

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3282

164

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-GH0014AN

- 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 Reumber all sections accordingly.

WD

FIN 7

AMENDMENT

Rep. Gara
Rep. Crawford

OFFERED IN THE HOUSE

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

- 1 Page 17, line 25, following ""March 31,"
- 2 Delete "2003"
- 3 Insert "2001"
- 4
- 5 Page 17, line 26:
- 6 Delete "[2001]"
- 7
- 8 Page 18, line 2
- 9 Following "explorer"
- 10 Insert :
- 11 "that did not have commercial production of oil or gas from a lease or
- 12 property in the state before January 1, 2008."
- 13
- 14 Page 18, line 3:
- 15 Delete "due under"
- 16 Insert "levied by [DUE UNDER]"
- 17
- 18 Page 18, line 5, following "that", through line 6:
- 19 Delete all material

1 Insert: “were incurred after March 31, 2006, and before January 1, 2008
2 [ARE INCURRED DURING THE CALENDAR YEAR FOR WHICH THE
3 CREDIT IS TAKEN];”

4
5 Page 18, line 9, following “after”:

6 Delete “the later of (i)”

7 Insert “[THE LATER OF (i)]”

8
9 Page 18, Line 10

10 Following “2013”

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

15 Insert “[OR (ii) THE SIXTH CALENDAR YEAR AFTER THE CALENDAR
16 YEAR FOR WHICH THE PRODUCER FIRST APPLIES A CREDIT UNDER THIS
17 SUBSECTION AGAINST A TAX DUE UNDER AS 43.55.011(e), IF THE
18 PRODUCER DID NOT HAVE COMMERCIAL PRODUCTION OF OIL OR GAS
19 FROM A LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006]”

Adopted

FIN 8

25-GH0014N
Finley/Bullock
11/9/07

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE
TO: CSIB 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
- 10
- 11
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- 14
- 15
- 16

AMENDMENT

Adopte

FIN 9

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

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/9/10

Amendment: FIN

Am ID -

MEMBER

Favor

Oppose

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

Yea _____

Nay _____

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

WTD

FIN 11

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

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

1 Page 22, line 12

2 Delete "include all derivative products, results, and copies of"

3 Insert "includes all"

4

5 Page 22, lines 15-19

6 Delete "and tangible material ...testing the well;"

7

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

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)"

7
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]"

16
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 resources has not
23 given permission to release the well data;

1 (ii) in the case of seismic or other geophysical data, other than seismic data
2 acquired by seismic exploration subject to (l) of this section, for 10 years
3 following the completion date, at which time the Department of Natural
4 Resources will release the information after 30 days' public notice, except as
5 to seismic or other geophysical data acquired from private land, unless the
6 owner, including a lessor but not a lessee, of the oil and gas resources in the
7 private land gives permission to release the seismic or other geophysical data
8 associated with the private land;

9 (iii) in the case of seismic data obtained by seismic exploration subject to (l) of
10 this section , only until the expiration of 30 days' public notice issued on or
11 after the date the production tax credit certificates are issued under (5) of this
12 subsection."

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 13

MEMBER

Favor

Oppose

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

Yea 7

Nay 4

passed

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.

withdrawn

FIN 14

AMENDMENT

OFFERED IN THE HOUSE

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

Rep. Gara
Rep. Crawford

- 1 Page 28, line 15:
- 2 Delete "four"
- 3 Insert "six"
- 4
- 5 Page 28, line 15:
- 6 Delete "latest"
- 7

adopted

AMENDMENT

Rep Thomas

FIW 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."

Withdrawn

AMENDMENT

FIW 14

Rep. Gara
Rep. Crawford

OFFERED IN THE HOUSE

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

1 Page 29, following line 26:

2 Insert new bill sections to read:

3 ***Sec. 44.** AS 43.55.150(a) is amended to read:

4 (a) For the purposes of AS 43.55.011- 43.55.180, the gross value at the point of
5 production is calculated using the reasonable costs of transportation of the oil or gas. The
6 reasonable costs of transportation are the actual costs, except, as provided under (b) of
7 this section, when the

8 (1) shipper [PARTIES TO THE TRANSPORTATION] of oil or gas is
9 [ARE] affiliated with the transportation carrier or with a person that owns an
10 interest in the transportation facility;

11 (2) contract for the transportation of oil or gas is not an arm's length
12 transaction [OR IS NOT REPRESENTATIVE OF THE MARKET VALUE OF
13 THAT TRANSPORTATION]; or [AND]

14 (3) method or terms of transportation of oil or gas are [IS] not reasonable
15 in view of existing alternative [METHODS OF] transportation options.

16 ***Sec. 45.** AS 43.55.150(b) is amended to read:

17 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),
18 or [AND] (3) of this section is [ARE] present, the department shall determine the
19 reasonable costs of transportation, if lower than actual costs, using the fair market value
20 of like transportation, the fair market value of equally efficient and available alternative

1 modes of transportation, or other reasonable methods. Transportation costs fixed by tariff
2 rates that have been adjudicated as just and reasonable by [PROPERLY ON FILE
3 WITH] the Regulatory Commission of Alaska or other regulatory agency and
4 transportation costs paid by parties not affiliated with an owner of the method of
5 transportation in an arm's length transaction shall be considered prima facie
6 reasonable."

7
8 Renumber the following bill sections accordingly.

Kelly
Stoltze

FIN 17

AMENDMENT

OFFERED IN THE HOUSE

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

1 Page 32, line 20, following "is", through page 33, line 8:

2 Delete all material

3 Insert

4 "repealed and reenacted to read:

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

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

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

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

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

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

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

1 Page 33, following line 8:

2 Insert a new bill section to read:

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 taxes,
11 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 within
18 the premises of the lease or property within which an oil or gas deposit being explored
19 for, developed, or produced is located in order for the cost of the activity to be a cost
20 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 that
24 determine the costs, other than items listed in (c) of this section, that an
25 operator is allowed to bill a producer that is not the operator, under unit
26 operating agreements or similar operating agreements that were in effect
27 before December 2, 2005, and were subject to negotiation with at least one
28 producer with substantial bargaining power, other than the operator; and

29 (B) standards adopted by the Department of Natural
30 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 33, line 9, through page 34, line 4:

5 Delete all material

6
7 Renumber the following bill sections accordingly.

8
9 Page 34, line 30, following "(12)":

10 Insert "an expenditure incurred"

11
12 Page 34, line 31, following "transaction,"

13 Delete "expenditures incurred that are"

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

16
17 Page 37, line 4, following "(a)":

18 Delete all material

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

22
23 Page 37, line 5:

24 Delete "billable or billed costs under AS 43.55.165(c) [OR (d)],"

25
26 Page 39, line 11, following "AS 43.55.160(c)":

27 Insert ", 43.55.165(c),"

28

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN NEW 17

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

Yea 8

Nay 3

New Fin 17^{sh}

25-GH0014\N.29
Mischel/Bullock
11/10/07

passed 8-3

Kelly, Stolfae

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 (e) 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 "Δ [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),"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11-10

Amendment: FIN 18

MEMBER

Favor

Oppose

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

Yea 5

Nay 6

FIN 18

25-GH0014\N.21
Luckhaupt/Bullock
11/9/07

Failed 5-6

AMENDMENT

Representative
Crawford

OFFERED IN THE HOUSE

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

1 Page 32, line 21:

2 Delete "(c) and (e)"

3 Insert "(c), (e), (k), and (l)"

4

5 Page 37, following line 2:

6 Insert a new bill section to read:

7 **** Sec. 50.** AS 43.55.165 is amended by adding new subsections to read:

