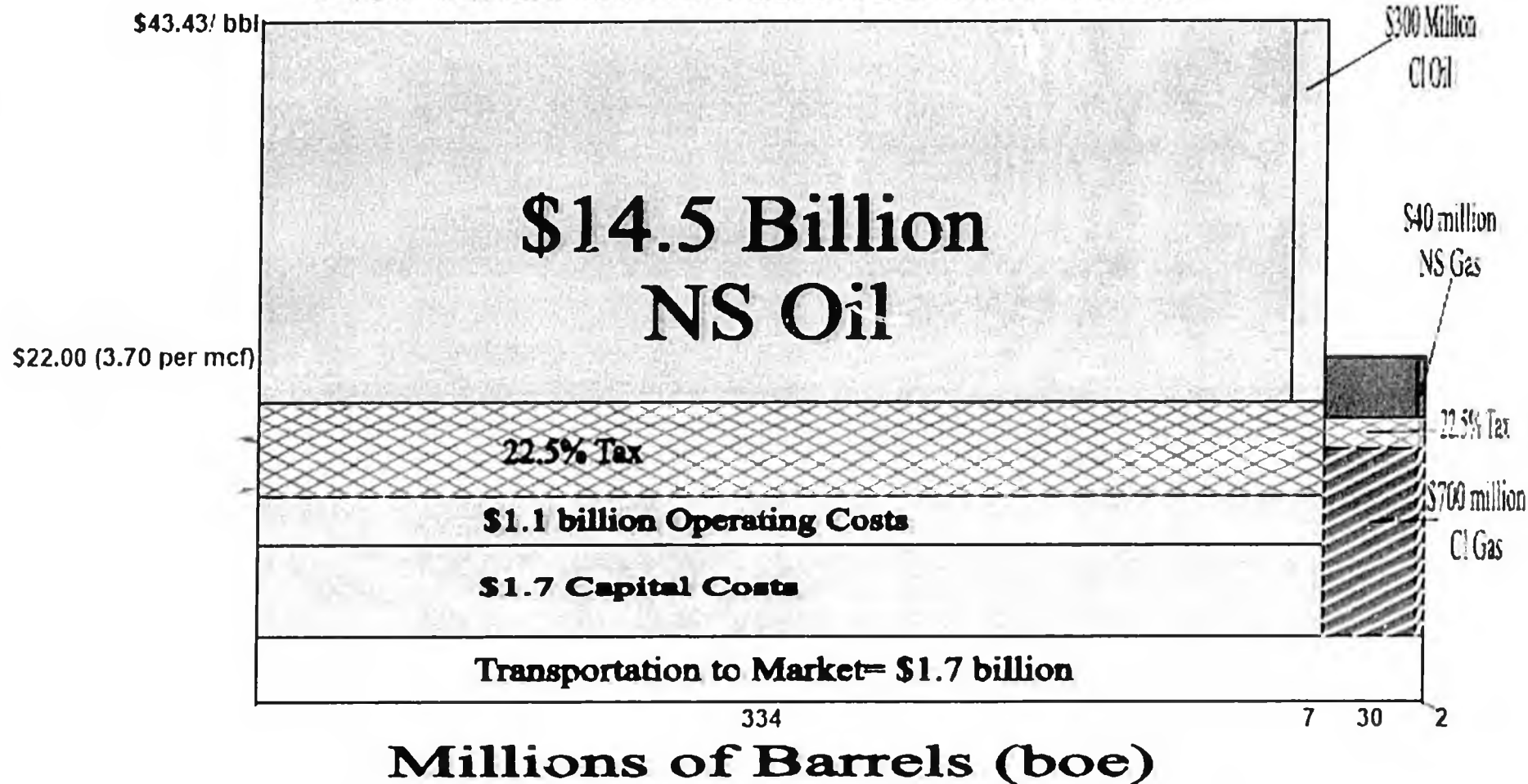
Gross Value at Point of Production



Net Value or Production Tax Value



Net Value or Production Tax Value



Tax Before Credits

2.4 billion

Tax After Credits

Tax After Credits 1.7 billion

5,000 bbl equivalent credit 8 users at max of 14 million = 112 million

TIE credit $1.7 \times .5 \times .2 = 170$ million

$1.7b \times .25 = 425$ million Qualified Capital Expenditure Credits

Tax After Credits

Tax After Credits 1.7 billion

5,000 bbl equivalent credit 8 users at max of 14 million = 112 million

ITB credit $1.7 \times .5 \times .2 = 170$ million

$1.7b \times .25 = 425$ million Qualified Capital Expenditure Credits

Tax Under Status Quo ~ .9 billion

SB

305

(FILE 3)

SFIN

FILE

Senate Finance Committee
SB 305
AMENDMENTS

4/21

4/22

AMEND #	SPONSOR	TOPIC	MOVED	OBJECT	AMEND	VOTE	ADOPT
#1	Green	\ P.5					✓
#2	↓	\ P.1					✓
#3		gas processing plant		not offered		defer to #7	
#4		Wilken	\ P.4 5¢				✓
#5	Bunde	April 1		Withdrawn		defer to #6	
#6	Hoffman + Bunde	\ P.3 April 1				5-2	✓
#7	Green	credits for gas treatment facilities				Amended 2x	✓
#8	Hoffman	\ P.6 Progressivity				4-3	✓
#9	Hoffman	\ P.10					
#10	Dyson	\ P.12 Cookinlet					✓
#12	Wilken	\ P.13 abandonment				5-2	✓
#12	↓	\ P.14 DOE allow producers to determine costs				failed 2-5	
#13		\ P.15 IRS concepts				failed 3-4	
#14		\ P.18 FERC				failed 3-4	
#15		Green	pg 22				
X							

