

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3281

103

HB

2000 1

(FILE 1)

HFIN

FILE

Adopted

FIN 1

25-GH0014N.19
Cook/Bullock
11/10/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, following line 26:

6 Insert a new bill section to read:

7 "* Sec. 15. AS 43.55.011(f) is amended to read:

8 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas
9 produced from leases or properties that include land north of 68 degrees North
10 latitude, other than oil and gas subject to (i) of this section and gas subject to (o)
11 of this section, may not be less than

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

15 (2) three percent of the gross value at the point of production when the
16 average price per barrel for Alaska North Slope crude oil for sale on the United States
17 West Coast during the calendar year for which the tax is due is over \$20 but not over
18 \$25;

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

23 (4) one percent of the gross value at the point of production when the

1 average price per barrel for Alaska North Slope crude oil for sale on the United States
2 West Coast during the calendar year for which the tax is due is over \$15 but not over
3 \$17.50; or

4 (5) zero percent of the gross value at the point of production when the
5 average price per barrel for Alaska North Slope crude oil for sale on the United States
6 West Coast during the calendar year for which the tax is due is \$15 or less."

7

8 Renumber the following bill sections accordingly.

9

10 Page 13, line 3:

11 Delete "and (g)"

12 Insert "[AND (g)]"

13

14 Conform internal references to bill sections so that the amendment to AS 43.55.011(f) takes
15 effect on January 1, 2008. Below are all internal references to bill sections in this bill:

16 Page 2, line 4;

17 Page 39, lines 14, 16, 17, 18, 19, 22, 24, 25, 26, 28, and 31;

18 Page 40, lines 1 and 30 - 31;

19 Page 41, lines 1 and 3.

*Adopted
as amended*

FIN 2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014AN

Chenault

1 Page 2, line 7

2 Insert Intent Language:

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It is the intent of the legislature that costs disallowed in accordance with AS 43.55.165(e)(6) amended by Section 48 of this act include costs, subsequent to the effective date of the enactment of AS 43.55.165(e)(6), incurred as a result of monitoring and management decisions that fail to properly consider risks posed by changing operating conditions and result in failure to take necessary actions to prevent a pipeline spill, *interruption of service or shut down*

Make conforming format changes in section.

Adopted

Kelly
Stalton

AMENDMENT

FIN 3

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 2, line 3, following "that":

2 Insert

3 "(1) the provisions of this Act will

4 (A) ensure a fair and equitable means of assessing and taxing
5 Alaska's oil and gas resources; and

6 (B) encourage the availability to Alaska's citizens of affordable gas
7 produced, transported, and consumed within the state;

8 (2) the enactment of"

9

10 Page 2, line 4:

11 Delete "enacted by"

12 Insert "in"

13 Delete "confirm"

14 Insert "relating to the limitation of assessments for the production tax on oil and
15 gas and conservation surcharges on oil, confirms"

16

17 Page 2, line 5, following "Revenue", through line 6:

18 Delete all material except the final period

19

20

FIN 4

25-GH0014W.1
Bullock
11/9/07

passed 7-4

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER
REPRESENTATIVE THOMAS

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 1, lines 8 - 9:

2 Delete "amending the State Personnel Act to place in the exempt service certain"

3 Insert "relating to"

4

5 Page 2, line 4:

6 Delete "sec. 42"

7 Insert "sec. 41"

8

9 Page 9, lines 16 - 21:

10 Delete all material.

11

12 Renumber the following bill sections accordingly.

13

14 Page 39, line 14:

15 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

16 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

17

18 Page 39, line 16:

19 Delete "Sections 38 and 40"

20 Insert "Sections 37 and 39"

21

22 Page 39, line 17:

23 Delete "sec. 38"

- 1 Insert "sec. 37"
- 2
- 3 Page 39, line 18:
- 4 Delete "sec. 40"
- 5 Insert "sec. 39"
- 6
- 7 Page 39, line 19:
- 8 Delete "Sections 29 - 32 and 35"
- 9 Insert "Sections 28 - 31 and 34"
- 10
- 11 Page 39, line 22:
- 12 Delete "sec. 42"
- 13 Insert "sec. 41"
- 14
- 15 Page 39, line 24:
- 16 Delete "secs. 13 and 42"
- 17 Insert "secs. 12 and 41"
- 18
- 19 Page 39, line 25:
- 20 Delete "sec. 24"
- 21 Insert "sec. 23"
- 22
- 23 Page 39, line 26:
- 24 Delete "sec. 24"
- 25 Insert "sec. 23"
- 26
- 27 Page 39, line 28:
- 28 Delete "sec. 39" in both places
- 29 Insert "sec. 38" in both places
- 30
- 31 Page 39, line 31:

1 Delete "sec. 41"

2 Insert "sec. 40"

3

4 Page 40, line 1:

5 Delete "sec. 41"

6 Insert "sec. 40"

7

8 Page 40, lines 2 - 21:

9 Delete all material and insert:

10 "* Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 OIL AND GAS AUDITORS; CLASSIFICATION AND PAY PLANS.
13 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
14 implement a distinct position classification plan and a distinct pay plan for oil and gas
15 auditors and their immediate supervisors that perform

16 (1) production tax audits in the Department of Revenue;

17 (2) royalty audits, including net profit share audits, in the Department of
18 Natural Resources."

19

20 Page 40, lines 30 - 31:

21 Delete "Sections 27 and 33"

22 Insert "Sections 26 and 32"

23

24 Page 41, line 1:

25 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

26 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

27

28 Page 41, line 3:

29 Delete "sec. 58"

30 Insert "sec. 57"

New FIN 5^{sk}

25-GH0014N.30
Bullock
11/10/07

passed 6-5

Kelly,
Stoltze

GARA

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, line 24, following "to":

6 Insert "the sum of

7 (1)"

8

9 Page 10, line 25:

10 Delete "the tax rate determined"

11 Insert "25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts

13 calculated"

14

15 Page 10, line 27, through page 11, line 9:

16 Delete all material and insert:

17 **** Sec. 15. AS 43.55.011(g) is repealed and reenacted to read:**

18 (g) For each month for which the price index determined under (h) of this

19 section is greater than zero, the amount of tax for purposes of (c)(2) of this section is

20 calculated as follows: (1) for oil and gas produced from each lease or property, the

21 monthly production tax value is calculated in the manner described in AS 43.55.160(a)

22 and (b), except that the gross value at the point of production for the month is

23 substituted for the gross value at the point of production for the calendar year and 1/12

1 of the applicable adjusted lease expenditures for the calendar year is substituted for the
 2 applicable adjusted lease expenditures for the calendar year, (2) the monthly
 3 production tax value determined under (1) of this subsection is multiplied by the
 4 progressivity tax rate for the month. The progressivity tax rate for a month is the
 5 product of 0.4 percent multiplied by the price index for the month determined under
 6 (h) of this section, except that the progressivity tax rate for a month may not exceed 25
 7 percent. Notwithstanding any contrary provision of AS 43.55.150, for purposes of
 8 calculating a monthly production tax value under this subsection, the gross value at the
 9 point of production of the oil and gas is calculated under regulations adopted by the
 10 department that provide for using an appropriate monthly share of the producer's costs
 11 of transportation for the calendar year.

12 * Sec. 16. AS 43.55.011(h) is repealed and reenacted to read:

13 (h) For purposes of (g) of this section, the price index for a month is calculated
 14 by subtracting 30 from the number that is equal to the total of the monthly production
 15 tax values, as calculated under (g) of this section, of the taxable oil and gas produced
 16 by the producer from all leases and properties in the state during that month, divided
 17 by the total amount of taxable oil and gas produced by the producer from all leases
 18 and properties in the state during that month, in BTU equivalent barrels. However, a
 19 price index calculated under this subsection may not be less than zero."
 20

21 Page 14, line 5:

22 Delete "25 percent of"

23 Insert "the sum of 25 percent and the progressivity tax rate calculated under
 24 AS 43.55.011(g) multiplied by"

25
 26 Page 14, lines 17 - 18:

27 Delete "all leases or properties in the unit or nonunitized reservoir"

28 Insert "those properties"

29
 30 Page 14, line 19:

31 Delete "25 percent of"

1 Insert "the sum of 25 percent and the progressivity tax rate calculated under
2 AS 43.55.011(g) multiplied by"

3

4 Page 14, line 29:

5 Delete "25 percent of"

6 Insert "the sum of 25 percent and the progressivity tax rate calculated under
7 AS 43.55.011(g) multiplied by"

8

9 Page 29, line 29:

10 Delete "annual"

11 Insert "[ANNUAL]"

12

13 Page 32, line 16:

14 Delete "an annual"

15 Insert "a [AN ANNUAL]"

16

17 Page 38, following line 26:

18 Insert a new paragraph to read:

19 "(23) "progressivity tax rate" means that part of the tax rate in
20 AS 43.55.011(g) that exceeds 25 percent;"

21

22 Renumber the following paragraphs accordingly.

AMENDMENT

adopted

N10

FIN 6

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

- 1 Page 1, lines 3-5
- 2 Delete "providing a penalty for the underpayment of an installment payment of the
- 3 production tax on oil and gas;"
- 4
- 5 Page 17, lines 4-13
- 6 Delete all material.
- 7
- 8 Renumber all sections accordingly.

Adopted

FIN 8

25-GH0014N
Finley/Bullock
11/9/07

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 2001(FIN)

BY REPRESENTATIVE JOULE
REPRESENTATIVE CRAWFORD

- 1 Page 18, lines 22-24
Delete all material
- 2
- 3 Page 23, lines 14-18
Delete all material
- 4
- 5 Page 40, lines 28-31
Delete all material
- 6
- 7 Renumber remaining sections accordingly.
- 8
- 9
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AMENDMENT

Adopte

FIN^a

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

- 1 Page 21, line 10
- 2 Delete "adequately achieved"
- 3 Insert "was consistent with achieving"
- 4

7-4
passed

FIN 10

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

1 Page 21, line 25

2 Insert following "available;"

3 "In addition to the submissions required under (1) of this subsection, the explorer shall
4 submit information necessary for the Commissioner of the Department of Natural
5 Resources to evaluate the validity of the explorer's compliance with the requirements of
6 this section."

7
8 Make conforming changes to punctuation.

9
10 Page 22, lines 11-19

11 Delete "in this subparagraph, well data ... testing the well;"

12

Adopted
as

Joule/Thomas

AMENDMENT
Amended

FIW12

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 22, line 11, following "subparagraph,":

2 Insert In This Subparagraph

3 "(i) a seismic or geophysical data set includes the data for an entire
4 seismic survey, irrespective of whether the survey areas covers nonstate land
5 in addition to state land or land in a unit in addition to land outside a unit;
6 (ii)"

8 Page 22, line 22, following "Resources", through "that department" on line 23:

9 Delete "for 10 years following the completion date, at which time that
10 department"

11 Insert

12 "(i) in the case of well data, until the expiration of the 24-month period
13 of confidentiality described in AS 31.05.035(c), the Department of Natural
14 Resources [FOR 10 YEARS FOLLOWING THE COMPLETION DATE, AT
15 WHICH TIME THAT DEPARTMENT]"

17 Page 22, line 23, following "notice":

18 Insert

19 "unless in the discretion of the commissioner of natural resources, it is
20 necessary to protect information relating to the valuation of unleased acreage
21 in the same vicinity, or unless the well is on private land and the owner,
22 including the lessor but not the lessee, of the oil and gas resource has not
23 given permission to release the well data;

passed 7-4

13
FINI

AMENDMENT

Rep. Gara
Rep Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 28, following line 11:

2 Insert a new bill section to read:

3 ****Sec. 42.** AS 43.55 is amended by adding a new section to read:

4 **Sec. 43.55.055. Penalty for understatement of tax.** (a) In addition to other
5 penalties prescribed by law, if there is a substantial understatement of tax required to be
6 shown on a statement required under AS 43.55.030(a), there shall be added to the tax an
7 amount equal to 10 percent of the substantial understatement of tax.