8 (k) For purposes of AS 43.55.160, for a calendar year after 2006, a producer's
9 total lease expenditures, before adjustment under AS 43.55.170, that are applicable to
10 oil and gas produced by the producer from all leases or properties within a unit from
11 which 1,000,000,000 BTU equivalent barrels of oil or gas have been cumulatively
12 produced by the close of the most recent calendar year and from which the average
13 daily oil and gas production during the most recent calendar year exceeded 100,000
14 BTU equivalent barrels are determined under this subsection and (l) of this section.
15 Except as otherwise provided under (l) of this section, the producer's total lease
16 expenditures, other than qualified capital expenditures, (1) for calendar year 2007, are
17 equal to the product of 1.37 multiplied by the total lease expenditures for calendar year
18 2006, other than qualified capital expenditures, that are applicable to oil and gas
19 produced by the producer from all leases or properties within the unit, as reported on
20 the producer's statement under AS 43.55.030(a) for calendar year 2006, and (2) for a
21 calendar year after 2007, are equal to the product of 1.03 multiplied by the total lease
22 expenditures, other than qualified capital expenditures, determined for the previous
23 calendar year under this subsection. The producer's total lease expenditures for a

1 calendar year after 2006 that are applicable to oil and gas produced by the producer
2 from all leases or properties within a unit subject to this subsection are the sum of the
3 producer's qualified capital expenditures incurred during the calendar year that are
4 applicable to that oil and gas plus the lease expenditures, other than qualified capital
5 expenditures, that are applicable to that oil and gas as determined under this
6 subsection and (l) of this section. If a producer whose lease expenditures for 2006 are
7 used to determine lease expenditures for a later calendar year under this subsection
8 transfers an interest in an affected lease or property to a different producer, the
9 transferee's lease expenditures applicable to oil and gas produced by the transferee
10 from the lease or property continue to be determined under this subsection using those
11 2006 lease expenditures. In this subsection, "qualified capital expenditures" has the
12 meaning given in AS 43.55.023.

13 (l) If, after audit by the department of a producer's statement or amended
14 statement under AS 43.55.030(a) for calendar year 2006, the department finally
15 determines that the reported amount of total lease expenditures, other than qualified
16 capital expenditures, for calendar year 2006 applicable to oil and gas produced by the
17 producer from all leases or properties within a unit subject to (k) of this section
18 exceeds by more than 10 percent the actual amount of those lease expenditures, other
19 than qualified capital expenditures, the producer or transferee, as applicable, shall (1)
20 substitute the actual amount of those lease expenditures, other than qualified capital
21 expenditures, for purposes of the calculations set out in (k) of this section, and (2) file
22 amended statements for affected past tax periods within 60 days after the final
23 determination."

24
25 Renumber the following bill sections accordingly.

26
27 Page 38, following line 5:

28 Insert a new bill section to read:

29 "** Sec. 52. AS 43.55.180(b) is amended to read:

30 (b) The department shall prepare a report on or before the first day of the
31 2010 regular session of the legislature with recommendations concerning the

1 determination of lease expenditures under AS 43.55.165(k) and (l). The
2 department shall prepare a report on or before the first day of the 2011 regular session
3 of the legislature on the results of the study made under (a) of this section, including
4 recommendations as to whether any changes should be made to this chapter. The
5 department shall notify the legislature when each [THAT THE] report prepared under
6 this subsection is available."
7

8 Renumber the following bill sections accordingly.
9

10 Page 39, line 14:

11 Delete "44 - 50, and 53"

12 Insert "44 - 51, and 55"

13
14 Page 41, line 1:

15 Delete "44 - 50, and 53"

16 Insert "44 - 51, and 55"

17
18 Page 41, line 3:

19 Delete "sec. 58"

20 Insert "sec. 60"

FINI

WID

25-GH0014\N.25
Cook/Bullock
11/9/07

Representative
Gara

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2601(FIN), Draft Version "N"

1 Page 32, line 21:

2 Delete "(e) and"

3

4 Page 33, line 9, through page 34, line 4:

5 Delete all material.

6

7 Renumber the following bill sections accordingly.

8

9 Page 37, lines 4 - 5:

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

12 Insert "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
13 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
14 AS 43.55.165(c) OR (d)]"

15

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

17 Insert ", 43.55.165(c)"

18

19 Page 39, line 14:

20 Delete "44 - 50, and 53"

21 Insert "44 - 49, and 52"

22

23 Page 41, line 1:

1 Delete "44 - 50, and 53"

2 Insert "44 - 49, and 52"

3

4 Page 41, line 3:

5 Delete "sec. 58"

6 Insert "sec. 57"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN

20

MEMBER

Favor

Oppose

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

Yea _____

Nay _____

6-5
Adopted

Rep. Gara

FIW 20

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."

FIN21

25-GH0014\N.14
Mischel/Bullock
11/9/07

W/P

AMENDMENT

Representative
Gara

OFFERED IN THE HOUSE

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

1 Page 32, line 20, through page 33, line 8:

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 (e) of this section, that are

7 (A) incurred ~~by the producer~~ 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 taxes,
11 motor fuel taxes, and excise taxes;

12 (C) purchased fuel;

13 (D) routine maintenance;

14 (E) the wages and benefits of employees who are directly
15 participating in exploration, development, or production operations; and

16 (F) other direct costs as may be established in regulations
17 adopted by the department [A REASONABLE ALLOWANCE, AS
18 DETERMINED UNDER REGULATIONS ADOPTED BY THE
19 DEPARTMENT, FOR OVERHEAD EXPENSES DIRECTLY RELATED TO
20 EXPLORING FOR, DEVELOPING, AND PRODUCING OIL OR GAS
21 DEPOSITS LOCATED WITHIN LEASES OR PROPERTIES OR OTHER
22 LAND IN THE STATE];

23 (2) in determining whether costs are lease expenditures, the
24 department may consider, among other factors, the

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

1 (B) standards adopted by the Department of Natural
 2 Resources that determine the costs, other than items listed in (e) of this
 3 section, that a lessee is allowed to deduct from revenue in calculating net
 4 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) [AN
 5 ACTIVITY DOES NOT NEED TO BE PHYSICALLY LOCATED ON,
 6 NEAR, OR WITHIN THE PREMISES OF THE LEASE OR PROPERTY
 7 WITHIN WHICH AN OIL OR GAS DEPOSIT BEING EXPLORED FOR,
 8 DEVELOPED, OR PRODUCED IS LOCATED IN ORDER FOR THE COST
 9 OF THE ACTIVITY TO BE A COST UPSTREAM OF THE POINT OF
 10 PRODUCTION OF THE OIL OR GAS]."

11
 12 Renumber the following bill sections accordingly.

13
 14 Page 34, lines 30 - 31:

15 Delete

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

18
 19 Insert

20 "(12) an expenditure otherwise deductible under (b) of this section
 21 that is a result of [FOR A TRANSACTION THAT IS] an internal transfer, a
 22 transaction with an affiliate, or a transaction between related parties, or is
 23 otherwise not an arm's length transaction, unless the producer establishes to the
 24 satisfaction of the department that the amount of the expenditure does not exceed
 25 the [EXPENDITURES INCURRED THAT ARE IN EXCESS OF] fair market value
 26 of the expenditure;"

27
 28 Page 36, line 22, following "advocacy":

29 Insert ":

30 (21) overhead, office, or administrative expenses, and all other
 31 indirect costs of oil or gas exploration, development, or production"

1

2 Page 39, line 14:

3 Delete "44 - 50, and 53"

4 Insert "44 - 51, and 54"

5

6 Page 41, line 1:

7 Delete "44 - 50, and 53"

8 Insert "44 - 51, and 54"

9

10 Page 41, line 3:

11 Delete "sec. 58"

12 Insert "sec. 59"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN

22

MEMBER

Favor

Oppose

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

Yea _____

Nay _____

AMENDMENT

3-8
See web

Rep. Gara
Rep. Crawford

FIN 22

OFFERED IN THE HOUSE

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

- 1 Page 38, lines 7-8, following "information.":
- 2 Delete "Subject to AS 40.25.100 and AS 43.05.230(e)"
- 3 Insert "Notwithstanding any contrary provision of AS 40.25.100, and regardless of
- 4 whether the information is considered under AS 43.05.230(e) to constitute
- 5 statistics classified to prevent the identification of particular returns or reports"

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(e) 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"

WAF

FINZY

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOULE

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

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

16 (b) The legislature may annually appropriate up to \$30,000,000 of the amount
17 reported under (a) of this section for alternative energy projects.