THE
FOLLOWING
DOCUMENT(S)
ARE
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ORIGINAL
COPIES

SENATE FINANCE
COMMITTEE
Amendment # # 1
To Bill Number: SB 305
Sponsor: Green
Date: 4/21/06 Logged by: Mindy

24-GS2052P.5
Chenoweth
4/19/06

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 305(FIN), Draft Version "P"

- 1 Page 1, lines 4 - 5:
- 2 Delete "tax for certain expenditures and losses"
- 3 Insert "production tax on oil and gas"
- 4
- 5 Page 4, line 7:
- 6 Delete "during"
- 7 Insert "for"
- 8
- 9 Page 23, line 29, following "a":
- 10 Insert "tax"
- 11
- 12 Page 24, line 13:
- 13 Delete "credit applied"
- 14 Insert "credits applied by the producer"
- 15
- 16 Page 24, line 15 - 16:
- 17 Delete "credit applied"
- 18 Insert "credits applied by the producer"
- 19
- 20 Page 27, line 30:
- 21 Delete "(2)"
- 22 Insert "(20)"

SENATE FINANCE COMMITTEE
4/21/2006 COMMITTEE ACTION

Bill Number	SB 305		
Amendment	#1		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE
COMMITTEE
Amendment # # 2
To Bill Number: SB 305
Sponsor: Green
Date: 4/21/06 logged by: Mindy

Adopted

24-GS2052/P.1
Chenoweth
4/19/06

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR GREEN

TO: CSSB 305(FIN), Draft Version "P"

- 1 Page 5, line 24, following "AS 43.55.011(e)":
- 2 Insert "and (g)"
- 3
- 4 Page 5, line 30, following "AS 43.55.011(e)":
- 5 Insert "and (g)"
- 6
- 7 Page 6, line 1, following "AS 43.55.011(e)":
- 8 Insert "and (g)"
- 9
- 10 Page 6, line 6:
- 11 Delete "AS 43.55.011 - 43.55.170"
- 12 Insert "AS 43.55.011 - 43.55.180"
- 13
- 14 Page 6, line 10:
- 15 Delete "AS 43.55.011 - 43.55.170"
- 16 Insert "AS 43.55.011 - 43.55.180"
- 17
- 18 Page 8, line 18, following "credit":
- 19 Insert "is claimed"
- 20
- 21 Page 9, line 9:
- 22 Delete "43.55.170"
- 23 Insert "43.55.180"

1

2 Page 10, line 17, following "under":

3 Insert "AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or"

4

5 Page 16, line 23:

6 Delete "AS 43.55.011 - 43.55.170"

7 Insert "AS 43.55.011 - 43.55.180"

8

9 Page 16, line 25:

10 Delete "AS 43.55.011 - 43.55.170"

11 Insert "AS 43.55.011 - 43.55.180"

12

13 Page 16, line 29:

14 Delete "AS 43.55.011 - 43.55.170"

15 Insert "AS 43.55.011 - 43.55.180"

16

17 Page 24, line 3:

18 Delete "5,000 or more"

19 Insert "more than 5,000"

20

21 Page 24, following line 26:

22 Insert a new section to read:

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

24 (1) study

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

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

30 (2) prepare a report on or before the first day of the 2013 regular
31 session of the legislature on the results of the study made under (1) of this subsection.

1 including a recommendation as to whether those tax rates should be changed; the
 2 department shall notify the legislature that the report prepared under this paragraph is
 3 available.

4 (b) The Department of Revenue shall

5 (1) study the effects of the credits authorized by AS 43.55.025 and
 6 43.55.170 on state revenue, on the encouragement of exploration, development, and
 7 production of oil and gas deposits located in the state, and on the encouragement of
 8 new entrants into the oil and gas industry in the state; and

9 (2) prepare a report on or before the first day of the 2015 regular
 10 session of the legislature on the results of the study made under (1) of this subsection,
 11 and shall include with the report a recommendation as to whether the legislature
 12 should extend the availability of the credits under AS 43.55.025 and 43.55.170 beyond
 13 June 30, 2016; the department shall notify the legislature that the report prepared
 14 under this paragraph is available."
 15

16 Page 25, line 7:

17 Delete "AS 43.55.011 - 43.55.170"

18 Insert "AS 43.55.011 - 43.55.180"
 19

20 Page 25, line 24:

21 Delete "AS 43.55.011 - 43.55.170"

22 Insert "AS 43.55.011 - 43.55.180"
 23

24 Page 28, lines 4 - 27:

25 Delete all material.
 26

27 Renumber the following bill sections accordingly.
 28

29 Page 31, line 6:

30 Delete "38"

31 Insert "37"

- 1
- 2 Page 31, line 24:
- 3 Delete "43"
- 4 Insert "42"
- 5
- 6 Page 31, line 27:
- 7 Delete "37 - 39, and 41"
- 8 Insert "36 - 38, and 40"
- 9
- 10 Page 31, line 29:
- 11 Delete "42"
- 12 Insert "41"

SENATE FINANCE COMMITTEE
4/21/2006 COMMITTEE ACTION

Bill Number	58 305		
Amendment	#2		
Motion	adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
Removed	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	PASS		

