

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3401

273

SB

303

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/25/08

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 303

SB 303 SANITATION AND WATER GRANTS

"An Act relating to certain grants awarded by the Department of Environmental Conservation."

and recommends:

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

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____


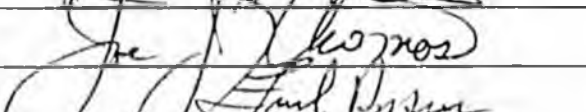
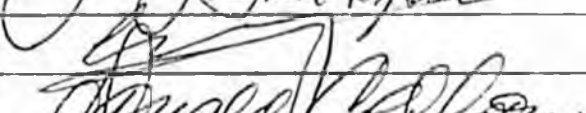
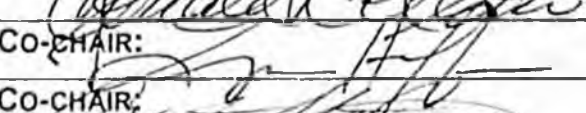


NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Dec		✓			1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elton Thomas			✓	
	Thomas Dyson			✓	✓
	Huggins	✓			
	Olson			✓	
CO-CHAIR: 		✓			
CO-CHAIR: 	SPICERMANA	✓			

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 303
(S) Publish Date: 3/25/08

Identifier (file name): SB303-DEC-FC-03-21-08 Dept. Affected: Department of Environmental Conservation
Title: An Act relating to certain grants awarded by DEC RDU: Division of Water
Component: Facilities Construction
Sponsor: Senate Rules Committee
Requester: Resources, Finance Component Number: 637

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	3,720.8		0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (GF 1004)	3,720.8		0.0	0.0	0.0	0.0	0.0
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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)*

Capital expenditures are based on the assumption that the bill will only affect grants made beginning in FY2009 and later, and will not affect grants made prior to FY2009. The FY2009 capital cost projection is based on the increased costs to the state associated with providing 70% of project costs, instead of 50% of project costs, for projects in communities with populations between 5,000 and 10,000 included in FY2009 capital budget bills HB311 and SB221.

Detailed information about FY2009 projects and increased costs to the state are included on the next page.

Prepared by: Lynn J. Tomich Kent, Director
Division: Water
Approved by: Dan Easton
Department of Environmental Conservation

Phone 907-269-7599
Date/Time 3/21/08 3:51 PM
Date 3/21/2008

FISCAL NOTE # 1

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SB 303

ANALYSIS CONTINUATION

FY2009 Projects	Current 50/50 Project Cost Sharing		Proposed 70/30 Project Cost Sharing		Difference Between 50/50 and 70/30 Project	
	State	Local	State	Local	State	Local
Homer Water Treatment Plant Upgrade	\$1,236,000	\$1,236,000	\$1,730,400	\$741,600	\$494,400	-\$494,400
Kenai New Water Transmission Main Phase II Wellhouse	\$698,625	\$698,625	\$978,075	\$419,175	\$279,450	-\$279,450
Kodiak Aleutian Homes Water & Sewer Replacement Ph 4	\$1,297,800	\$1,297,800	\$1,816,920	\$778,680	\$519,120	-\$519,120
Kodiak Ultraviolet Secondary Water Treatment Facility	\$2,060,000	\$2,060,000	\$2,884,000	\$1,236,000	\$824,000	-\$824,000
Palmer Steel Water Main Replacement Phase 6	\$1,369,793	\$1,369,793	\$1,917,710	\$821,876	\$547,917	-\$547,917
Palmer Wastewater Treatment Plant Improvements Design	\$148,781	\$148,781	\$208,293	\$69,269	\$59,512	-\$59,512
Palmer Southwest Utility Extension Phase II	\$1,766,605	\$1,766,605	\$2,473,247	\$1,059,963	\$706,642	-\$706,642
Wasilla Mission Hills Water Extension	\$724,500	\$724,500	\$1,014,300	\$434,700	\$289,800	-\$289,800
<i>FY 2009 Total</i>	<i>\$9,302,104</i>	<i>\$9,302,104</i>	<i>\$13,022,946</i>	<i>\$5,581,262</i>	<i>\$3,720,842</i>	<i>-\$3,720,842</i>

LEGAL SERVICES

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MEMORANDUM

February 7, 2008

SUBJECT: Determination of certain grant amounts awarded by the Department of Environmental Conservation (Work Order No. 25-LS1445\A)

TO: Senator Lyda Green
Attn: Ginger Blaisdell

FROM: Alpheus Bullard *AB*
Legislative Counsel

This memorandum accompanies the draft bill you requested.

Ginger Blaisdell of your office had asked if the formula employed in determining what percentage of a municipal water quality enhancement, water supply, sewage, or solid waste project's cost could be met by a grant made by the Department of Environmental Conservation under AS 46.03.030(e)¹ was found elsewhere in the Alaska statutes.

Under AS 46.03.030(e)(2) the percentage of a municipal project's costs eligible for a grant is based on community population size. For a community with a population of (1) 1,000 persons or less, a grant is not to exceed 85 percent of a project's eligible costs, (2) 1,001 to 5,000 persons, a grant is not to exceed 70 percent of a project's eligible costs, and (3) 5,000 persons or more, a grant is not to exceed 50 percent of a project's eligible costs (unless the project relates to certain solid waste processing or disposal systems, in

¹ AS 46.03.030(e) provides in relevant part,

[a] grant under [AS 46.03.030] to a municipality for a project funded by an appropriation made by the legislature . . . may not exceed

(A) 85 percent of the eligible costs for a municipality with a population of 1,000 persons or less;

(B) 70 percent of the eligible costs for a municipality with a population of 1,001 to 5,000 persons; and

(C) 50 percent of the eligible costs for a municipality with a population greater than 5,000 persons; however, if a municipality with a population greater than 5,000 persons seeks a grant for a project that relates to a solid waste processing or disposal system that incorporates resource recovery, the department may provide a grant for up to 60 percent of the eligible costs of the project.

Senator Lyda Green
February 7, 2008
Page 2

which case the Department of Environmental Conservation may provide a grant for up to 60 percent of the project's eligible costs).

While community population size is a factor in the determination of other grants, the 85, 70, 50/60 percent formula for communities of 1,000 or fewer, 1,001 to 5,000, and 5,000 or more persons is unique to AS 46.03.030.

Changing what percentage of project costs are eligible for a grant under AS 46.03.030 does not necessitate conforming changes elsewhere in the Alaska statutes.

If you have any questions, please do not hesitate to contact me.

ALB:lmb
08-016.lmb

Enclosure

Community	Population	Incorp_Type
Anchorage	282,813	Unified Home Rule Municipality
Juneau	30,650	Unified Home Rule Municipality
Fairbanks	30,552	Home Rule City
Sitka	8,833	Unified Home Rule Municipality
Ketchikan	7,622	Home Rule City
Kenai	6,864	Home Rule City
Wasilla	6,775	1st Class City
Kodiak	5,937	Home Rule City
Bethel	5,812	2nd Class City
Palmer	5,574	Home Rule City
Homer	5,454	1st Class City
Valdez	4,353	Home Rule City
Barrow	4,065	1st Class City
Unalaska	3,940	1st Class City
Unalaska	3,940	1st Class City
Soldotna	3,807	1st Class City
Nome	3,540	1st Class City
Petersburg	3,129	Home Rule City
Kotzebue	3,104	2nd Class City
Seward	2,627	Home Rule City
Dillingham	2,397	1st Class City
Cordova	2,211	Home Rule City
Wrangell	1,911	Home Rule City
North Pole	1,710	Home Rule City
Houston	1,537	2nd Class City
Hooper Bay	1,157	2nd Class City
Craig	1,105	1st Class City
Delta Junction	1,039	2nd Class City
Chevak	908	2nd Class City
Sand Point	890	1st Class City
Selawik	841	2nd Class City
Hoonah	829	1st Class City
King Cove	807	1st Class City
Emmonak	796	2nd Class City
Mountain Village	796	2nd Class City
Togiak	783	2nd Class City
Klawock	776	1st Class City
Akutan	741	2nd Class City
Point Hope	737	2nd Class City
Unalakleet	727	2nd Class City
Kwethluk	721	2nd Class City
Savoonga	712	2nd Class City
Alakanuk	663	2nd Class City
Quinhagak	648	2nd Class City
Gambell	643	2nd Class City
Noorvik	636	2nd Class City
Galena	636	1st Class City
Shishmaref	615	2nd Class City
Stebbins	612	2nd Class City
Kotlik	611	2nd Class City
Toksook Bay	598	2nd Class City