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

20 (d) For purposes of this section, "alternative energy project" means a system
21 that provides a source of thermal, mechanical, or electrical energy that is not
22 dependent on a fossil fuel other than natural gas or coal for the supply of energy."
23

1 Renumber the following bill sections accordingly.

2

3 Page 39, line 14:

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

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

6

7 Page 39, line 16:

8 Delete "Sections 38 and 40"

9 Insert "Sections 39 and 41"

10

11 Page 39, line 17:

12 Delete "sec. 38"

13 Insert "sec. 39"

14

15 Page 39, line 18:

16 Delete "sec. 40"

17 Insert "sec. 41"

18

19 Page 39, line 19:

20 Delete "Sections 29 - 32 and 35"

21 Insert "Sections 30 - 33 and 36"

22

23 Page 39, line 22:

24 Delete "sec. 42"

25 Insert "sec. 43"

26

27 Page 39, line 24:

28 Delete "secs. 13 and 42"

29 Insert "secs. 14 and 43"

30

31 Page 39, line 25:

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

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 25

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

Yea 6

Nay 5

AMENDMENT

FIW 25

by Representative Gara
on CSIB2001(FIN)AN

passed
6-5

1
2
3
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5
6
7
8
9
10
11
12
13
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
gana
FIW 26

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 Renumber the following sections accordingly.

Withdrawn

FIN 27

AMENDMENT

Rep. Gara
Rep. Crawford

OFFERED IN THE HOUSE

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

1 Page 39, line 14, following "14 - ":

2 Delete all material

3 Insert "23, 25, 26, 44 - 47, 49, and 52 of this"

4

5 Page 39, line 15, following "December 31,":

6 Delete "2007"

7 Insert "2006"

8

9 Page 39, following line 15:

10 Insert "(b) Sections 48, 50, and 53 of this Act apply to oil and gas produced after March
11 31, 2006."

12

13 Reletter the following subsections in Sec. 54 accordingly.

14

15 Page 39, line 20, following "December 31,"

16 Delete "2006"

17 Insert "2007"

18

19 Page 40, following line 1:

20 Insert a new bill section to read:

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

23 TRANSITIONAL PROVISIONS. Notwithstanding any contrary provision of
24 AS 43.05 or AS 43.55.

1 (1) any increase in the amount of a producer's tax due under AS 43.55
2 for a period ending before January 1, 2008, that results from the application of a
3 provision of this Act to oil and gas produced before January 1, 2008, is due March 31,
4 2008;

5 (2) interest on an overpayment of a producer's tax under AS 43.55 for a
6 period ending before January 1, 2008, that results from the application of a provision of
7 this Act to oil and gas produced before January 1, 2008, is allowed only from a date that
8 is 90 days after the later of March 31, 2008, or the date that an amended statement under
9 AS 443.55.030(a) covering the affected tax period or periods is filed; interest is not
10 allowed if the overpayment is refunded within the 90-day period."

11
12 Renumber the following section accordingly.

13
14 Page 40, following line 21:

15 Insert a new bill section to read:

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

18 TRANSITION: DEPARTMENT OF REVENUE REGULATIONS.
19 Notwithstanding any contrary provision of AS 44.62.240, if the Department of Revenue
20 expressly designates in the regulation that the regulation applies retroactively to that date,
21 a regulation adopted by the Department of Revenue to implement, interpret, make
22 specific, or otherwise carry out

23 (1) secs. 27, 42, 48, 50, and 53 of this Act may apply retroactively to
24 April 1, 2006;

25 (2) secs. 14 - 23, 25, 26, 44 - 46, 47, 49, and 52 of this Act may apply
26 retroactively to January 1, 2007."

27
28 Renumber the following sections accordingly.

29
30 Page 40, line 30, following "ACT." Through line 31:

31 Delete all material

held

KELLY FIW28

25-GH0014N.20
Chenoweth/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

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

1 Page 39, line 11:

2 Delete "and 43.55.165(d)"

3 Insert ", 43.55.165(d), and 43.55.180"

4

5 Page 40, following line 27:

6 Insert a new bill section to read:

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

9 REVISOR'S INSTRUCTION. In the following statute sections, the revisor of statutes
10 shall substitute the spanned reference

11 (1) "AS 43.55.011 - 43.55.170" for the spanned reference "AS 43.55.011 -
12 43.55.180"; AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(c), 43.55.300(c);

13 (2) "AS 43.55.017 - 43.55.170" for the spanned reference "AS 43.55.017 -
14 43.55.180"; AS 43.55.023(g)."

15

16 Renumber the following bill sections accordingly.

17

18 Page 41, line 3:

19 Delete "sec. 58"

20 Insert "sec. 59"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN

29

MEMBER

Favor

Oppose

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

Yea _____

Nay _____

FIN29

~~6-5~~ Adopted
6-5

25-GH0014\N.2
Cook/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TC: 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"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 30

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

Yea 4

Nay 7

Alaska State Legislature
House of Representatives

FIN 30

Alaska State Capitol
Juneau, Alaska 99801-1182
1-907-465-3438 (phone)
1-888-478-3438 (toll free)
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Interim Address
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(fax) 1-907-269-0105

Representative Harry Crawford
District 21

Failed
4-7

Functions of the amendment:

- Maintains all previous sections from CSHB 2001(FIN) except for applicability to the "legacy fields" on the North Slope. The definition of legacy field is written to encompass Prudhoe, Kuparuk and Alpine fields.
- Implements a 17% tax for oil on the gross value at the point of production.
- Implements a 13% tax for gas on the gross value at the point of production.
- Intent language to allow the legislature to save up to 50% of the annual surcharge revenue in the Constitutional Budget Reserve.
- 0.25 percent progressivity tax that is applied once the gross price of oil reaches \$40 and increases to 0.35 percent once the gross price of oil reaches \$70. This tax is capped at 25%. The progressivity structure also decreases the tax 0.25 percent when the price falls below \$40.
- A 40% credit applicable to all eligible capital expenditures after exceeding \$100,000,000.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CRAWFORD

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

1 Page 2, following line 6:

2 Insert a new bill section to read:

3 **** Sec. 2.** AS 37.10 is amended by adding a new section to read:

4 **Sec. 37.10.440. Appropriations to the budget reserve fund of production**
5 **tax revenue.** (a) By February 1 each year, the Department of Revenue shall determine
6 the amount of revenue received from the tax levied under AS 43.55.410(b)(1) and
7 notify the legislature of that amount.

8 (b) The legislature may appropriate 50 percent of the amount reported by the
9 Department of Revenue to the budget reserve fund (art. IX, sec. 17, Constitution of the
10 State of Alaska).

11 (c) Nothing in this section requires that money be appropriated or creates a
12 dedicated fund."

13

14 Renumber the following bill sections accordingly.

15

16 Page 10, line 21, following "state":

17 Insert "that is not within a unit or area described in AS 43.55.400(a)"

18

19 Page 38, following line 5:

20 Insert new bill sections to read:

21 **** Sec. 52.** AS 43.55.201(b) is amended to read:

22 (b) The surcharge imposed by (a) of this section is in addition to the taxes
23 [TAX] imposed by AS 43.55.011 and 43.55.410 and is due on the last day of the

1 month on oil produced from each lease or property during the preceding month. The
2 surcharge is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310.

3 * Sec. 53. AS 43.55.201(c) is amended to read:

4 (c) A producer of oil shall make a report of production on March 31 of the
5 year following the calendar year of production and in the same manner and under the
6 same penalties as required under AS 43.55.011 - 43.55.180 and 43.55.400 -
7 43.55.440.