8 (b) In addition to other penalties prescribed by law, if there is a gross
9 understatement of tax required to be shown on a statement required under AS
10 43.55.030(a), there shall be added to the tax an amount equal to 20 percent of the gross
11 understatement of tax.

12 (c) In addition to the penalties imposed under (a) or (b) of this section, a person
13 who has made a substantial or gross understatement of tax is liable to the state for the
14 reasonable costs of the state's enforcement action, including auditing costs.

15 (d) For purposes of this section,
16 (1) a substantial understatement of tax for any calendar year exists if the
17 amount of the understatement for the calendar year exceeds the lesser of 10 percent of the
18 tax required to be shown on the statement for the taxable year or \$10,000,000;

1 (2) a gross understatement of tax for any calendar year exists if the
2 amount of the understatement for the calendar year exceeds the lesser of 20 percent of the
3 tax required to be shown on the statement for the calendar year or \$20,000,000;

4 (3) "understatement" means the amount by which the tax required to be
5 shown on the statement for the calendar year exceeds the amount of the tax reported as
6 due by the taxpayer as shown on the statement."

7
8 Renumber the following bill sections accordingly.

adopted

AMENDMENT

Rep Thomas

FIN 15

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 1, line 8, following "surcharges;":

2 Insert "prohibiting a producer or explorer from receiving tax credits if certain
3 judgments are not satisfied and requiring, as a condition of receiving the tax credits, the
4 deposit of the amount of certain unpaid judgments and certain interest on those
5 judgments in the court during an appeal and relating to that interest;"

6

7 Page 28, line 12:

8 Delete "a new section"

9 Insert "new sections"

10

11 Page 29, following line 14:

12 insert a new section to read:

13 "Sec. 43.55.078. Exceptions to tax credits. (a) For a calendar year after 2007,
14 a producer or explorer may not take a tax credit under AS 43.55.023, 43.55.024, or
15 43.55.025 against a tax levied under this chapter if a state court or administrative
16 agency or federal court that has subject matter jurisdiction has entered a judgment in
17 favor of the state or a political subdivision of the state in an amount greater than
18 \$100,000 against the producer or explorer, the producer or explorer has not satisfied
19 the judgment, and the judgment concerns a matter having connections with this state
20 that are sufficient to satisfy constitutional jurisdictional requirements.

21 (b) Notwithstanding (a) of this section, the producer or explorer may receive a
22 tax credit described in (a) of this section if

23 (1) the judgment is appealed but the appeal has not been decided; and

24 (2) the producer or explorer deposits in the court where the judgment

1 was entered or the appeal is pending, in the form of cash, bond, or other security,

2 (A) the full amount of the judgment; and

3 (B) post-judgment interest on the judgment amount described
4 in (A) of this paragraph; notwithstanding another provision of law, the post-
5 judgment interest rate compounded quarterly on a judgment the amount of
6 which is deposited under (a) of this paragraph is equal to the greater of

7 (i) the applicable statutory rate; or

8 (ii) the rate of return on the producer's or explorer's
9 equity as shown on the producer's or explorer's most recent quarterly
10 earnings report as of the date of the notice of appeal.

11 (c) In this section,

12 (1) "judgment" means any final administrative determination or
13 judgment in favor of the state or a political subdivision of the state;

14 (2) "producer or explorer" includes an affiliate of a producer or
15 explorer."

New Fin 17

25-GH0014N.29
Mischel/Bullock
11/10/07

passed 8-3

Kelly, Stolte

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 32, line 20, through page 34, line 4:

2 Delete all material and insert:

3 "* Sec. 46. AS 43.55.165(a) is repealed and reenacted to read:

4 (a) For purposes of this chapter, a producer's lease expenditures for a calendar
5 year are

6 (1) costs, other than items listed in (c) of this section, that are

7 (A) incurred in the state by the producer during the calendar
8 year after March 31, 2006, to explore for, develop, or produce oil or gas
9 deposits located within the producer's leases or properties in the state or, in the
10 case of land in which the producer does not own an operating right, operating
11 interest, or working interest, to explore for oil or gas deposits within other land
12 in the state; and

13 (B) allowed by the department by regulation, based on the
14 department's determination that the costs satisfy the following three
15 requirements:

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

18 (ii) the costs must be ordinary and necessary costs of
19 exploring for, developing, or producing, as applicable, oil or gas
20 deposits; and

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

23 (2) a reasonable allowance for that calendar year, as determined under

1 regulations adopted by the department, for overhead expenses that are directly related
2 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

3 * Sec. 47. AS 43.55.165(b) is amended to read:

4 (b) For purposes of (a) of this section,

5 (1) direct costs include

6 (A) an expenditure, when incurred, to acquire an item if the
7 acquisition cost is otherwise a direct cost, notwithstanding that the expenditure
8 may be required to be capitalized rather than treated as an expense for financial
9 accounting or federal income tax purposes;

10 (B) payments of or in lieu of property taxes, sales and use
11 taxes, motor fuel taxes, and excise taxes;

12 [(C) A REASONABLE ALLOWANCE, AS DETERMINED
13 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR
14 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,
15 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED
16 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

17 (2) an activity does not need to be physically located on, near, or
18 within the premises of the lease or property within which an oil or gas deposit being
19 explored for, developed, or produced is located in order for the cost of the activity to
20 be a cost upstream of the point of production of the oil or gas;

21 (3) in determining whether costs are lease expenditures, the
22 department may consider, among other factors, the

23 (A) typical industry practices and standards in the state
24 that determine the costs, other than items listed in (c) of this section, that
25 an operator is allowed to bill a producer that is not the operator, under
26 unit operating agreements or similar operating agreements that were in
27 effect before December 2, 2005, and were subject to negotiation with at
28 least one producer with substantial bargaining power, other than the
29 operator; and

30 (B) standards adopted by the Department of Natural
31 Resources that determine the costs, other than items listed in (c) of this

1 section, that a lessee is allowed to deduct from revenue in calculating net
2 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E)."

3

4 Page 34, line 30, following "(12)":

5 Insert "an expenditure incurred"

6

7 Page 34, line 31:

8 Delete "expenditures incurred that are"

9 Insert "unless the producer establishes to the satisfaction of the department that
10 the expenditure is not [EXPENDITURES INCURRED THAT ARE]"

11

12 Page 37, lines 4 - 5:

13 Delete "Unless the payment or credit has already been subtracted in calculating
14 billable or billed costs under AS 43.55.165(c) [OR (d)], a"

15 Insert "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
16 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
17 AS 43.55.165(c) OR (d), A]"

18

19 Page 39, line 11, following "AS 43.55.160(c)":

20 Insert ", 43.55.165(c)."

6-5
Adopted

Rep. Gara

FIW2

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001 (FIN), Draft Version "N"

- 1 Page 36, Line 21
- 2 Insert
- 3 after lobbying, "public relations,"

Note: If this amendment is adopted, it would read:

"(20) costs of lobbying, public relations, public relations advertising, or policy advocacy."

Adopted

FIN 23
25-GH0014N.10
Kurtz/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

*Representative
Nelson*

1 Page 2, line 4:

2 Delete "sec. 42"

3 Insert "sec. 43"

4

5 Page 10, following line 3:

6 Insert a new bill section to read:

7 **** Sec. 12.** AS 42.45 is amended by adding a new section to read:

8 Sec. 42.45.045. Appropriations for the low income heating energy
9 assistance program. (a) By February 1 each year, the Department of Revenue shall
10 determine whether the state received for the general fund, during the immediately
11 preceding calendar year, an amount of money from the tax levied under
12 AS 43.55.011(c) because the price index calculated under AS 43.55.011(h) for a
13 calendar year was greater than zero. If the state received an amount of money because
14 the price index calculated under AS 43.55.011(h) for a calendar year was greater than
15 zero, the department shall notify the legislature of that amount.

16 (b) The legislature may annually appropriate up to \$50,000,000 of the amount
17 reported under (a) of this section for the low income heating energy assistance
18 program.

19 (c) Nothing in this section requires that money be appropriated or creates a
20 dedicated fund.

21 (d) For purposes of this section, "low income heating energy assistance
22 program" means the program created by 7 AAC 44.010 to implement the federal Low-
23 Income Home Energy Assistance Act of 1981, as amended (42 U.S.C. 8621 et seq.)."

1

2 Renumber the following bill sections accordingly.

3

4 Page 39, line 14:

5 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

6 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"

7

8 Page 39, line 16:

9 Delete "Sections 38 and 40"

10 Insert "Sections 39 and 41"

11

12 Page 39, line 17:

13 Delete "sec. 38"

14 Insert "sec. 39"

15

16 Page 39, line 18:

17 Delete "sec. 40"

18 Insert "sec. 41"

19

20 Page 39, line 19:

21 Delete "Sections 29 - 32 and 35"

22 Insert "Sections 30 - 33 and 36"

23

24 Page 39, line 22:

25 Delete "sec. 42"

26 Insert "sec. 43"

27

28 Page 39, line 24:

29 Delete "secs. 13 and 42"

30 Insert "secs. 14 and 43"

31

- 1 Page 39, line 25:
- 2 Delete "sec. 24"
- 3 Insert "sec. 25"
- 4
- 5 Page 39, line 26:
- 6 Delete "sec. 24"
- 7 Insert "sec. 25"
- 8
- 9 Page 39, line 28:
- 10 Delete "sec. 39" in both places
- 11 Insert "sec. 40" in both places
- 12
- 13 Page 39, line 31:
- 14 Delete "sec. 41"
- 15 Insert "sec. 42"
- 16
- 17 Page 40, line 1:
- 18 Delete "sec. 41"
- 19 Insert "sec. 42"
- 20
- 21 Page 40, lines 30 - 31:
- 22 Delete "Sections 27 and 33"
- 23 Insert "Sections 28 and 34"
- 24
- 25 Page 41, line 1:
- 26 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"
- 27 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"
- 28
- 29 Page 41, line 3:
- 30 Delete "sec. 58"
- 31 Insert "sec. 59"

FIW 25

AMENDMENT

by Representative Gara
on CSHB2001(FIN)N

passed
6-5

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14

Sec. 44. AS 43.55.110 is amended by adding a new subsection to read:

(h) Subject to legislative appropriation, the department may compensate a person who provides information to the department about noncompliance with the provisions of this chapter by an explorer or a producer of oil or gas if that information leads to the collection of additional taxes, penalties, or interest from the producer. The amount of compensation under this subsection may not exceed the lesser of \$1,000,000 or 10 percent of the additional tax, penalty, or interest collected as a result of the information. A state employee or an agent of the state is not eligible for compensation under this subsection.

adopted
AMENDMENT

Kelly
Stoltz
gava
FIW 21

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 40, following line 21:

2 Insert a new bill section to read:

3 "*Sec. 56. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TRANSITION: DEPARTMENT OF NATURAL RESOURCES
6 REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, a regulation
7 adopted by the Department of Natural Resources to implement, interpret, make specific,
8 or otherwise carry out statutory provisions for the administration of oil and gas leases
9 issued under AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation deals with
10 the treatment of oil and gas production taxes in determining net profits under those
11 leases, may apply retroactively to April 1, 2006, if the Department of Natural Resources
12 expressly designates in the regulation that the regulation applies retroactively to that
13 date."