NOT offered

SENATE FINANCE
COMMITTEE

Amendment # #3

To Bill Number: SB 305

Sponsor: Green

Date: 4/2/06 Logged by: Mindy

AMENDMENT

OFFERED IN THE SENATE FINANCE
COMMITTEE

BY Senator Green

TO: CSSB 305(FIN) (24-GS2052\P Work Draft; 4/18/06; Chenoweth)

- 1 Page 20, line 25, following "(B)":
- 2 Delete all material and insert "oil or gas royalties, production payments, lease profit
- 3 shares, or other payments or distributions of a share of oil or gas production, profit, or revenue;"
- 4
- 5 Page 26, line 4, following "processing":
- 6 Insert "in a gas processing plant"
- 7
- 8 Page 26, line 6, following "processing":
- 9 Insert "in a gas processing plant"
- 10
- 11 Page 26, line 23:
- 12 Delete "gas processing"
- 13 Insert "run through a gas processing plant"
- 14
- 15 Page 26, line 26:
- 16 Delete "gas processing"
- 17 Insert " run through a gas processing plant"
- 18
- 19 Page 26, line 28:
- 20 Delete "subjected to or recovered by gas processing"
- 21 Insert " run through a gas processing plant"

- 1 Page 26, line 30:
2 Delete all material and insert "downstream of the plant;"
3
- 4 Page 26, line 31, following "processing":
5 Insert "plant"
6
- 7 Page 27, line 9, following "processing":
8 Insert "in a gas processing plant"
9
- 10 Page 27, line 18, following "separation;":
11 Insert "and"
12
- 13 Page 27, line 20:
14 Delete "and"
15
- 16 Page 27, lines 21 - 22:
17 Delete all material.
18
- 19 Page 27, following line 23:
20 Insert the following new material:
21 "(19) "gas processing plant" means a facility that
22 (A) extracts and recovers liquid hydrocarbons from a gaseous
23 mixture of hydrocarbons by gas processing; and
24 (B) is located upstream of any gas treatment and upstream of the
25 inlet of any gas pipeline system transporting gas to a market;"
26
- 27 Page 27, line 24:
28 Delete "(19)"
29 Insert "(20)"
30
- 31 Page 27, line 27, following "system;":

1 Delete "and"

2

3 Page 27, following line 29:

4 Insert the following new material:

5 "(C) does not include

6 (i) dehydration required to facilitate the movement of gas

7 from the well to the point where gas processing takes place;

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

9 processing;"

10 Page 27, line 30:

11 Delete "(2)"

12 Insert "(21)"

SENATE FINANCE COMMITTEE
4 / 2006 COMMITTEE ACTION

Bill Number	SB 305		
Amendment	#3		
Motion	adopt		
<u>Motion by</u>			
<u>Objection by</u>			
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	not offered		

4/21 1:30pm Feb

SENATE FINANCE
COMMITTEE
Amendment # #4
To Bill Number: SB 305
Sponsor: Wilken
Date: 4/21/06 logged by: Mindy

ADOPTED

24-GS2052P.4
Chenoweth
4/20/06

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR WILKEN

TO: CSSB 305(FIN), Draft Version "P"

1 Page 2, line 13:

2 Delete "INTENT OF SEC. 11 OF THIS ACT."

3 Insert "LEGISLATIVE INTENT, (a)"

4

5 Page 2, following line 15:

6 Insert a new subsection to read:

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

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

14 (2) request appropriations for exceptional program needs and expansions
15 beyond what can be provided from the estimated amounts collected from those surcharges
16 from alternative funding sources."

17

18 Page 25, line 15:

19 Delete "\$.04"

20 Insert "\$.05"

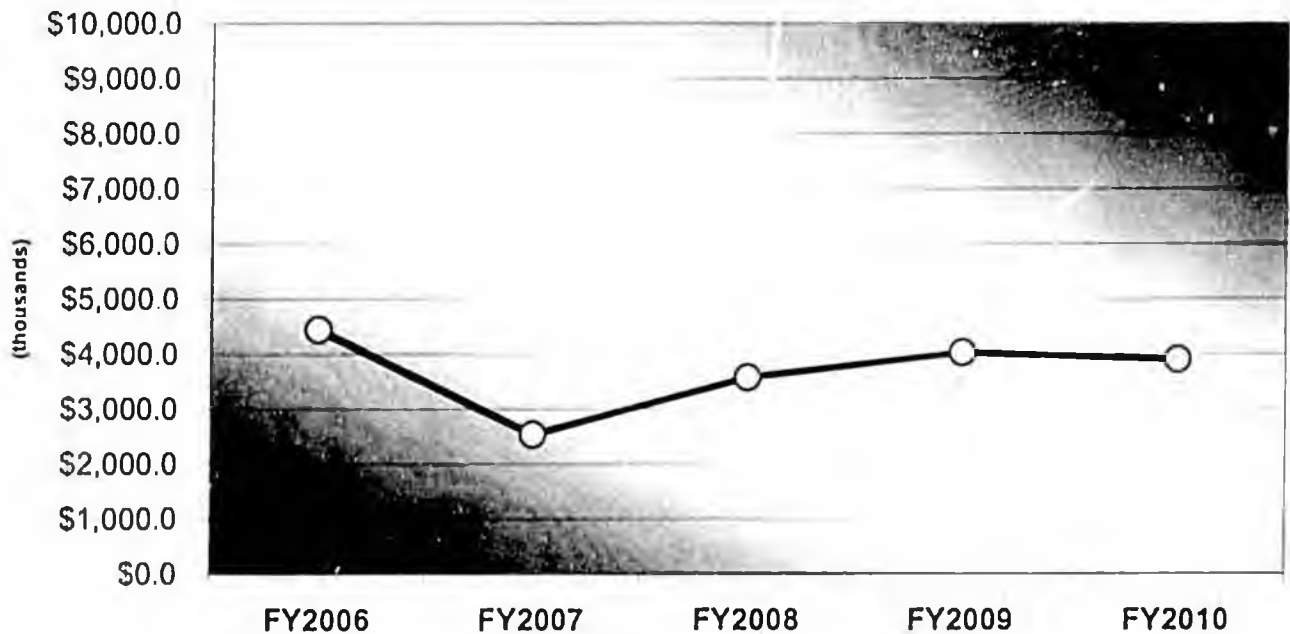
**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE FUND - BALANCE PROJECTION**

