

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3110

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 317
(S) Publish Date: 4/27/06

Revision Date/Time (Note if correction): 4/27/06 8:10 a.m. Dept. Affected: Administration
Title: An Act relating to the purchase by AHFC RDU: State Owned Facilities
of an Anchorage Parking Garage Component: Facilities
Sponsor: Rules Committee
Requester: Governor Component No.: 2429

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual		3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	3,700.0	3,700.0	3,700.0	3,700.0	3,700.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF		3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	3,700.0	3,700.0	3,700.0	3,700.0	3,700.0

Estimate of any current year (FY2006) cost: 0 0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

POSITIONS	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Alaska Housing Finance Corporation will finance, with bond proceeds, the purchase of a parking garage in Anchorage which will be leased to the state to provide parking for the Atwood Office Building. The maximum purchase price of the parking garage may not exceed \$44,000,000, including the cost of purchasing the facility and issuing the bonds for purchase. Subject to an annual appropriation, the Commissioner of Administration is authorized to enter into a lease-purchase for the parking garage. The anticipated total cost of the project is \$44,000,000 and the anticipated annual amount of the rental obligation is \$3,700,000. This fiscal note represents the amount necessary to satisfy the required annual lease payment of \$3,700,000.

Prepared by: Remond Henderson, Deputy Director Phone: 465-5657
Division: General Services Date/Time: 4/27/2006 8:10 a.m.
Approved by: Michael Tibbles, Deputy Commissioner Date: 4/27/2006
Agency: Administration

Atwood Building Parking Center

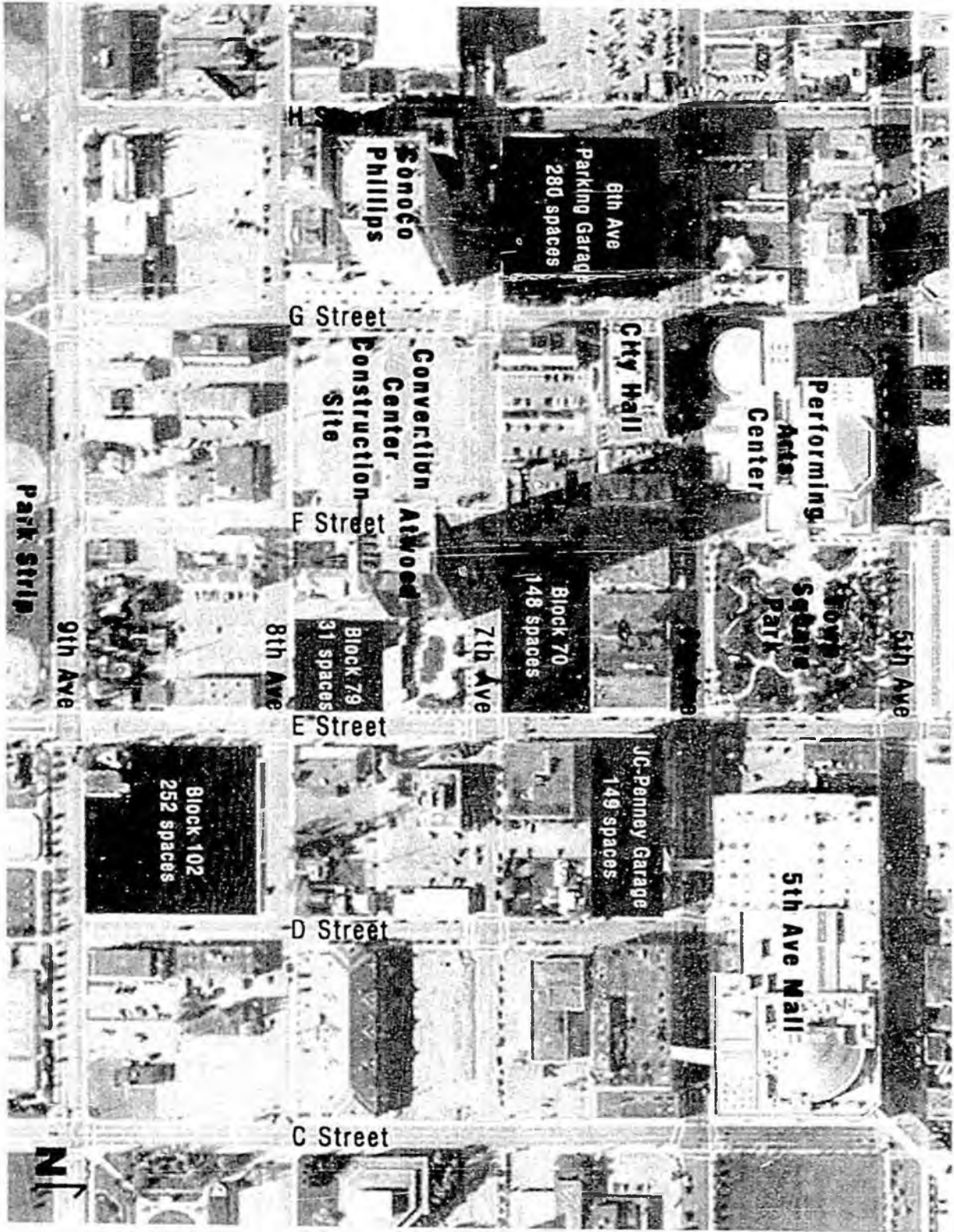


Atwood Building Currently

- Challenges

9:03-5-

- Block 80 deal with MOA
- Previous and current scattered site parking arrangement
- Current agreements with expiration dates (MOA, JC Penney, Block 70)
- Increased demand in 2 years from Convention Center

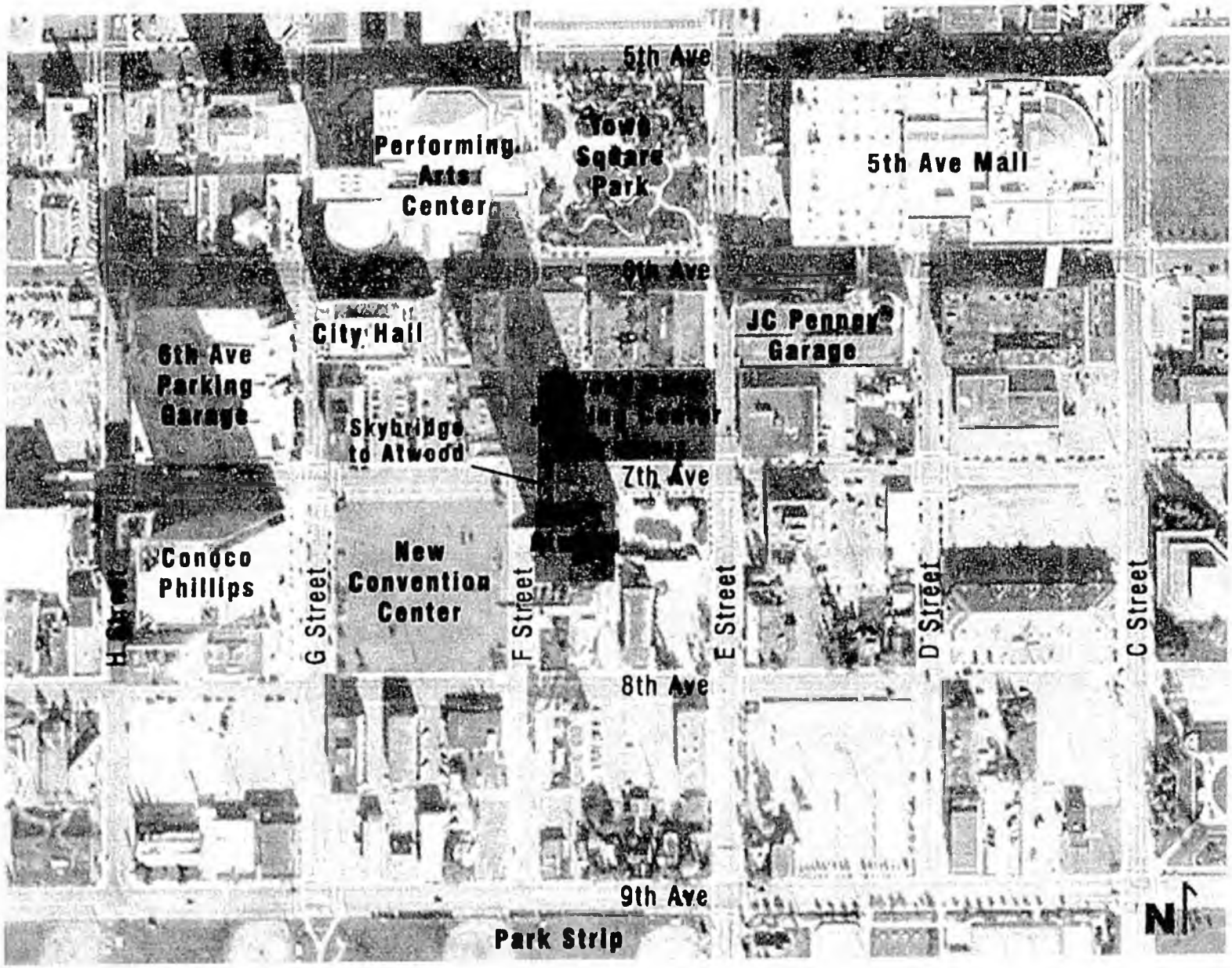


Atwood Building Currently

- Opportunity
 - Recent acquisition of ½ block 70
 - Ability to consolidate all spaces into central facility
 - Ability to leverage other revenue sources
 - Preliminary due diligence work completed by others