14

15 Remember the following sections accordingly.

FIN29

~~cep~~ Adopted
6-5

25-GH0014N.2
Cook/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSHB 2001(FIN), Draft Version "N"

- 1 Page 10, line 29:
- 2 Delete "25"
- 3 Insert "22.5"
- 4
- 5 Page 14, line 5:
- 6 Delete "25"
- 7 Insert "22.5"
- 8
- 9 Page 14, line 19:
- 10 Delete "25"
- 11 Insert "22.5"
- 12
- 13 Page 14, line 29:
- 14 Delete "25"
- 15 Insert "22.5"
- 16
- 17 Page 17, line 15:
- 18 Delete "25"
- 19 Insert "22.5"

adopted - N/A 11/9/07

25-GH0014\N
Finley/Bullock
11/9/07

CS FOR HOUSE BILL NO. 2001(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SPECIAL SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on
 2 oil; providing a limit on the amount of tax that may be levied on the production of
 3 certain gas that is produced outside of the Cook Inlet sedimentary basin; providing a
 4 penalty for the underpayment of an installment payment of the production tax on oil
 5 and gas; relating to the sharing between agencies of certain information relating to the
 6 production tax and to oil and gas or gas only leases; expanding the period in which the
 7 Department of Revenue may assess the amount of oil and gas production tax and
 8 conservation surcharges; amending the State Personnel Act to place in the exempt
 9 service certain state oil and gas auditors and their immediate supervisors; providing for
 10 retroactive application of certain statutory provisions to the production tax on oil and
 11 gas; making conforming amendments; and providing for an effective date."

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

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

3 LEGISLATIVE INTENT. It is the intent of the legislature that AS 43.55.075(b),
4 enacted by sec. 42 of this Act, confirm by clarification the long-standing interpretation of
5 AS 43.05.260 by the Department of Revenue relating to limitation of assessments for the
6 production tax on oil and gas and conservation surcharges on oil.

7 * Sec. 2. AS 38.05.035(a) is amended to read:

8 (a) The director shall

9 (1) have general charge and supervision of the division and may
10 exercise the powers specifically delegated to the director; the director may employ
11 and fix the compensation of assistants and employees necessary for the operations of
12 the division; the director [AND] is the certifying officer of the division, with the
13 consent of the commissioner, and may approve vouchers for disbursements of money
14 appropriated to the division;

15 (2) manage, inspect, and control state land and improvements on it
16 belonging to the state and under the jurisdiction of the division;

17 (3) execute laws, rules, regulations, and orders adopted by the
18 commissioner;

19 (4) prescribe application procedures and practices for the sale, lease,
20 or other disposition of available land, resources, property, or interest in them;

21 (5) prescribe fees or service charges, with the consent of the
22 commissioner, for any public service rendered;

23 (6) under the conditions and limitations imposed by law and the
24 commissioner, issue deeds, leases, or other conveyances disposing of available land,
25 resources, property, or any interests in them;

26 (7) have jurisdiction over state land, except that land acquired by the
27 Alaska World War II Veterans Board and the Agricultural Loan Board or the
28 departments or agencies succeeding to their respective functions through foreclosure
29 or default; to this end, the director possesses the powers and, with the approval of the
30 commissioner, shall perform the duties necessary to protect the state's rights and
31 interest in state land, including the taking of all necessary action to protect and

1 enforce the state's contractual or other property rights;

2 (S) [REPEALED

3 (9)] maintain the [SUCH] records [AS] the commissioner considers
4 necessary, administer oaths, and do all things incidental to the authority imposed; the
5 following records and files shall be kept confidential upon request of the person
6 supplying the information:

7 (A) the name of the person nominating or applying for the
8 sale, lease, or other disposal of land by competitive bidding;

9 (B) before the announced time of opening, the names of the
10 bidders and the amounts of the bids;

11 (C) all geological, geophysical, and engineering data supplied,
12 whether or not concerned with the extraction or development of natural
13 resources;

14 (D) except as provided in AS 38.05.036, cost data and
15 financial information submitted in support of applications, bonds, leases, and
16 similar items;

17 (E) applications for rights-of-way or easements;

18 (F) requests for information or applications by public agencies
19 for land that [WHICH] is being considered for use for a public purpose;

20 (9) [(10)] account for the fees, licenses, taxes, or other money
21 received in the administration of this chapter including the sale or leasing of land,
22 identify their source, and promptly transmit them to the proper fiscal department after
23 crediting them to the proper fund; receipts from land application filing fees and
24 charges for copies of maps and records shall be deposited immediately in the general
25 fund of the state by the director;

26 (10) [(11)] select and employ or obtain at reasonable compensation
27 cadastral, appraisal, or other professional personnel the director considers necessary
28 for the proper operation of the division;

29 (11) [(12)] be the certifying agent of the state to select, accept, and
30 secure by whatever action is necessary in the name of the state, by deed, sale, gift,
31 devise, judgment, operation of law, or other means any land, of whatever nature or

1 interest, available to the state; and be the certifying agent of the state, to select,
2 accept, or secure by whatever action is necessary in the name of the state any land, or
3 title or interest to land available, granted, or subject to being transferred to the state
4 for any purpose;

5 (12) on request, furnish records, files, and other information
6 related to the administration of AS 38.05.180 to the Department of Revenue for
7 use in forecasting state revenue under or administering AS 43.55, whether or not
8 those records, files, and other information are required to be kept confidential
9 under (8) of this subsection; in the case of records, files, or other information
10 required to be kept confidential under (8) of this subsection, the Department of
11 Revenue shall maintain the confidentiality that the Department of Natural
12 Resources is required to extend to records, files, and other information under (8)
13 of this subsection

14 [(13) REPEALED

15 14) REPEALED].

16 * Sec. 3. AS 38.05.036(b) is amended to read:

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

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

25 (f) Except as otherwise provided in this section or in connection with official
26 investigations or proceedings of the department, it is unlawful for a current or former
27 officer, employee, or agent of the state to divulge information obtained by the
28 department as a result of an audit under this section that is required by an agreement
29 with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or
30 AS 41.09.010(d) to be kept confidential.

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

1 (g) Nothing in this section prohibits the publication of statistics in a manner
2 that maintains the confidentiality of information to the extent required by an
3 agreement with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or
4 AS 41.09.010(d).

5 * Sec. 6. AS 38.05.123(f) is amended to read:

6 (f) As part of the timber sale negotiations authorized by this section, the
7 commissioner may require a prospective purchaser negotiating a timber sale contract
8 to submit financial and technical data that demonstrates that the requirements of this
9 section have been or will be met. Upon the prospective purchaser's request, the
10 commissioner shall keep data provided by the purchaser confidential in accordance
11 with the requirements of AS 38.05.035(a)(8) [AS 38.05.035(a)(9)].

12 * Sec. 7. AS 38.05.133(e) is amended to read:

13 (e) The commissioner may make a written request to a prospective licensee
14 for additional information on the prospective licensee's proposal. The commissioner
15 shall keep confidential information described in AS 38.05.035(a)(8)
16 [AS 38.05.035(a)(9)] that is voluntarily provided if the prospective licensee has made
17 a written request that the information remain confidential.

18 * Sec. 8. AS 38.05.180(j) is amended to read:

19 (j) The commissioner

20 (1) may provide for modification of royalty on individual leases,
21 leases unitized as described in (p) of this section, leases subject to an agreement
22 described in (s) or (t) of this section, or interests unitized under AS 31.05

23 (A) to allow for production from an oil or gas field or pool if

24 (i) the oil or gas field or pool has been sufficiently
25 delineated to the satisfaction of the commissioner;

26 (ii) the field or pool has not previously produced oil or
27 gas for sale; and

28 (iii) oil or gas production from the field or pool would
29 not otherwise be economically feasible;

30 (B) to prolong the economic life of an oil or gas field or pool
31 as per barrel or barrel equivalent costs increase or as the price of oil or gas

1 decreases, and the increase or decrease is sufficient to make future production
2 no longer economically feasible; or

3 (C) to reestablish production of shut-in oil or gas that would
4 not otherwise be economically feasible;

5 (2) may not grant a royalty modification unless the lessee or lessees
6 requesting the change make a clear and convincing showing that a modification of
7 royalty meets the requirements of this subsection and is in the best interests of the
8 state;

9 (3) shall provide for an increase or decrease or other modification of
10 the state's royalty share by a sliding scale royalty or other mechanism that shall be
11 based on a change in the price of oil or gas and may also be based on other relevant
12 factors such as a change in production rate, projected ultimate recovery, development
13 costs, and operating costs;

14 (4) may not grant a royalty reduction for a field or pool

15 (A) under (1)(A) of this subsection if the royalty modification
16 for the field or pool would establish a royalty rate of less than five percent in
17 amount or value of the production removed or sold from a lease or leases
18 covering the field or pool;

19 (B) under (1)(B) or (1)(C) of this subsection if the royalty
20 modification for the field or pool would establish a royalty rate of less than
21 three percent in amount or value of the production removed or sold from a
22 lease or leases covering the field or pool;

23 (5) may not grant a royalty reduction under this subsection without
24 including an explicit condition that the royalty reduction is not assignable without the
25 prior written approval, which may not be unreasonably withheld, by the
26 commissioner; the commissioner shall, in the preliminary and final findings and
27 determinations, set out the conditions under which the royalty reduction may be
28 assigned;

29 (6) shall require the lessee or lessees to submit, with the application
30 for the royalty reduction, financial and technical data that demonstrate that the
31 requirements of this subsection are met; the commissioner

1 (A) may require disclosure of only the financial and technical
2 data related to development, production, and transportation of oil and gas or
3 gas only from the field or pool that are reasonably available to the applicant;
4 and

5 (B) shall keep the data confidential under AS 38.05.035(a)(8)
6 [AS 38.05.035(a)(9)] at the request of the lessee or lessees making application
7 for the royalty reduction; the confidential data may be disclosed by the
8 commissioner to legislators and to the legislative auditor and as directed by
9 the chair or vice-chair of the Legislative Budget and Audit Committee to the
10 director of the division of legislative finance, the permanent employees of
11 their respective divisions who are responsible for evaluating a royalty
12 reduction, and to agents or contractors of the legislative auditor or the
13 legislative finance director who are engaged under contract to evaluate the
14 royalty reduction, if they sign an appropriate confidentiality agreement;

15 (7) may

16 (A) require the lessee or lessees making application for the
17 royalty reduction under (1)(A) of this subsection to pay for the services of an
18 independent contractor, selected by the lessee or lessees from a list of
19 qualified consultants compiled by the commissioner, to evaluate hydrocarbon
20 development, production, transportation, and economics and to assist the
21 commissioner in evaluating the application and financial and technical data;
22 if, under this subparagraph, the commissioner requires payment for the
23 services of an independent contractor, the total cost of the services to be paid
24 for by the lessee or lessees may not exceed \$150,000 for each application, and
25 the commissioner shall determine the relevant scope of the work to be
26 performed by the contractor; selection of an independent contractor under this
27 subparagraph is not subject to AS 36.30;

28 (B) with the mutual consent of the lessee or lessees making
29 application for the royalty reduction under (1)(B) or (1)(C) of this subsection,
30 request payment for the services of an independent contractor, selected from a
31 list of qualified consultants to evaluate hydrocarbon development, production,

1 transportation, and economics by the commissioner to assist the commissioner
2 in evaluating the application and financial and technical data; if, under this
3 subparagraph, the commissioner requires payment for the services of an
4 independent contractor, the total cost of the services that may be paid for by
5 the lessee or lessees may not exceed \$150,000 for each application, and the
6 commissioner shall determine the relevant scope of the work to be performed
7 by the contractor; selection of an independent contractor under this
8 subparagraph is not subject to AS 36.30;

9 (8) shall make and publish a preliminary findings and determination
10 on the royalty reduction application, give reasonable public notice of the preliminary
11 findings and determination, and invite public comment on the preliminary findings
12 and determination during a 30-day period for receipt of public comment;

13 (9) shall offer to appear before the Legislative Budget and Audit
14 Committee, on a day that is not earlier than 10 days and not later than 20 days after
15 giving public notice under (8) of this subsection, to provide the committee a review of
16 the commissioner's preliminary findings and determination on the royalty reduction
17 application and administrative process; if the Legislative Budget and Audit
18 Committee accepts the commissioner's offer, the committee shall give notice of the
19 committee's meeting to all members of the legislature;

20 (10) shall make copies of the preliminary findings and determination
21 available to

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

23 (B) the chairs of the legislature's standing committees on
24 resources; and

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

27 (11) shall, within 30 days after the close of the public comment period
28 under (8) of this subsection,

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

31 (B) make a final findings and determination; the

1 commissioner's final findings and determination prepared under this
2 subparagraph regarding a royalty reduction is final and not appealable to the
3 court;

4 (C) transmit a copy of the final findings and determination to
5 the lessee;

6 (D) with the applicant's consent, amend the applicant's lease or
7 unitization agreement consistent with the commissioner's final decision; and

8 (E) make copies of the final findings and determination
9 available to each person who submitted comment under (8) of this subsection
10 and who has filed a request for the copies;

11 (12) is not limited by the provisions of AS 38.05.134(3) or (i) of this
12 section in the commissioner's determination under this subsection.