Change Nickel Split from 2¢/3¢ to 1¢/5¢

Minimum Capital Cleanup, Known PS Cost Increases and 1.8 mil Transfer from CPVF

	FY2005 FUND BALANCE	7,782.7	FY2006	FY2007	FY2008	FY2009	FY2010
REVENUE		11,431.4	13,000.0	17,527.0	17,527.0	17,527.0	17,527.0
3 Cent Surcharge		8,396.2	8,500.0	8,600.0	8,600.0	8,600.0	8,600.0
Cost Recovery/Fines/Penalties		1,225.8	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Interest		1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
FY2007 Transfer 1.8 million from CPVF to RF (Language)		609.4	1,800.0				
Change Nickel Split to 1¢/5¢				6,227.0	6,227.0	6,227.0	6,227.0
Note: Revenue from change effective 7/1/2006 will be available for use until FY2008 Budgets							
TOTAL EXPENDITURES		14,767.9	14,909.9	16,491.8	17,073.7	17,655.6	17,655.6
EXPENDITURES IN EXCESS OF REVENUE		(3,336.5)	(1,909.9)	1,035.2	453.3	(128.6)	
OPERATING EXPENDITURES		14,767.9	14,909.9	15,491.8	16,073.7	16,655.6	16,655.6
DEC + Annual Salary Increases - FY2008 and Out Yrs		13,610.4	13,752.4	14,334.3	14,916.2	15,498.1	15,498.1
DMVA - Continue Annual Approp from RF		332.5	332.5	332.5	332.5	332.5	332.5
DOT - Continue Annual Approp from RF		825.0	825.0	825.0	825.0	825.0	825.0
Proposed Changes		0.0	0.0	0.0	0.0	0.0	0.0
DEC OPERATING			0.0				
DOT OPERATING			0.0				
DMVA OPERATING			0.0				
CAPITAL EXPENDITURES		0.0	0.0	1,000.0	1,000.0	1,000.0	1,000.0
ESTIMATED FUND BALANCE		4,446.2	2,536.3	3,571.5	4,024.8	3,896.2	

RESPONSE FUND BALANCE



SENATE FINANCE COMMITTEE
4/21/2006 COMMITTEE ACTION

Bill Number	SB 305		
Amendment	#4		
Motion	adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Wilken		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	PASS		

Withdrawn

SENATE FINANCE
COMMITTEE

Amendment # #5

To Bill Number: SB 305

Sponsor: Bunde

Date 4/2/06 Logged by: Mindy

AMENDMENT

Offered in Senate Finance

by Senator Bunde

TO: SB 305 (version P)

Page 31, line 29

Delete "July 1"
Insert "April 1"

SENATE FINANCE COMMITTEE

4/21/2006

COMMITTEE ACTION

Bill Number	SB 305		
Amendment	# 5		
Motion	adpt		
<u>Motion by</u>	Bunde		
<u>Objection by</u>	Green		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Withdrawn		

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR HOFFMAN

TO: CSSB 305(FIN), Draft Version "P"

Bunde

- 1 Page 9, line 21:
- 2 Delete "July 1, 2006"
- 3 Insert "April 1, 2006"
- 4
- 5 Page 9, line 28:
- 6 Delete "July 1, 2001, and before July 1, 2006"
- 7 Insert "April 1, 2001, and before April 1, 2006"
- 8
- 9 Page 9, lines 29 - 30:
- 10 Delete "July 1, 2006"
- 11 Insert "April 1, 2006"
- 12
- 13 Page 9, lines 30 - 31:
- 14 Delete "July 1, 2006"
- 15 Insert "April 1, 2006"
- 16
- 17 Page 10, line 2:
- 18 Delete "July 1, 2006"
- 19 Insert "April 1, 2006"
- 20
- 21 Page 10, line 3:
- 22 Delete "July 1, 2006"
- 23 Insert "April 1, 2006"

- 1
- 2 Page 10, line 15:
 - 3 Delete "June 30, 2013"
 - 4 Insert "March 31, 2013"
 - 5
- 6 Page 19, lines 7 - 8:
 - 7 Delete "July 1, 2006"
 - 8 Insert "April 1, 2006"
 - 9
- 10 Page 22, line 15:
 - 11 Delete "July 1, 2006"
 - 12 Insert "April 1, 2006"
 - 13
- 14 Page 23, line 27:
 - 15 Delete "July 1, 2016"
 - 16 Insert "April 1, 2016"
 - 17
- 18 Page 24, line 16:
 - 19 Delete "\$7,000,000"
 - 20 Insert "\$3,500,000"
 - 21
- 22 Page 28, line 25:
 - 23 Delete "June 30, 2016"
 - 24 Insert "March 31, 2016"
 - 25
- 26 Page 28, line 31:
 - 27 Delete "July 1, 2006"
 - 28 Insert "April 1, 2006"
 - 29
- 30 Page 29, lines 6 - 7:
 - 31 Delete "July 1, 2006"