Fort Yukon	596 2nd Class City
Pilot Station	574 2nd Class City
Nenana	553 Home Rule City
Saint Mary's	551 1st Class City
Nunapitchuk	547 2nd Class City
Anderson	536 2nd Class City
Kake	536 1st Class City
Scammon Bay	520 2nd Class City
Wainwright	517 2nd Class City
Aniak	512 2nd Class City
Angoon	482 2nd Class City
Thorne Bay	482 2nd Class City
New Stuyahok	472 2nd Class City
Napaskiak	464 2nd Class City
Chefornak	460 2nd Class City
Saint Paul	460 2nd Class City
Kachemak	458 2nd Class City
Buckland	457 2nd Class City
Saint Michael	446 2nd Class City
Gustavus	441 2nd Class City
Manokotak	423 2nd Class City
Saxman	422 2nd Class City
Nuiqsut	417 2nd Class City
Kiana	401 2nd Class City
Kivalina	391 2nd Class City
Marshall	387 2nd Class City
Napakiak	370 2nd Class City
Koyuk	368 2nd Class City
Akiak	367 2nd Class City
Hydaburg	352 1st Class City
Russian Mission	329 2nd Class City
Brevig Mission	324 2nd Class City
McGrath	321 2nd Class City
Anaktuvuk Pass	299 2nd Class City
Elim	294 2nd Class City
Nulato	290 2nd Class City
Kaktovik	288 2nd Class City
Eek	287 2nd Class City
Seldovia	287 1st Class City
Ambler	277 2nd Class City
Upper Kalskag	271 2nd Class City
Lower Kalskag	269 2nd Class City
Tanana	261 1st Class City
Shungnak	260 2nd Class City
Huslia	259 2nd Class City
Teller	258 2nd Class City
Goodnews Bay	242 2nd Class City
Aleknagik	241 2nd Class City
Atkasuk	237 2nd Class City
Nightmute	237 2nd Class City
White Mountain	224 2nd Class City
Mekoryuk	217 2nd Class City

Shaktoolik	214	2nd Class City
Port Lions	211	2nd Class City
Holy Cross	204	2nd Class City
Nunam Iqua	201	2nd Class City
Nunam Iqua	201	2nd Class City
Kaltag	199	2nd Class City
Nondalton	196	2nd Class City
Ouzinkie	190	2nd Class City
Old Harbor	192	2nd Class City
Ruby	183	2nd Class City
Grayling	174	2nd Class City
Newhalen	167	2nd Class City
Coffman Cove	162	2nd Class City
Golovin	154	2nd Class City
Adak	146	2nd Class City
Wales	139	2nd Class City
Deering	138	2nd Class City
Kobuk	135	2nd Class City
Shageluk	124	2nd Class City
Saint George	120	2nd Class City
Whittier	117	2nd Class City
Ekwok	111	2nd Class City
Diomede	110	2nd Class City
Eagle	110	2nd Class City
Tenakee Springs	109	2nd Class City
Pelican	106	1st Class City
Chuathbaluk	99	2nd Class City
Nikolai	98	2nd Class City
Allakaket	94	2nd Class City
arsen Bay	90	2nd Class City
Anvik	88	2nd Class City
Koyukuk	88	2nd Class City
Cold Bay	87	2nd Class City
Chignik	85	2nd Class City
Port Heiden	79	2nd Class City
Egegik	76	2nd Class City
Alka	73	2nd Class City
Clark's Point	69	2nd Class City
Hughes	68	2nd Class City
Pilot Point	66	2nd Class City
Port Alexander	64	2nd Class City
Kasaan	59	2nd Class City
False Pass	54	2nd Class City
Akhiok	44	2nd Class City
Platinum	38	2nd Class City
Kupreanof	32	2nd Class City
Bettles	25	2nd Class City

ALASKA STATE LEGISLATURE



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Senator Gary Stevens Senate Rules Chair

SPONSOR STATEMENT – SB 303

“An Act relating to certain grants awarded by the Department of Environmental Conservation.”

A population criterion that determines water quality project reimbursement rates was last reviewed in 1994. Since that time project costs have skyrocketed and create an undue hardship on cities with population levels close to 5,000. The combination of rising construction costs and increased water and sewer improvement needs has created a financial hardship on the citizens of Alaska's middle-sized municipalities.

As small municipalities continue to invest in economic development and community growth, the cost of improved water and sewer are a detriment to those considering moving to those communities. Cities with populations slightly above 5,000 must pay the additional 20% from their budgets meaning that the tax rates must be increased significantly to a few households, or other services may be passed over to accommodate for basic water and sewer needs.

Current law allows 85% state reimbursement for water / sewer projects for municipalities with a population of 1,000 or less. Municipalities with populations from 1,001 to 5,000 are eligible for 70% state reimbursement. And municipalities with 5,001 or higher are eligible for 50% state reimbursement.

There are eight municipalities that are impacted by the population limits set at 5,000: Sitka 8,833, Ketchikan 7,622, Kenai 6,864, Wasilla 6,775, Kodiak 5,937, Bethel 5,812, Palmer 5,574, and Homer 5,454. Municipalities with populations greater than 10,000 jump to municipalities with more than 30,000 and include Juneau, Fairbanks and Anchorage.

Increasing the limit for the 1,001 to 5,000 population to be 1,001 to 10,000 would help eight municipalities to afford water and sewer projects.

Ginger Blaisdell

From: Easton, Dan (DEC) [dan.easton@alaska.gov]
Sent: Wednesday, February 06, 2008 4:33 PM
To: Ginger Blaisdell
Cc: Griffith, Bill (DEC sponsored)
Subject: FW: here comes the request I warned you about
Attachments: Senator Green Report.xls

Ginger -- I hope the attached spreadsheet and the below e-mail from Bill Griffith answer your questions.

I would only add to Bill's response to question 2. that funds are almost always quickly obligated through grant agreements and rarely (if ever) lapse, though it can be a number of years before they are completely expended. As Bill explains, that's because the projects take years to complete and funds are disbursed as costs are incurred over the duration of the construction project.

Please let me know if you have other questions or if we can help. -- Dan.

From: Griffith, Bill (DEC sponsored)
Sent: Wednesday, February 06, 2008 2:23 PM
To: Kent, Lynn J T (DEC)
Cc: Easton, Dan (DEC)
Subject: RE: here comes the request I warned you about

Lynn - I've attached a spreadsheet showing the projects that would potentially be affected by the change being discussed.

In addition, these are our initial responses to the questions posed by Ginger:

1. What, if any, programmatic impacts would this population change create?

- Assuming this change was applied only to projects funded in FY09 and later, there would be no programmatic impacts. Projects are administered the same way, regardless of the percentage of local matching funds.

- If the change was applied retroactively to projects originally funded in FY07 or FY08, complications would be created. Existing grant agreements would require amendments; accounting and funding adjustments would need to be made; and we would need to figure out how to deal with cities and projects that have already been substantially completed under the original match ratio and grant agreement.

2. Was all state funding expended in FY07 for water/sewer projects? Have we typically lapsed/carried forward funds for this program?

- State funding for FY07 (and FY08) has been partially expended. For projects that had designs in place, or where designs were completed quickly, some or all of the funding has been expended. In other cases, the design is still in progress, and little or no funding has been expended. These capital projects typically require 1 - 5 years to complete, so funding is almost always expended over several fiscal years.

Please let me know if there are any additional questions.

Bill

2/8/2008

From: Ginger Blaisdell [mailto:Ginger_Blaisdell@legis.state.ak.us]
Sent: Tuesday, February 05, 2008 11:27 AM
To: Easton, Dan (DEC)
Subject: here comes the request I warned you about

We are looking at the state/local match rates for water/sewer project funding population breakout listed in AS 46.03.030 (e).

What would the funding impact be for ranked projects for FY07 and FY08 for communities in the 1,001-5,000 population if the population criteria were changed to 1,001-10,000 population?

What if any programmatic impacts would this population change create?

Was all state funding expended in FY07 for water/sewer projects? Have we typically lapsed/carried forward funds for this program?

Please call if you have any questions – 465-5038.
Ginger

Senator Green Report

		Current 50/50 Project Cost Sharing		Proposed 70/30 Project Cost Sharing		Difference Between 50/50 and 70/30 Project Sharing	
		State	Local	State	Local	State	Local
SFY 2007 Projects							
Homer	Water Treatment Plant Upgrades	\$1,062,727	\$1,062,727	\$1,487,818	\$637,636	\$425,091	-\$425,091
Ketchikan	Tongass Avenue Water and Sewer Phase 3	\$1,884,179	\$1,884,179	\$2,637,851	\$1,130,507	\$753,672	-\$753,672
Palmer	Steel Water Main Replacement Phase 5	\$1,016,964	\$1,016,964	\$1,423,750	\$610,178	\$406,786	-\$406,786
Sitka	Kimsham Landfill Closure	\$1,220,356	\$1,220,356	\$1,708,498	\$732,214	\$488,142	-\$488,142
<i>SFY 2007 Total</i>		<i>\$5,184,226</i>	<i>\$5,184,226</i>	<i>\$7,257,916</i>	<i>\$3,110,536</i>	<i>\$2,073,690</i>	<i>-\$2,073,690</i>