Atwood Building Parking Center

- Long Term Solution
 - Parking Facility for up to 830 cars on Block 70
 - Skybridge to Atwood Building
 - Retail facilities at Street Level



Atwood Building Parking Center

- Requirements
 - AHFC owns Atwood Building
 - MOA to design and construct for fixed price
 - AHFC to issue debt & purchase from MOA
 - DOA to lease from AHFC; State owns at end of lease/debt payoff
 - Same arrangement as Atwood Building
 - DOA builds cost into lease rate charged to agencies

Atwood Building Parking Center

- Financial Terms

- AHFC bonds up to \$44 million
- \$3,700,000 annual lease payments (21 years)
- Debt issued at beginning of construction with progress payments thereafter

Atwood Building Parking Center

- Lease Cost Analysis

– \$3,700,000/252,000 SF/12 =	\$1.22 p/SF
– Existing Lease Rate	\$1.30 per SF
– New Lease Rate	\$2.52 per SF
– Market Rate Comparable	\$2.75 per SF

- New lease rate does not reflect offsetting revenues and savings

Atwood Building Parking Center

- Revenues & Savings
 - Existing Parking Cost (280 spaces with MOA; \$170,000 p/yr)
 - Future Parking Cost Increases (MOA)
 - Retail Lease Income (\$360,000 p/yr est.)
 - Land Sale (Block 102; \$4 million est.)
 - Convention Center Cash payment (\$2.3 million)
 - After Hours Parking Revenue (\$200,000 p/yr est.)
- Total when capitalized \$23.5 million
- Revenues & Savings estimated to reduce SF cost for Parking Center by half

Atwood Building Parking Center

- Summary
 - A current demand exists
 - Future cost and demand impacts are imminent
 - A current opportunity for resolution
 - A sound financial investment
 - No general fund appropriation needed
 - Safety and convenience for visitors and 1000 state employees and other tenants

SB317

FRANK H. MURKOWSKI
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
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WWW.GOV.STATE.AK.US

April 27, 2006

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska; approving the issuance of bonds for the purchase of that parking garage; and providing notice of and authorizing the commissioner of the Department of Administration to enter into a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage.

This bill would authorize the Alaska Housing Finance Corporation (AHFC) to finance, with bond proceeds, the purchase of an up to approximately 830-space parking garage to serve the parking needs of the Atwood Building in downtown Anchorage. The bill also would authorize the Department of Administration to enter into a lease-purchase agreement with the AHFC for that parking garage.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

Enclosure

COMMITTEE COPY

SB

317

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 28 2006
SENATE FINANCE COMMITTEE

DATE: 4/27/06

FURTHER:

DATE TURNED
IN TO OFFICE: 4/28/06

Finance Committee considered

SENATE BILL NO. 317

SB 317 ANCHORAGE PARKING GARAGE

"An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DOA	4/27/06			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			

SB317

FRANK H. MURKOWSKI
GOVERNOR
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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Alaska State Legislature
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COMMITTEE COPY

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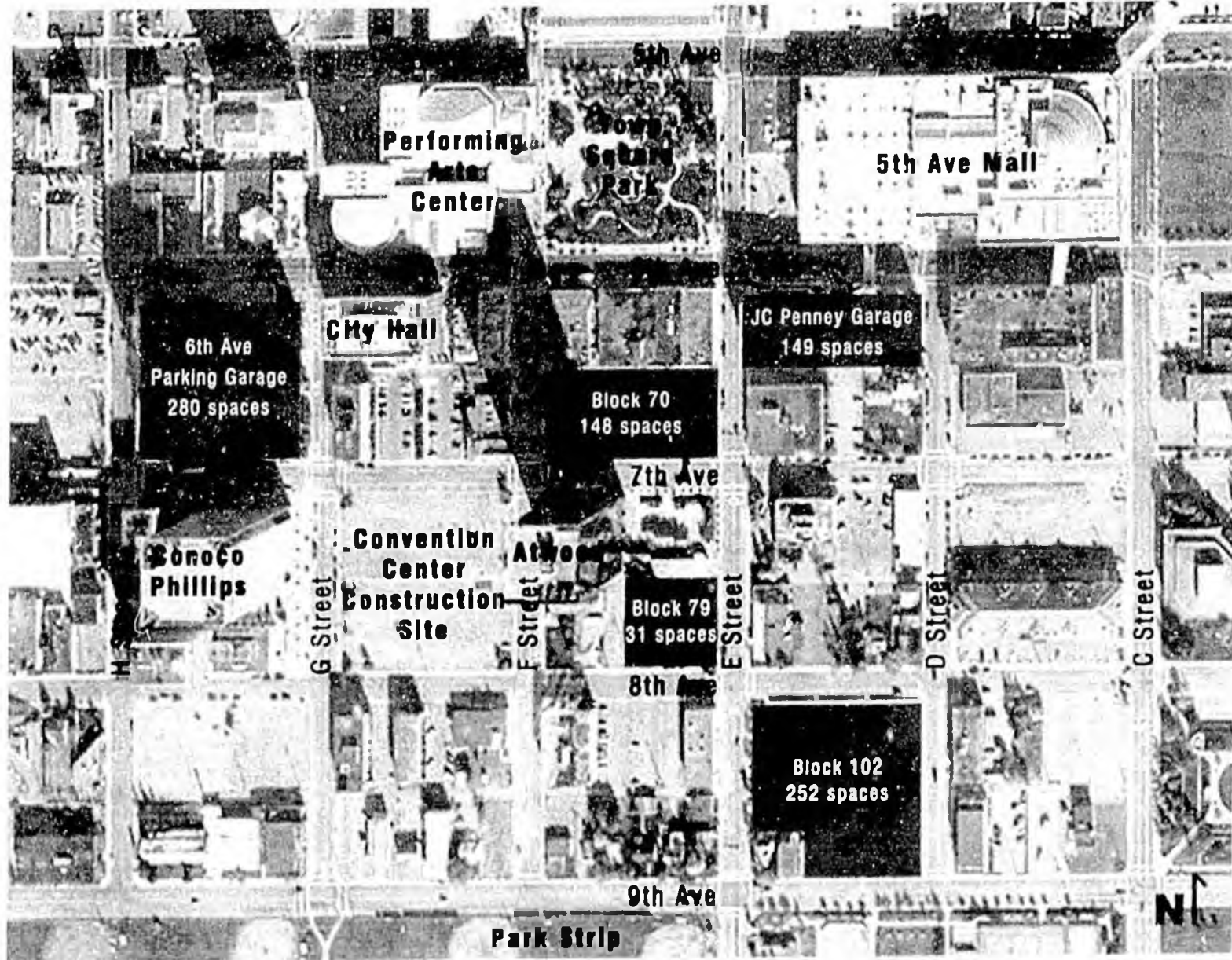


4:33 pm 4/28/06

Atwood Building Currently

- Challenges

- Block 80 deal with MOA
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- Increased demand in 2 years from Convention Center