- 1 Insert "April 1, 2006"
- 2
- 3 Page 29, line 9:
 - 4 Delete "July 1, 2006"
 - 5 Insert "April 1, 2006"
 - 6
- 7 Page 29, line 10:
 - 8 Delete "4 1/6 percent"
 - 9 Insert "2 7/9 percent"
 - 10
- 11 Page 29, line 12:
 - 12 Delete "July 1, 2006"
 - 13 Insert "April 1, 2006"
 - 14
- 15 Page 29, line 14:
 - 16 Delete "last six months"
 - 17 Insert "last nine months"
 - 18
- 19 Page 29, line 16:
 - 20 Delete "July 1, 2006"
 - 21 Insert "April 1, 2006"
 - 22
- 23 Page 29, line 18:
 - 24 Delete ""1/12""
 - 25 Insert ""1/18""
 - 26
- 27 Page 29, line 20:
 - 28 Delete "last six months"
 - 29 Insert "last nine months"
 - 30
- 31 Page 29, line 22:

1 Delete "July 1, 2006"

2 Insert "April 1, 2006"

3

4 Page 29, lines 25 - 26:

5 Delete all material.

6 Insert "the phrase "for each of the last nine months of 2006, one-ninth of the
7 producer's adjusted lease expenditures for that nine-month period.""

8

9 Page 29, line 28:

10 Delete "July 1, 2006"

11 Insert "April 1, 2006"

12

13 Page 29, line 30:

14 Delete "\$7,000,000"

15 Insert "\$10,500,000"

16

17 Page 29, line 31:

18 Delete "July 1, 2006"

19 Insert "April 1, 2006"

20

21 Page 30, line 1:

22 Delete "July 1, 2006"

23 Insert "April 1, 2006"

24

25 Page 30, line 4:

26 Delete "July 1, 2006"

27 Insert "April 1, 2006"

28

29 Page 30, line 8:

30 Delete "June 30, 2006"

31 Insert "March 31, 2006"

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Page 30, line 17:

Delete "July 1, 2006"

Insert "April 1, 2006"

Page 30, line 22:

Delete "June 30, 2006"

Insert "March 31, 2006"

Page 30, lines 27 - 28:

Delete "June 30, 2006"

Insert "March 31, 2006"

Page 31, line 7:

Delete "July 1, 2006"

Insert "April 1, 2006"

Page 31, lines 22 - 29:

Delete all material and insert:

**** Sec. 41.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY OF PROVISIONS OF ACT. Sections 5, 7 - 10, 12, 13, 15 - 18, 20, 24 - 35, 37, and 38 of this Act apply retroactively to April 1, 2006, and apply to oil and gas produced after March 31, 2006.

*** Sec. 42.** This Act takes effect immediately under AS 01.10.070(c)."

SENATE FINANCE COMMITTEE
4/21 / 2006 COMMITTEE ACTION

Bill Number	SB 305		
Amendment	# 6		
Motion	adopt		
<u>Motion by</u>	Hoffman		
<u>Objection by</u>	Green		
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson	✓		
Senator Hoffman	✓		
Senator Olson	✓		
Senator Stedman			✓
Senator Bunde	✓		
Co-Chair Wilken	✓		
Co-Chair Green			✓
<u>Tally</u>			
Yea	5		
Nay	2		
Absent			
<u>MOTION</u>	Passed		

SENATE FINANCE
COMMITTEE
Amendment # #7
To Bill Number: SB 305
Sponsor: Green
Date: 4/22/06 Logged by: Mindy

*Adopted
Amended
twice*

AMENDMENT

Senator
BY Green

OFFERED IN THE SENATE FINANCE
COMMITTEE

TO: CSSB 305(FIN) (24-GS2052\P Work Draft; 4/18/06; Chenoweth)

- 1 Page 5, line 24, following "month":
- 2 Insert “,”
- 3
- 4 Page 5, line 26, following "lease":
- 5 Insert “,”
- 6
- 7 Page 9, line 27, following "producer's":
- 8 Insert "or explorer's"
- 9
- 10 Page 9, line 28, following "producer":
- 11 Insert "or explorer"
- 12
- 13 Page 9, line 30, following "producer":
- 14 Insert "or explorer"
- 15
- 16 Page 10, line 1, following "producer":
- 17 Insert "or explorer"
- 18
- 19 Page 10, line 2, following "producer":
- 20 Insert "or explorer"
- 21