SFY 2008 Projects

Homer	Water Treatment Plant Upgrade Phase 3	\$1,310,160	\$1,310,160	\$1,834,224	\$786,096	\$524,064	-\$524,064
Kenai	Water Treatment Plant Upgrades Phase 3	\$648,945	\$648,945	\$908,523	\$389,367	\$259,578	-\$259,578
Ketchikan	Disinfection By-Products Reduction Project	\$3,347,500	\$3,347,500	\$4,686,500	\$2,008,500	\$1,339,000	-\$1,339,000
Kodiak	Aleutian Homes Water and Sewer Replacement, Phase 2	\$1,525,400	\$1,525,400	\$2,135,560	\$915,240	\$610,160	-\$610,160
Palmer	Water Main Replacement, Phase 5	\$1,035,000	\$1,035,000	\$1,449,000	\$621,000	\$414,000	-\$414,000
Sitka	Cove Lift Station Replacement	\$155,300	\$155,300	\$217,420	\$93,180	\$62,120	-\$62,120
Sitka	Japonski Island Submarine Water Crossing	\$776,300	\$776,300	\$1,086,820	\$465,780	\$310,520	-\$310,520
Sitka	Water Distribution System Improvements	\$466,785	\$466,785	\$653,499	\$280,071	\$186,714	-\$186,714
Wasilla	Garden Terrace Water Main Extension, Phase 2	\$1,376,100	\$1,376,100	\$1,926,540	\$825,660	\$550,440	-\$550,440
<i>SFY 2008 Total</i>		<i>\$10,641,490</i>	<i>\$10,641,490</i>	<i>\$14,898,086</i>	<i>\$6,384,894</i>	<i>\$4,256,596</i>	<i>-\$4,256,596</i>

SFY 2009 Projects

Homer	Water Treatment Plant Upgrade	\$1,236,000	\$1,236,000	\$1,730,400	\$741,600	\$494,400	-\$494,400
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March 21, 2008

Senator Charle Huggins, Chair
Senate Resources Committee
Room 119
State Capitol
Juneau, Alaska

RE: SB 303 – An Act relating to certain grants awarded by the Department of Environmental Conservation

Dear Senator Huggins,

The Alaska Municipal League would like to go on record as being in favor of SB 303. Without passage of this bill, many municipalities will be negatively impacted. Communities that are growing will find themselves supporting infrastructure and utilities that supply more and more people, yet are eligible for less grant money from ADEC.

This bill's passage would positively impact Bethel, Palmer, Homer, Kenai, Ketchikan, Kodiak, the North Slope Borough, the Northwest Arctic Borough, Sitka, and Wasilla. There are a few communities that are right on the cusp of having their population reach over 5,000 people and those communities will be positively impacted soon; Valdez, Unalaska and Barrow.

We think it is important that cities that thrive and grow their economy be eligible for grant funds in an amount that allow them to provide for the additional people added to their population.

Thank you for the privilege of commenting on this bill.

Sincerely,

A handwritten signature in cursive script that reads 'Kathie Wasserman'.

Kathie Wasserman
Executive Director

SB

2000 1

(FILE 1)

SFIN

FILE

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Intent, Savings		Sec. 1. Confirmation of DOR's interpretation of statute of limitations for retroactive tax changes.	Deleted.	CS Sec. 1. ACES language plus intent that extra money received due to retroactivity of the production tax be appropriated to reduce the PERS & TRS unfunded liability and to the public education fund, and that tax savings on certain gas be passed on to consumers; also general intent for the Act.	Deleted.	CS Sec. 1. ACES language plus intent that extra money received due to retroactivity of the production tax will be put into constitutional budget reserve fund (CBR); also general intent for the Act.
Saving Surpluses						CS Sec. 2. Amends AS 37.10.440 (CBR). Directs Dept. of Revenue (DOR) to calculate difference between amount raised by ACES and PPT and, if more, deposit half the extra into the CBR.
Information Sharing		Sec. 2. Amends AS 38.05.035(a). Adds authority for DNR to share oil & gas info with DOR.	CS Sec. 1. ACES language	CS Sec. 2. ACES language	CS Sec. 1. ACES language	CS Sec. 3. ACES language
Conforming Amendments		Secs. 3-9. Conforming technical amendments.	CS Secs. 2-8. ACES language	CS Secs. 3-9. ACES language	CS Secs. 2-8. ACES language	CS Secs. 4-10. ACES language
Auditors		Sec. 10. Amends AS 39.25.110. Adds departments of revenue and natural resources oil and gas auditors and supervisors to the exempt service.	CS Sec. 9. ACES language	CS Sec. 10. ACES language	CS Sec. 9. ACES language	CS Sec. 11. Amends AS 39.25.110. Adds DOR and DNR oil and gas audit supervisors to the exempt service; limit of four auditors to DOR and two to DNR.
Conforming Amendments		Sec. 11. Amends AS 11.09.010(d). Conforming technical amendments.	CS Sec. 10. ACES language	CS Sec. 11. ACES language	CS Sec. 10. ACES language	CS Sec. 12. ACES language
Information Disclosure		Sec. 12. Amends AS 43.05.230(a). Adds AS 43.55.890 (disclosure of tax info) as possible exception under AS 43.05.230(a) (unlawful disclosure).	CS Sec. 11. ACES language	CS Sec. 12. ACES language	CS Sec. 11. ACES language	CS Sec. 13. ACES language
Information Sharing		Sec. 13. Amends AS 43.05.230(h). Adds authority for DOR to share production tax info with DNR.	CS Sec. 12. ACES language	CS Sec. 13. ACES language	CS Sec. 12. ACES language	CS Sec. 14. ACES language
Tax Assessment Statute of Limitations		Sec. 14. Amends AS 43.05.260(a). Creates an exemption to allow DOR six years to conduct production tax assessments rather than three years.	CS Sec. 13. ACES language	CS Sec. 14. ACES language	Deletes ACES language.	CS Sec. 15. ACES language
Production Tax	AS 43.55.011(e). Sets the production tax rate at 22.5%	Sec. 15. Repeals & reenacts AS 43.55.011(e). Sets the production tax rate generally at 25%. Additional progressivity rate under (g) and (h) is added to 25% as an annual rate.	PPT (22.5% tax rate)	CS Sec. 15. Amends AS 43.55.011(e). 25% tax rate calculated annually.	PPT (22.5% tax rate)	CS Sec. 16. Repeals & reenacts AS 43.55.011(e). Generally sets tax rate at 25%. Maintains ACES annual tax levy but the tax is calculated for each month.

Subject	PPT	ACES	CS House BM 2001 (O&G)	CS House BM 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Production Tax Floor	AS 43.55.011(f). Sets a tax floor of not less than 4% of gross value for North Slope oil and gas when the average West Coast price is \$25 per barrel with step down factors.	Sec. 16. Repeals & reenacts AS 43.55.011(f). Sets a tax floor on legacy fields of 10% of the total gross value at the point of production; tax credits cannot reduce liability below floor.	PPT	PPT	PPT	CS Sec. 17. Amends AS 43.55.011(f). Retains PPT tax floor; exempts gas used instate from PPT floor.
Progressivity Slope	AS 43.55.011(g). Progressivity is triggered at \$40 net value with a .25% increase per dollar; 25% tax cap on progressivity rate.	Sec. 17. Repeals & reenacts AS 43.55.011(g). Progressivity is triggered at \$30 net value on an annual basis with 0.2% increase per dollar; 50% maximum tax rate (including progressivity).	Sec. 18. Adds new subsection AS 43.55.011(o). Replaces ACES and PPT progressivity provisions with a new progressivity provision based on gross value; repeals AS 43.55.011(g) (PPT progressivity).	CS Sec. 20. Adds new subsection AS 43.55.011(o). Replaces ACES and PPT progressivity provisions with a new progressivity provision that taxes gross value at an increasing rate as net value increases, starting at 0.2% per dollar of net value over \$30 per barrel; repeals AS 43.55.011(g).	PPT	CS Sec. 18. Repeals & reenacts AS 43.55.011(g). \$30 trigger on the net value on a monthly basis with 0.4% increase; 50% maximum tax rate.
Progressivity Trigger	AS 43.55.011(h). Establishes the price index for calculating progressivity on a monthly basis.	Sec. 18. Amends AS 43.55.011(h). Establishes price index for calculating progressivity on an annual basis.	Repeals AS 43.55.011(h) (PPT progressivity calculation).	Repeals AS 43.55.011(h) (PPT progressivity calculation).	PPT	CS Sec. 19. Amends AS 43.55.011(h). Establishes price index for calculating progressivity on a monthly basis.
Production Tax Cook Inlet	AS 43.55.011(j). Cook Inlet tax ceiling.	Sec. 19. Amends AS 43.55.011(j). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable.	CS Sec. 14. Amends 43.55.011(j). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	CS Sec. 16. Amends 43.55.011(j). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	PPT	CS Sec. 20. ACES language
Production Tax Cook Inlet	AS 43.55.011(k). Cook Inlet tax ceiling.	Sec. 20. Amends AS 43.55.011(k). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable.	CS Sec. 15. Amends AS 43.55.011(k). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	CS Sec. 17. Amends AS 43.55.011(k). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	PPT	CS Sec. 21. ACES language
Production Tax Cook Inlet	AS 43.55.011(l). Cook Inlet tax ceiling.	Repeals AS 43.55.011(l); conforming technical repeal.	CS Sec. 16. Amends AS 43.55.011(l). Conforming technical amendments; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	CS Sec. 18. Amends AS 43.55.011(l). Conforming technical amendments; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	ACES	ACES
Gas Used Instate	AS 43.55.011(m). Cook Inlet tax credits.	Sec. 21. Amends AS 43.55.011(m). Adds language to be consistent with sec. 55 (lease expenditures); deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable.	CS Sec. 17. Amends AS 43.55.011(m). Deletes language added in ACES; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	CS Sec. 19. Amends AS 43.55.011(m). Deletes language added in ACES; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	PPT	CS Sec. 22. Amends AS 43.44.011(m). Adds application of Cook Inlet provisions to gas used instate; retains ACES technical amendment; deletes additional ACES language.