Performing Arts Center

Young Square Park

5th Ave Mall

6th Ave Parking Garage
280 spaces

City Hall

JC Penney Garage
149 spaces

Block 70
148 spaces

SonoCo Phillips

Convention Center Construction Site

Atwood

Block 79
31 spaces

8th Ave

Block 102
252 spaces

9th Ave

Park Strip

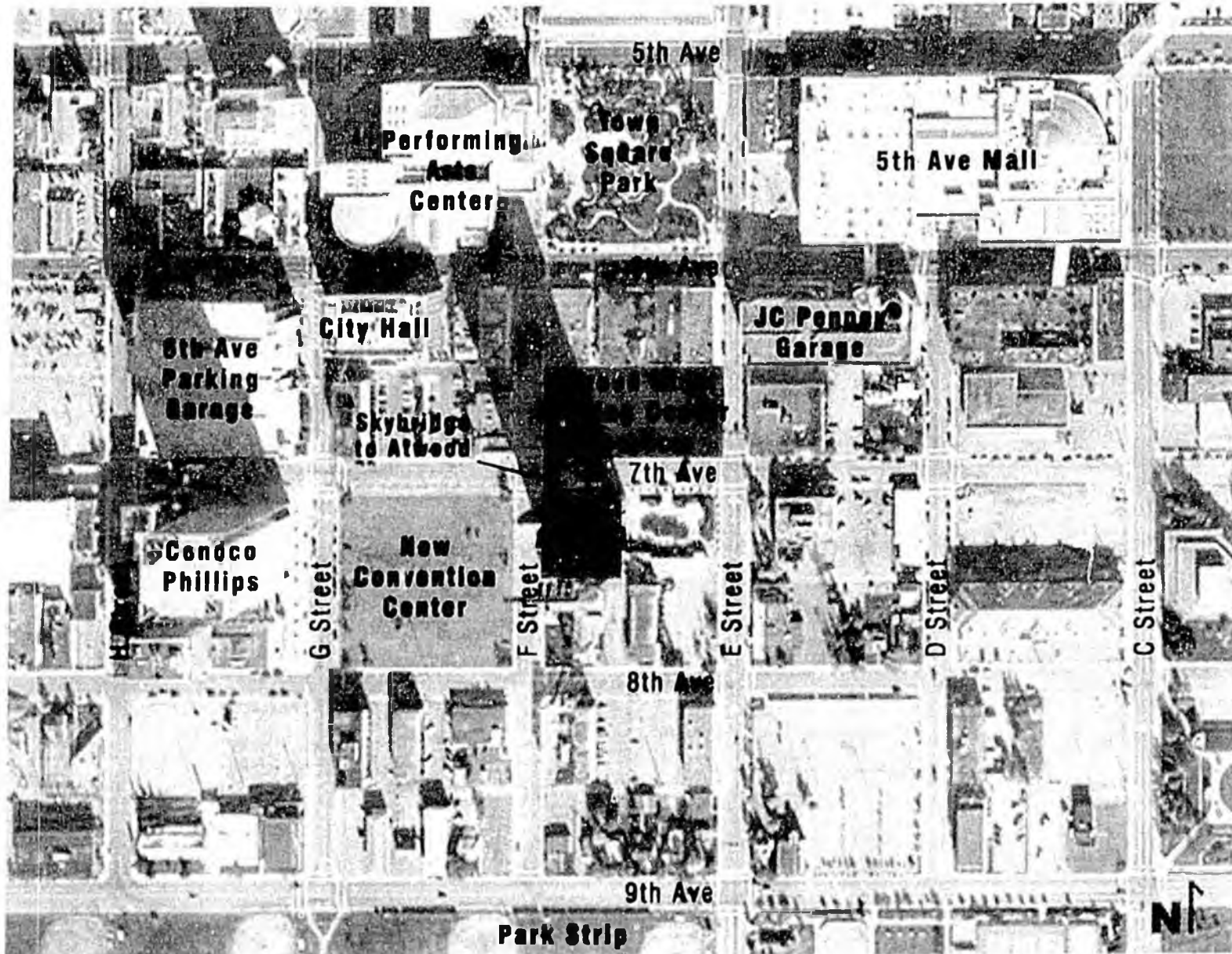


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- Opportunity
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Atwood Building Parking Center

- Long Term Solution
 - Parking Facility for up to 830 cars on Block 70
 - Skybridge to Atwood Building
 - Retail facilities at Street Level



5th Ave

Performing Arts Center

Town Square Park

5th Ave Mall

6th Ave Parking Garage

City Hall

JC Pender Garage

Skybridge to Alameda

7th Ave

Condco Phillips

New Convention Center

G Street

F Street

E Street

D Street

C Street

8th Ave

9th Ave

Park Strip



Atwood Building Parking Center

- Requirements

- AHFC owns Atwood Building
- MOA to design and construct for fixed price
- AHFC to issue debt & purchase from MOA
- DOA to lease from AHFC; State owns at end of lease/debt payoff
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SB

2001

HFIN

FILE

HOUSE COMMITTEE REPC T

(11)

Date Referred to Committee: May 31, 2006

FURTHER REFERRALS:

Date of Committee Action: 6/2/06

The FINANCE Committee considered:

CSSB 2001(FIN)

CS FOR SENATE BILL NO. 2001(FIN)

OIL AND GAS TAX

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to criminal penalties for violating conditions governing access to and use of confidential information relating to the production tax; amending the definition of 'gas' as that definition applies in the Alaska Stranded Gas Development Act; making conforming amendments; and providing for an effective date."

Recommends it be replaced with HCS or CS for CSSB 2001 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LWF
 LAW
 LEG
 MVA
 DNR
 DPS
 REV
 DOT
 UA

NEW FISCAL NOTES				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV		✓		

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
DNR	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
<i>Bill Aulso</i>	STUTZ			✓	
<i>Beth Kerttula</i>	KERTTULA				✓
<i>John Hawk</i>	John Hawk	*			x
<i>M. Kelly</i>	KELLY	x			x
<i>Joe Foster</i>	FOSTER	x			
Chair: <i>Joe Meyer</i>	Meyer	x			
Chair: <i>Mike Chumalt</i>	Chumalt	x			

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCS CSSB 2001 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: An Act Relating to the Production Tax on RDU Tax and Treasury
Oil and Gas Component Tax
Sponsor: Rules Committee
Requester: Senate Finance Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	875.0	892.5	910.4	928.6	947.1	966.1
Travel						
Contractual	850.0	587.9	118.2	118.6	121.0	123.4
Supplies	42.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous (OH office, etc)	53.0	53.0	53.0	53.0	53.0	53.0
TOTAL OPERATING	1,820.0	1,533.4	1,081.6	1,100.2	1,121.1	1,142.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	<i>See analysis section</i>					
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,820.0	1,533.4	1,081.6	1,100.2	1,121.1	1,142.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1,820.0	1,533.4	1,081.6	1,100.2	1,121.1	1,142.5

Estimate of any current year (FY2006) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	10	10	10	10	10	10
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Relative to Status Quo

This bill would amend the oil and gas production tax by basing the tax on the net value of the oil and gas. The net value is the wellhead value (net of royalty) less all qualified lease expenditures, including capital and operating costs, and property taxes. The net profit would be subject to a 20% tax, less a credit of 20% which applies to capital costs upstream of the point of production. There would also be a progressive surcharge based on 0.175% of the difference between actual per barrel net income and \$45, applied to net income. The surcharge would not be considered a deductible lease expenditure. There would be an additional allowance of up to \$12 million per company for companies producing less than 100,000 barrels of oil equivalent per day, and a lesser amount for companies with production levels between 50,000 and 100,000 boe per day. The allowance expires in 2016. In addition, as a transition provision, there would be a 20% credit for capital costs incurred over the period April 1, 2001 through April 1, 2006, recoverable at \$1 for every \$2 in capital expenditures. Transition costs cannot be recovered after 2013.

Prepared by: Robynn Wilson, Michael Williams, Roger Marks, and Cheryl Nienhuis
Division: Tax Division

Phone: 269-1019
Date/Time: 6/3/06 9:00 AM

Approved by: Jerry Burnett
Agency: Department of Revenue

Date: 6/3/2006

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HCS CSSB 2001 (FIN)

ANALYSIS CONTINUATION

The additional conservation surcharge on oil is increased from 3 cents to 4 cents. The CS, as amended, also includes a New Area Development credit of \$6M (\$500K per month) applicable to production, NOT ANS and NOT Cook Inlet, which also has a 10 yr sunset. This should not have an impact on projected revenues.

The bill would be effective April 1, 2006.

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices. The figures reflect North Slope activity; the impact on Cook Inlet is expected to be modest. The status quo assumes the January 2005 ELF aggregation decision by the Department of Revenue for Prudhoe Bay continues.

The cost assumptions are as follows:

- \$100 mm/yr exploration
- \$1/bbl on-going capital on all barrels
- \$3.50/bbl developmental capital on 2/3 of existing conventional oil
- \$8/bbl developmental capital on 2/3 of existing heavy oil
- \$3.50/bbl developmental capital on new conventional oil
- \$8/bbl developmental capital on new heavy oil
- \$3/bbl operating cost on conventional oil
- \$5/bbl operating cost on heavy oil

The table shows the 2006-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Spring 2006 Revenue Sources Book because of volume adjustments from the oil spill, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

Operating expenditures include costs for 8 additional positions for auditors: 1 O & G Specialist (Range 23), 3 O & G Revenue Auditor IV (Range 22), and 4 O & G Revenue Auditor III (Range 20). These positions would be used to fulfill additional audit responsibilities inherent in a net profits tax. In addition, we request 2 additional Tax Tech III positions (Range 14) to process additional information and tax returns that will be required, and additional credit applications anticipated. Personal Services reflect a 2% yearly increase. Contractual expenditures include \$100,000 and \$70,000 for programming in FY 07 and FY 08, respectively. \$400,000 in each of FY 07 and FY 08 for help in writing regulations \$100,000 in each year for consulting services and an estimate of chargeback costs. Supplies include computers and other supplies necessary for new positions. \$275,000 in contractual expenditures planned in FY 06 are moved to FY 07 in this fiscal note.

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

FISCAL NOTE

The revenues provided in the table below do not reflect increased revenues in FY06 that would result from an effective date of 4/1/06. At the DOR forecast price of \$58.72, the bill would provide approximately \$200 million over the status quo system.

Fiscal Year	DOR Forecast	Col. 15 Status Quo Tax	Col. 16 Tax from Bill	Col. 17 Gain from Bill
2007	\$53.60	989	1,663	674
2008	\$46.90	759	1,284	525
2009	\$25.50	355	261	-93
2010	\$25.50	315	230	-85
2011	\$25.50	281	227	-54
2012	\$25.50	271	223	-48

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$40.00	708	961	253
2008	\$40.00	655	935	280
2009	\$40.00	631	1,004	372
2010	\$40.00	582	972	391
2011	\$40.00	544	994	451
2012	\$40.00	536	1,003	468

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$60.00	1,120	1,993	873
2008	\$60.00	1,032	1,942	910
2009	\$60.00	978	2,035	1,057
2010	\$60.00	901	1,981	1,080
2011	\$60.00	842	2,022	1,179
2012	\$60.00	831	2,040	1,208

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 2001
(S) Publish Date: 5/20/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Relating to the production tax on oil and gas RDU Resource Development
etc. Component Oil & Gas Development
Sponsor Rules by Request of Governor
Requester Governor Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact for DNR associated with implementation of this legislation.