13 * Sec. 9. AS 38.05.275(c) is amended to read:

14 (c) Subsection (b) of this section may not be construed to limit the director in
15 the exercise of authority granted by AS 38.05.035(a)(11) [AS 38.05.035(a)(12)].

16 * Sec. 10. AS 39.25.110 is amended by adding a new paragraph to read:

17 (42) oil and gas auditors performing

18 (A) production tax audits, and their immediate supervisors, in
19 the Department of Revenue;

20 (B) royalty audits, including net profit share audits, and their
21 immediate supervisors, in the Department of Natural Resources.

22 * Sec. 11. AS 41.09.010(d) is amended to read:

23 (d) Data derived from drilling a stratigraphic test well or exploratory well that
24 is provided to the commissioner under (c)(3) of this section shall be kept confidential
25 for 24 months after receipt by the commissioner unless the owner of the well gives
26 written permission to the state to release the well data at an earlier date, and,
27 notwithstanding AS 31.05.035(e), confidentiality may not be extended beyond 24
28 months. The provisions of AS 38.05.035(a)(8)(C) [AS 38.05.035(a)(9)(C)] apply to
29 other data provided to the commissioner under (c)(3) of this section, except that the
30 commissioner, under appropriate confidentiality provisions and without preference or
31 discrimination, may display to all interested third parties, but may not distribute or

1 transfer in hard copy or electronic form, those data with respect to all land if the
2 commissioner determines that the limited disclosure is necessary to further the
3 interest of the state in evaluating or developing its land.

4 * Sec. 12. AS 43.05.230(h) is amended to read:

5 (h) The commissioner shall, upon request, furnish to the Department of
6 Natural Resources copies of tax returns, reports, and other documents filed under
7 AS 43.55 or AS 43.65, and the Department of Revenue's determinations and
8 workpapers under those chapters. The Department of Natural Resources shall
9 maintain the confidentiality that the Department of Revenue is required to extend to
10 the returns, reports, documents, determinations, and workpapers furnished to the
11 Department of Natural Resources under this subsection.

12 * Sec. 13. AS 43.05.260(a) is amended to read:

13 (a) Except as provided in (c) of this section, [AND] AS 43.20.200(b), and
14 AS 43.55.075, the amount of a tax imposed by this title must be assessed within three
15 years after the return was filed, whether or not a return was filed on or after the date
16 prescribed by law. If the tax is not assessed before the expiration of the applicable
17 [THREE-YEAR] period, proceedings may not be instituted in court for the collection
18 of the tax.

19 * Sec. 14. AS 43.55.011(e) is repealed and reenacted to read:

20 (e) There is levied on the producer of oil or gas a tax for all oil and gas
21 produced each calendar year from each lease or property in the state, less any oil and
22 gas the ownership or right to which is exempt from taxation or constitutes a
23 landowner's royalty interest. Except as otherwise provided under (f), (j), and (k) of
24 this section, the tax is equal to the production tax value of the taxable oil and gas as
25 calculated under AS 43.55.160 multiplied by the tax rate determined under (g) of this
26 section.

27 * Sec. 15. AS 43.55.011(g) is repealed and reenacted to read:

28 (g) The tax rate applied to the production tax value of oil and gas under (e) of
29 this section is 25 percent plus 0.20 percent times the price index for the calendar year
30 determined under (h) of this section. However, the tax rate calculated under this
31 subsection may not be more than 50 percent.

1 * Sec. 16. AS 43.55.011(h) is amended to read:

2 (h) For purposes of (g) of this section, the price index for a calendar year
3 [MONTH] is calculated by subtracting 30 [40] from the number that is equal to [THE
4 QUOTIENT OF] the total [MONTHLY] production tax value of the taxable oil and
5 gas produced by the producer from all leases or properties in the state during that
6 calendar year [DURING THAT MONTH], as calculated under AS 43.55.160,
7 divided by the total amount of that [THE TAXABLE] oil and gas [PRODUCED BY
8 THE PRODUCER DURING THAT MONTH], in BTU equivalent barrels. However,
9 a price index calculated under this subsection may not be less than zero.

10 * Sec. 17. AS 43.55.011(j) is amended to read:

11 (j) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND (g)]
12 of this section for [ON] gas produced from a lease or property in the Cook Inlet
13 sedimentary basin may not exceed

14 (1) for a lease or property that first commenced commercial
15 production of gas before April 1, 2006, the product obtained by multiplying (A) the
16 amount of taxable gas produced during the calendar year from the lease or property,
17 times (B) the average rate of tax that was imposed under this chapter for [ON]
18 taxable gas produced from the lease or property for the 12-month period ending on
19 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at
20 the point of production of the taxable gas produced from the lease or property during
21 the 12-month period ending on March 31, 2006, by the total amount of that gas;

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

30 * Sec. 18. AS 43.55.011(k) is amended to read:

31 (k) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND

1 (g)] of this section for [ON] oil produced from a lease or property in the Cook Inlet
2 sedimentary basin may not exceed

3 (1) for a lease or property that first commenced commercial
4 production of oil before April 1, 2006, the product obtained by multiplying (A) the
5 amount of taxable oil produced during the calendar year from the lease or property,
6 times (B) the average rate of tax that was imposed under this chapter for [ON]
7 taxable oil produced from the lease or property for the 12-month period ending on
8 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at
9 the point of production of the taxable oil produced from the lease or property during
10 the 12-month period ending on March 31, 2006, by the total amount of that oil;

11 (2) for a lease or property that first commences commercial
12 production of oil after March 31, 2006, the product obtained by multiplying (A) the
13 amount of taxable oil produced during the calendar year from the lease or property,
14 times (B) the average rate of tax that was imposed under this chapter for [ON]
15 taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin
16 for the 12-month period ending on March 31, 2006, times (C) the average prevailing
17 value for oil produced and delivered in the Cook Inlet area for the 12-month period
18 ending on March 31, 2006, as determined by the department under AS 43.55.020(f).

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

20 (m) Notwithstanding any contrary provision of AS 38.05.180(i),
21 AS 41.09.010, AS 43.20.043, AS 43.55.024, or 43.55.025, tax credits under
22 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, AS 43.55.024, and 43.55.025 that are
23 allocated to gas produced from leases or properties in the Cook Inlet sedimentary
24 basin and that are available to be applied against a tax levied by (c) of this section for
25 [ON] gas produced from leases or properties in the Cook Inlet sedimentary basin
26 during a calendar year may be applied only against the tax levied by (c) of this section
27 for [ON] that gas. The amount by which the amount of tax credits that are allocated
28 to gas produced from leases or properties in the Cook Inlet sedimentary basin and that
29 the producer would otherwise be allowed to use for a later calendar year or transfer to
30 another person exceeds the amount of tax credits whose application would reduce the
31 tax levied by (c) of this section for [ON] that gas to zero, if any, is considered the

1 amount of excess tax credits, and the excess tax credits are subject to the following:

2 (1) for each lease or property for which a limitation under (j) or (k) of
3 this section on the tax levied by (e) and (g) of this section has the effect of reducing
4 the producer's tax below the amount of tax that would be levied in the absence of that
5 limitation, the producer shall calculate the amount of that reduction;

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

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

10 (4) any amount of excess tax credits remaining after reduction under
11 (3) of this subsection may be used for a later calendar year, transferred to another
12 person, or applied against a tax levied for [ON] oil or gas produced from a lease or
13 property located anywhere in the state to the extent otherwise allowed under
14 applicable law governing the tax credits.

15 * Sec. 20. AS 43.55.011 is amended by adding a new subsection to read:

16 (o) Notwithstanding other provisions of this section, for a calendar year
17 before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas
18 for gas produced from a lease or property outside the Cook Inlet sedimentary basin
19 and used in the state may not exceed the amount of tax for each 1,000 cubic feet of
20 gas that is determined under (j)(2) of this section.

21 * Sec. 21. AS 43.55.020(a) is repealed and reenacted to read:

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

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

31 (A) for oil and gas produced from leases or properties in the

1 state outside the Cook Inlet sedimentary basin or not subject to
2 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f),
3 the greater of

4 (i) zero; or

5 (ii) 25 percent of the remainder obtained by subtracting
6 1/12 of the producer's adjusted lease expenditures for the calendar year
7 of production under AS 43.55.165 and 43.55.170 that are deductible
8 for the leases or properties under AS 43.55.160 from the gross value at
9 the point of production of the oil and gas produced from the leases or
10 properties during the month for which the installment payment is
11 calculated;

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

14 (i) zero;

15 (ii) zero percent, one percent, two percent, three
16 percent, or four percent, as applicable, of the gross value at the point of
17 production of the oil and gas produced from all leases or properties in
18 the unit or nonunitized reservoir; or

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

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

28 (i) zero; or

29 (ii) 25 percent of the remainder obtained by subtracting
30 1/12 of the producer's adjusted lease expenditures for the calendar year
31 of production under AS 43.55.165 and 43.55.170 that are deductible

1 under AS 43.55.160 for oil or gas, respectively, produced from the
2 lease or property from the gross value at the point of production of the
3 oil or gas, respectively, produced from the lease or property during the
4 month for which the installment payment is calculated;

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

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

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

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

27 (4) any amount of tax levied by AS 43.55.011(e) - (i), net of any
28 credits applied as allowed by law, that exceeds the total of the amounts due as
29 installment payments of estimated tax is due on March 31 of the year following the
30 calendar year of production.

31 * Sec. 22. AS 43.55.020(g) is amended to read:

1 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
2 amount of an installment payment required under (a)(1) - (3) [(a)(1) - (4)] of this
3 section that is not paid when due bears interest (1) at the rate provided for an
4 underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,
5 compounded daily, from the date the installment payment is due until [THE]
6 March 31 following the calendar year of production [DESCRIBED IN
7 AS 43.55.030(a)], and (2) as provided for a delinquent tax under AS 43.05.225 after
8 that March 31. Interest accrued under (1) of this subsection that remains unpaid after
9 that March 31 is treated as an addition to tax that bears interest under (2) of this
10 subsection. An unpaid amount of tax due under (a)(4) [(a)(5)] of this section that is
11 not paid when due bears interest as provided for a delinquent tax under AS 43.05.225.

12 * Sec. 23. AS 43.55.020(h) is amended to read:

13 (h) Notwithstanding any contrary provision of AS 43.05.280,

14 (1) an overpayment of an installment payment required under (a)(1) -
15 (3) [(a)(1) - (4)] of this section bears interest at the rate provided for an overpayment
16 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from
17 the later of the date the installment payment is due or the date the overpayment is
18 made, until the earlier of

19 (A) the date it is refunded or is applied to an underpayment; [,]

20 or

21 (B) [THE] March 31 following the calendar year of
22 production [DESCRIBED IN AS 43.55.030(a)];

23 (2) except as provided under (1) of this subsection, interest with
24 respect to an overpayment is allowed only on any net overpayment of the payments
25 required under (a) of this section that remains after the later of [THE] March 31
26 following the calendar year of production [DESCRIBED IN AS 43.55.030(a)] or
27 the date that the statement required under AS 43.55.030(a) is filed;

28 (3) interest is allowed under (2) of this subsection only from a date
29 that is 90 days after the later of [THE] March 31 following the calendar year of
30 production [DESCRIBED IN AS 43.55.030(a)] or the date that the statement
31 required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment

1 was refunded within the 90-day period;

2 (4) interest under (2) and (3) of this subsection is paid at the rate and
3 in the manner provided in AS 43.05.225(1).