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Gas Used Instate	AS 43.55.011(n). Allocation of Cook Inlet tax credits.					CS Sec. 23. Amends AS 43.55.011(n). Adds application of Cook Inlet provisions to gas used Instate.
Gas Used Instate				CS Sec. 20. Adds new subsection AS 43.55.011(p). Extends Cook Inlet tax ceilings in .011(j)(2) to gas used Instate.		CS Sec. 24. Adds new subsection AS 43.55.011(o). Extends Cook Inlet tax ceilings in .011(j)(2) to gas used Instate.
Mid-Alaska			Sec. 18. Adds new subsection AS 43.55.011(p). Extends Cook Inlet tax ceilings in .011(j) to mid-Alaska gas.			
Tax Payment	AS 43.55.020(a). Installment payments.	Sec. 22. Repeals & reenacts AS 43.55.020(a). Makes installment payment calculations consistent with changes to the production tax.	CS Sec. 19. PPT language with conforming amendments.	CS Sec. 21. PPT language with conforming amendments.	PPT	CS Sec. 25. Amends AS 43.55.020(a). PPT language with conforming amendments.
Tax Payment	AS 43.55.020(d). Royalty owner settlement deductions and installment payments.	Sec. 23. Amends AS 43.55.020(d). Conforming technical amendments; deletes reference to AS 43.55.011(f) and (g) (floor & progressivity) because references are no longer applicable.	CS Sec. 20. Amends AS 43.55.020(d). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	CS Sec. 22. Amends AS 43.55.020(d). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity).	PPT	CS Sec. 26. Amends AS 43.55.020(d). Deletes reference to AS 43.55.011(g) (progressivity).
Tax Payment	AS 43.55.020(g). Interest on unpaid installment payments.	Sec. 24. Amends AS 43.55.020(g). Conforming technical amendment.	CS Sec. 21. ACES language	CS Sec. 23. ACES language	PPT	CS Sec. 27. ACES language
Tax Payment	AS 43.55.020(h). Interest on overpayment of installment payments.	Sec. 25. Amends AS 43.55.020(h). Conforming technical amendment.	CS Sec. 22. ACES language	CS Sec. 24. ACES language	PPT	CS Sec. 28. ACES language
Tax Payment Penalty				CS Sec. 25. Amends AS 43.55.020. Adds a new subsection (i) that adds a civil penalty to the amount of a required installment payment if not paid in full by the payment due date.		
Capital Expenditure (Cap Ex) Tax Credits	AS 43.55.023(a). 20% tax credit for qualified capital expenditures and information requirements.	Sec. 26. Amends AS 43.55.023(a). Spreads use of tax credits over two years; moves and adds to info requirements; requires submission of information that is required under AS 43.55.025(f)(2); adds that legacy field tax credits may be applied only against legacy field taxes.	PPT	PPT	PPT	PPT (does not match information requirements to AS 43.55.025 credits - see secs. 33-41).
Cap Ex Tax Credits Carried-forward Annual Loss	AS 43.55.023(b). 20% of carried-forward annual loss tax credit allowed against deductible lease expenditures when use of the deduction would cause the production tax in a month to be less than zero.	Sec. 27. Amends AS 43.55.023(b). Matches carried-forward annual loss to production tax rate of 25%; adds that carried-forward annual losses may not be based on lease expenditures accrued in legacy fields.	PPT	CS Sec. 26. Amends AS 43.55.023(b). Sets the tax credit for a carried-forward annual loss as the loss multiplied by the nominal tax rate in AS 43.55.011(e); defines nominal tax rate.	PPT	PPT

Subject	PPT	ACES	CS House Bill 2001 (D&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Cap Ex Tax Credits Transfer of Credits	AS 43.55.023(d). Transferable tax credit certificates.	Sec. 28. Amends AS 43.55.023(d). Adds no transfer of tax credits earned on legacy fields, option to obtain cash payment, and more time for agency approval; provides annual reporting requirements; links date for issuance of credit with information required under AS 43.55.030; spreads use of tax credits over two years.	CS Sec. 23. Amends AS 43.55.023(d). Technical amendment to PPT language; retains ACES link between date for issuance of credit with information required under AS 43.55.030; deletes other ACES changes.	CS Sec. 27. Amends AS 43.55.023(d). Retains ACES option to obtain a cash payment and link between date for issuance of credit with information required under AS 43.55.030; deletes other ACES changes.	PPT	PPT
Cap Ex Tax Credits Transfer of Credits	AS 43.55.023(e). Transfer of tax credits.	Sec. 29. Amends AS 43.55.023(e). Conforming technical amendment.	PPT	PPT	PPT	PPT
Cap Ex Tax Credits Refunds	AS 43.55.023(f). Cash refund of up to \$25,000,000 for small producer tax credits.	Repeals AS 43.55.023(f) (replaced with oil and gas tax credit fund, Sec. 45).	PPT	PPT	PPT	PPT
Cap Ex Tax Credits Audits	AS 43.55.023(g). Tax credit audits.	Sec. 30. Amends AS 43.55.023(g). Adds language to reflect DOR authority to purchase tax credits granted in AS 45.55.028.	PPT	CS Sec. 28. ACES language	PPT	PPT
Cap Ex Tax Credits TIE Credits	AS 43.55.023(i). Transitional investment expenditure (TIE) tax credits for qualified capital expenditures incurred after March 31, 2001 and before April 1, 2006.	Repeals AS 43.55.023(i), PPT TIE credits.	CS Sec. 24. Amends AS 43.55.023(i). Changes application of TIE credits to qualified capital expenditures incurred after March 31, 2003 and before April 1, 2006.	CS Sec. 29. Amends AS 43.55.023(i). Changes definition of TIE credits to capital expenditures incurred after March 31, 2003 (rather than March 31, 2001) and before April 1, 2006.	CS Sec. 13. PPT language Amends AS 43.55.023(i). Limits TIE credits to taxpayers that did not have commercial production before January 1, 2008, and to 1/10 of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008.	CS Sec. 29. PPT language Amends AS 43.55.023(i). Limits TIE credits to taxpayers that did not have commercial production before January 1, 2008, and to 1/10 of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008 (same as SRES version)
Cap Ex Tax Credits Tax Exempt Entities		Sec. 31. Amends AS 43.55.023. Adds subsection (l) to make clear a tax exempt entity may not obtain a transferable tax credit.	CS Sec. 25. ACES language	CS Sec. 30. Amends AS 43.55.023. ACES language for subsection (l); adds subsection (m) to allow cash refunds to the Alaska Retirement Management Board (ARMB).	Deleted.	Deleted.
Mid-Alaska Tax Credits	AS 43.55.024. Additional tax credit of \$6,000,000 for production from leases outside Cook Inlet and the North Slope for small producers	Secs. 32 - 35. Amends AS 43.55.024. Subsection(a): technical correction; (b), (c), (e), (g): conforming technical amendments	PPT	PPT	PPT	CS Secs 30 - 32 ACES language except does not include amendment to AS 43.55.024(g)