- 1 Page 10, line 4, following "producer":
- 2 Insert "or explorer"
- 3
- 4 Page 10, line 5, following "producer's":
- 5 Insert "or explorer's"
- 6
- 7 Page 10, line 7, following "producer's":
- 8 Insert "or explorer's"
- 9
- 10 Page 10, line 8, following "producer":
- 11 Insert "or explorer"
- 12
- 13 Page 10, line 10, following "producer's":
- 14 Insert "or explorer's"
- 15
- 16 Page 10, line 12, following "producer":
- 17 Insert "or explorer"
- 18
- 19 Page 10, line 13, following "producer":
- 20 Insert "or explorer"
- 21
- 22 Page 10, line 19, following "producer":
- 23 Insert "or explorer"
- 24
- 25 ~~Page 10, following line 21:~~
- 26 ~~Insert a new subsection to read:~~
- 27 ~~"(j) A producer or explorer that does not produce an amount of oil and~~
- 28 ~~gas in a taxable year under AS 43.20 that is more than 50,000 barrels of oil~~
- 29 ~~equivalent may apply against the producer's or explorer's tax due for that taxable~~
- 30 ~~year under AS 43.20 a tax credit under this section that would otherwise be~~
- 31 ~~applicable against a tax due under AS 43.55.011(e) but for the limitation set out in~~

deleted

delete

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~~(e) of this section. An amount of a tax credit may not be applied against both a tax due under AS 43.20 and a tax due under AS 43.55.011(e). For purposes of this subsection, a barrel of oil equivalent is~~
~~(1) one barrel of oil, in the case of oil;~~
~~(2) 6,000 cubic feet of gas, in the case of gas.~~

~~Page 10, line 22:~~

~~Delete "(j)"~~

Insert "(k)"

Page 17, line 6, following "transportation;":

Insert "and"

~~Page 20, line 17, following "payments of :"~~

delete

~~Insert ", or in lieu of:"~~

Page 22, line 1, following "credits":

Insert ", other than tax credits under this chapter."

Page 23, line 30, following "average":

Delete "number of barrels of oil equivalent"

Insert "amount of oil and gas"

Page 24, line 1, following "5,000":

Insert "barrels of oil equivalent"

Page 24, line 3, following "more":

Insert "barrels of oil equivalent"

Page 24, line 5, following "average":

Insert "amount of oil and gas, expressed as"

1 Delete "number of"

2

3 Page 24, line 5, following "equivalent":

4 Insert ", "

5

6 Page 24, line 10:

7 Delete "under AS 43.55.024(d)"

8

9 Page 24, lines 25-26, following "equivalent is":

10 Delete all material

11 Insert the following new material:

12 (1) one barrel of oil, in the case of oil;

13 (2) 6,000 cubic feet of gas, in the case of gas."

14

15 Page 24, following line 26:

delete

16 Insert a new section to read:

17 "Sec. 43.55.185. Tax credits for gas treatment facilities. (a) A producer that
18 incurs a gas treatment investment expenditure on or after July 1, 2006, may take a
19 tax credit in the amount of 35 percent of that expenditure. A credit under this
20 section may be applied against a tax due under AS 43.20 or against a tax due
21 under AS 43.55.011(e). An amount of a tax credit may not be applied against
22 both a tax due under AS 43.20 and a tax due under AS 43.55.011(e).

23 (b) For a calendar year for which the producer makes an election under
24 AS 43.55.160(f), instead of taking a tax credit at a rate authorized by (a) of this
25 section as to a gas treatment investment expenditure after it has been incurred, a
26 producer that incurs a gas treatment investment expenditure during that year and
27 wishes to apply a credit based on that expenditure against a tax due under
28 AS 43.55.011(e) shall calculate and apply every month an annualized tax credit in
29 an amount equal to 2 11/12 percent of that expenditure.

30 (c) A credit or portion of a credit under this section may not be used to
31 reduce a producer's tax liability under AS 43.20 for any taxable year below zero

delete

1 or a producer's tax liability under AS 43.55.011(e) for any month below zero.
2 Any unused credit or portion of a credit not used under this subsection may be
3 applied in a later year, under AS 43.20, or a later month, under AS 43.55.011(c).

4 (d) A tax credit under this section is not transferable.

5 (e) In this section,

6 (1) "gas treatment facility" means a facility or portion of a facility
7 in the state devoted exclusively to gas treatment;

8 (2) "gas treatment investment expenditure" means an expenditure
9 that is

10 (A) a direct, ordinary, and necessary cost of acquiring or
11 constructing a new gas treatment facility or of improving a gas treatment
12 facility;

13 (B) treated as a capitalized expenditure under 26 U.S.C.
14 (Internal Revenue Code), as amended; and

15 (C) treated as a capitalized expenditure for federal income
16 tax reporting purposes by the person incurring the expenditure;

17 (3) "ordinary and necessary" has the meaning given to "ordinary
18 and necessary" in 26 U.S.C. 162 (Internal Revenue code), as amended, and
19 regulations adopted under that section."
20

21 Page 27, line 27:

22 Delete "and"

23
24 Page 27, following line 29:

25 Insert the following material:

26 "(C) does not include gas liquefaction;"
27

SENATE FINANCE COMMITTEE
4/22/2006 COMMITTEE ACTION

Bill Number	SB 305		
Amendment	# 7 <i>as amended</i>		
Motion	adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Wilken		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

as amended 2x

*action rescinded after amendment
as amended once was adopted
for the purpose of a second
amendment to the amendment
amendment as twice amended
was adopted*

SENATE FINANCE COMMITTEE
4 FEB 2006 COMMITTEE ACTION

Bill Number	SB 305		
Amendment	#7		
Motion	amend (1ST)		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Olson			
Senator Sledman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE FINANCE COMMITTEE

4 FEB 2006

COMMITTEE ACTION

Bill Number	SB 305	
Amendment	#7	
Motion	amend (2ND)	
<u>Motion by</u>	Wilken	
<u>Objection by</u>	none	
<u>Removed</u>		
<u>Second Objection by</u>		
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u> N
Senator Stedman		
Senator Bunde		
Senator Dyson		
Senator Hoffman		
Senator Olson		
Co-Chair Wilken		
Co-Chair Green		
<u>Tally</u>		
Yea		
Nay		
Absent		
<u>MOTION</u>	Pass	