4 * Sec. 24. AS 43.55.020 is amended by adding a new subsection to read:

5 (i) A civil penalty shall be added to the amount of an installment payment
6 required under (a)(1) - (3) of this section if at least 90 percent of the amount of the
7 payment is not paid by the date the payment is due. The penalty is equal to five
8 percent of the difference between the amount of the installment payment that was
9 made timely and the amount of the installment payment required under (a)(1) - (3) of
10 this section. If no part of the required installment payment was made timely, the
11 penalty is equal to five percent of the installment payment required under (a)(1) - (3)
12 of this section. The penalty is in addition to the interest imposed under (g) of this
13 section and a penalty added under AS 43.05.220, if any.

14 * Sec. 25. AS 43.55.023(b) is amended to read:

15 (b) A producer or explorer may elect to take a tax credit in the amount of 25
16 [20] percent of a carried-forward annual loss. A credit under this subsection may be
17 applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For purposes of this
18 subsection, a carried-forward annual loss is the amount of a producer's or explorer's
19 adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous
20 calendar year that was not deductible in calculating production tax values for that
21 calendar year under AS 43.55.160 [AS 43.55.160(b) AND (e)].

22 * Sec. 26. AS 43.55.023(i) is amended to read:

23 (i) For the purposes of this section,

24 (1) a producer's or explorer's transitional investment expenditures are
25 the sum of the expenditures the producer or explorer incurred after March 31, 2003
26 [2001], and before April 1, 2006, that would be qualified capital expenditures if they
27 were incurred after March 31, 2006, less the sum of the payments or credits the
28 producer or explorer received before April 1, 2006, for the sale or other transfer of
29 assets, including geological, geophysical, or well data or interpretations, acquired by
30 the producer or explorer as a result of expenditures the producer or explorer incurred
31 before April 1, 2006, that would be qualified capital expenditures, if they were

1 incurred after March 31, 2006;

2 (2) a producer or explorer may elect to take a tax credit against a tax
3 due under AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's
4 transitional investment expenditures, but only to the extent that the amount does not
5 exceed 1/10 of the producer's or explorer's qualified capital expenditures that are
6 incurred during the calendar year for which the credit is taken;

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

9 (A) for any calendar year after the later of

10 (i) 2013; or

11 (ii) the sixth calendar year after the calendar year for
12 which the producer first applies a credit under this subsection against a
13 tax due under AS 43.55.011(e), if the producer did not have
14 commercial production of oil or gas from a lease or property in the
15 state before April 1, 2006;

16 (B) more than once; or

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

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

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

23 (l) A person that is exempt from taxation under this chapter may not apply for
24 a transferable tax credit certificate.

25 * Sec. 28. AS 43.55.023 is amended by adding a new subsection to read:

26 (m) Notwithstanding the limitation on the use of a transferable tax credit by a
27 transferee under (e) of this section and subject to appropriations made by law, if and
28 to the extent that purchase of transferable tax credits by the Alaska Retirement
29 Management Board is authorized by law, the department shall issue a cash refund to
30 the Alaska Retirement Management Board for a transferable tax credit originally
31 issued to a person under (d) of this section and purchased by the Alaska Retirement

1 Management Board.

2 * Sec. 29. AS 43.55.025(a) is amended to read:

3 (a) Subject to the terms and conditions of this section, a credit against the
4 production tax levied by [DUE UNDER] AS 43.55.011(e) or (f) is allowed for
5 exploration expenditures that qualify under (b) of this section in an amount equal to
6 one of the following:

7 (1) 30 [20] percent of the total exploration expenditures that qualify
8 only under (b) and (c) of this section;

9 (2) 30 [20] PERCENT of the total exploration expenditures [FOR
10 WORK PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under (b)
11 and (d) of this section;

12 (3) 40 percent of the total exploration expenditures that qualify under
13 (b), (c), and (d) of this section; or

14 (4) 40 percent of the total exploration expenditures that qualify only
15 under (b) and (c) of this section.

16 * Sec. 30. AS 43.55.025(b) is amended to read:

17 (b) To qualify for the production tax credit under (a) of this section, an
18 exploration expenditure must be incurred for work performed [ON OR] after
19 December 31, 2006 [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT AN
20 EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST BE
21 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005.] and

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

24 (2) if for an exploration well,

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

27 (B) may be for either a [AN OIL OR GAS DISCOVERY]
28 well that encounters an oil or gas deposit or a dry hole; [AND]

29 (C) must be for a well that has been completed, suspended,
30 or abandoned under AS 31.05.030 at the time the explorer claims the tax
31 credit under (f) of this section; and

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

6 (3) may not be for [TESTING, STIMULATION, OR COMPLETION
7 COSTS;] administration, supervision, engineering, or lease operating costs;
8 geological or management costs; community relations or environmental costs;
9 bonuses, taxes, or other payments to governments related to the well; costs arising
10 from fraud, wilful misconduct, gross negligence, criminal negligence, violation of
11 law, including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water
12 Act), or failure to comply with an obligation under a lease, permit, or license
13 issued by the state or federal government, or other costs that are generally
14 recognized as indirect costs or financing costs; and

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

18 * Sec. 31, AS 43.55.025(c) is repealed and reenacted to read:

19 (c) To be eligible for the 30 percent production tax credit authorized by (a)(1)
20 of this section or the 40 percent production tax credit authorized by (a)(3) of this
21 section, exploration expenditures must

22 (1) qualify under (b) of this section; and

23 (2) be for an exploration well, subject to the following:

24 (A) before spudding the well, (i) the explorer shall submit to
25 the commissioner of natural resources the information necessary to determine
26 whether the geological objective of the well is a potential oil or gas trap that is
27 distinctly separate from any trap that has been tested by a preexisting well;
28 and (ii) the commissioner of natural resources must make an affirmative
29 determination on that question; the commissioner of natural resources shall
30 decide whether to make that determination within 60 days after receiving all
31 the necessary information from the explorer and based on the information

1 received and on other information the commissioner of natural resources may
2 consider relevant;

3 (B) for an exploration well other than a well to explore a Cook
4 Inlet prospect, the well must be located and drilled in such a manner that the
5 bottom hole is located not less than three miles away from the bottom hole of
6 a preexisting well drilled for oil or gas, irrespective of whether the preexisting
7 well has been completed, suspended, or abandoned;

8 (C) after completion, abandonment, or suspension under
9 AS 31.05.030 of the exploration well, the commissioner of natural resources
10 must determine that the well adequately achieved the explorer's stated
11 geological objective.

12 * Sec. 32. AS 43.55.025(f) is amended to read:

13 (f) For a production tax credit under this section,

14 (1) an explorer shall, in a form prescribed by the department and,
15 except for a credit under (f) of this section, within six months of the completion of
16 the exploration activity, claim the credit and submit information sufficient to
17 demonstrate to the department's satisfaction that the claimed exploration expenditures
18 qualify under this section;

19 (2) an explorer shall agree, in writing,

20 (A) to notify the Department of Natural Resources, within 30
21 days after completion of seismic or geophysical data processing, completion
22 of [A] well drilling, or filing of a claim for credit, whichever is the latest, for
23 which exploration costs are claimed, of the date of completion and submit a
24 report to that department describing the processing sequence and providing a
25 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN
26 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES
27 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE
28 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
29 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
30 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
31 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES

1 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT
2 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE
3 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL
4 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE
5 SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE
6 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60
7 DAYS;]

8 (B) to provide to the Department of Natural Resources, within
9 30 days after the date of a request, unless a longer period is provided by the
10 Department of Natural Resources, specific data sets, ancillary data, and
11 reports identified in (A) of this paragraph; in this subparagraph, well data
12 include all derivative products, results, and copies of data collected and
13 data analyses for the well, including well logs; sample analyses;
14 geophysical and velocity data including vertical seismic profiles and
15 check shot surveys; and tangible material including, for each whole core
16 collected, a lengthwise cut slab that is at least 1/3 of the whole core
17 volume, and representative samples, as specified by the Department of
18 Natural Resources, of other gaseous, liquid, or solid material collected
19 from drilling or testing the well;

20 (C) that, notwithstanding any provision of AS 38, information
21 provided under this paragraph will be held confidential by the Department of
22 Natural Resources for 10 years following the completion date, at which time
23 that department will release the information after 30 days' public notice;

24 (3) if more than one explorer holds an interest in a well or seismic
25 exploration, each explorer may claim an amount of credit that is proportional to the
26 explorer's cost incurred;

27 (4) the department may exercise the full extent of its powers as though
28 the explorer were a taxpayer under this title, in order to verify that the claimed
29 expenditures are qualified exploration expenditures under this section; and

30 (5) if the department is satisfied that the explorer's claimed
31 expenditures are qualified under this section and that all data required to be

1 submitted under this section have been submitted, the department shall issue to the
 2 explorer a production tax credit certificate for the amount of credit to be allowed
 3 against production taxes levied by AS 43.55.011(e) or (f); the credit is available for
 4 immediate use; notwithstanding any contrary provision of AS 38, AS 40.25.100,
 5 or AS 43.05.230, the following information is not confidential:

6 (A) the explorer's name;

7 (B) the date of the application;

8 (C) the location of the well or seismic exploration;

9 (D) the date of the department's issuance of the certificate;

10 and

11 (E) the date on which the information required to be
 12 submitted under this section will be released [DUE UNDER
 13 AS 43.55.011(e) OR (f)].

14 * Sec. 33. AS 43.55.025(g) is amended to read:

15 (g) An explorer, other than an entity that is exempt from taxation under
 16 this chapter, may transfer, convey, or sell its production tax credit certificate to any
 17 person, and any person who receives a production tax credit certificate may also
 18 transfer, convey, or sell the certificate.

19 * Sec. 34. AS 43.55.025(i) is repealed and reenacted to read:

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

21 (1) a credit may not be applied to reduce a taxpayer's tax liability
 22 under AS 43.55.011(e) or (f) below zero for a calendar year; and

23 (2) an amount of the production tax credit in excess of the amount that
 24 may be applied for a calendar year under this subsection, may be carried forward and
 25 applied against the taxpayer's tax liability under AS 43.55.011(e) or (f) in one or more
 26 later calendar years.

27 * Sec. 35. AS 43.55.025(k) is amended by adding a new paragraph to read:

28 (4) "preexisting well" means a well that was spudded more than 540
 29 days but less than 35 years before the date on which the exploration well to which it
 30 is compared is spudded.

31 * Sec. 36. AS 43.55.025 is amended by adding a new subsection to read:

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

6 (1) have been for seismic exploration that

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

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

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

15 * Sec. 37. AS 43.55.025 is amended by adding a new subsection to read:

16 (m) Subject to appropriations made by law, if and to the extent that purchase
17 of transferable tax credits by the Alaska Retirement Management Board is authorized
18 by law, the department shall issue a cash refund to the Alaska Retirement
19 Management Board for a transferable tax credit originally issued to an explorer under
20 (f) of this section and purchased by the Alaska Retirement Management Board.