8 * Sec. 54. AS 43.55.201(d) is amended to read:

9 (d) Oil not considered under AS 43.55.020(e) or 43.55.430(d) to be produced
10 from a lease or property is not considered to be produced from a lease or property for
11 purposes of this section.

12 * Sec. 55. AS 43.55.300(b) is amended to read:

13 (b) The surcharge imposed by (a) of this section is in addition to the taxes
14 [TAX] imposed by AS 43.55.011 and 43.55.410 and is due on the last day of the
15 month on oil produced from each lease or property during the preceding month. The
16 surcharge is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231 and
17 43.55.400 - 43.55.440.

18 * Sec. 56. AS 43.55.300(c) is amended to read:

19 (c) A producer of oil shall make a report of production on March 31 of the
20 year following the calendar year of production and in the same manner and under the
21 same penalties as required under AS 43.55.011 - 43.55.180 and 43.55.400 -
22 43.55.440.

23 * Sec. 57. AS 43.55.300(d) is amended to read :

24 (d) Oil not considered under AS 43.55.020(e) or 43.55.430(d) to be produced
25 from a lease or property is not considered to be produced from a lease or property for
26 purposes of this section.

27 * Sec. 58. AS 43.55 is amended by adding new sections to read:

28 **Article 3A. Oil and Gas Production Tax for Legacy Fields.**

29 **Sec. 43.55.400. Applicability.** (a) AS 43.55.400 - 43.55.440 apply to the
30 production of oil or gas after December 31, 2007, from a unit that produced more than
31 200,000,000 BTU equivalent barrels after the date of the commencement of

1 commercial operations and before the year in which the tax is levied and has an
2 average daily oil and gas production during the year immediately preceding the
3 calendar year in which the tax is levied of more than 50,000 BTU equivalent barrels.

4 (b) Before February 1 of each year, the commissioner shall identify and
5 publish a description of each unit described in (a) of this section.

6 (c) AS 43.55.011(f), 43.55.011(g), 43.55.020, 43.55.023 - 43.55.025, and
7 43.55.030(a) - (d) do not apply to oil and gas for which a tax is levied under
8 AS 43.55.400 - 43.55.440.

9 (d) In this section,

10 (1) "commencement of commercial operations" means the start of
11 regular deliveries of marketable oil or gas;

12 (2) "unit" means a group of leases covering all or part of one or more
13 potential hydrocarbon accumulations, or all or part of one or more adjacent or
14 vertically separate oil or gas reservoirs that are subject to a unit agreement;

15 (3) "unit agreement" means the agreement executed by the State of
16 Alaska, working-interest owners, and royalty owners creating the unit.

17 **Sec. 43.55.410. Legacy field oil and gas production tax.** (a) There is levied
18 on the producer of oil or gas a tax for all oil and gas produced each month from each
19 lease or property in the state described in AS 43.55.400(a), less any oil and gas the
20 ownership or right to which is exempt from taxation. The tax is equal to

21 (1) 17 percent of the gross value at the point of production of the oil
22 taxable under this section; and

23 (2) 13 percent of the gross value at the point of production of the gas
24 taxable under this section.

25 (b) For each calendar year for which the price index determined under (c) of
26 this section is

27 (1) greater than zero, in addition to the tax levied under (a) of this
28 section, there is levied on the producer of oil or gas a tax for all oil and gas produced
29 that calendar year from each lease or property subject to the provisions of
30 AS 43.55.400 - 43.55.440, less any oil and gas the ownership or right to which is
31 exempt from taxation; the tax levied under this paragraph

1 (A) when the average price per barrel for Alaska North Slope
2 crude oil for sale on the United States West Coast during the calendar year is at
3 least \$40 a barrel but less than \$70 a barrel, is equal to 0.25 percent of the
4 gross value at the point of production of the taxable oil and gas for the calendar
5 year multiplied by the number that represents the difference between the
6 average price per barrel for Alaska North Slope crude oil for sale on the United
7 States West Coast during the calendar year and \$40;

8 (B) when the average price per barrel for Alaska North Slope
9 crude oil for sale on the United States West Coast during the calendar year is at
10 least \$70 a barrel, the tax is equal to 7.5 percent of the gross value at the point
11 of production of taxable oil and gas for that tax year plus 0.35 percent of the
12 gross value at the point of production of the taxable oil and gas for the calendar
13 year multiplied by the number that represents the difference between the
14 average price per barrel for Alaska North Slope crude oil for sale on the United
15 States West Coast during the calendar year and \$70;

16 (C) less than zero, for all oil and gas produced that calendar year from
17 each lease or property subject to the provisions of AS 43.55.400 - 43.55.440, less any
18 oil and gas the ownership or right to which is exempt from taxation, a producer may
19 take a reduction in tax levied under (a) of this section equal to 0.25 percent of the
20 gross value at the point of production of taxable oil and gas for the calendar year
21 multiplied by the price index determined under (c) of this section.

22 (c) For purposes of (b) of this section, the price index for a calendar year is
23 calculated by subtracting 40 from the number that is equal to the average price per
24 barrel for Alaska North Slope crude oil for sale on the United States West Coast
25 during the calendar year for which the tax is due.

26 (d) The tax rate calculated under (b)(1) of this section may not be more than 25
27 percent.

28 **Sec. 43.55.420. Tax credit for exploration and development.** (a) A producer
29 or explorer that incurs an expenditure that otherwise would be a qualified capital
30 expenditure if incurred for a lease or property that is not within a unit described in
31 AS 43.55.400 may take a credit against the tax levied by AS 43.55.410 only as

1 provided in this section.

2 (b) A credit is not available under this section until the total amount of
3 qualified capital expenditures incurred after December 31, 2007, in a unit described in
4 AS 43.55.400(a) exceeds \$100,000,000. When the total amount of qualified capital
5 expenditures exceeds \$100,000,000, the producer or explorer that incurs those capital
6 expenditures is eligible for a credit against the production tax levied in AS 43.55.410
7 in the amount of \$40,000,000.

8 (c) A producer or explorer is eligible for a credit against the production tax
9 levied in AS 43.55.410 in the amount of 40 percent of the qualified expenditures the
10 producer or explorer incurs for a lease or property within a unit described in
11 AS 43.55.400(a) after qualifying for the credit in (b) of this section.

12 (d) A person may not apply a credit under this section against a tax levied by
13 AS 43.55.410 more than five calendar years after the date a qualified capital
14 expenditure is eligible for the credit under (b) or (c) of this section, starting with the
15 first calendar year following the date the expenditure was made that qualified for the
16 credit.

17 (e) A lease expenditure for a lease or property in a unit described in
18 AS 43.55.400(a) may not be treated as a qualified capital expenditure for the purposes
19 of AS 43.55.023 or treated as an expenditure for which a credit is allowed under
20 AS 43.55.025.

21 (f) In this section, "qualified capital expenditure" has the meaning given in
22 AS 43.55.023, except that a qualified capital expenditure must be incurred for a lease
23 or property in a unit described in AS 43.55.400(a) to qualify for a credit under this
24 section.

25 **Sec. 43.55.430. Payment of tax.** (a) For a calendar year, a producer subject to
26 tax under AS 43.55.410 shall pay the tax as follows:

27 (1) an installment payment of the estimated tax levied by
28 AS 43.55.410, net of any tax credits applied as allowed by law, is due for each month
29 of the calendar year on the last day of the following month; the amount of the
30 installment payment is the total amount of the gross value at the point of production of
31 the oil or gas taxable under AS 43.55.410 and produced by the producer from leases or

1 properties in a unit described in AS 43.55.400(a) during the month minus 1/12 of the
2 tax credits that are allowed by law to be applied against the tax levied by
3 AS 43.55.400 for the calendar year, except that the installment payment may not be
4 less than zero;

5 (2) any amount of tax levied by AS 43.55.410, net of any credits
6 applied as allowed by law, that exceeds the total of the amounts due as installment
7 payments of estimated tax is due on March 31 of the year following the calendar year
8 of production.