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Exploration Tax Credits	AS 43.55.025. Alternative tax credits for up to 40% for oil and gas exploration.	Secs. 36 - 44. Amends AS 43.55.025 to provide for a uniform sunset, extend eligibility to delineation wells drilled within 540 days, require exploration well to be completed or abandoned before credit is requested, exclude certain cost categories, clarify the requirement to explore a new exploration target and require DNR review, better specify the information required to be submitted to DNR, limit well data confidentiality to 24 months, require credits to be spread over at least two years, clarify public availability of basic credit information, clarify that a tax-exempt entity may not transfer a credit certificate, and authorize 5% credit for previously acquired seismic data.	PPT	CS Secs. 31 - 40. ACES language with some changes: increases 20% tax credits to 30%; allows credits for suspended wells; gives DNR commissioner discretion to extend well data confidentiality; deletes requirement that credits be spread over at least two years; adds new subsection (m) to allow cash refunds to ARMB.	PPT	CS Secs. 33 - 41. ACES language.
Oil & Gas Tax Credit Fund	AS 43.55.023(f). Permits the state to offer a cash refund of up to \$25,000,000 for tax credits issued to small producers.	Sec. 45. Adds AS 43.55.020. Creates an oil & gas tax credit fund funded by an appropriation of a percentage of production tax revenues and repeals AS 43.55.023(f), PPT tax credit refund.	PPT (deletes ACES language and retains PPT refund provision)	CS Sec. 41. ACES language with additional subsection limiting certificate purchases from a person to \$25,000,000 per year; exempts ARMB from the limit. But does not repeal existing PPT cash refund provision (AS 43.55.023(f)).	PPT (deletes ACES language and retains PPT refund provision).	CS Sec. 42. ACES language but only for exploration incentive credits (AS 43.55.024); retains AS 43.55.023(f), PPT tax credit refund provision.
Reporting Requirements		Sec. 46. Amends AS 43.55.030(a). Makes clear every taxpayer must file an annual return; expands info requirements.	CS Sec. 26. ACES language	CS Sec. 42. ACES language	CS Sec. 14. ACES language	CS Sec. 43. ACES language
Reporting Requirements Penalties		Sec. 47. Amends AS 43.55.030(d). Adds late filing penalty of \$1000/day for information required by the DOR.	Deleted.	CS Sec. 43. ACES language	CS Sec. 15. ACES language	CS Sec 44. ACES language
Reporting Requirements		Sec. 48. Amends AS 43.55.030. Adds new subsections (e) - requires annual expenditure statement; and (f) - authorizes DOR to require monthly filing of info.	CS Sec. 27. ACES language	CS Sec. 44. ACES language	CS Sec. 16. ACES language	CS Sec 45. ACES language
Reporting Requirements and Penalties		Sec. 49. Amends AS 43.55.040. Clarifies DOR has authority to require filing of reports necessary to forecast state revenue; adds additional penalties.	CS Sec. 28. ACES language Amends AS 43.55.040. Retains ACES authority clarification; deletes additional penalty.	CS Sec. 45. ACES language with additional language specifying the rate of interest the penalty shall bear and limiting DOR's authority to compromise a penalty.	CS Sec. 17. ACES language	CS Sec 46. ACES language plus addition of requirement for a producer of more than 100,000 barrels a day to report Alaska oil and gas gross value and deductible lease expenditures.

Subject	PPT	ACES	CS House Bill 2001 (OAG)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Incorrect Returns						CS Sec. 47. Amends AS 43.55.050. Adds a specific list of information DOR may consider in determining whether a tax return is correct.
Incorrect Returns						CS Sec. 48. Amends AS 43.55.050. Adds a new subsection (b), presumes DOR's corrected tax determination is correct and places burden of proof on taxpayer to show it is incorrect.
Tax Understatement Penalty						CS Sec. 49. Amends AS 43.55. Adds a new section AS 43.55.055 that provides a penalty for understatements of tax in addition to other penalties prescribed by law. CS Sec. 50. ACES language.
Tax Assessments Statute of Limitations		Sec. 50. Amends AS 43.55. Adds a new section, AS 43.55.075, that expands statute of limitations for conducting tax assessments from three years to six years.	CS Sec. 29. ACES language	CS Sec. 46. ACES language	Deleted.	
Electronic Filing Advisory Bulletins Whistle-blowers		Sec. 51. Amends AS 43.55.110. Adds new subsections (e) & (f) that authorize DOR to require electronic filings and payments; and (g) that gives DOR authority to issue advisory bulletins.	CS Sec. 30. ACES language	CS Sec. 47. ACES language	CS Sec. 18. ACES language	CS Sec. 51. ACES language with addition of new subsection (h) that allows DOR to compensate whistle-blowers for info that leads to the collection of additional tax funds.
Transportation Costs				CS Sec. 48. Amends AS 43.55.150(a). With sec. 49, provides for DOR to determine reasonable costs of transportation instead of actual costs when any one of several conditions is met (under PPT, all conditions must be met).		CS Sec. 52. Amends AS 43.55.150(a). With sec. 53, provides for DOR to determine reasonable costs of transportation instead of actual costs when any one of several conditions is met (under PPT, all conditions must be met).
Transportation Costs				CS Sec. 49. Amends AS 43.55.150(b). With sec. 48, provides for DOR to determine reasonable costs of transportation instead of actual costs when any one of several conditions is met (under PPT, all conditions must be met); limits tariffs treated as prima facie reasonable to those adjudicated just and reasonable.		CS Sec. 53. Amends AS 43.55.150(b). With sec. 52, provides for DOR to determine reasonable costs of transportation instead of actual costs when any one of several conditions is met (under PPT, all conditions must be met). Limits tariffs treated as prima facie reasonable to those adjudicated just and reasonable.

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Tax Determination	AS 43.55.160(a). Determination of production tax value of oil and gas annually and monthly.	Sec. 52. Repeals and reenacts AS 43.55.160(a). Retains PPT principle that the taxable value is the gross value at the point of production minus lease expenditures; the changes are necessary to implement different tax treatment; removes monthly value calculation because no longer needed.	CS Sec. 31. PPT language Amends AS 43.55.160(a). Retains PPT language with conforming amendments.	CS Sec. 50. Amends AS 43.55.160(a) to provide for separate calculation of taxable value for gas used in state and to conform to changes in the progressive tax.	PPT	CS Sec. 54. Amends AS 43.55.160(a). Deletes calculation of annual value of oil and gas; retains PPT calculation of monthly values and adds separate calculation for gas used in state; also has conforming amendments. Changes reflect CS changes to AS 43.55.011.
Tax Determination	AS 43.55.160(b). Production tax value may not be less than zero.	Sec. 53. Amends AS 43.55.160(b). Conforming technical amendment.	PPT	PPT	PPT	PPT
Tax Determination	AS 43.55.160(c). Calculation of production tax value					CS Sec. 55. Amends AS 43.55.160(c). Conforming technical amendment.
Tax Determination	AS 43.55.160(e). Carried forward annual losses established when production tax value is less than zero.	Sec. 54. Repeals & reenacts AS 43.55.160(e). Provides explicit rules for calculating production tax values for oil and gas subject to different statutory provisions.	PPT	PPT	PPT	CS Sec. 56. PPT language with conforming amendment.
Tax Determination		Sec. 55. Amends AS 43.55.160. Adds four new subsections, (f)-(i), related to allocations and calculations of adjusted lease expenditures.	Deleted.	Deleted.	Deleted.	Deleted.
Lease Expenditures	AS 43.55.165(a). Describes deductible lease expenditures for purposes of determining the net taxable amount; provides standards DOR shall consider for determining lease expenditures.	Sec. 56. Repeals & reenacts AS 43.55.165(a). Retains but rewords deductible lease expenditures description; adds requirement that deductible lease expenditures be affirmatively allowed through regulation; allows overhead expenses (moved from 165(b)); deletes standards (moved to 165(b)).	CS Sec. 32. Amends AS 43.55.165(a). Retains PPT language with conforming amendments.	CS Sec. 51. Amends AS 43.55.165(a). Retains PPT language with conforming amendment.	CS Sec. 19. ACES language	CS Sec. 57. ACES language except adds that costs must be incurred in the state.
Lease Expenditures	AS 43.55.165(b). Lists direct costs that may be considered deductible lease expenditures; allows overhead expenses; and specifies allowed costs need not be physically located on lease.	Sec. 57. Amends AS 43.55.165(b). Re-arranges PPT language; adds the standards DOR shall consider for determining lease expenditures (moved from 165(a) and (c)); deletes overhead expenses (moved to 165(a)).	PPT	CS Sec. 52. Amends AS 43.55.165(b). Retains PPT language except adds requirement that an activity must be physically located in the state for the cost to be a deductible lease expenditure. Adds CS Sec. 53, amends CS Sec. 52 so that an activity must be physically located on the premises of the lease or property to be a deductible lease expenditure (comes into effect if there is final judgment nullifying the effect of AS 43.55.165(b) as amended by Sec. 52. see CS Sec 67).	CS Sec. 20. ACES language	CS Sec. 58. Amends AS 43.44.165(b). Retains ACES changes; adds to list of specific costs that are direct costs; restricts certain categories of costs; deletes language specifying allowed costs need not be for activities physically located on a lease; removes requirement that DOR consider certain industry practices and DNR net profit lease regulations, but allows DOR to consider them.