Prepared by: Bill VanDyke, Acting Director Phone: 907-269-8800
Division: Oil & Gas Date/Time: 5/19/2006
Approved by: Michael Menge, Commissioner Date: 5/19/2006
Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSSB 2001(FIN)
(S) Publish Date: 5/21/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: An Act Relating to the Production Tax on RDU: Tax and Treasury
Oil and Gas Component: Tax
Sponsor: Rules Committee
Requester: Senate Finance Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	577.6	589.2	600.9	613.0	625.2	637.7
Travel						
Contractual	517.5	487.9	118.2	118.6	121.0	123.4
Supplies	42.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous (OH office, etc)	37.1	37.1	37.1	37.1	37.1	37.1
TOTAL OPERATING	1,174.2	1,114.1	756.2	768.7	783.3	798.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	<i>See analysis section</i>
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,174.2	1,114.1	756.2	768.7	783.3	798.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1,174.2	1,114.1	756.2	768.7	783.3	798.2

Estimate of any current year (FY2006) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	7	7	7	7	7	7
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Relative to Status Quo

This bill would amend the oil and gas production tax by basing the tax on the net value of the oil and gas. The net value is the wellhead value (net of royalty) less all qualified lease expenditures, including capital and operating costs, and property taxes. The net profit would be subject to a 22.5% tax, less a credit of 20% which applies to capital costs upstream of the point of production. There would be an additional allowance of up to \$12 million per company. The allowance expires in 2016. In addition, as a transition provision, there would be a 20% credit for capital costs incurred over the period April 1, 2001 through April 1, 2005, recoverable at \$1 for every \$2 in capital expenditures. Transition costs cannot be recovered after 2013.

Prepared by: Dan Dickinson
Division: Tax Division

Phone: 269-1019
Date/Time: 5/21/2006 4:45PM

Approved by: Kevin Jardell
Agency: Office of the Governor

Date: 5/21/2006

FISCAL NOTE # 3

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. CSSB 2001(FIN)

ANALYSIS CONTINUATION

The additional conservation surcharge on oil is increased from 3 cents to 4 cents.

The bill would be effective April 1, 2006.

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices. The figures reflect North Slope activity; the impact on Cook Inlet is expected to be modest. The status quo assumes the January 2005 ELF aggregation decision by the Department of Revenue for Prudhoe Bay continues.

The cost assumptions are as follows:

- \$100 mm/yr exploration
- \$1/bbl on-going capital on all barrels
- \$3.50/bbl developmental capital on 2/3 of existing conventional oil
- \$8/bbl developmental capital on 2/3 of existing heavy oil
- \$3.50/bbl developmental capital on new conventional oil
- \$8/bbl developmental capital on new heavy oil
- \$3/bbl operating cost on conventional oil
- \$5/bbl operating cost on heavy oil

The table shows the 2006-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Spring 2006 Revenue Sources Book because of volume adjustments from the oil spill, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

Operating expenditures include costs for 5 additional positions for auditors: 1 O & G Specialist (Range 23), 1 O & G Revenue Auditor IV (Range 22), and 3 O & G Revenue Auditor III (Range 20). These positions would be used to fulfill additional audit responsibilities inherent in a net profits tax, an amendment in the Senate regarding requires additional staff. In addition, we request 2 additional Tax positions (Range 14) to process additional information and tax returns that will be required, and additional credit applications anticipated. Personal Services reflect a 2% yearly increase.

Contractual expenditures include \$100,000 and \$70,000 for programming in FY 07 and FY 08, respectively, \$300,000 in each of FY 07 and FY 08 for help in writing regulations, \$100,000 in each year for consulting services and an estimate of chargeback costs. Supplies include computers and other supplies necessary for new positions.

ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)

FISCAL NOTE # 3

Fiscal Year	DOR Forecast	Col. 15 Status Quo Tax	Col. 16 Tax from Bill	Col. 17 Gain from Bill
2007	\$53.60	989	1,756	767
2008	\$46.90	759	1,340	581
2009	\$25.50	355	353	-2
2010	\$25.50	315	321	6
2011	\$25.50	281	318	36
2012	\$25.50	271	313	42

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$40.00	708	1,121	413
2008	\$40.00	655	1,095	440
2009	\$40.00	631	1,164	532
2010	\$40.00	582	1,132	551
2011	\$40.00	544	1,155	611
2012	\$40.00	536	1,163	628

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$60.00	1,120	2,271	1,151
2008	\$60.00	1,032	2,217	1,185
2009	\$60.00	978	2,279	1,301
2010	\$60.00	901	2,231	1,330
2011	\$60.00	842	2,272	1,429
2012	\$60.00	831	2,292	1,460

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 2001
(S) Publish Date: 5/20/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: An Act Relating to the Production Tax on Oil and Gas RDU: Tax and Treasury
Component: Tax
Sponsor: Rules Committee
Requester: Governor Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	875.0	892.5	910.4	928.6	947.1	966.1
Travel						
Contractual	525.0	487.9	118.2	118.6	121.0	123.4
Supplies	42.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous (OH office, etc)	53.0	53.0	53.0	53.0	53.0	53.0
TOTAL OPERATING	1,495.0	1,433.4	1,081.6	1,100.2	1,121.1	1,142.5

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	<i>See analysis section</i>
-------------------------------	-----------------------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,495.0	1,433.4	1,081.6	1,100.2	1,121.1	1,142.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1,495.0	1,433.4	1,081.6	1,100.2	1,121.1	1,142.5

Estimate of any current year (FY2006) cost: 275.0

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	10	10	10	10	10	10
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Relative to Status Quo

This bill would amend the oil and gas production tax by basing the tax on the net value of the oil and gas. The net value is the wellhead value (net of royalty) less all qualified lease expenditures, including capital and operating costs, and property taxes. The net income would be subject to a 20% tax, less a credit of 20% which applies to capital costs upstream of the point of production. There would be an additional allowance of up to \$12 million per company. The allowance expires in 2016. In addition, as a transition provision, there would be a 20% credit for capital costs incurred over the period July 1, 2001 through July 1, 2006, recoverable at \$1 for every \$2 in capital expenditures. Transition costs cannot be recovered after 2013.

Prepared by: Robynn Wilson, Michael Williams, Roger Marks, and Cheryl Nienhuis
Division: Tax Division

Phone: 269-1019
Date Time: 5/20/06 9:00 AM

Approved by: Jerry Burnett
Agency: Department of Revenue

Date: 5/20/2006

FISCAL NOTE # 2

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. SB 2001

ANALYSIS CONTINUATION

The additional conservation surcharge on oil is increased from 3 cents to 4 cents.

The bill would be effective July 1, 2006.

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices. The figures reflect North Slope activity; the impact on Cook Inlet is expected to be modest. The status quo assumes the January 2005 ELF aggregation decision by the Department of Revenue for Prudhoe Bay continues.

The cost assumptions are as follows:

- \$100 mm/yr exploration
- \$1/bbl on-going capital on all barrels
- \$3.50/bbl developmental capital on 2/3 of existing conventional oil
- \$8/bbl developmental capital on 2/3 of existing heavy oil
- \$3.50/bbl developmental capital on new conventional oil
- \$8/bbl developmental capital on new heavy oil
- \$3/bbl operating cost on conventional oil
- \$5/bbl operating cost on heavy oil

The table shows the 2006-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Spring 2006 Revenue Sources Book because of volume adjustments from the oil spill, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

Operating expenditures include costs for 5 additional positions for auditors: 1 O & G Specialist (Range 23), 1 O & G Revenue Auditor IV (Range 22), and 3 O & G Revenue Auditor III (Range 20). These positions would be used to fulfill additional audit responsibilities inherent in a net profits tax, an amendment in the Senate regarding requires additional staff. In addition, we request 2 additional Tax Tech III positions (Range 14) to process additional information and tax returns that will be required, and additional credit applications anticipated. Personal Services reflect a 2% yearly increase.

Contractual expenditures include \$100,000 and \$70,000 for programming in FY 07 and FY 08, respectively, \$300,000 in each of FY 07 and FY 08 for help in writing regulations, \$100,000 in each year for consulting services and an estimate of chargeback costs. Supplies include computers and other supplies necessary for new positions.

FISCAL NOTE # 2

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. SB 2001

ANALYSIS CONTINUATION Millions of Dollars

Fiscal Year	DOR Forecast	Col. 15 Status Quo Tax	Col. 16 Tax from Bill	Col. 17 Gain from Bill
2007	\$53.60	989	1,689	700
2008	\$46.90	759	1,273	514
2009	\$25.50	355	286	-68
2010	\$25.50	315	255	-61
2011	\$25.50	281	251	-30
2012	\$25.50	271	247	-25

Fiscal Year	Medium Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$40.00	708	926	218
2008	\$40.00	655	901	246
2009	\$40.00	631	969	338
2010	\$40.00	582	938	356
2011	\$40.00	544	960	416
2012	\$40.00	536	969	433

Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	\$60.00	1,120	1,948	829
2008	\$60.00	1,032	1,894	863
2009	\$60.00	978	1,956	979
2010	\$60.00	901	1,908	1,007
2011	\$60.00	842	1,949	1,107
2012	\$60.00	831	1,969	1,138

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 6/1/06

Amendment: #5

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

3 7

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: _____

Amendment: Am 4

MEMBER

Favor

Oppose

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 5/31/11

Amendment: 2 SB2001

MEMBER

Favor

Oppose

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

HOUSE FINANCE
COMMITTEE
ROLL CALL

DATE: 6/11/11

Amendment: Amn 3

MEMBER

Favor

Oppose

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

CORRECTION

To correct an error in the session designation on page 1
from Second Session to Second Special Session.