21 * Sec. 38. AS 43.55.030(a) is amended to read:

22 (a) A producer that produces oil or gas from a lease or property in the
23 state during a calendar year, whether or not any tax payment is due under
24 AS 43.55.020(a) for that oil or gas, [THE PERSON PAYING THE TAX] shall file
25 with the department on March 31 of the following year [FOLLOWING THE
26 CALENDAR YEAR FOR WHICH THE TAX WAS LEVIED] a statement, under
27 oath, in a form prescribed by the department, giving, with other information required,
28 the following:

29 (1) a description of each lease or property from which [THE] oil or
30 [AND] gas was [WERE] produced, by name, legal description, lease number, or
31 accounting codes assigned by the department;

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

3 (3) the gross amount of oil and the gross amount of gas produced from
4 each lease or property, and the percentage of the gross amount of oil and gas owned
5 by the [EACH] producer [FOR WHOM THE TAX IS PAID];

6 (4) the gross value at the point of production of the oil and of the gas
7 produced from each lease or property owned by the [EACH] producer and the costs
8 of transportation of the oil and gas [FOR WHOM THE TAX IS PAID];

9 (5) the name of the first purchaser and the price received for the oil
10 and for the gas, unless relieved from this requirement in whole or in part by the
11 department; [AND]

12 (6) the producer's qualified capital expenditures, as defined in
13 AS 43.55.023, other lease expenditures [AND ADJUSTMENTS AS
14 CALCULATED] under AS 43.55.165, and adjustments or other payments or
15 credits under AS 43.55.170;

16 (7) the production tax values of the oil and gas under
17 AS 43.55.160;

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

19 (9) calculations showing the amounts, if any, that were or are due
20 under AS 43.55.020(a) and interest on any underpayment or overpayment
21 [AS 43.55.160 - 43.55.170].

22 * Sec. 39. AS 43.55.030(d) is amended to read:

23 (d) Reports required under this section [BY OR ON BEHALF OF THE
24 PRODUCER] are delinquent the first day following the day the report is due. The
25 person required to file the report is liable for a penalty, as determined by the
26 department under standards adopted in regulation by the department, of not
27 more than \$1,000 for each day the person fails to file the report at the time
28 required. The penalty is in addition to the penalties in AS 43.05.220 and
29 43.05.290 and is assessed, collected, and paid in the same manner as a tax
30 deficiency under this title. In this subsection, "report" includes a statement."

31 * Sec. 40. AS 43.55.030 is amended by adding new subsections to read:

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

7 (1) the producer's qualified capital expenditures, as defined in
8 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
9 payments or credits under AS 43.55.170; and

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

13 (f) The department may require a producer, an explorer, or an operator of a
14 lease or property to file monthly reports, as applicable, of

15 (1) the amounts and gross value at the point of production of oil and
16 gas produced;

17 (2) transportation costs of the oil and gas;

18 (3) any unscheduled interruption of, or reduction in the rate of, oil or
19 gas production;

20 (4) lease expenditures and adjustments under AS 43.55.165 and
21 43.55.170;

22 (5) joint interest billings;

23 (6) contracts for the sale or transportation of oil or gas;

24 (7) information and calculations used in determining monthly
25 installment payments of estimated tax under AS 43.55.020(a); and

26 (8) other records and information the department considers necessary
27 for the administration of this chapter.

28 **Sec. 41.** AS 43.55.040 is amended to read:

29 **Sec. 43.55.040. Powers of Department of Revenue.** Except as provided in
30 AS 43.05.405 - 43.05.499, the department may

31 (1) require a person engaged in production and the agent or employee

1 of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil
2 or gas to furnish, whether by the filing of regular statements or reports or otherwise,
3 additional information that is considered by the department as necessary to compute
4 the amount of the tax; notwithstanding any contrary provision of law, the disclosure
5 of additional information under this paragraph to the producer obligated to pay the tax
6 does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information
7 under this paragraph that is otherwise required to be held confidential under
8 AS 40.25.100(a) or AS 43.05.230(a), the department shall

9 (A) provide the person that furnished the information a
10 reasonable opportunity to be heard regarding the proposed disclosure and the
11 conditions to be imposed under (B) of this paragraph; and

12 (B) impose appropriate conditions limiting

13 (i) access to the information to those legal counsel,
14 consultants, employees, officers, and agents of the producer who have
15 a need to know that information for the purpose of determining or
16 contesting the producer's tax obligation; and

17 (ii) the use of the information to use for that purpose;

18 (2) examine the books, records, and files of the [SUCH A] person;

19 (3) conduct hearings and compel the attendance of witnesses and the
20 production of books, records, and papers of any person; [AND]

21 (4) make an investigation or hold an inquiry that is considered
22 necessary to a disclosure of the facts as to

23 (A) the amount of production from any oil or gas location, or
24 of a company or other producer of oil or gas; and

25 (B) the rendition of the oil and gas for taxing purposes;

26 (5) require a producer, an explorer, or an operator of a lease or
27 property to file reports and copies of records that the department considers
28 necessary to forecast state revenue under this chapter; in the case of reports and
29 copies of records relating to proposed, expected, or approved unit expenditures
30 for a unit for which one or more working interest owners other than the
31 operator have authority to approve unit expenditures, the required reports and

1 copies of records are limited to those reports or copies of records that constitute
2 or disclose communications between the operator and the working interest
3 owners relating to unit budget matters; and

4 (6) assess against a person required under this section to file a
5 report, statement, or other document a penalty, as determined by the
6 department under standards adopted in regulation by the department, of not
7 more than \$1,000 for each day the person fails to file the report, statement, or
8 other document after notice by the department; the penalty is in addition to any
9 penalties under AS 43.05.220 and 43.05.290 and is assessed, collected, and paid
10 in the same manner as a tax deficiency under this title; the penalty shall bear
11 interest at the rate specified under AS 43.05.225(1).

12 * Sec. 42. AS 43.55 is amended by adding a new section to read:

13 Sec. 43.55.075. Limitation on assessment and amended returns. (a) Except
14 as provided in AS 43.05.260(c), the amount of a tax imposed by this chapter must be
15 assessed within four years after the latest return was filed.

16 (b) A decision of a regulatory agency, court, or other body with authority to
17 resolve disputes that results in a retroactive change to a lease expenditure, to an
18 adjustment to a lease expenditure, to costs of transportation, to sale price, to
19 prevailing value, or to consideration of quality differentials relating to the
20 commingling of oils has a corresponding effect, either an increase or decrease, as
21 applicable, on the production tax value of oil or gas or the amount or availability of a
22 tax credit as determined under this chapter. For purposes of this section, a change to a
23 lease expenditure includes a change in the categorization of a lease expenditure as a
24 qualified capital expenditure or as not a qualified capital expenditure. The producer
25 shall

26 (1) within 60 days after the change, notify the department in writing;

27 and

28 (2) within 120 days after the change, file amended returns covering all
29 periods affected by the change, unless the department agrees otherwise or a stay is in
30 place that affects the filing or payment, regardless of the pendency of appeals of the
31 decision.

1 (c) If an alteration in or modification of a producer's federal income tax return
2 or a recomputation of the producer's federal income tax or determination of
3 deficiency occurs that affects the amount of a tax imposed on the producer under this
4 chapter, the producer shall

5 (1) within 60 days after the final determination of the alteration,
6 modification, recomputation, or deficiency, notify the department in writing; and

7 (2) within 120 days after the final determination of the alteration,
8 modification, recomputation, or deficiency, file amended returns covering all affected
9 periods.

10 (d) In this section,

11 (1) "qualified capital expenditure" has the meaning given in
12 AS 43.55.023;

13 (2) "return" includes a report, a statement, and an amended return,
14 report, or statement.

15 * Sec. 43. AS 43.55.110 is amended by adding new subsections to read:

16 (e) The department may require that returns, statements, reports, notifications,
17 and applications filed under this chapter be filed electronically in a form and manner
18 approved or prescribed by the department.

19 (f) The department may require that payments required under this chapter be
20 made electronically in a form and manner approved or prescribed by the department.

21 (g) Notwithstanding AS 44.62, the department may issue, for the information
22 and guidance of producers, explorers, and other interested persons, advisory bulletins
23 stating the department's interpretation of provisions of this chapter and of regulations
24 adopted under this chapter. Unless otherwise provided by the department by
25 regulation, interpretations stated in the advisory bulletins are not binding on the
26 department or others.

27 * Sec. 44. AS 43.55.160(a) is amended to read:

28 (a) Except as provided in (b) of this section, for the purposes of

29 [(1)] AS 43.55.011(c), the annual production tax value of the taxable

30 (1) [(A)] oil and gas produced during a calendar year from leases or
31 properties in the state that include land north of 68 degrees North latitude is the gross

1 value at the point of production of the oil and gas taxable under AS 43.55.011(e) and
2 produced by the producer from those leases or properties, less the producer's lease
3 expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas
4 produced by the producer from those leases or properties, as adjusted under
5 AS 43.55.170; this subparagraph does not apply to gas subject to
6 AS 43.55.011(o);

7 (2) [(B)] oil and gas produced during a calendar year from leases or
8 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
9 north of 68 degrees North latitude, is the gross value at the point of production of the
10 oil and gas taxable under AS 43.55.011(e) and produced by the producer from those
11 leases or properties, less the producer's lease expenditures under AS 43.55.165 for the
12 calendar year applicable to the oil and gas produced by the producer from those leases
13 or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to
14 gas subject to AS 43.55.011(o);

15 (3) [(C)] oil produced during a calendar year from a lease or property
16 in the Cook Inlet sedimentary basin is the gross value at the point of production of the
17 oil taxable under AS 43.55.011(e) and produced by the producer from that lease or
18 property, less the producer's lease expenditures under AS 43.55.165 for the calendar
19 year applicable to the oil produced by the producer from that lease or property, as
20 adjusted under AS 43.55.170;

21 (4) [(D)] gas produced during a calendar year from a lease or property
22 in the Cook Inlet sedimentary basin is the gross value at the point of production of the
23 gas taxable under AS 43.55.011(e) and produced by the producer from that lease or
24 property, less the producer's lease expenditures under AS 43.55.165 for the calendar
25 year applicable to the gas produced by the producer from that lease or property, as
26 adjusted under AS 43.55.170;

27 (5) gas produced during a calendar year from a lease or property
28 outside the Cook Inlet sedimentary basin and used in the state is the gross value
29 at the point of production of that gas taxable under AS 43.55.011(e) and
30 produced by the producer from that lease or property, less the producer's lease
31 expenditures under AS 43.55.165 for the calendar year applicable to that gas

1 produced by the producer from that lease or property, as adjusted under
2 AS 43.55.170

3 [(2) AS 43.55.011(g), THE MONTHLY PRODUCTION TAX
4 VALUE OF THE TAXABLE

5 (A) OIL AND GAS PRODUCED DURING A MONTH
6 FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE
7 LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS
8 VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS
9 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
10 PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF
11 THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR
12 THE CALENDAR YEAR APPLICABLE TO THE OIL AND GAS
13 PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
14 PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;

15 (B) OIL AND GAS PRODUCED DURING A MONTH
16 FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK
17 INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
18 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
19 OF PRODUCTION OF THE OIL AND GAS TAXABLE UNDER
20 AS 43.55.011(g) AND PRODUCED BY THE PRODUCER FROM THOSE
21 LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE
22 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
23 APPLICABLE TO THE OIL AND GAS PRODUCED BY THE PRODUCER
24 FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER
25 AS 43.55.170;

26 (C) OIL PRODUCED DURING A MONTH FROM A
27 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN
28 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL
29 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
30 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE
31 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE

1 CALENDAR YEAR APPLICABLE TO THE OIL PRODUCED BY THE
2 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
3 UNDER AS 43.55.170;

4 (D) GAS PRODUCED DURING A MONTH FROM A
5 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN
6 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS
7 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
8 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE
9 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
10 CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE
11 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
12 UNDER AS 43.55.170].