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Lease Expenditures	AS 43.55.165(c) and (d). Allows DOR to substitute costs that are billable or actually billed through unit operating agreements in place of the general lease expenditures standards.	Repeals AS 43.55.165(c) and (d).	ACES	ACES	ACES	ACES
Lease Expenditures		Sec. 58. Amends AS 43.55.165(e). Adds to the list of non-deductible lease expenditures, including costs incurred for violations of law and for repair, replacement or deferred maintenance in specified circumstances; costs to construct, acquire or operate a refinery or topping plant.	CS Sec. 33. ACES language	CS Sec. 54. Amends AS 43.55.165(e). Changes from ACES: adds exclusion of costs arising from criminal negligence and violations of the Clean Water Act; lobbying, pub'c relations, advertising, or public advocacy; out-of-state office costs; deletes provision regarding repair, replacement and deferred maintenance.	CS Sec. 21. ACES language	CS Sec. 59. Expands on ACES list of non-deductible lease expenditures: lobbying, public relations, advertising; indirect costs; out-of-state office costs; and for internal transactions, taxpayer must show any costs do not exceed market value; broadens the provision on repair, replacement, deferred maintenance.
Lease Expenditures	AS 43.55.165(h). Allocation of costs between oil and gas.	Sec. 59. Amends AS 43.55.165(h). Conforming amendment to be consistent with new AS 43.55.160 (production tax determination).	PPT	CS Sec. 55. Amends AS 43.55.165(h) to conform to tax provisions for gas used in state.	PPT	CS Sec. 60. Amends AS 43.55.165(h). Conforming amendments.
Lease Expenditure Adjustments		Sec. 60. Amends AS 43.55.170(a) Conforming amendment necessitated by repeal of AS 43.55.165(c) and (d) (determination of lease expenditures).	CS Sec. 34. ACES language	CS Sec. 56. ACES language	CS Sec. 22. ACES language	CS Sec. 61. ACES language
Lease Expenditure Adjustments						CS Sec. 62. Amends AS 43.55.170(b). Conforming technical amendment.
Information Publication		Sec. 61. Amends AS 43.55. Adds new section AS 43.55.890; makes clear DOR may publish production tax info that is aggregated among at least three taxpayers.	CS Sec. 35. ACES language	CS Sec. 57. ACES language	CS Sec. 23. ACES language	CS Sec. 63. ACES language with addition of publication of Alaska gross value and expenses as required to be reported under Sec. 46
Definitions		Sec. 62. Amends AS 43.55.900. Adds new definitions for "nonutilized reservoir," "pool," "producer," and "unit."	CS Sec. 36. Amends AS 43.55.900. Retains ACES definitions for "producer" and "unit;" deletes "nonutilized reservoir" and "pool."	CS Sec. 58. Amends AS 43.55.900. Retains ACES definitions for "producer" and "unit;" deletes "nonutilized reservoir" and "pool;" adds definition for "used in the state."	CS Sec. 24. Amends AS 43.55.900. Retains ACES definitions for "producer" and "unit;" deletes "nonutilized reservoir" and "pool."	CS Sec. 64. Amends AS 43.55.900. Retains ACES definitions for "producer" and "unit;" deletes "nonutilized reservoir" and "pool."
Repeals	AS 43.55.023(f) provides a cash refund of up to \$25,000,000 for small producers' tax credits.	Sec. 63. Repeals	PPT	PPT	PPT	PPT
Repeals	AS 43.55.165(c) and (d) allows DOR to substitute costs that are billable or actually billed through unit operating agreements in place of the general lease expenditures standards.	Sec. 64. Repeals AS 43.55.165(c) and (d); determination of deductible lease expenditures using unit operating agreements.	CS Sec. 37. Retains ACES repeal of AS 43.55.165(c) and (d).	CS Sec. 59. Retains ACES repeal of AS 43.55.165(c) and (d).	CS Sec. 25. Retains ACES repeal of AS 43.55.165(c) and (d).	CS Sec. 65. Retains ACES repeal of AS 43.55.165(c) and (d).

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Repeals	AS 43.55.011(f): order for applying the Cook Inlet tax ceiling; AS 43.55.023(l): transitional investment expenditures tax credits; AS 43.55.160(c): determining the tax value under the progressivity provision AS 43.55.011(g).	Sec. 65. Repeals AS 43.55.011(f), order for applying Cook Inlet tax ceiling, AS 42.55.023(l), transitional investment expenditures; and AS 43.55.160(c), determining tax value under AS 43.55.011(g) (progressivity).	CS Sec. 38. Adds repeal of AS 43.55.011(g) and (h), PPT progressivity provisions; retains / CES repeal of AS 43.55.160(c), determining tax value under progressivity; deletes ACES repeal of AS 43.55.011(f) (retains PPT order of applying Cook Inlet tax ceiling) and AS 43.55.023(l) (retains PPT TIE credits with changes).	CS Sec. 60. Adds repeal of AS 43.55.011(g) and (h), PPT progressivity provisions; retains ACES repeal of AS 43.55.160(c), determining tax value under progressivity; deletes ACES repeal of AS 43.55.011(f) (retains PPT order of applying Cook Inlet tax ceiling) and AS 43.55.023(l) (retains PPT TIE credits with changes).	CS Sec. 26. Retains ACES repeal of AS 43.55.011(f), order of applying Cook Inlet tax ceiling; deletes repeal of AS 43.55.023(l) (retains PPT TIE credits with changes) and AS 43.55.160(c) (retains PPT determination of the tax value under progressivity).	CS Sec. 66. Retains ACES repeal of AS 43.55.011(f); deletes other repeals.
Applicability		Sec. 66. Applicability of specified sections.	CS Sec. 39. ACES language No change to applicability of retained ACES sections.	CS Sec. 61. Applies most changes in the production tax to oil and gas produced after Dec. 31, 2006, rather than Dec. 31, 2007; applies additional provisions to oil and gas produced after March 31, 2006.	CS Sec. 27. ACES language. No change to applicability of retained ACES sections.	CS Sec. 67. Applies most changes in the production tax to oil and gas produced after Dec. 31, 2006, rather than Dec. 31, 2007.
Transition Auditors		Sec. 67. Allows current oil and gas auditors to opt to remain in classified service.	CS Sec. 40. ACES language	CS Sec. 62. ACES language	CS Sec. 28. ACES language	CS Sec. 68. Deletes ACES language. Provides legislative intent that the maximum number of exempt auditors is four for DOR and two for DNR.
Transition Payment of Tax						CS Sec. 69. Establishes due date of March 31, 2008 for additional retroactive taxes for 2007.
Transition Regulations		Sec. 68. Allows regulations adopted by DOR and DNR to be applied retroactively to the applicability date of the statutory provisions being implemented.	CS Sec. 41. ACES language (with changed section numbers)	CS Sec. 63. Similar to ACES but conformed to changes in applicability and retroactivity provisions of CS.	CS Sec. 29. ACES language (with changed section numbers).	CS Sec. 70. ACES language (with changed section numbers).
Transition Pending Applications		Sec. 69. Provides for the treatment of pending applications for transferable credits and the refund of credits under AS 43.55.023.	Deleted.	CS Sec. 64. Retains ACES subsection (b), treating outstanding application for cash refund of credit under PPT as an application under new AS 43.55.028.	Deleted.	Deleted.
Transition Regulations		Sec. 70. Authorizes DNR and DOR to proceed with adopting regulations.	CS Sec. 42. ACES language	CS Sec. 65. ACES language	CS Sec. 30. ACES language	CS Sec. 71. ACES language
Retroactivity		Sec. 71. Provides for the retroactivity of certain provisions.	CS Sec. 43. ACES language No change to retroactivity of retained ACES sections.	CS Sec. 66. Expands retroactivity: most tax changes that are prospective under ACES are made retroactive to Jan. 1, 2007; makes additional provisions retroactive to April 1, 2006.	CS Sec. 31. ACES language. No change to retroactivity of retained ACES sections.	CS Sec. 72. Expands retroactivity: most tax changes that are prospective under ACES are made retroactive to Jan. 1, 2007.

Subject	PPT	ACES	CS House Bill 2001 (O&G)	CS House Bill 2001 (RES)	CS Senate Bill 2001 (RES)	CS Senate Bill 2001 (JUD)
Contingent Effect				CS Sec. 67. CS Sec. 53 (physical location of a deductible lease expenditure) takes effect only if a court enters a final judgment that nullifies the effect of AS 43.55.165(b), as amended by CS Sec. 52. CS Sec. 68. If CS Sec. 53 takes effect, it takes effect after the last day the final judgment is no longer subject to appeal.		
Effective Dates		Sec. 72. Provides that certain sections take effect January 1, 2008 (including most changes to the production tax).	CS Sec. 44. ACES language No change to effective dates of retained ACES sections.		CS Sec. 32. ACES language. No change to effective dates of retained ACES sections.	CS Sec. 73. Act takes effect immediately.
Effective Dates		Sec. 73. Provides that certain sections take effect immediately.	CS Sec. 45. ACES language No change to effective dates of retained ACES sections.	CS Sec. 69. Except for CS Sec. 68, this Act takes effect immediately.	CS Sec. 33. ACES language. No change to effective dates of retained ACES sections.	