Please discard: CSSB 2001(FIN)
Work Order: 24-GS2094F

and replace it with this corrected version.

CSSB 2001(FIN)
Work Order: 24-GS2094F

Senate Secretary's Office
May 22, 2006

Adopted

#1
W

6/1/2006
(4:30 P.M.)

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault

TO: HCS CSSB 2001(FIN) (24-GS2094M Work Draft)

- 1 Page 4, lines 20, following "in":
- 2 Delete "barrels of oil"
- 3 Insert "Btu equivalent barrels."
- 4
- 5 Page 4, line 21:
- 6 Delete "equivalent."
- 7 Insert "For purposes of this subsection, "Btu equivalent barrel" means (1) in the case of
- 8 oil, one barrel; (2) in the case of gas, the amount of gas that has an energy content of
- 9 6,000,000 British thermal units."
- 10
- 11 Page 6, line 5, following "allowed to":
- 12 Delete "carry forward to a later period"
- 13 Insert "use for a different month"
- 14
- 15 Page 6, line 7, following "if any.":
- 16 Delete "are"
- 17 Insert "is"
- 18
- 19 Page 6, line 8, following "considered":
- 20 Insert "the amount of"
- 21
- 22 Page 6, line 9, following "(i)":
- 23 Delete "of"
- 24 Insert "or"

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

- 1
- 2 Page 6, line 10, following "levied":
- 3 Delete "under"
- 4 Insert "by"
- 5
- 6 Page 6, line 15, following "amount of":
- 7 Delete "the"
- 8
- 9 Page 6, line 18, following "may be":
- 10 Delete "carried forward to a later period"
- 11 Insert "used for a different month"
- 12
- 13 Page 6, line 19, following "person.":
- 14 Delete "and"
- 15 Insert "or"
- 16
- 17 Page 6, line 23, following "department":
- 18 Delete "and be consistent with the regulations adopted"
- 19
- 20 Page 6, line 24:
- 21 Delete "under AS 43.55.160(c)(4)"
- 22
- 23 Page 6, line 31, through page 7, line 1:
- 24 Delete all material
- 25
- 26 Page 14, lines 9-10:
- 27 Delete all material
- 28
- 29 Page 14, line 11:
- 30 Delete "(2)"
- 31

- 1 Page 14, line 14:
- 2 Delete "(A)"
- 3 Insert "(1)"
- 4
- 5 Page 14, line 15:
- 6 Delete "(B)"
- 7 Insert "(2)"
- 8
- 9 Page 14, line 18:
- 10 Delete "(i)"
- 11 Insert "(A)"
- 12
- 13 Page 14, line 21:
- 14 Delete "(ii)"
- 15 Insert "(B)"
- 16
- 17 Page 22, line 12, following "costs are":
- 18 Delete "direct"
- 19 Insert "lease expenditures."
- 20
- 21 Page 22, lines 13-14:
- 22 Delete all material
- 23
- 24 Page 23, line 17, following "gas":
- 25 Insert "."
- 26
- 27 Page 25, line 2, following "production":
- 28 Insert "in barrels of oil equivalent"
- 29
- 30 Page 25, line 5, following "production":
- 31 Insert "in barrels of oil equivalent"

1
2 Page 25, line 8, following "abandonment":
3 Delete all material
4
5 Page 25, line 9:
6 Delete "feet of gas is considered to be equivalent to one barrel of oil;"
7
8 Page 25, line 14, following "to a":
9 Delete "gravel pad"
10 Insert "pad, platform, or other structure"
11
12 Page 31, line 29, following "read":
13 Insert the following material:
14 (17) "barrel of oil equivalent" means
15 (A) in the case of oil, one barrel;
16 (B) in the case of gas, 6,000 cubic feet"
17
18 Page 31, line 30:
19 Delete "(17)"
20 Insert "(18)"
21
22 Page 32, line 1:
23 Delete "(18)"
24 Insert "(19)"
25
26 Page 32, line 3:
27 Delete "(19)"
28 Insert "(20)"
29
30 Page 32, line 12:
31 Delete "(20)"

- 1 Insert "(21)"
- 2
- 3 Page 32, line 17:
- 4 Delete "(21)"
- 5 Insert "(22)"
- 6
- 7 Page 32, line 28:
- 8 Delete "(22)"
- 9 Insert "(23)"
- 10
- 11 Page 33, line 4:
- 12 Delete "(23)"
- 13 Insert "(24)"
- 14 Page 33, line 6:
- 15 Delete "(24)"
- 16 Insert "(25)"
- 17
- 18 Page 35, line 13, following "law":
- 19 Delete "that was not"
- 20 Insert ", that exceeds the amount"
- 21
- 22 Page 35, line 14, following "begins", through line 15:
- 23 Delete all material
- 24 Insert "after the last payment under (1) of this subsection is due."
- 25
- 26 Page 36, line 4:
- 27 Delete "was not"
- 28 Insert "exceeds the amount"
- 29
- 30 Page 36, line 4, following "begins", through line 5:
- 31 Delete all material

1

Insert "after the last payment under (1) of this subsection is due."

Adopted

6/2/2006
sh (3:45 P.M.)

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault

TO: HCS CSSB 2001(FIN) (24-GS2094\I Work Draft)

- 1 Page 5, line 30:
- 2 Delete "oil and"
- 3
- 4 Page 6, line 1:
- 5 Delete "oil or"
- 6
- 7 Page 6, line 3, following "that":
- 8 Delete "oil or"
- 9
- 10 Page 6, line 3, following "allocated to":
- 11 Delete "oil and"
- 12
- 13 Page 6, line 7:
- 14 Delete "oil and"
- 15
- 16 Page 6, line 25:
- 17 Delete "oil and"
- 18
- 19 Page 20, line 30, following "(1)" through page 21, line 5:
- 20 Delete all material
- 21 Insert "oil and gas produced during a month from a lease or property in the state
- 22 that includes land north of 68 degrees North latitude is the gross value at the point

1 of production of the oil and gas taxable under AS 43.55.011(e) and (g) and
2 produced by the producer from that lease or property, less the producer's lease
3 expenditures for the month applicable to that oil and gas, as adjusted under (e) of
4 this section; (2) oil and gas produced during a month from a lease or property in
5 the state outside the Cook Inlet sedimentary basin and south of 68 degrees north
6 latitude is the gross value at the point of production of the oil and gas taxable
7 under AS 43.55.011(e) and (g) and produced by the producer from that lease or
8 property, less the producer's lease expenditures for the month applicable to that oil
9 and gas, as adjusted under (e) of this section; (3) oil"

10
11 Page 21, line 10:

12 Delete "(3)"

13 Insert "(4)"

14
15 Page 23, line 13, following "(4)" through line 19:

16 Delete all material

17 Insert "the lease expenditures that are applicable to oil or gas produced from a
18 lease or property shall be determined under regulations adopted by the department
19 that provide for reasonable methods of allocating costs between oil and gas and
20 among leases or properties:"

21
22 Page 28, line 6, following "tax":

23 Delete "credit"

24 Insert "credits"

25
26 Page 28, line 6, following "(a)"

27 Insert the following material:

28 "For a month for which a producer's tax liability under AS 43.55.011(e) on oil and
29 gas produced from leases or properties outside the Cook Inlet sedimentary basin

1 and south of 68 degrees North latitude exceeds zero before application of any
2 credits under this chapter, a producer that is qualified under (e) of this section may
3 apply a tax credit against that liability of up to \$500,000.

4 (b) A producer may not take a tax credit under (a) of this section for any
5 month that ends the later of

6 (1) April 30, 2016; or

7 (2) the 10th anniversary of the last day of the month for which the
8 producer first has commercial oil or gas production before May 1, 2016, from at
9 least one lease or property in the state outside the Cook Inlet sedimentary basin
10 and south of 68 degrees North latitude, if the producer did not have commercial oil
11 or gas production from a lease or property in the state outside the Cook Inlet
12 sedimentary basin and south of 68 degrees North latitude before April 1, 2006.

13 (c)"

14
15 Page 28, line 8, following "credits under this":

16 Delete "chapter."

17 Insert "chapter other than a credit under (a) of this section, but after application of
18 any credit under (a) of this section."