9 (b) The production tax on oil and gas shall be paid to the department by or on
10 behalf of the producer.

11 (c) In making settlement with the royalty owner for oil and gas that is taxable
12 under AS 43.55.410, the producer may deduct the amount of the tax paid on taxable
13 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
14 time the tax becomes due to the amount of the tax paid. If the total deductions of
15 installment payments of estimated tax for a calendar year exceed the actual tax for that
16 calendar year, the producer shall, before April 1 of the following year, refund the
17 excess to the royalty owner.

18 (d) Gas flared, released, or allowed to escape in excess of the amount
19 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
20 purpose of AS 43.55.400 - 43.55.440, as gas produced from a lease or property. Oil or
21 gas used in the operation of a lease or property a unit described in AS 43.55.400(a)
22 in drilling for or producing oil or gas, or for repressuring, except to the extent
23 determined by the Alaska Oil and Gas Conservation Commission to be waste, is not
24 considered, for the purpose of AS 43.55.400 - 43.55.440, as oil or gas produced from a
25 lease or property.

26 (e) If oil or gas is produced but not sold, or if oil or gas is produced and sold
27 under circumstances where the sale price does not represent the prevailing value for
28 oil or gas of like kind, character, or quality in the field or area from which the product
29 is produced, the department may require the tax to be paid upon the basis of the value
30 of oil or gas of the same kind, quality, and character prevailing for that field or area
31 during the calendar month of production or sale.

1 (f) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
2 amount of an installment payment required under (a)(1) of this section that is not paid
3 when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C.
4 6621 (Internal Revenue Code), as amended, compounded daily, from the date the
5 installment payment is due until the March 31 described in AS 43.55.440(a), and (2)
6 as provided for a delinquent tax under AS 43.05.225 after that March 31. Interest
7 accrued under (1) of this subsection that remains unpaid after that March 31 is treated
8 as an addition to tax that bears interest under (2) of this subsection. An unpaid amount
9 of tax due under (a)(2) of this section that is not paid when due bears interest as
10 provided for a delinquent tax under AS 43.05.225.

11 (g) Notwithstanding any contrary provision of AS 43.05.280,

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

17 (A) the date it is refunded or is applied to an underpayment; or

18 (B) the March 31 described in AS 43.55.440(a);

19 (2) except as provided under (1) of this subsection, interest with
20 respect to an overpayment is allowed only on any net overpayment of the payments
21 required under (a) of this section that remains after the later of the March 31 described
22 in AS 43.55.440(a) or the date that the statement required under AS 43.55.440(a) is
23 filed;

24 (3) interest is allowed under (2) of this subsection only from a date that
25 is 90 days after the later of the March 31 described in AS 43.55.440(a) or the date that
26 the statement required under AS 43.55.440(a) is filed; interest is not allowed if the
27 overpayment was refunded within the 90-day period;

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

30 **Sec. 43.55.440. Filing of statements.** (a) The person paying the tax under
31 AS 43.55.400 - 43.55.440 shall file with the department on March 31 of the year

1 following the calendar year for which the tax was levied a statement, under oath, in a
2 form prescribed by the department, giving, with other information required, the
3 following:

4 (1) a description of each lease or property within a unit described in
5 AS 43.55.400(a) from which the oil and gas were produced, by name, legal
6 description, lease number, or accounting codes assigned by the department;

7 (2) the names of the producer and the person paying the tax;

8 (3) the gross amount of oil and the gross amount of gas produced from
9 each lease or property, and the percentage of the gross amount of oil and gas owned by
10 each producer for whom the tax is paid;

11 (4) the gross value at the point of production of the oil and of the gas
12 produced from each lease or property owned by each producer for whom the tax is
13 paid; and

14 (5) the name of the first purchaser and the price received for the oil and
15 for the gas, unless relieved from this requirement in whole or in part by the
16 department.

17 (b) Reports required under this section are delinquent the first day following
18 the day the report is due. The person required to file the report is liable for a penalty,
19 as determined by the department under standards adopted in regulation by the
20 department, of not more than \$1,000 for each day the person fails to file the report at
21 the time required. The penalty is in addition to the penalties in AS 43.05.220 and
22 43.05.290 and is assessed, collected, and paid in the same manner as a tax deficiency
23 under this title. In this subsection, "report" includes a statement."
24

25 Renumber the following bill sections accordingly.
26

27 Conform internal references to bill sections so that AS 37.10.440 and AS 43.55.400 -
28 43.55.440 take effect January 1, 2008. Below are all internal references to bill sections in this
29 bill:

30 Page 2, line 4;

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

- 1 Page 40, lines 1, and 30 - 31;
- 2 Page 41, lines 1 and 3.

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: _____

Amendment: _____

Move from
Committee
Oppose

MEMBER

Favor

Oppose

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

Yea 9

Nay 2

REPORTED OUT OF FISCAL NOTE

HFC 11/10/07

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB2001(FIN)
() Publish Date: _____

Identifier (file name): HB2001CSFIN-DNR-O&G-11-11-07 Dept. Affected: Natural Resources
Title Oil and Gas Tax Amendments RDU Resource Development
Sponsor Rules Committee Component Oil and Gas Development
Requester House Finance Component Number 439

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would amend the oil and gas production tax under AS 43.55 to retain base tax rate from 22.5% of net income with no retroactivity. The bill has a progressivity surcharge increasing at 0.4% per dollar between the per barrel net revenue and \$30. The bill also reduces the period by which past investments are recognized in the transition investment expenditure credits (AS43.55.023(a)) from April 1, 2001 to April 1, 2003. Some EICs are increased from 20% to 30%. Administrative changes to the current tax system include changes in the administration of EICs under AS 43.55.025 relating to the kind of information that EIC applicants must provide to the state and the time that this information may be kept confidential.

Prepared by: Kevin Banks, Acting Director Phone 269-8800
Division Oil and Gas Date/Time 11/11/2007
Approved by: Tom Irwin, Commissioner Date 11/11/2007
Natural Resources

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

**Indeterminate Positive: The royalty revenue impact to the State of ACES is indeterminate positive. The improvements of EICs will bring favorable economics to exploration projects. The reduction of TIE credits available to lessees and the progressivity element that has an impact only when oil prices or margins are high will together have an opposite effect on project economics.

REPORTED OUT OF FISCAL NOTE
HFC 11/10/07

STATE OF ALASKA
 2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB2001(FIN)
 () Publish Date: _____

Identifier (file name): CSHB2001(FIN)-DOR-TAX-11-10-07 Dept. Affected: Revenue 04
 Title An Act relating to the production tax on oil and gas.. RDU Taxation and Treasury
 Component Tax Division
 Sponsor Governor
 Requester House Finance Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	115.7		115.7	115.7	115.7	115.7	115.7	115.7
Travel								
Contractual	1,018.4		1,018.4	1,018.4	511.8	5.2	5.2	
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	1,134.1		1,134.1	1,134.1	627.5	120.9	120.9	

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES								
---------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	1,134.1		1,134.1	1,134.1	1,134.1	1,134.1	1,134.1	1,134.1
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	1,134.1		1,134.1	1,134.1	1,134.1	1,134.1	1,134.1	1,134.1

Estimate of any current year (FY2008) cost: 3,191.2

POSITIONS

Full-time	1	1	1	1	1	1	1
Part-time							
Temporary							

ANALYSIS: (Attach a separate page, if necessary)

This bill makes economic and several administrative changes to the state's current petroleum profits tax. The bill retains the current tax system's structure, which taxes the net value of petroleum resources.

This fiscal note shows operating and capital expenses related to the change in reporting and administering the tax.