SENATE FINANCE COMMITTEE REPORT

Today's Calendar

DATE: 11/12/07

FURTHER:

DATE TURNED IN TO OFFICE: 11/15/07

Finance Committee considered CS FOR HOUSE BILL NO. 2001(FIN) am

HB 2001 OIL & GAS TAX AMENDMENTS

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; prohibiting a producer or explorer from receiving tax credits if certain judgments are not satisfied and requiring, as a condition of receiving the tax credits, the deposit of the amount of certain unpaid judgments and certain interest on those judgments in the court during an appeal and relating to that interest; relating to state oil and gas audit masters; making conforming amendments; and providing for an effective date."

and recommends:

- be replaced with SCS or CS CS HB 2001 (FIN)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input checked="" type="checkbox"/>	New Title w/ SCR # <u>201</u>

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV/TAX	11/14/07	1.9 MIL			9
REV/TAX	11/14/07	✓			10
DNR/O&G	11/15/07	✓			11

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
ADMIN	10/12/07			✓	#1

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	Elto	✓			
<i>[Signature]</i>	Thomas	✓			
<i>[Signature]</i>	Dysal				✓
<i>[Signature]</i>	Huggins				✓
<i>[Signature]</i>	Olson			✓	
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 2001
(H) Publish Date: 10/18/07

Identifier (file name): LL 08-0014-DOA-DAS-10-17-07 Dept. Affected: Administration
Title: An Act relating to the production tax on oil and gas... RDU: Centralized Admin. Services
Sponsor: Governor Component: Office of the Commissioner
Requester: _____ Component Number: 45

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

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL		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 legislation has no fiscal impact on the Department of Administration.

Prepared by: Eric Swanson Phone 465-5655
Division: Administrative Services Date/Time: _____
Approved by: Annette Kreitzer Date Oct. 12, 2007
Commissioner

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 9
Bill Version: SCS CSHB 2001(FIN)
(S) Publish Date: 11/15/07

Identifier (file name): SCSCSHB2001(FIN)-DOR-TAX-11-14-07 Dept. Affected: Revenue 04
Title: An Act relating to the production tax on oil and gas.. RDU: Taxation and Treas.
Component: Tax Division
Sponsor: Governor
Requester: Senate 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 EXPENDITURE								
Personal Services	915.7		915.7	915.7	915.7	915.7	915.7	915.7
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	1,934.1		1,934.1	1,934.1	1,427.5	920.9	920.9	

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	1,934.1		1,934.1	1,934.1	1,427.5	920.9	920.9	
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	1,934.1		1,934.1	1,934.1	1,427.5	920.9	920.9	

Estimate of any current year (FY2008) cost: 3,409.2

POSITIONS

Full-time	5	5	5	5	5	5	5
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: 465-2312
Date/Time: 11/14/07 11:00 AM
Date: 11/14/2007

FISCAL NOTE #9

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 2001(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 audit masters.

Personal Services: The department will create 4 senior level auditor master positions in the exempt service with extensive industry oil and gas auditing experience. These positions will be classified as the Department's most senior level auditor positions and will have salaries that are consistent with market comparables beyond the current salary levels allowed under the existing Oil and Gas Revenue Auditor (OGRA) pay classification system. The need for exempt status is based upon the difficulties the department has recruiting experienced auditors to administer the tax. The department estimates the new exempt positions will cost the state approximately \$800,000 annually. The bill also requires the Department of Administration to create a new class and pay system for Oil and Gas revenue auditors. We have no basis on which to estimate additional costs arising under this pay plan and these costs will be presented to the legislature in a future budget. In addition to the 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.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 10
Bill Version: SCS CSHB 2001(FIN)
(S) Publish Date: 11/15/07

Identifier (file name): SCSCSHB2001(FIN)-DOR-REV-11-14-07 Dept. Affected: Revenue 04
Title: An Act relating to the production tax on oil and gas.. RDU: Taxation and Treasury
Sponsor: Governor Component: Tax Division
Requester: Senate 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								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING								
CAPITAL EXPENDITURES								
CHANGE IN REVENUES (942,000	745,000	740,000	769,000	778,000	586,000	

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 raises the base tax rate to 25%; the progressivity surcharge is increased to 0.4 times the difference between the per barrel net revenue and \$30 (changing to 0.1% when the difference is \$90); the costs for transportation are set at the lower of actual or reasonable costs; the transition investment expenditure credit is eliminated, except to the extent that transition credits earned from April 1, 2006 to the bill's effective date can be carried forward to offset a future tax liability, and qualified capital credits are spread over two years. The effective date of the bill is July 1, 2007.

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

Phone 465-2312
Date/Time 11/14/07 9:30 PM
Date 11/14/2007

FISCAL NOTE #10

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 2001(FIN)

ANALYSIS CONTINUATION

Other changes to the current tax system include the following: 50% of qualified capital credits may be used in the year earned and the balance used in the following year; 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 provisions related to lease expenditures are effective April 1, 2006.

See page 3 for projected revenue estimates.

FISCAL NOTE #10

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 2001(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	SCSCS HB2001 (FIN)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	71.65	71.65	1,947	2,368	3,556	1,609	1,188
2009	64.55	66.30	1,430	1,985	2,372	942	387
2010	60.05	63.40	1,217	1,767	1,962	745	195
2011	59.70	64.75	1,250	1,766	1,990	740	224
2012	59.55	66.35	1,174	1,701	1,943	769	242
2013	58.50	67.45	1,151	1,685	1,929	778	244
2014	58.25	68.55	1,217	1,558	1,803	586	245

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	SCSCS HB2001 (FIN)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	60.00	60.00	1,073	1,452	2,221	1,148	769
2009	60.00	61.65	1,197	1,698	1,994	797	296
2010	60.00	63.35	1,247	1,802	2,003	756	201
2011	60.00	65.09	1,272	1,795	2,026	754	231
2012	60.00	66.88	1,204	1,737	1,988	784	251
2013	60.00	68.72	1,225	1,772	2,042	817	270
2014	60.00	70.61	1,334	1,696	1,983	649	287

\$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	SCSCS HB2001 (FIN)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	80.00	80.00	2,693	3,137	4,662	1,969	1,525
2009	80.00	82.20	2,640	3,294	4,187	1,547	893
2010	80.00	84.46	2,751	3,431	4,235	1,484	804
2011	80.00	86.78	2,782	3,431	4,277	1,495	846
2012	80.00	89.17	2,698	3,360	4,229	1,531	869
2013	80.00	91.62	2,783	3,451	4,376	1,593	925
2014	80.00	94.14	2,950	3,407	4,366	1,416	959

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 11
Bill Version: SCS CSHB 2001(FIN)
(S) Publish Date: 11/15/07

Identifier (file name): HB2001SCSCS(FIN)-DNR-O&G-11-15-07 Dept. Affected: Natural Resources
Title: Oil and Gas Tax Amendments RDU: Resource Development
Component: Oil and Gas Development
Sponsor: Rules Committee
Requester: Senate 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	450.0		450.0	450.0	450.0	450.0	450.0	450.0
Travel								
Contractual	10.4		10.4	10.4	10.4	10.4	10.4	10.4
Supplies	4.0		4.0	4.0	4.0	4.0	4.0	4.0
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	464.4	0.0	464.4	464.4	464.4	464.4	464.4	464.4

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

1002 Federal Receipts								
1003 GF Match								
1004 GF	464.4		464.4	464.4	464.4	464.4	464.4	464.4
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	464.4	0.0	464.4	464.4	464.4	464.4	464.4	464.4

Estimate of any current year (FY2008) cost: 172.4

POSITIONS

Full-time	2	0	2	2	2	2	2
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 increase the base tax rate from 22.5% to 25% of net income with no retroactivity. The bill has a progressivity surcharge increasing at 0.4% per dollar between \$30 and \$90, and 0.1% above \$90, to a maximum possible surcharge of 50%. 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 time that this information may be kept confidential.

Prepared by: Kevin Banks, Acting Director
Division: Oil and Gas
Approved by: Tom Irwin, Commissioner
Natural Resources

Phone: 269-8800
Date/Time: 11/15/2007
Date: 11/15/2007

FISCAL NOTE #11

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. SCS CSHB 2001(FIN)

ANALYSIS CONTINUATION

The bill would eliminate the transition investment expenditure credit for all but producers that did not have commercial production before April 2006. The bill also increases the net loss carry-forward credit to 25%, and defers the ability to take half of this credit and the qualified expenditure capital credit for a year.

**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. Increasing the tax rate, and the reduction of TIE credits available to lessees, will alter project specific economics. Furthermore, the progressivity element that has an impact only when oil prices or margins are high, will also alter project specific economics.

Personal Services: This bill would create two new oil and gas revenue audit master positions in the Division of Oil and Gas. These two positions would be the senior level auditors and are expected to have extensive oil and gas auditing experience. They will be the division's most senior auditor positions and will have salaries that are consistent with market comparables and will be above the current salary levels allowed under the existing Oil and Gas Revenue Auditor pay classification system. The division shares the experience with the Department of Revenue in failing to successfully recruit auditors with the required industry experience. These two positions will direct and provide training to existing staff. Salary and benefits for these positions plus other salary adjustments within the audit staff will be \$450.0 per year. Any contractual, supplies, and equipment line items listed on page 1 support these two new positions.