19
20 Page 28 line 8, following "qualified under":

21 Delete "(c)"

22 Insert "(e)"

23
24 Page 28, line 20:

25 Delete "(b")

26 Insert "(d)"

27
28 Page 28, line 20, following "under":

29 Insert "(c) of"

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Page 28, line 24, following "production":

Insert "before May 1, 2016,"

Page 28, line 27:

Delete "(c)"

Insert "(e)"

Page 29, line 3, following "credit":

Delete "provision of (a)"

Insert "provisions of (a) or (c)"

Page 29, following line 3:

Insert the following material:

"(f) A tax credit authorized by (a) of this section may not be applied to reduce a producer's tax liability for any month under AS 43.55.011(c) on oil and gas produced from leases or properties outside the Cook Inlet sedimentary basin and south of 68 degrees North latitude below zero. An unused portion of a tax credit authorized by (a) of this section that could otherwise be applied for a month but whose application would cause the producer's tax liability for the month on oil and gas produced from leases or properties outside the Cook Inlet sedimentary basin and south of 68 degrees North latitude to be less than zero may be applied for one or more other months in the same calendar year to the extent otherwise allowed under this section."

Page 29, line 4:

Delete "(d)"

Insert "(g)"

1 Page 29, line 4, following "by":

2 Insert "(c) of"

3

4 Page 29, line 10:

5 Delete "(e)"

6 Insert "(h)"

Adopted

6/2/2006
3:45 P.M.

AMENDMENT

OFFERED IN THE HOUSE

BY Chenault

TO: HCS CSSB 2001(FIN) (24-GS2094\I Work Draft as page 4, line 21 was amended on June 1)

1 Page 4, line 18, following "AS 43.55.160," through line 19:

2 Delete all material

3 Insert "divided by"

4

5 Page 4, line 21, following "thermal units.":

6 Insert "The production tax value is calculated (1) using the monthly average of the
7 producer's costs of transportation for the calendar year, as provided by AS 43.55.160(i),
8 and (2) substituting for the month's lease expenditures 1/12 of the adjusted lease
9 expenditures for the calendar year, as provided by AS 43.55.160(f)."

10

11 Page 13, line 10, following "(A)":

12 Delete "one-half"

13 Insert "1/10"

14

15 Page 13, line 13, following "(B)":

16 Delete "1/24"

17 Insert "1/120"

18

19 Page 19, line 1, following "adding":

20 Delete "a new subsection"

21 Insert "new subsections"

22

23 Page 19, following line 5:

1 Insert the following material:

2 “(f) For purposes of AS 43.05.260(a), the statement required to be filed on or
3 before March 31 of a year is considered to be the return for the tax imposed by
4 AS 43.55.011(e) – (g) for oil and gas produced each month of the preceding calendar
5 year.”

6
7 Page 22, line 11, following “interest,”:

8 Delete “are the”

9 Insert “that are”

10
11 Page 27, following line 23:

12 Insert the following material:

13 “(i) Notwithstanding any contrary provision of AS 43.55.150, for purposes of (a)
14 of this section, if the price index determined under AS 43.55.011(h) is greater than zero
15 for any month during a calendar year, the gross value at the point of production of the oil
16 and gas taxable under AS 43.55.011(e) and (g) must be calculated for every month of that
17 calendar year under regulations adopted by the department that provide for using a
18 monthly average of the producer’s costs of transportation for the calendar year.”

19
20 Page 27, line 24:

21 Delete “(i)”

22 Insert “(j)”

23
24 Page 27, line 29:

25 Delete “(j)”

26 Insert “(k)”

**Transitional Investment Credit
Effect of Amendment
source: Dept. of Revenue
6/2/2006**

Current Language in .024(j)(2)

yearly investment past years		35
lookback period		5
total Transitional Investment Expenditures (TIE)		<u>175</u>
credit rate		<u>20%</u>
TIE credit available	A	35
current investment		70
one-half of current capital investments	B	35
2 for 1 means that 100% of the TIE credit is recoupable in one year	lesser of A or B	35

Effect of Amendment

yearly investment past years		35
lookback period		5
total Transitional Investment Expenditures (TIE)		<u>175</u>
credit rate		<u>20%</u>
TIE credit available	C	35
current investment		70
one-tenth of current capital investments	D	7
2 for 1 means that TIE can be recouped in five years consistent with intent	lesser of C or D	7

5-5
failed

24-GS2094\1.5
Bullock
6/1/06

#2
4

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 2001(FIN), Draft Version "I"

- 1 Page 4, line 9:
- 2 Delete ".175 percent"
- 3 Insert ".25 percent"
- 4
- 5 Page 4, line 16:
- 6 Delete "45"
- 7 Insert "35"

AMENDMENT

Failed 4-6

#3

OFFERED IN THE HOUSE

BY REPRESENTATIVE KELLY

TO: HCS CSSB 2001(FIN)

Page 11, line 12

Insert:

“(f) Under standards established in regulations adopted by the department and subject to availability of taxes paid under this chapter, the department may issue a cash refund for the full value of a transferable tax credit certificate acquired and held by the Alaska Retirement Management Board.”

Re-letter accordingly

EXPLANATION

- This amendment allows but does not require the Department of Revenue to issue a cash refund for a transferable tax credit certificate held by the ARM Board. Legislation enabling the ARM Board to purchase transferable tax credits will be introduced next session. If the department is not given this authority in the PPT bill, the PPT legislation would have to be re-opened to permit the small producers the opportunity to use this additional buyer of transferable tax credits. It is anticipated that the future ARM Board legislation will establish a percent purchase level that will serve to set a floor for sale of transferable credits.
- If the ARM Board has the ability to purchase the tax credits for a set amount and redeem them from the Department of Revenue, it could significantly improve the rate of return on the portfolio and reduce the State's long term unfunded liability.
- This amendment will also be beneficial to new and small producers since dispersal of the funds through the ARM Board would not require an appropriation. At certain times in the year the funds could get to the producers on a shortened time frame.

failed
2-8 #4

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

KerHula

TO: HCS CSSB 2001(FIN); Version I

Page 10, line 14, following "month":

Insert "so long as it is applied within 10 years after the credit was first claimed"

Page 10, line 31.

Delete ""does not expire"

Insert "is valid for 10 years after the date the certificate is issued"

Page 11, line 3:

Delete "(a) - (c)"

Insert "(a) - (d)"

Page 11, line 18, following "if":

Insert "the certificate is still valid and"

Failed 3-7

#5

AMENDMENT

OFFERED IN THE HOUSE
TO: HCS CSSB 2001(FIN); Version I

BY REPRESENTATIVE

Joule

Page 22, line 5 through page 23, line 8:

Delete all material and insert:

(c) For purposes of this section,

(1) a producer's lease expenditures for a period are the ordinary and necessary costs upstream of the point of production of oil and gas that are incurred on or after April 1, 2006, by the producer during the period and that are direct costs of exploring for, developing, or producing oil or gas deposits located within the producer's leases or properties in the state or, in the case of land in which the producer does not own a working interest, are the direct costs of exploring for oil or gas deposits located within other land in the state;

(2) the department shall adopt regulations establishing the list of allowable lease expenditures; in developing the regulations, the department may consider

(A) typical industry practices and standards in the state that determine the costs that an operator is allowed to bill a working interest owner that is not the operator, under unit operating agreements or similar operating agreements that were in effect on or before December 1, 2005, and were subject to negotiation with at least one working interest owner with substantial bargaining power, other than the operator; and

(B) standards adopted by the Department of Natural Resources that determine the costs, other than interest, that a lessee is allowed to deduct from revenue in calculating net profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E);

(3) the department may authorize a producer, including a producer that is an operator, to treat as its lease expenditures under this section the costs paid by the producer that are billed to the producer by an operator in accordance with the terms of a unit operating agreement or similar operating agreement if the department finds that

(A) the pertinent provisions of the operating agreement are consistent with the department regulations and standards otherwise applicable under this subsection; and

(B) at least one working interest owner party to the agreement, other than the operator, has substantial incentive and ability to effectively audit billings under the agreement;

Renumber following subsections accordingly.

Adopted
6/1/06

24-GS2094V
Bullock
5/31/06

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SPECIAL SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on
2 oil; relating to criminal penalties for violating conditions governing access to and use of
3 confidential information relating to the production tax; amending the definition of 'gas'
4 as that definition applies in the Alaska Stranded Gas Development Act; making
5 conforming amendments; and providing for an effective date."

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

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

9 **LEGISLATIVE INTENT.** (a) It is the intent of the legislature through sec. 11 of this
10 Act to confirm by clarification the long-standing interpretation of AS 43.55.020(f) by the
11 Department of Revenue.

12 (b) It is the intent of the legislature that the division or other unit of the Department of
13 Environmental Conservation assigned responsibility for administration of the programs under

1 AS 46.08 that are principally supported by the conservation surcharges on oil levied under
2 AS 43.55.201 - 43.55.299 and 43.55.300 - 43.55.310

3 (1) reduce program costs, including personnel costs, as necessary to operate
4 within the revenue anticipated to be generated by those surcharges, in the amounts of those
5 surcharges as amended by secs. 26 and 28 of this Act; and

6 (2) request appropriations for exceptional program needs and expansions
7 beyond what can be provided from the estimated amounts collected from those surcharges
8 from alternative funding sources.

9 * Sec. 2. AS 43.05.230(f) is amended to read:

10 (f) A wilful violation of the provisions of this section, or of a condition
11 imposed under AS 43.55.040(1)(B) is punishable by a fine of not more than \$5,000,
12 or by imprisonment for not more than two years, or by both.

13 * Sec. 3. AS 43.20.031(c) is amended to read:

14 (c) In computing the tax under this chapter, the taxpayer is not entitled to
15 deduct any taxes based on or measured by net income. The taxpayer may deduct the
16 tax levied and paid under AS 43.55.