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 22 April 2006 TIME: 2:45 pm

TO: Legal

NUMBER OF PAGES, INCLUDING COVER SHEET: 5

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2137

NOTES: RUSH

This replaces Amend #7 already
faxed to you

Additional language of the amendment
has been deleted

Thx
Mindy

SENATE FINANCE ^{Amendment to the}
COMMITTEE ^{Amendment}
Amendment # #7 (First)
To Bill Number: SB 305
Sponsor: Green
Date: 4/2/06 Logged by: Lindy

AMENDMENT

OFFERED IN THE SENATE FINANCE
COMMITTEE

BY Senator Green

TO: CSSB 305(FIN) (24-GS2052P Work Draft; 4/18/06; Chcnoweth)

- 1 Page 5, line 24, following "month":
- 2 Insert ","
- 3
- 4 Page 5, line 26, following "lease":
- 5 Insert ","
- 6
- 7 Page 9, line 27, following "producer's":
- 8 Insert "or explorer's"
- 9
- 10 Page 9, line 28, following "producer":
- 11 Insert "or explorer"
- 12
- 13 Page 9, line 30, following "producer":
- 14 Insert "or explorer"
- 15
- 16 Page 10, line 1, following "producer":
- 17 Insert "or explorer"
- 18
- 19 Page 10, line 2, following "producer":
- 20 Insert "or explorer"
- 21

1 Page 10, line 4, following "producer":

2 Insert "or explorer"

3

4 Page 10, line 5, following "producer's":

5 Insert "or explorer's"

6

7 Page 10, line 7, following "producer's":

8 Insert "or explorer's"

9

10 Page 10, line 8, following "producer":

11 Insert "or explorer"

12

13 Page 10, line 10, following "producer's":

14 Insert "or explorer's"

15

16 Page 10, line 12, following "producer":

17 Insert "or explorer"

18

19 Page 10, line 13, following "producer":

20 Insert "or explorer"

21

22 Page 10, line 19, following "producer":

23 Insert "or explorer"

24

25 Page 10, following line 21:

26 Insert a new subsection to read:

27 "(j) A producer or explorer that does not produce an amount of oil and
28 gas in a taxable year under AS 43.20 that is more than 50,000 barrels of oil
29 equivalent may apply against the producer's or explorer's tax due for that taxable
30 year under AS 43.20 a tax credit under this section that would otherwise be
31 applicable against a tax due under AS 43.55.011(e) but for the limitation set out in

1 (c) of this section. An amount of a tax credit may not be applied against both a
2 tax due under AS 43.20 and a tax due under AS 43.55.011(e). For purposes of
3 this subsection, a barrel of oil equivalent is

4 (1) one barrel of oil, in the case of oil;

5 (2) 6,000 cubic feet of gas, in the case of gas."

6
7 Page 10, line 22:

8 Delete "(j)"

9 Insert "(k)"

10
11 Page 17, line 6, following "transportation;":

12 Insert "and"

13
14 ~~Page 20, line 17, following "payments of":~~

15 ~~Insert "; or in lieu of:"~~

delete

16
17 Page 22, line 1, following "credits":

18 Insert ", other than tax credits under this chapter,"

19
20 Page 23, line 30, following "average":

21 Delete "number of barrels of oil equivalent"

22 Insert "amount of oil and gas"

23
24 Page 24, line 1, following "5,000":

25 Insert "barrels of oil equivalent"

26
27 Page 24, line 3, following "more":

28 Insert "barrels of oil equivalent"

29
30 Page 24, line 5, following "average":

31 Insert "amount of oil and gas, expressed as"

1 Delete "number of"

2

3 Page 24, line 5, following "equivalent":

4 Insert ";

5

6 Page 24, line 10:

7 Delete "under AS 43.55.024(d)"

8

9 Page 24, lines 25-26, following "equivalent is":

10 Delete all material

11 Insert the following new material:

12 (1) one barrel of oil, in the case of oil;

13 (2) 6,000 cubic feet of gas, in the case of gas."

14

15 Page 24, following line 26:

delete

16 Insert a new section to read:

17 "Sec. 43.55.185. Tax credits for gas treatment facilities. (a) A producer that
18 incurs a gas treatment investment expenditure on or after July 1, 2006, may take a
19 tax credit in the amount of 35 percent of that expenditure. A credit under this
20 section may be applied against a tax due under AS 43.20 or against a tax due
21 under AS 43.55.011(e). An amount of a tax credit may not be applied against
22 both a tax due under AS 43.20 and a tax due under AS 43.55.011(e).

23 (b) For a calendar year for which the producer makes an election under
24 AS 43.55.160(f), instead of taking a tax credit at a rate authorized by (a) of this
25 section as to a gas treatment investment expenditure after it has been incurred, a
26 producer that incurs a gas treatment investment expenditure during that year and
27 wishes to apply a credit based on that expenditure against a tax due under
28 AS 43.55.011(e) shall calculate and apply every month an annualized tax credit in
29 an amount equal to 2 11/12 percent of that expenditure.

30 (c) A credit or portion of a credit under this section may not be used to
31 reduce a producer's tax liability under AS 43.20 for any taxable year below zero

delete

1 or a producer's tax liability under AS 43.55.011(e) for any month below zero.
2 Any unused credit or portion of a credit not used under this subsection may be
3 applied in a later year, under AS 43.20, or a later month, under AS 43.55.011(e).