13 * Sec. 45. AS 43.55.160(c) is amended to read:

14 (c) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
15 would otherwise be deductible by a producer in a calendar year but whose deduction
16 would cause an annual production tax value calculated under (a) [(a)(1)] of this
17 section of taxable oil or gas produced during the calendar year to be less than zero
18 may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this
19 subsection, "producer" includes "explorer."

20 * Sec. 46. AS 43.55.165(a) is amended to read:

21 (a) Except as provided under (c) and (e) [(c) - (e)] of this section, for the
22 purposes of AS 43.55.160, a producer's lease expenditures for a calendar year are the
23 ordinary and necessary costs upstream of the point of production of oil and gas that
24 are incurred during the calendar year by the producer after March 31, 2006, and that
25 are direct costs of exploring for, developing, or producing oil or gas deposits located
26 within the producer's leases or properties in the state or, in the case of land in which
27 the producer does not own a working interest, that are direct costs of exploring for oil
28 or gas deposits located within other land in the state. In determining whether costs are
29 lease expenditures, the department shall consider, among other factors,

30 (1) the typical industry practices and standards in the state that
31 determine the costs, other than items listed in (c) of this section, that an operator is

1 allowed to bill a working interest owner that is not the operator, under unit operating
2 agreements or similar operating agreements that were in effect before December 2,
3 2005, and were subject to negotiation with at least one working interest owner with
4 substantial bargaining power, other than the operator; and

5 (2) the standards adopted by the Department of Natural Resources that
6 determine the costs, other than items listed in (e) of this section, that a lessee is
7 allowed to deduct from revenue in calculating net profits under a lease issued under
8 AS 38.05.180(f)(3)(B), (D), or (E).

9 * Sec. 47. AS 43.55.165(c) is repealed and reenacted to read:

10 (c) Subject to (g) and (h) of this section, if the department finds that the
11 pertinent provisions of a unit operating agreement or similar operating agreement are
12 substantially consistent with the department's determinations and standards under (a)
13 of this section concerning whether costs are lease expenditures and, in addition, finds
14 that at least one working interest owner party to the agreement, other than the
15 operator, with substantial incentive and ability to effectively audit billings under the
16 agreement, in fact is effectively auditing billings under the agreement, the department
17 may authorize or require a producer, subject to conditions prescribed under
18 regulations adopted by the department, to treat as that portion of its lease expenditures
19 for a calendar year applicable to oil and gas produced from a lease or property in the
20 state only

21 (1) the costs, other than items listed in (e) of this section, that are
22 incurred by the operator during the calendar year and that

23 (A) are billed to the producer by the operator under the
24 agreement to which that lease or property is subject and are either not disputed
25 by a working interest owner party to the agreement or are finally determined
26 to be properly billable as a result of dispute resolution; or

27 (B) for a producer that is the operator, would be billable to the
28 producer by the operator in accordance with the terms of the agreement to
29 which that lease or property is subject if the producer were not the operator;
30 and

31 (2) a reasonable percentage, as determined under regulations adopted

1 by the department, of the costs that are billed under (1) of this subsection as an
2 allowance for overhead expenses directly related to exploring for, developing, and
3 producing oil or gas deposits located within the lease or property, to the extent those
4 expenses are not billable under the agreement.

5 * Sec. 48. AS 43.55.165(e) is amended to read:

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

7 (1) depreciation, depletion, or amortization;

8 (2) oil or gas royalty payments, production payments, lease profit
9 shares, or other payments or distributions of a share of oil or gas production, profit, or
10 revenue;

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

12 (4) interest or other financing charges or costs of raising equity or
13 debt capital;

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

15 (6) costs arising from fraud, wilful misconduct, [OR] gross
16 negligence, criminal negligence, violation of law, including a violation of 33
17 U.S.C. 1319(e)(1) or 1321(b)(3) (Clean Water Act), or failure to comply with an
18 obligation under a lease, permit, or license issued by the state or federal
19 government;

20 (7) fines or penalties imposed by law;

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

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

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

29 (11) surcharges levied under AS 43.55.201 or 43.55.300;

30 (12) for a transaction that is an internal transfer or is otherwise not an
31 arm's length transaction, expenditures incurred that are in excess of fair market value;

1 (13) an expenditure incurred to purchase an interest in any
2 corporation, partnership, limited liability company, business trust, or any other
3 business entity, whether or not the transaction is treated as an asset sale for federal
4 income tax purposes;

5 (14) a tax levied under AS 43.55.011;

6 (15) [THE PORTION OF] costs incurred for dismantlement, removal,
7 surrender, or abandonment of a facility, pipeline, well pad, platform, or other
8 structure, or for the restoration of a lease, field, unit, area, tract of land, body of
9 water, or right-of-way in conjunction with dismantlement, removal, surrender, or
10 abandonment [, THAT IS ATTRIBUTABLE TO PRODUCTION OF OIL OR GAS
11 OCCURRING BEFORE APRIL 1, 2006; THE PORTION IS CALCULATED AS A
12 RATIO OF THE AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF
13 OIL EQUIVALENT, ASSOCIATED WITH THE FACILITY, PIPELINE, WELL
14 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY
15 OF WATER, OR RIGHT-OF-WAY OCCURRING BEFORE APRIL 1, 2006, TO
16 THE TOTAL AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF
17 OIL EQUIVALENT, ASSOCIATED WITH THAT FACILITY, PIPELINE, WELL
18 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY
19 OF WATER, OR RIGHT-OF-WAY THROUGH THE END OF THE CALENDAR
20 MONTH BEFORE COMMENCEMENT OF THE DISMANTLEMENT,
21 REMOVAL, SURRENDER, OR ABANDONMENT]; a cost is not excluded under
22 this paragraph if the dismantlement, removal, surrender, or abandonment for which
23 the cost is incurred is undertaken for the purpose of replacing, renovating, or
24 improving the facility, pipeline, well pad, platform, or other structure; [FOR THE
25 PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

26 (A) IN THE CASE OF OIL, ONE BARREL;

27 (B) IN THE CASE OF GAS, 6,000 CUBIC FEET;]

28 (16) costs incurred for containment, control, cleanup, or removal in
29 connection with any unpermitted release of oil or a hazardous substance and any
30 liability for damages imposed on the producer or explorer for that unpermitted
31 release; this paragraph does not apply to the cost of developing and maintaining an oil

1 discharge prevention and contingency plan under AS 46.04.030;

2 (17) costs incurred to satisfy a work commitment under an exploration
3 license under AS 38.05.132;

4 (18) that portion of expenditures, that would otherwise be qualified
5 capital expenditures, as defined in AS 43.55.023 [AS 43.55.023(k)], incurred during a
6 calendar year that are less than the product of \$0.30 multiplied by the total taxable
7 production from each lease or property, in BTU equivalent barrels, during that
8 calendar year, except that, when a portion of a calendar year is subject to this
9 provision, the expenditures and volumes shall be prorated within that calendar year;

10 (19) costs incurred to construct, acquire, or operate a refinery or
11 crude oil topping plant, regardless of whether the products of the refinery or
12 topping plant are used in oil or gas exploration, development, or production
13 operations; however, if a producer owns a refinery or crude oil topping plant
14 that is located on or near the premises of the producer's lease or property in the
15 state and that processes the producer's oil produced from that lease or property
16 into a product that the producer uses in the operation of the lease or property in
17 drilling for or producing oil or gas, the producer's lease expenditures include the
18 amount calculated by subtracting from the fair market value of the product used
19 the prevailing value, as determined under AS 43.55.020(f), of the oil that is
20 processed;

21 (20) costs of lobbying, public relations advertising, or policy
22 advocacy.

23 * Sec. 49. AS 43.55.165(h) is amended to read:

24 (h) The department shall adopt regulations that provide for reasonable
25 methods of allocating costs between oil and gas, between gas subject to
26 AS 43.55.011(o) and other gas, and between leases or properties in those
27 circumstances where an allocation of costs is required to determine [THE
28 DETERMINATION OF THE] lease expenditures that are costs of exploring for,
29 developing, or producing oil deposits or costs of exploring for, developing, or
30 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of
31 exploring for, developing, or producing oil or gas deposits located within

1 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or
2 properties [, REQUIRES AN ALLOCATION OF COSTS].

3 * Sec. 50. AS 43.55.170(a) is amended to read:

4 (a) Unless the payment or credit has already been subtracted in calculating
5 billable or billed costs under AS 43.55.165(c) [OR (d)], a producer's lease
6 expenditures under AS 43.55.165 must be adjusted by subtracting payments or
7 credits, other than tax credits, received by the producer or by an operator acting for
8 the producer for

9 (1) the use by another person of a production facility in which the
10 producer has an ownership interest or the management by the producer of a
11 production facility under a management agreement providing for the producer to
12 receive a management fee;

13 (2) a reimbursement or similar payment that offsets the producer's
14 lease expenditures, including an insurance recovery from a third-party insurer and a
15 payment from the state or federal government for reimbursement of the producer's
16 upstream costs, including costs for gathering, separating, cleaning, dehydration,
17 compressing, or other field handling associated with the production of oil or gas
18 upstream of the point of production;

19 (3) the sale or other transfer of

20 (A) an asset, including geological, geophysical, or well data or
21 interpretations, acquired by the producer as a result of a lease expenditure or
22 an expenditure that would be a lease expenditure if it were incurred after
23 March 31, 2006; for purposes of this subparagraph,

24 (i) if a producer removes from the state, for use outside
25 the state, an asset described in this subparagraph, the value of the asset
26 at the time it is removed is considered a payment received by the
27 producer for sale or transfer of the asset;

28 (ii) for a transaction that is an internal transfer or is
29 other wise not an arm's length transaction, if the sale or transfer of the
30 asset is made for less than fair market value, the amount subtracted
31 must be the fair market value; and

1 (B) oil or gas

2 (i) that is not considered produced from a lease or
3 property under AS 43.55.020(c); and

4 (ii) the cost of acquiring which is a lease expenditure
5 incurred by the person that acquires the oil or gas.

6 * Sec. 51. AS 43.55 is amended by adding a new section to article 4 to read:

7 **Sec. 43.55.890. Disclosure of tax information.** Subject to AS 40.25.100 and
8 AS 43.05.230(e), the department may publish the following information under this
9 chapter, if aggregated among three or more producers or explorers, showing by month
10 or calendar year and by lease or property, unit, or area of the state:

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

12 (2) the amount of taxes levied under this chapter or paid under this
13 chapter;

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

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

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

17 (6) qualified capital expenditures under AS 43.55.023(k);

18 (7) exploration expenditures under AS 43.55.025;

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

20 (9) lease expenditures under AS 43.55.165;

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

22 (11) tax credits applicable or potentially applicable against taxes
23 levied by this chapter.

24 * Sec. 52. AS 43.55.900 is amended by adding new paragraphs to read:

25 (22) "producer" means an owner of an operating right, operating
26 interest, or working interest in a mineral interest in oil or gas;

27 (23) "unit" means a group of tracts of land that is

28 (A) subject to a cooperative or a unit plan of development or
29 operation that has been certified by the commissioner of natural resources
30 under AS 38.05.180(p);

31 (B) subject to a cooperative or a unit plan of development or

1 operation that has been certified by the United States Secretary of the Interior
2 under 30 U.S.C. 226(m);

3 (C) subject to an agreement of the owners of interests in the
4 tracts of land to validly integrate their interests to provide for the unitized
5 management, development, and operation of the tracts of land as a unit, within
6 the meaning of AS 31.05.110(a); or

7 (D) within the unit area of a unit created by order of the
8 Alaska Oil and Gas Conservation Commission under AS 31.05.110(b);

9 (24) "used in the state" means delivered for consumption as fuel in the
10 state, including as fuel consumed to generate electricity.

11 * Sec. 53. AS 43.55.160(c) and 43.55.165(d) are repealed.

12 * Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 APPLICABILITY. (a) Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53 of this
15 Act apply to oil and gas produced after December 31, 2007.