17 * Sec. 4. AS 43.20.072(b) is amended to read:

18 (b) A taxpayer's business income to be apportioned under this section to the
19 state shall be the federal taxable income of the taxpayer's consolidated business for the
20 tax period, except that

21 (1) taxes based on or measured by net income that are deducted in the
22 determination of the federal taxable income shall be added back; the tax levied and
23 paid under AS 43.55 may not be added back;

24 (2) intangible drilling and development costs that are deducted as
25 expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the
26 federal taxable income shall be capitalized and depreciated as if the option to treat
27 them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been
28 exercised;

29 (3) depletion deducted on the percentage depletion basis under 26
30 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income
31 shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612

1 (Internal Revenue Code); and

2 (4) depreciation shall be computed on the basis of 26 U.S.C. 167
3 (Internal Revenue Code) as that section read on June 30, 1981.

4 * Sec. 5. AS 43.55.011 is amended by adding new subsections to read:

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

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

16 (1) the rate of tax levied on oil is equal to five percent of the gross
17 value at the point of production of the oil;

18 (2) the rate of tax levied on gas is equal to 1.667 percent of the gross
19 value at the point of production of the gas;

20 (3) if the department determines that, for purposes of reducing the
21 producer's tax liability under (1) or (2) of this subsection, the producer has received or
22 will receive consideration from the royalty owner offsetting all or a part of the
23 producer's royalty obligation, other than a deduction under AS 43.55.020(d) of the
24 amount of a tax paid,

25 (A) notwithstanding (1) of this subsection, the tax is equal to

26 (i) for oil that is produced from a lease or property in
27 the Cook Inlet sedimentary basin, five percent of the gross value at the
28 point of production of the oil;

29 (ii) for oil, except oil described in (i) of this
30 subparagraph, 20 percent of the gross value at the point of production
31 of the oil; and

1 (B) notwithstanding (2) of this subsection, for gas the tax is
2 equal to 11.25 percent of the gross value at the point of production of the gas.

3 (g) In addition to the taxes levied under (e) and (f) of this section, during each
4 month for which the price index determined under (h) of this section is greater than
5 zero, there is levied on the producer of oil or gas a tax for all oil and gas produced
6 during that month from each lease or property in the state, less any oil and gas the
7 ownership or right to which is exempt from taxation or constitutes a landowner's
8 royalty interest. Except as otherwise provided under (i) and (j) of this section, the tax
9 levied under this subsection is equal to .175 percent of the production tax value of the
10 taxable oil and gas as calculated under AS 43.55.160, multiplied by the price index
11 determined under (h) of this section. However, application of this subsection may not,
12 when added to the tax levied under (e) of this section, impose a tax levy of more than
13 50 percent of the production tax value of taxable oil and gas as calculated under
14 AS 43.55.160.

15 (h) For purposes of (g) of this section, the price index for a month is calculated
16 by subtracting 45 from the number that is equal to the quotient of the production tax
17 value of the taxable oil and gas produced during that month, as calculated under
18 AS 43.55.160, substituting for that month's adjusted lease expenditures 1/12 of the
19 adjusted lease expenditures for the calendar year that includes that month, divided by
20 the amount of the taxable oil and gas produced during that month, in barrels of oil
21 equivalent.

22 (i) For a month that ends before April 1, 2021, the total tax levied by (e) and
23 (g) of this section on gas produced from a lease or property in the Cook Inlet
24 sedimentary basin may not exceed

25 (1) for a lease or property that first commenced commercial production
26 of gas before April 1, 2006, the product obtained by multiplying (A) the amount of gas
27 produced during that month from the lease or property, times (B) the average rate of
28 tax that was imposed under this chapter on gas produced from the lease or property for
29 the 12-month period ending on March 31, 2006, times (C) the average prevailing value
30 for gas delivered in the Cook Inlet area for the 12-month period ending March 31,
31 2006, as determined by the department under AS 43.55.020(f);

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

9 (j) For a month that ends before April 1, 2021, the total tax levied by (e) and
10 (g) of this section on oil produced from a lease or property in the Cook Inlet
11 sedimentary basin may not exceed

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

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

27 (k) Notwithstanding any contrary provision of AS 38.05.180(i), AS 41.09.010,
28 AS 43.20.043, AS 43.55.024, 43.55.025, or 43.55.170, tax credits under
29 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, AS 43.55.024, 43.55.025, and
30 43.55.170 that are allocated to oil and gas produced from leases or properties in the
31 Cook Inlet sedimentary basin and that are available to be applied against a tax levied

1 by (e) of this section on oil or gas produced from leases or properties in the Cook Inlet
2 sedimentary basin during a month may be applied only against the tax levied by (e) of
3 this section on that oil or gas. The amount by which the tax credits allocated to oil and
4 gas produced from leases or properties in the Cook Inlet sedimentary basin and that
5 the producer would otherwise be allowed to carry forward to a later period or transfer
6 to another person that exceeds the amount of tax credits whose application would
7 reduce the tax levied by (e) of this section on that oil and gas to zero, if any, are
8 considered excess tax credits and the excess tax credits are subject to the following:

9 (1) for each lease or property for which a limitation under (i) of (j) of
10 this section on the tax levied under (e) and (g) of this section has the effect of reducing
11 the producer's tax below the amount of tax that would be levied in the absence of that
12 limitation, the producer shall calculate the amount of that reduction;

13 (2) the producer shall calculate the total of the reductions calculated
14 under (1) of this subsection for all affected leases or properties;

15 (3) the producer shall reduce the amount of the excess tax credits by
16 the total calculated under (2) of this subsection, but not to less than zero;

17 (4) any amount of excess tax credits remaining after reduction under
18 (3) of this subsection may be carried forward to a later period, transferred to another
19 person, and applied against a tax levied on oil or gas produced from a lease or property
20 located anywhere in the state to the extent otherwise allowed under applicable law
21 governing the tax credits.

22 (l) Allocation of credits under (k) of this section shall be made under
23 regulations adopted by the department and be consistent with the regulations adopted
24 under AS 43.55.160(c)(4) that provide for reasonable methods of allocating tax credits
25 to oil and gas produced from leases or properties in the Cook inlet sedimentary basin.
26 The method of allocating tax credits available under AS 43.55.170 shall be based on
27 the number of barrels of oil equivalent produced from a lease or property.

28 (m) The department shall by regulation establish sampling, testing, and
29 averaging methods for determining the energy content of a producer's gas produced
30 during a month.

31 (n) In this section, "barrel of oil equivalent" means (1) in the case oil, one

1 barrel; (2) in the case of gas, 6,000 cubic feet.

2 * Sec. 6. AS 43.55.017(a) is amended to read:

3 (a) Except as provided in this chapter, the taxes imposed by this chapter are in
4 place of all taxes now imposed by the state or any of its municipalities, and neither the
5 state nor a municipality may impose a tax on [UPON]

6 (1) producing oil or gas leases;

7 (2) oil or gas produced or extracted in the state;

8 (3) the value of intangible drilling and development costs, as
9 described in 26 U.S.C. 263(c) (Internal Revenue Code), as amended through
10 January 1, 1974 [EXPLORATION EXPENSES].

11 * Sec. 7. AS 43.55.020(a) is repealed and reenacted to read:

12 (a) Ninety-five percent of the total tax levied by AS 43.55.011(e) - (g), net of
13 any credits applied under this chapter, is due on the last day of each calendar month on
14 oil and gas produced from each lease or property during the preceding month. The
15 remaining portion of the tax levied by AS 43.55.011(e) - (g), net of any credits applied
16 under this chapter, is due on March 31 of the year following the calendar year during
17 which the oil and gas were produced. An unpaid amount of tax that is not paid when
18 due in accordance with this subsection becomes delinquent. An overpayment of tax
19 with respect to a month may be applied against the tax due for any later month.
20 Notwithstanding any contrary provision of AS 43.05.280, interest on an overpayment
21 is allowed only from a date that is 90 days after the later of (1) the March 31 described
22 in this subsection, or (2) the date that the statement required under AS 43.55.030(a)
23 and (c) to be filed on or before that March 31 is filed. Interest is not allowed if the
24 overpayment was refunded within the 90-day period.

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

26 (b) The production tax on oil and [OR] gas shall be paid by or on behalf of the
27 producer.

28 * Sec. 9. AS 43.55.020(d) is amended to read:

29 (d) In making settlement with the royalty owner for oil and gas that is
30 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on
31 taxable royalty oil and [OR] gas, or may deduct taxable royalty oil or gas equivalent

1 in value at the time the tax becomes due to the amount of the tax paid. Unless
2 otherwise agreed between the producer and the royalty owner, the amount of the
3 tax paid under AS 43.55.011(e) and (g) on taxable royalty oil and gas for a month,
4 other than oil and gas the ownership or right to which constitutes a landowner's
5 royalty interest, is considered to be the gross value at the point of production of
6 the taxable royalty oil and gas produced during the month multiplied by a figure
7 that is a quotient, in which

8 (1) the numerator is the producer's total tax liability under
9 AS 43.55.011(e) and (g) for the month of production; and

10 (2) the denominator is the total gross value at the point of
11 production of the oil and gas taxable under AS 43.55.011(e) and (g) produced by
12 the producer from all leases and properties in the state during the month.