Prepared by: Johanna Bales, Roger Marks, Cherie Nienhuis
 Division: Tax Division
 Approved by: Jerry Burnett
Department of Revenue

Phone: 269-6628
 Date/Time: 11/10/07 9:00 PM
 Date: 11/10/2007

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

Administrative changes to the current tax system include the following: requires taxpayers to provide cost projections to allow the state to better forecast state revenues and pursue changes in reported costs; authorizes public reporting of some cost data; authorizes a short-term audit program; and designates an exempt class of oil and gas auditors.

Personal Services: The bill requires the Department of Administration to create a new class and pay system for Oil and Gas revenue auditors. Assuming that this can be done, we have no basis on which to estimate additional costs arising under this pay plan. In addition to the uncertain costs for auditors, the department expects that it will need one additional Programmer Analyst V position to maintain and manage the new oil and gas production tax database system at a cost of \$115,700 annually.

Contractual: Contractual expenditures include \$1,013,200 annually to contract for audit assistance. This estimate is based on 3 auditors, working 40 hours per week each, for 4 years starting in January 2008 at an average rate of \$100 per hour, plus estimated transportation and lodging costs, and additional costs for training auditors. The need for such assistance is based upon the department's substantial difficulty in recruiting enough auditors to administer the oil and gas production tax. The department only anticipates the need for contract audit assistance for 4 years while the department recruits and trains auditors for positions that are currently vacant. The contract auditors would work in conjunction with department auditors during this time to maximize department resources and help train department auditors. The department will also need an additional \$5,200 each year in contractual costs associated with the new Analyst Programmer V position.

Current FY2008 costs: The department expects it will incur costs beginning January 2008 to immediately implement the new production tax structure. Those costs include: **Contractual** - \$2,620,800 capital funding to fund the scoping and development of an oil and gas production tax database system (including associated hardware) and \$506,600 to contract for audit assistance (as described above). The new database system will permit accurate and efficient management of information submitted by taxpayers to facilitate auditing and forecasting of revenues, and timely and accurate reports for internal and public uses. The proposed system will accommodate the migration of ELF-based data and continue to collect supplemental data from producers on volumes, wells and production. The system will include income-based data, including tracking credits, required under PPT and upon which the ACES tax structure is based. The system will also integrate into the division's accounting systems. **Personal Services** - \$218,000 from the period January 1, 2008 through June 30, 2008 due to creating an exempt class of oil and gas revenue auditors and increasing pay to more closely reflect what the market in Alaska pays for roughly similar positions. In addition, we will recruit for the Analyst Programmer V and bring that person on board to participate in the database scoping meetings. We estimate FY 2008 costs for this position to be approximately \$57,800. **Supplies** - \$6,000 for a computer and software for the new analyst programmer V position.

Revenue changes will be shown in another fiscal note.

REPORTED OUT OF
HFC 11/10/07 **FISCAL NOTE**

STATE OF ALASKA
 2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB2001(FIN)
 () Publish Date: _____

Identifier (file name): CSHB2001(FIN)-DOR-REV-11-10-07 Dept. Affected: Revenue 04
 Title: An Act relating to the production tax on oil and gas.. RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Governor
 Requester: House Finance Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURE	FY 2009						
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING							

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES (374,095	306,613	301,905	485,862	493,481	279,539
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This fiscal note shows changes in revenues resulting from this legislation; operating and capital costs pertaining to the Department of Revenue for the implementation of this legislation are shown on a separate fiscal note.

This bill makes several economic changes to the state's current petroleum profits tax. The bill retains the current tax system's structure, which taxes the net value of petroleum resources. The bill makes the following changes to the current system: it calculates the progressivity surcharge as the difference between the per barrel net revenue and \$30 at 0.4%; it eliminates the recognition of investments made during the period April 1, 2001 to April 1, 2003 for purposes of the transition investment expenditure credits (AS 43.55.023(i)); and EIC credits are increased from 20% to 30%.

Prepared by: Johanna Bales, Roger Marks, Cherie Nienhuis
 Division: Tax Division
 Approved by: Jerry Burnett
Department of Revenue

Phone: 269-6628
 Date/Time: 11/10/07 9:30 PM
 Date: 11/10/2007

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

Other changes to the current tax system include the following: excludes from qualified lease expenditures those expenses related to unscheduled production interruptions; excludes dismantlement, removal & restoration (DR&R) costs from allowable expenditures; requires taxpayers to provide cost projections to allow the state to better forecast state revenues and pursue changes in reported costs; authorizes public reporting of some cost data; and authorizes a short-term audit program.

Certain lease expenditure allowance provisions are retroactive to April 1, 2006; the other provisions of the tax proposal become effective January 1, 2008.

See page 3 for projected revenue estimates.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

**Estimated Production Tax Revenues, PPT and ACES,
at Various Prices (in \$millions nominal)**

Fall 2007 DOR Official Forecast Prices

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	71.65	71.65	1,947	2,368	2,210	263	-158
2009	64.55	66.30	1,430	1,985	1,804	374	-180
2010	60.05	63.40	1,217	1,767	1,523	307	-243
2011	59.70	64.75	1,250	1,766	1,552	302	-214
2012	59.55	66.35	1,174	1,701	1,660	486	-41
2013	58.90	67.45	1,151	1,685	1,645	493	-40
2014	58.25	68.55	1,217	1,558	1,497	280	-62

DOR Forecast nominal prices rounded to the nearest \$0.05

\$60 per barrel in REAL dollars

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	60.00	60.00	1,073	1,452	1,213	139	-239
2009	60.00	61.65	1,197	1,698	1,476	280	-222
2010	60.00	63.35	1,247	1,802	1,561	313	-241
2011	60.00	65.09	1,272	1,795	1,583	311	-212
2012	60.00	66.88	1,204	1,737	1,703	499	-35
2013	60.00	68.72	1,225	1,772	1,750	526	-22
2014	60.00	70.61	1,334	1,696	1,662	328	-34

\$80 per barrel in REAL dollars

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	80.00	80.00	2,693	3,137	3,140	447	2
2009	80.00	82.20	2,640	3,294	3,475	835	181
2010	80.00	84.46	2,751	3,431	3,642	891	212
2011	80.00	86.78	2,732	3,411	3,681	899	250
2012	80.00	89.17	2,638	3,360	3,808	1,110	448
2013	80.00	91.62	2,783	3,451	3,945	1,162	493
2014	80.00	94.14	2,950	3,407	3,903	953	496



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

SENATE & HOUSE FINANCE TESTIMONY on SB & HB 2001 November 8, 2007

Thank you, Chairmen Stedman, Hoffman, Chenault & Meyer, members of the Senate & House Finance committees. My name is Paul Laird. I'm general manager and testifying on behalf of the Alaska Support Industry Alliance, a trade association representing companies & individuals that provide goods & services to Alaska's oil, gas & mining industries.

Our 400 member companies and their 35,000-plus Alaska employees don't make the multibillion-dollar investments in oil & gas development that fuel Alaska's economy ... they make those investments work.

As Alaskans whose livelihoods depend on oil & gas investment, we're deeply concerned about the constant tax increases that put some of those investments at risk.

The extent to which yet another tax increase will discourage investment may be debatable. The fact that it will do absolutely nothing to encourage new oil production or construction of a gas project is not.

Every dollar in additional taxes is a dollar that won't be invested in sustaining production, in generating business for Alaska companies, in providing good-paying private sector jobs for Alaskans.

And isn't that what this discussion should be about: how we can ensure our "fair share" of long-term jobs and business opportunities for Alaskans, rather than how much more money the state can extract from the private sector ... just so state government can have more money?

Proponents of this latest increase in Senate Bill 2001 & House Bill 2001 have presented a plethora of preliminary projections & a paucity of proof to push their position.

Regulations for the current PPT haven't even been finalized, and the first returns haven't been audited.

When you adopted the PPT in 2006 after months of deliberations, debate and countless votes, you required a complete review of the system five years later - in 2011. You understood it would take several years to reasonably determine how & if it's working. That hasn't changed.