4 (d) A tax credit under this section is not transferable.

5 (e) In this section,

6 (1) "gas treatment facility" means a facility or portion of a facility
7 in the state devoted exclusively to gas treatment;

8 (2) "gas treatment investment expenditure" means an expenditure
9 that is

10 (A) a direct, ordinary, and necessary cost of acquiring or
11 constructing a new gas treatment facility or of improving a gas treatment
12 facility;

13 (B) treated as a capitalized expenditure under 26 U.S.C.
14 (Internal Revenue Code), as amended; and

15 (C) treated as a capitalized expenditure for federal income
16 tax reporting purposes by the person incurring the expenditure;

17 (3) "ordinary and necessary" has the meaning given to "ordinary
18 and necessary" in 26 U.S.C. 162 (Internal Revenue code), as amended, and
19 regulations adopted under that section.

20
21 Page 27, line 27:

22 Delete "and"

23
24 Page 27, following line 29:

25 Insert the following material:

26 "(C) does not include gas liquefaction;"
27

SENATE FINANCE
COMMITTEE
Amendment # #7
To Bill Number: SB 305
Sponsor: Green
Date: 4/2/06 Logged by: Mindy

amendment
to the
amendment
(second)

AMENDMENT

OFFERED IN THE SENATE FINANCE
COMMITTEE

BY Senator Green

TO: CSSB 305(FIN) (24-GS2052\P Work Draft; 4/18/06; Chenoweth)

- 1 Page 5, line 24, following "month":
- 2 Insert ","
- 3
- 4 Page 5, line 26, following "lease":
- 5 Insert ","
- 6
- 7 Page 9, line 27, following "producer's":
- 8 Insert "or explorer's"
- 9
- 10 Page 9, line 28, following "producer":
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- 14 Insert "or explorer"
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- 18
- 19 Page 10, line 2, following "producer":
- 20 Insert "or explorer"
- 21

1 Page 10, line 4, following "producer":

2 Insert "or explorer"

3

4 Page 10, line 5, following "producer's":

5 Insert "or explorer's"

6

7 Page 10, line 7, following "producer's":

8 Insert "or explorer's"

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10 Page 10, line 8, following "producer":

11 Insert "or explorer"

12

13 Page 10, line 10, following "producer's":

14 Insert "or explorer's"

15

16 Page 10, line 12, following "producer":

17 Insert "or explorer"

18

19 Page 10, line 13, following "producer":

20 Insert "or explorer"

21

22 Page 10, line 19, following "producer":

23 Insert "or explorer"

24

25 Page 10, following line 21:

deleted

26 Insert a new subsection to read:

27 "(j) A producer or explorer that does not produce an amount of oil and
28 gas in a taxable year under AS 43.20 that is more than 50,000 barrels of oil
29 equivalent may apply against the producer's or explorer's tax due for that taxable
30 year under AS 43.20 a tax credit under this section that would otherwise be
31 applicable against a tax due under AS 43.55.011(e) but for the limitation set out in

(c) of this section. An amount of a tax credit may not be applied against both a tax due under AS 43.20 and a tax due under AS 43.55.011(e). For purposes of this subsection, a barrel of oil equivalent is

(1) one barrel of oil, in the case of oil;

(2) 6,000 cubic feet of gas, in the case of gas."

~~Page 10, line 23:~~

deleted

~~Delete "(j)"~~

~~insert "(k)"~~

Page 17, line 6, following "transportation;":

Insert "and"

Page 20, line 17, following "payments of":

Insert ", or in lieu of,"

Page 22, line 1, following "credits":

Insert ", other than tax credits under this chapter."

Page 23, line 30, following "average":

Delete "number of barrels of oil equivalent"

Insert "amount of oil and gas"

Page 24, line 1, following "5,000":

Insert "barrels of oil equivalent"

Page 24, line 3, following "more":

Insert "barrels of oil equivalent"

Page 24, line 5, following "average":

Insert "amount of oil and gas, expressed as"

1 Delete "number of"

2
3 Page 24, line 5, following "equivalent":

4 Insert ",",

5
6 Page 24, line 10:

7 Delete "under AS 43.55.024(d)"

8
9 Page 24, lines 25-26, following "equivalent is":

10 Delete all material

11 Insert the following new material:

12 (1) one barrel of oil, in the case of oil;

13 (2) 6,000 cubic feet of gas, in the case of gas."

14
15 Page 24, following line 26:

16 Insert a new section to read:

17 "Sec. 43.55.185. Tax credits for gas treatment facilities. (a) A producer that
18 incurs a gas treatment investment expenditure on or after July 1, 2006, may take a
19 tax credit in the amount of 35 percent of that expenditure. A credit under this
20 section may be applied against a tax due under AS 43.20 or against a tax due
21 under AS 43.55.011(e). An amount of a tax credit may not be applied against
22 both a tax due under AS 43.20 and a tax due under AS 43.55.011(e).

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24 AS 43.55.160(f), instead of taking a tax credit at a rate authorized by (a) of this
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26 producer that incurs a gas treatment investment expenditure during that year and
27 wishes to apply a credit based on that expenditure against a tax due under
28 AS 43.55.011(e) shall calculate and apply every month an annualized tax credit in
29 an amount equal to 2 11/12 percent of that expenditure.

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31 reduce a producer's tax liability under AS 43.20 for any taxable year below zero