13 * Sec. 10. AS 43.55.020(e) is repealed and reenacted to read:

14 (e) Gas flared, released, or allowed to escape in excess of the amount
15 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
16 purpose of AS 43.55.011 - 43.55.180, as gas produced from a lease or property. Oil or
17 gas used in the operation of a lease or property in the state in drilling for or producing
18 oil or gas, or for repressuring, except to the extent determined by the Alaska Oil and
19 Gas Conservation Commission to be waste, is not considered, for the purpose of
20 AS 43.55.011 - 43.55.180, as oil or gas produced from a lease or property.

21 * Sec. 11. AS 43.55.020(f) is amended to read:

22 (f) If oil or gas is produced but not sold, or if oil or gas is produced and
23 sold under circumstances where the sale price does not represent the prevailing value
24 for oil or gas of like kind, character, or quality in the field or area from which the
25 product is produced, the department may require the tax to be paid upon the basis of
26 the value of oil or gas of the same kind, quality, and character prevailing for that field
27 or area during the calendar month of production or sale [FOR THAT FIELD OR
28 AREA].

29 * Sec. 12. AS 43.55 is amended by adding a new section to read:

30 Sec. 43.55.024. Tax credits for certain losses and expenditures. (a) A
31 producer or explorer may take a tax credit for a qualified capital expenditure as

1 follows:

2 (1) notwithstanding that a qualified capital expenditure may be a
3 deductible lease expenditure for purposes of calculating the production tax value of oil
4 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
5 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025,

6 (A) a producer or explorer that incurs a qualified capital
7 expenditure may also elect to take a tax credit against a tax due under
8 AS 43.55.011(e) in the amount of 20 percent of that expenditure;

9 (B) for a calendar year for which the producer makes a
10 substitution under AS 43.55.160(f), instead of taking a tax credit at a rate
11 authorized by (A) of this paragraph as to each separate qualified capital
12 expenditure after it has been incurred, a producer that incurs a qualified capital
13 expenditure during that year and that wishes to apply a credit based on that
14 expenditure against a tax due under AS 43.55.011(e) shall calculate and apply
15 every month an annualized tax credit in an amount equal to $1 \frac{2}{3}$ percent of the
16 total qualified capital expenditures incurred during that year and for which the
17 tax credit is taken for that year;

18 (2) a producer or explorer may take a credit for a qualified capital
19 expenditure incurred in connection with geological or geophysical exploration or in
20 connection with an exploration well only if the producer or explorer provides to the
21 department, as part of the statement required under AS 43.55.030(a) for the month for
22 which the credit is sought to be taken, the producer's or explorer's written agreement

23 (A) to notify the Department of Natural Resources, within 30
24 days after completion of the geological or geophysical data processing or
25 completion of the well, or within 30 days after the statement is filed, whichever
26 is the latest, of the date of completion and to submit a report to that department
27 describing the processing sequence and provide a list of data sets available;

28 (B) to provide to the Department of Natural Resources, within
29 30 days after the date of a request, specific data sets, ancillary data, and reports
30 identified in (A) of this paragraph;

31 (C) that, notwithstanding any provision of AS 38, the

1 Department of Natural Resources shall hold confidential the information
2 provided to that department under this paragraph for 10 years following the
3 completion date, after which the department shall publicly release the
4 information after 30 days' public notice. *credit conversion of 30 days*

5 (b) A producer or explorer may elect to take a tax credit in the amount of 20
6 percent of a carried-forward annual loss. A credit under this subsection may be applied
7 against a tax due under AS 43.55.011(e). For purposes of this subsection, a carried-
8 forward annual loss is the amount of a producer's or explorer's adjusted lease
9 expenditures under AS 43.55.160 for a previous calendar year that was not deductible
10 in any month under AS 43.55.160(a) and (b).

11 (c) A credit or portion of a credit under this section may not be used to reduce
12 a person's tax liability under AS 43.55.011(e) for any month below zero, and any
13 unused credit or portion of a credit not used under this subsection may be applied in a
14 later month.

15 (d) Except as limited by (j) of this section, a person entitled to take a tax credit
16 under this section that wishes to transfer the unused credit to another person may
17 apply to the department for a transferable tax credit certificate. An application under
18 this subsection must be on a form prescribed by the department and must include
19 supporting information and documentation that the department reasonably requires.
20 The department shall grant or deny an application, or grant an application as to a lesser
21 amount than that claimed and deny it as to the excess, not later than 60 days after the
22 latest of (1) March 31 of the year following the calendar year in which the qualified
23 capital expenditure or carried-forward annual loss for which the credit is claimed was
24 incurred; (2) if the applicant is required under AS 43.55.030(a) and (e) to file a
25 statement on or before March 31 of the year following the calendar year in which the
26 qualified capital expenditures or carried-forward annual loss for which the credit is
27 claimed was incurred, the date the statement was filed; or (3) the date the application
28 was received by the department. If, based on the information then available to it, the
29 department is reasonably satisfied that the applicant is entitled to a credit, the
30 department shall issue the applicant a transferable tax credit certificate for the amount
31 of the credit. A certificate issued under this subsection does not expire.

1 (e) A person to which a transferable tax credit certificate is issued under (d) of
2 this section may transfer the certificate to another person, and a transferee may further
3 transfer the certificate. Subject to the limitations set out in (a) - (c) of this section, and
4 notwithstanding any action the department may take with respect to the applicant
5 under (g) of this section, the owner of a certificate may apply the credit or a portion of
6 the credit shown on the certificate only against a tax due under AS 43.55.011(e).
7 However, a credit shown on a transferable tax credit certificate may not be applied to
8 reduce a transferee's total tax due under AS 43.55.011(e) on oil and gas produced
9 during a calendar year to less than 80 percent of the tax that would otherwise be due
10 without applying that credit. Any portion of a credit not used under this subsection
11 may be applied in a later period.

12 (f) Under standards established in regulations adopted by the department and
13 subject to appropriations made by law, the department, on the written application of
14 the person to whom a transferable tax credit has been issued under (d) of this section
15 and whose average amount of oil and gas produced a day taxable under
16 AS 43.55.011(e) is not more than 50,000 barrels of oil equivalent a day for the
17 preceding calendar year, shall issue a cash refund, in whole or in part, for the
18 certificate if the department finds

19 (1) after investigation and audit of the tax credit claim by the
20 department, that the applicant is entitled to the credit to the extent of the refund
21 amount;

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

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

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

31 (5) that the sum of the amount of the refund applied for and amounts

1 previously refunded to the applicant during the calendar year under this subsection
2 would not exceed \$25,000,000.

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

15 (h) The department may adopt regulations to carry out the purposes of this
16 section, including prescribing reporting, record keeping, and certification procedures
17 and requirements to verify the accuracy of credits claimed and to ensure that a credit is
18 not used more than once, and otherwise implementing this section.

19 (i) A person may not elect to take a tax credit under (a) or (j) of this section for
20 an expenditure incurred to acquire an asset (1) the cost of previously acquiring which
21 was a lease expenditure under AS 43.55.160(c) or would have been a lease
22 expenditure under AS 43.55.160(c) if it had been incurred on or after April 1, 2006; or
23 (2) that has previously been placed in service in the state. An expenditure to acquire an
24 asset is not excluded under this subsection if not more than an immaterial portion of
25 the asset meets a description under (1) or (2) of this subsection. For purposes of this
26 subsection, "asset" includes geological, geophysical, and well data and interpretations.

27 (j) For the purposes of this section,

28 (1) a producer's or explorer's transitional investment expenditures are
29 the sum of the expenditures the producer or explorer incurred on or after April 1,
30 2001, and before April 1, 2006, that would be qualified capital expenditures if they
31 were incurred on or after April 1, 2006, less the sum of the payments or credits the

1 producer or explorer received before April 1, 2006, for the sale or other transfer of
2 assets, including geological, geophysical, or well data or interpretations, acquired by
3 the producer or explorer as a result of expenditures the producer or explorer incurred
4 before April 1, 2006, that would be qualified capital expenditures, if they were
5 incurred on or after April 1, 2006;

6 (2) a producer or explorer may elect to take a tax credit against a tax
7 due under AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's
8 transitional investment expenditures, but only to the extent that the amount does not
9 exceed

10 (A) one-half of the producer's or explorer's qualified capital
11 expenditures that are incurred during the month for which the credit is taken, if
12 the producer or explorer does not make a substitution under AS 43.55.160(f);

13 (B) 1/24 of the producer's or explorer's qualified capital
14 expenditures that are incurred during the calendar year that includes the month
15 for which the credit is taken, if the producer or explorer makes a substitution
16 under AS 43.55.160(f);

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

19 (A) for any month that ends the later of

20 (i) April 30, 2013; or

21 (ii) the seventh anniversary of the last day of the month
22 for which the producer first applies a credit under this subsection
23 against a tax due under AS 43.55.011(e), if the producer did not have
24 commercial production of oil or gas from a lease or property in the state
25 before April 1, 2006;

26 (B) more than once; or

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

29 (4) notwithstanding (d), (e), and (g) of this section, a producer or
30 explorer may not transfer a tax credit or obtain a transferable tax credit certificate for a
31 transitional investment expenditure.