Please be prudent rather than punitive in setting long-term oil & gas tax policy. Don't put long-term production, Alaska jobs and business opportunities at risk by increasing taxes, increasing costs and jeopardizing the economics of critical investments.

ALASKA SUPPORT INDUSTRY ALLIANCE



UDELHOVEN

184 East 53rd Avenue
Anchorage, Alaska 99518-1222
(907) 344-1577 Fax (907) 522-2541

Mr. Chairman, Co-Chairman, Vice Chairman etc. , Distinguished Committee members both Senate and House--

My name is James Gilbert, I'm President of Udelhoven Oilfield Systems Services

And I testify tonight on behalf of my company and it 538 employees.

A recent article in the Juneau Empire, the text of which in part starts out as --I quote,

Gov. Sarah Palin called a special session to reconsider the state's oil tax over the objections of the oil industry and its allies in the Alaska Legislature. Palin wants to increase the tax on oil company profits from 22.5 percent to 25 percent. End quote.

If you pass the PPT at this higher tax, after only 14 months of the last tax implemented, you are sending a message to the producer companies in which you under line Alaska's instability as a place to operate. 30 years of operation and only one independent is targeting production (Pioneer), maybe in 2008. We should not be considering raising taxes, we need to be considering what it would take to get production back up to 2mm bbls per day.

Some legislators who have backed the Gov.'s call for a new session and a new look at oil taxes cite, the corruption investigations. End quote

These citings show a definite lack of understanding at what WE owe the oil companies, for their years of commitment and perseverance when oil was low and profits were minimal. We should be grateful they had the billions to invest and risk to develop OUR resources. But I have heard and read just the opposite, because the producers are now getting some payback for all those years of investment. Those years of annual investments of billions of dollars to build the facilities, sealift them to Alaska and produce our wealth from Prudhoe Bay and other fields they had discovered. Six oil production plants at Prudhoe, 3 Production plants at Kuparuk, supporting plants to handle gas (two at Prudhoe) plants to handle the immense water requirements, One each at Kuparuk and Prudhoe. The CPS at Prudhoe to produce the enormous power needs for the fields, the Field Fuel Gas Unit to provide fuel for turbines for all the prb plants, the COT Units at Prudhoe and Kuparuk to provide fuel for trucks and equipment, all of these at a billion each in today's dollars and that is not even a complete list.



UDELHOVEN

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Endicott, Milne Pt, Lisbourne/Pt. MacIntyre, Badami, Alpine, Northstar and simultaneously to build and operate an 800 mile pipeline to transport to market our resource AT A COST OF CONSTRUCTION OF 9 BILLION DOLLARS.

"There was a corrosive cloud over the last proceedings because of these charges," said Rep. Mike Kelly, R-Fairbanks, and a member of the House Finance Committee.

Opponents of the tax increase, including oil companies, various chambers of commerce, oil industry contractors and some legislators, have argued that those so far convicted played no significant role in adopting the Petroleum Profits Tax that Palin has called "tainted." End Quote.

My company does work in the commercial and private sectors, we build schools, build medical facilities, do work for the military, work for the airports in Alaska and also are part of the Alliance where we hire and support collectively some 35,000 employees in our industry. It is demeaning to say that we are a part of some various chambers of commerce, as far as Alaska is concerned we are THE CHAMBER OF COMMERCE.. Our employees are some of the best paid in the state. We pay property taxes, city sales taxes, municipality sales taxes and contribute to non profits in larger amounts than any other sector in the state. Neither fishing, tourism, mining nor any other private enterprise venture contributes what our employees or our clients contribute.

My clients pay their fair share and have been paying it for 30+ years, I ask you to look in the direction of the Permanent Fund, \$39.9 Billion to date. And \$70+ billion paid to the state to operate, tax and spend, \$70 Billion that is the B word. We need to be looking at how we can get the pipeline back to its operating capacity not trying to tax the final 600,000 in to virtual submission..

Don't be fooled by those who see the oil companies as adversaries or opponents, As my Mother would say, "Shame on you" the Producers Companies have been and continue to be our partners in resource development, paying their fair share to help Alaska and Alaskans.

Thank you for your time.



UDELHOVEN

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Note: My comments are in blue type and italicized. The remaining text is from the Juneau Empire
http://www.juneauempire.com/stories/110707/sta_20071107025.shtml

7 November 2007

To Members of the Senate and House Committees:-

My name is Maynard V. Tapp, I am an Alaskan resident since 1990. I founded my company Hawk Construction Consultants, Inc. now Hawk Consultants, LLC in 1985 as an Alaskan corporation.

I strongly believe any new approach to raise taxes should be viewed as a "RESOURCE DEVELOPMENT" effort. The state will raise more tax revenues if we raise production.

If you ask any of the tax experts that will testify before your committee, none will say that increasing the tax will increase exploration and production.

The most reliable source of long-term revenue is to increase production. As I understand the state gets 75% of the 12.5% royalty (9.375%). The "fair share" to the Alaskans is the remaining (3.125%) paid into the Permanent Fund. I believe you can build a long term future for my company's employees based on the increase in production.

Hawk employs over 60 Alaskans. Much of their work is related to the reconfiguration of the Trans Alaska Pipeline, and the refurbishment and maintenance of the existing pipelines and facilities on the North Slope.

Our company, its employees and the State of Alaska will greatly benefit from new production. We hope to be involved in all phases of the continuing projects.

From my point of view an increase of 2.5% in tax rates increases the size of government by \$25.0Million. One Senator made the point to me that "there is no guarantee that if the rate was reduced by 1% that the producers would invest that 1% here in Alaska". While this may or may not be true, one thing is certain that \$25.0Million will not be invested by the companies if it is taken away by increasing the tax.

What is the State of Alaska doing to increase oil production which then translates into more tax revenue?

Also, if that \$25.0Million is invested in new production, that amount is the equivalent of 3 new production wells. Those new wells at a nominal rate of 2,500bbls per day could gain the state revenue an additional \$21.0Million per year. (This would include the current PPT of 22.5% of Net plus 9.375% Royalty at \$80/bbl).

My math may not be totally correct but the case remains that the benefits from investment made by the "producers" in the state of Alaska for oil and gas field development far exceeds the benefits to Alaskans from raising an individual tax rate.

If the previous administration made a mistake, I believe your committee could rectify that mistake by dropping the tax rate to "10% 20%". That would make us more competitive at 51% which is closer to the Gulf of Mexico, and Canada's tax rates.

I want the state of Alaska to be at the TOP of the "producers" list when it comes to selecting investment opportunities.

Please, I humbly request you reframe this bill as a Resource Development Bill and not a tax generation bill.

I want us to recognize that Alaska is "big oil" and we get "our fair share" of revenues along with our partners, the producers. Our fair share is calculated in the jobs created by employing Alaskans in the development of our common resource.

One other thing, thanks to all you who were here last year when the PPT was agreed. Your months of hard work resulted in the 22.5/20 agreement. Please don't try to fix that which is not broken.

Thank-you,
Maynard Tapp
200 West 34th Ave, #809
Anchorage, Alaska 99503

ERIC DOMPELING

SENATE & HOUSE FINANCE TESTIMONY
on SB & HB 2001
November 8, 2007

Thank you, Chairmen Stedman, Hoffman, Chenault & Meyer, members of the Senate & House Finance committees. My name is Eric Dompeling. I'm president of, and testifying on behalf of the Alaska Support Industry Alliance, a trade association representing a broad spectrum of companies & individuals that work in Alaska.

I had the pleasure of hearing from Deputy Commissioner Rutherford speak on the AGIA Plan this morning as she addressed the Alliance membership at our breakfast meeting. As with this PPT Discussion, the time is drawing near when we will know the outcome to the question; what's going to happen!

I find this PPT discussion to be much the same hope and pray that is found in the AGIA proposal.

Much like the Canadian province of Alberta; you are considering a significant increase in the way the industry is taxed, Alberta has already experienced a slowdown in the activity levels. I have no doubt we will see the same thing here.