16 (b) Sections 38 and 40 of this Act apply to statements and reports under
17 AS 43.55.030(a), as amended by sec. 38 of this Act, and AS 43.55.030(e) and (f), as added
18 by sec. 40 of this Act, required to be filed after December 31, 2007.

19 (c) Sections 29 - 32 and 35 of this Act apply to exploration expenditures incurred for
20 work performed after December 31, 2006, that are the basis of tax credits that may be
21 claimed against taxes levied for oil and gas produced after December 31, 2007.

22 (d) AS 43.55.075(a), enacted by sec. 42 of this Act, applies to any tax liability under
23 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260
24 had not expired before the effective date of secs. 13 and 42 of this Act.

25 (e) AS 43.55.020(i), enacted by sec. 24 of this Act, applies to any installment
26 payment due after the effective date of sec. 24 of this Act that is not paid timely.

27 (f) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d) in
28 sec. 39 of this Act, applies to any report required to be filed after the effective date of sec. 39
29 of this Act that is not filed timely.

30 (g) The penalty in AS 43.55.040(6), enacted by the amendment to AS 43.55.040 in
31 sec. 41 of this Act, applies to any report, statement, or other document required to be filed

1 after the effective date of sec. 41 of this Act.

2 * **Sec. 55.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 **TRANSITION: ASSIGNMENT OF OIL AND GAS AUDITORS IN THE**
5 **DEPARTMENT OF REVENUE AND DEPARTMENT OF NATURAL RESOURCES.**
6 Notwithstanding any contrary provision of law, employees employed as oil and gas auditors
7 performing production tax audits or as their immediate supervisors in the Department of
8 Revenue and employees employed as oil and gas auditors performing royalty audits,
9 including net profit share audits, or as their immediate supervisors in the Department of
10 Natural Resources are assigned to the exempt service in accordance with AS 39.25.110(42),
11 added by sec. 10 of this Act, and may not be included in the general government or
12 supervisory collective bargaining units of state employees except as provided in this section.
13 All oil and gas auditors performing production tax audits or royalty audits and their
14 immediate supervisors hired before the effective date of sec 10 of this Act have the option of
15 (1) continuing in the general government or supervisory collective bargaining units and being
16 subject to their respective collective bargaining agreements; or (2) being removed from those
17 bargaining units. Those employees have 90 days from the effective date of sec. 10 of this Act
18 to exercise the option to continue in the collective bargaining units. The option taken under
19 this section by the employee is irrevocable. The employees choosing to be removed from
20 those bargaining units are removed after any notice period required by a collective
21 bargaining agreement.

22 * **Sec. 56.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 **TRANSITION: REGULATIONS.** The Department of Natural Resources and the
25 Department of Revenue may proceed to adopt regulations to implement this Act. The
26 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the
27 effective date of the law implemented by the regulation.

28 * **Sec. 57.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 **RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT.** Sections 27 and
31 33 of this Act are retroactive to July 1, 2003.

1 * Sec. 58. Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53 of this Act take effect
2 January 1, 2008.

3 * Sec. 59. Except as provided in sec. 58 of this Act, this Act takes effect immediately under
4 AS 01.10.07(c).

Adopted

FIN 1

25-GH0014VN.19
Cook/Bullock
11/10/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, following line 26:

6 Insert a new bill section to read:

7 ** Sec. 15. AS 43.55.011(f) is amended to read:

8 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas
9 produced from leases or properties that include land north of 68 degrees North
10 latitude, other than oil and gas subject to (i) of this section and gas subject to (o)
11 of this section, may not be less than

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

15 (2) three percent of the gross value at the point of production when the
16 average price per barrel for Alaska North Slope crude oil for sale on the United States
17 West Coast during the calendar year for which the tax is due is over \$20 but not over
18 \$25;

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

23 (4) one percent of the gross value at the point of production when the

1 average price per barrel for Alaska North Slope crude oil for sale on the United States
2 West Coast during the calendar year for which the tax is due is over \$15 but not over
3 \$17.50; or

4 (5) zero percent of the gross value at the point of production when the
5 average price per barrel for Alaska North Slope crude oil for sale on the United States
6 West Coast during the calendar year for which the tax is due is \$15 or less."

7

8 Renumber the following bill sections accordingly.

9

10 Page 13, line 3:

11 Delete "and (g)"

12 Insert "[AND (g)]"

13

14 Conform internal references to bill sections so that the amendment to AS 43.55.011(f) takes
15 effect on January 1, 2008. Below are all internal references to bill sections in this bill:

16 Page 2, line 4;

17 Page 39, lines 14, 16, 17, 18, 19, 22, 24, 25, 26, 28, and 31;

18 Page 40, lines 1 and 30 - 31;

19 Page 41, lines 1 and 3.

*Adopted
as Amended*

FIN 2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

Chenault

1 Page 2, line 7

2 Insert Intent Language:

3

4

5

6

7

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11

12

It is the intent of the legislature that costs disallowed in accordance with AS 43.55.165(e)(6) amended by Section 48 of this act include costs, subsequent to the effective date of the enactment of AS 43.55.165(e)(6), incurred as a result of monitoring and management decisions that fail to properly consider risks posed by changing operating conditions and result in failure to take necessary actions to prevent a pipeline spill. ~~interruption of service or shut down~~

Make conforming format changes in section.

Adopted

Kelly
Stalter

AMENDMENT

FIN 3

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 2, line 3, following "that":

2 Insert

3 "(1) the provisions of this Act will

4 (A) ensure a fair and equitable means of assessing and taxing
5 Alaska's oil and gas resources; and

6 (B) encourage the availability to Alaska's citizens of affordable gas
7 produced, transported, and consumed within the state;

8 (2) the enactment of"

9

10 Page 2, line 4:

11 Delete "enacted by"

12 Insert "in"

13 Delete "confirm"

14 Insert "relating to the limitation of assessments for the production tax on oil and
15 gas and conservation surcharges on oil, confirms"

16

17 Page 2, line 5, following "Revenue", through line 6:

18 Delete all material except the final period

19

20

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 4

MEMBER

Favor

Oppose

FOSTER	✓	
GARA	✓	
HAWKER	✓	
JOULE	✓	
KELLY		✓
NELSON	✓	
STOLTZE		✓
THOMAS	✓	
CRAWFORD	✓	
MEYER		✓
CHENAULT		✓

Yea 7

Nay 4

FIN 4

25-GH0014N.1
Bullock
11/9/07

passed 7-4

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER
REPRESENTATIVE THOMAS

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 1, lines 8 - 9:

2 Delete "amending the State Personnel Act to place in the exempt service certain"

3 Insert "relating to"

4

5 Page 2, line 4:

6 Delete "sec. 42"

7 Insert "sec. 41"

8

9 Page 9, lines 16 - 21:

10 Delete all material.

11

12 Renumber the following bill sections accordingly.

13

14 Page 39, line 14:

15 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

16 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

17

18 Page 39, line 16:

19 Delete "Sections 38 and 40"

20 Insert "Sections 37 and 39"

21

22 Page 39, line 17:

23 Delete "sec. 38"

- 1 Insert "sec. 37"
- 2
- 3 Page 39, line 18:
- 4 Delete "sec. 40"
- 5 Insert "sec. 39"
- 6
- 7 Page 39, line 19:
- 8 Delete "Sections 29 - 32 and 35"
- 9 Insert "Sections 28 - 31 and 34"
- 10
- 11 Page 39, line 22:
- 12 Delete "sec. 42"
- 13 Insert "sec. 41"
- 14
- 15 Page 39, line 24:
- 16 Delete "secs. 13 and 42"
- 17 Insert "secs. 12 and 41"
- 18
- 19 Page 39, line 25:
- 20 Delete "sec. 24"
- 21 Insert "sec. 23"
- 22
- 23 Page 39, line 26:
- 24 Delete "sec. 24"
- 25 Insert "sec. 23"
- 26
- 27 Page 39, line 28:
- 28 Delete "sec. 39" in both places
- 29 Insert "sec. 38" in both places
- 30
- 31 Page 39, line 31:

1 Delete "sec. 41"

2 Insert "sec. 40"

3

4 Page 40, line 1:

5 Delete "sec. 41"

6 Insert "sec. 40"

7

8 Page 40, lines 2 - 21:

9 Delete all material and insert:

10 "** Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 OIL AND GAS AUDITORS; CLASSIFICATION AND PAY PLANS.
13 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
14 implement a distinct position classification plan and a distinct pay plan for oil and gas
15 auditors and their immediate supervisors that perform

16 (1) production tax audits in the Department of Revenue;

17 (2) royalty audits, including net profit share audits, in the Department of
18 Natural Resources."

19

20 Page 40, lines 30 - 31:

21 Delete "Sections 27 and 33"

22 Insert "Sections 26 and 32"

23

24 Page 41, line 1:

25 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

26 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

27

28 Page 41, line 3:

29 Delete "sec. 58"

30 Insert "sec. 57"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10/07

Amendment: FIN NEW 5

MEMBER

Favor

Oppose

GARA	✓	
HAWKER		✓
JOULE	✓	
KELLY	✓	
NELSON	✓	
STOLTZE	✓	
THOMAS		✓
CRAWFORD	✓	
FOSTER		✓
CHENAULT		✓
MEYER		✓

Yea 6

Nay 5

New FIN 5 sk

25-GH0014\N.30
Bullock
11/10/07

passed 6-5

Kelly,
Stofftze

GARA

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, line 24, following "to":

6 Insert "the sum of

7 (1)"

8

9 Page 10, line 25:

10 Delete "the tax rate determined"

11 Insert "25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts
13 calculated"

14

15 Page 10, line 27, through page 11, line 9:

16 Delete all material and insert:

17 "* Sec. 15. AS 43.55.011(g) is repealed and reenacted to read:

18 (g) For each month for which the price index determined under (h) of this
19 section is greater than zero, the amount of tax for purposes of (e)(2) of this section is
20 calculated as follows: (1) for oil and gas produced from each lease or property, the
21 monthly production tax value is calculated in the manner described in AS 43.55.160(a)
22 and (b), except that the gross value at the point of production for the month is
23 substituted for the gross value at the point of production for the calendar year and 1/12

1 of the applicable adjusted lease expenditures for the calendar year is substituted for the
 2 applicable adjusted lease expenditures for the calendar year; (2) the monthly
 3 production tax value determined under (1) of this subsection is multiplied by the
 4 progressivity tax rate for the month. The progressivity tax rate for a month is the
 5 product of 0.4 percent multiplied by the price index for the month determined under
 6 (h) of this section, except that the progressivity tax rate for a month may not exceed 25
 7 percent. Notwithstanding any contrary provision of AS 43.55.150, for purposes of
 8 calculating a monthly production tax value under this subsection, the gross value at the
 9 point of production of the oil and gas is calculated under regulations adopted by the
 10 department that provide for using an appropriate monthly share of the producer's costs
 11 of transportation for the calendar year.

12 * Sec. 16. AS 43.55.011(h) is repealed and reenacted to read:

13 (h) For purposes of (g) of this section, the price index for a month is calculated
 14 by subtracting 30 from the number that is equal to the total of the monthly production
 15 tax values, as calculated under (g) of this section, of the taxable oil and gas produced
 16 by the producer from all leases and properties in the state during that month, divided
 17 by the total amount of taxable oil and gas produced by the producer from all leases
 18 and properties in the state during that month, in BTU equivalent barrels. However, a
 19 price index calculated under this subsection may not be less than zero."
 20

21 Page 14, line 5:

22 Delete "25 percent of"

23 Insert "the sum of 25 percent and the progressivity tax rate calculated under
 24 AS 43.55.011(g) multiplied by"

25
 26 Page 14, lines 17 - 18:

27 Delete "all leases or properties in the unit or nonunitized reservoir"

28 Insert "those properties"

29
 30 Page 14, line 19:

31 Delete "25 percent of"