With production declining, the only way to stave off that decline is through the drill bit, we don't have 600 rigs drilling for oil and gas in Alaska we only have about 17 currently operating, and from there to 1 rig only requires a look back to 1999, eight short years ago. Are you prepared to dip into the CBR? Given the propensity for this state to spend money it doesn't have . . . even this tax increase will not cover the pending disaster with the next decrease in the Price of oil. We continue to need a fiscal plan; what do you plan to do with the current excess capital, besides spend it, oh I forgot it's already been spent!

The mining industry recently announced that their contribution to the State coffers has increased by a factor of 3; from 60 Million to roughly 180 million dollars. The Oil industry has also had a significant impact on the states income, coincidentally by a factor of 3; from 1.5 Billion a years in 2003 to over 4.5 billion a year this year, who says were not getting our fair share? Where does all the money go?

I urge you to think long-and hard before committing the citizens of this state to an oil & gas tax policy, that could well follow the law of unintended consequences. Don't sacrifice long-term job and business opportunities, for a short term potential gain, I ask you to leave the PPT legislation alone and focus on the longer term benefit of a Gas line that will be a real economic change to this state as was the Oil Pipeline 30 years ago.



Alaska State Legislature

Please enter into the record my testimony to the House + Senate Finance
committee name

committee on HB + SB 2001 . dated 11-8-07
bill/subject

All,

What we fail to take into account is the cost of the development of the oil fields, drilling wells and building infrastructure to fill the declining oil currently produced. Maybe Alaska should partner with the oil companies for the development of the new and existing oil fields. Have a stake in research and development to recover additional heavy crude oil from the existing fields, feel the pain of spending millions of dollars to bring in a well pad with the expectation of 25000 bpd of production just to find it will only produce 15000 bpd then experience the misfortune of having channelized water from the water flood well invade the oil production well because the oil sands we more permeated than expected and you lose millions of dollars on the drilling cost of the well.

Invest some of Alaska's money into the oil fields for a percentage of the profit after EBITA.

Raising taxes is not the answer for the long term for revenue growth for the state of Alaska. Investing and partnering with the companies to invite and increase industry build a healthy economy.

I am not in favor of raising any taxes on the oil revenue.

Best regards,

Stephen Cordova
Sr. Project Manager
Energy Services and Operations
CH2M HILL
949 E. 36th Avenue,
Suite 500
Anchorage, AK 99508
Tel 907.762.1500
Direct 907.753.1589
Mobile 907-382-9700
Fax
Email
www.CH2M.com

Signed: Via E-Mail
Testifier

Representing (Optional)

Address

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the FINANCE
committee name

committee on HB 2001 / SB 2001, dated 11/8/07
bill/subject

Date: 11-08-07
From Paul D.Kendall
REF: PPT Senate and House Joint PPT hearings testimony
TO above for the record

Ladies and Gentlemen,
Please accept the attached Opinion for the record in your review of the PPT bill 2001.

I find it concerning we citizens are not afforded more time and participation in this PPT process along with other pressing society needs...

Thank You,

Paul D. Kendall

907-222-7882

Signed: _____

Testifier

Representing (Optional)

Address

Phone No

=====

6

11-8-07 Paul D. Kendall PPT testimony
 To: Joint Senate and House committees reviewing PPT 2001 bills
 REF: Testimony Enough is Enough, it is time for a new society !

12

Ladies and Gentlemen of the Legislature and fellow citizens of Alaska,

First, I continue to support our Governor in her honorable intentions with PPT .

However; I still prefer a Gross % of production paid to us and then we give back for partnerships and ventures of earned value and substance from a check off like menu . (needs more discussion)

18

ALSO, We may need to cut our losses by letting the big 3 go and bring new lease holders and more eager investors from China – Or at least replace EXXON who is clearly not "showing us the love...."

24

With the ongoing Political and Oil Co. Corruption, Energy Instability, our part time- Legislatures' cut and run to Juneau, OPEC partnerships, IRAQ Killings, Energy constructed and contrived pricing, Hydrogen Dev., World Oil Companies refusal to testify on record, Our legislature and other bodies not allowing us the citizens to substantially comment and ask questions of substance,

30

I can only conclude the following

The great people of Alaska can and should no longer be a subjugated and enslaved people by Energy interests outside of Alaska.

36 It is time to end this unjustified and illegal economic betrayal and assault on the citizens of Alaska and their families.

This irrational conveyance of our assets to some distant fund or others economic benefit to be enjoyed by a relatively few insiders has to come to an end..

42

The Alaskan people have been an understanding, generous, patient, loyal, and accommodating, partner with the BIG OIL COMPANIES and our POLITICIANS.

48

However; Due to the past, current and predicted ENERGY EVENTS the time has now come for us the citizens of Alaska to begin our next society, a more just and more free society.

You, our elected leaders should publicly and honestly determine the annual amount of Cubic Feet of Natural Gas needed for the single family home owner based on the model below:

 (SFHOM) Single family home owner model = less or up to first 1,000 sq ft living space with 20 x 20 2 car garage, 12 x 12 storage shed, 20 X 20 green house on 100' X 100' lot size --- 1 person, 1 vehicle

60

The annual allotment per household total amount of energy converted to Cubic Feet of gas shall reflect the home needs for:

HEATING AND COOKING

ELECTRICITY

GASOLINE POWERED TRAVEL of 100 miles daily round trip from home.

66 Estimated annual allotment amount of Natural Gas in cubic feet to be in the order of:

Home use	annual max	cu ft conv	X *100,000 homes	**\$
Ht - cook	175 Mcf	same	17.5 MMcf	
72 Electricity	8,500 kwh	28.2Mcf	28.2 MMcf	
gasoline	1,825 gal (1per)	224.2 Mcf	22.5 MMcf	
***TOTALS (all # are estimates)			68.2 MMcf	discussion

78 *TOTAL NUMBER OF SINGLE FAMILY HOMES IN ALASKA + DATA ??
 100,000 homes = 300,000+ population ? a guess * I have had a hard time trying to gather these numbers by single family home owners, apt complexes, trailers, duplexes, etc...

** the gas comes out of the ground cost nearly nothing in relation to --?

*** I have tried to make these totals maximum to way over amounts

84

 (I gathered these energy figures as best I could on such short notice today!)

90

96 You, our elected officials on our behalf should cause and make to happen Now; within the PPT bill this inclusion as a pilot project towards a new history for Alaska by declaring an annual allotment of energy for 100,000 homes as described above.

102 This pilot project annual energy allotment should be made available to 100,000 home owners on a statewide per capita % basis, by longevity, drawing every 3 years or some other local fair and agreeable means...

We as Alaskans can no longer allow the " the conspiratorial few who for profit of their own would be World rulers at our peoples, families and loved ones expense;

108 Again,, We freedom loving Alaskans will no longer be an economically subjugated and enslaved people. It is over!

The time of being economically blood sucked by a few has come and gone! It is time to begin a new society, a better and more free society. It is time for Alaska to take her place in the history of World as that new society.... First of the surely many to follow.

114 By allowing our homes access to our nearly free energy , we will not only stop the exit of large amounts of our money; but we should see a tremendous growth in our housing markets, new technologies, citizen influxes, and substantial infrastructure growth for our state needs.

120 The true and actual gas allotment cost to the Oil Industry and our permanent fund is nearly nill.

ALASKA is perched to be a new and vibrant society, a shining and historical light in the history of the world...
Its all here;

126 It is time to teach the child who is the parent; to educate the misguided, who have clearly gone to worshipping profits in the place of "spiritual insight" and "Quality of Life"; Other true values.

It is time to become a better and more free society and in order to do that we must come to the aid and defense of the very foundations of our society –

132 The Single family home, Our family's- which we all aspire to be a part of.

IF "fossil fuelers " want to make unbridled profits and wealth, then, so be it; But you shall not make it on the backs of our most fundamental foundations of our society, our homes with our loved ones.