SB 2001 - Oil & Gas Tax Amendments

Senate Finance Committee

Index

CSHB2001(FIN)am & Fiscal Notes

SB 2001

CS SB 2001(RES)

CS SB 2001(JUD)

Fiscal Notes

Presentations (Agency and Consultants)

- Department of Revenue Share Presentation
- Summary Comparison between Various Approaches to Production Tax – Dan Dickinson
- EconOne Charts
- Legislative Finance Division – Production Tax
- Presentation on Government Take
Cambridge Energy Research – David Dobbs
Nov 10, 2007
- Government & Petroleum Tax Take
Gaffney, Cline & Associates
Nov 9, 2007
- Presentation on Alaska's Petroleum Fiscal Structure "Fair Share"
Gaffney, Cline & Associates
Nov 9, 2007
- Tax Rates and Progressivity
Econ One Research
Nov 8, 2007
- North Slope Crude Oil & Natural Gas Liquids Production Forecast
Department of Revenue Fall 2007
Nov 7, 2007
- Production Cost Increases
Econ One Research
Nov 7, 2007
- Understanding Alaska's Current Production Tax - How and where does the cash flow
Nov 6, 2007
- Government Take (Amended to include ACES)
Nov 6, 2007
- Government Take
Patrick Galvin, Department of Revenue
Bob George, Gaffney, Cline & Associates
Nov 5, 2007

Industry Testimony

- BP
- ConocoPhillips
- Exxon Mobile
- Alaska Oil & Gas Association

Other Documents

- Transmittal Letter
- Senate Resources and Senate Judiciary Committee Reports
- Report on Production Cost Increases from Econ One Research

Amendments
Public Testimony

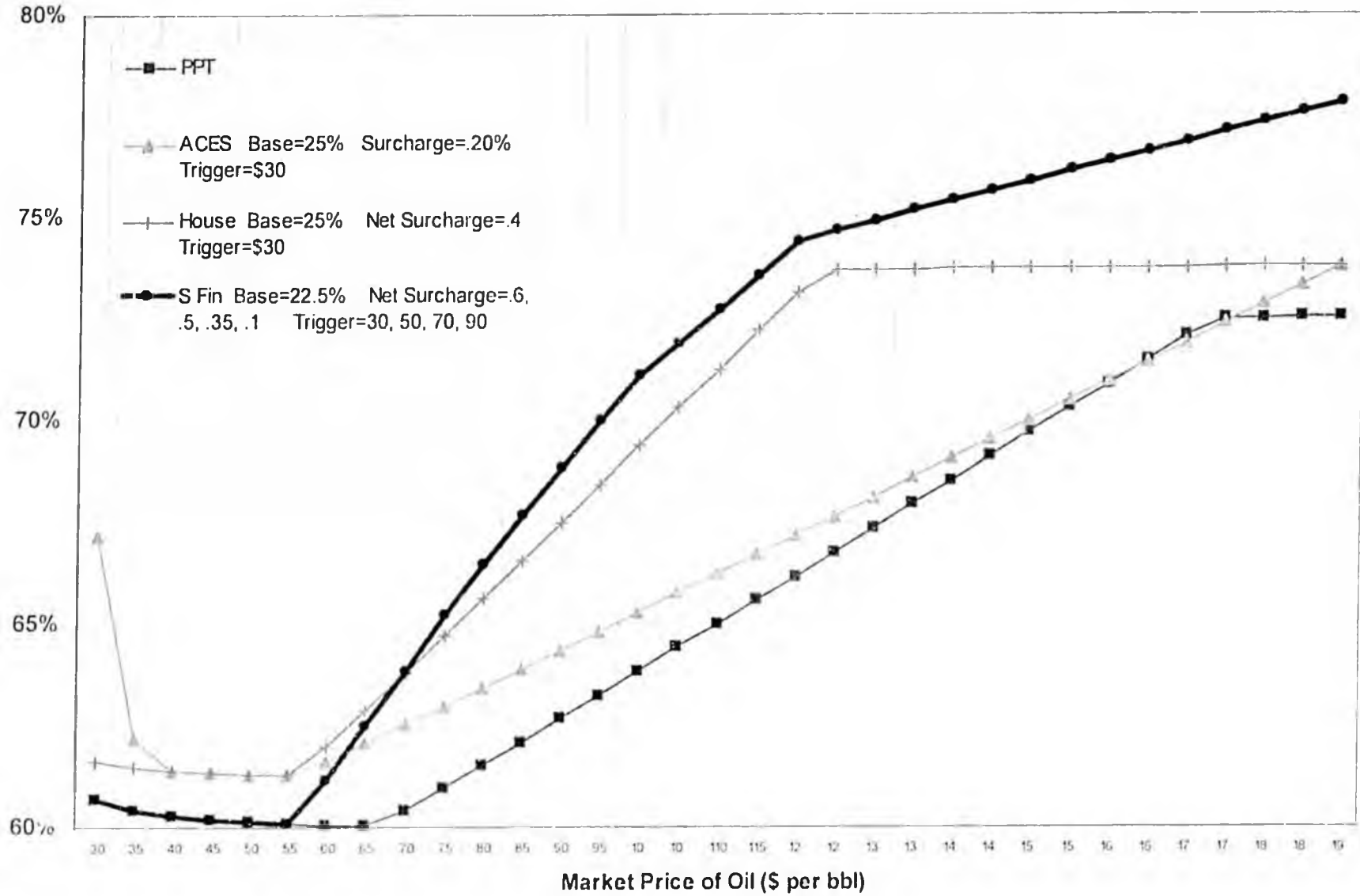
HB 2001 Revised Analysis*

November 13, 2007

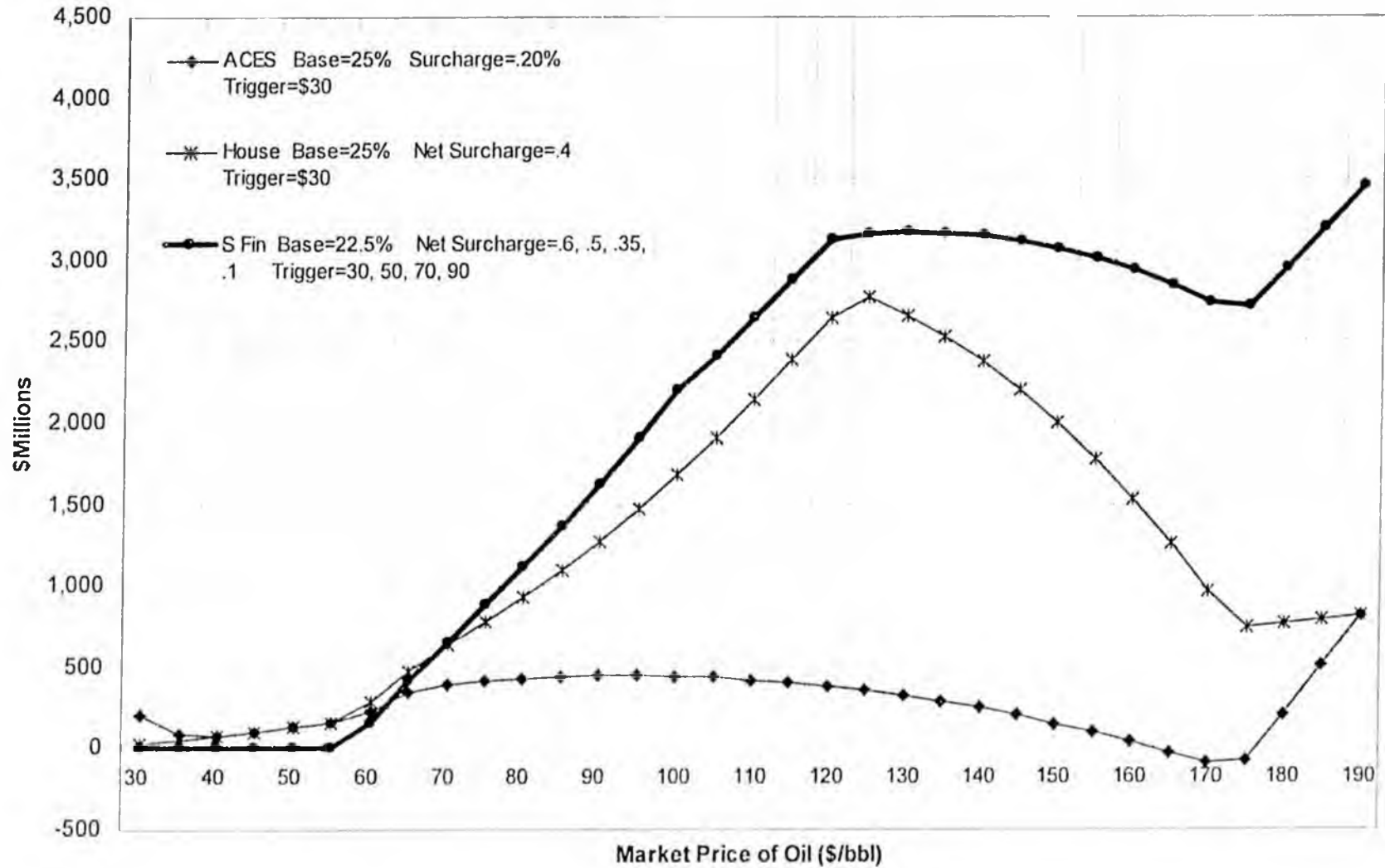
David Teal

** Analysis now excludes the impacts of "reasonable rate" transportation clause*

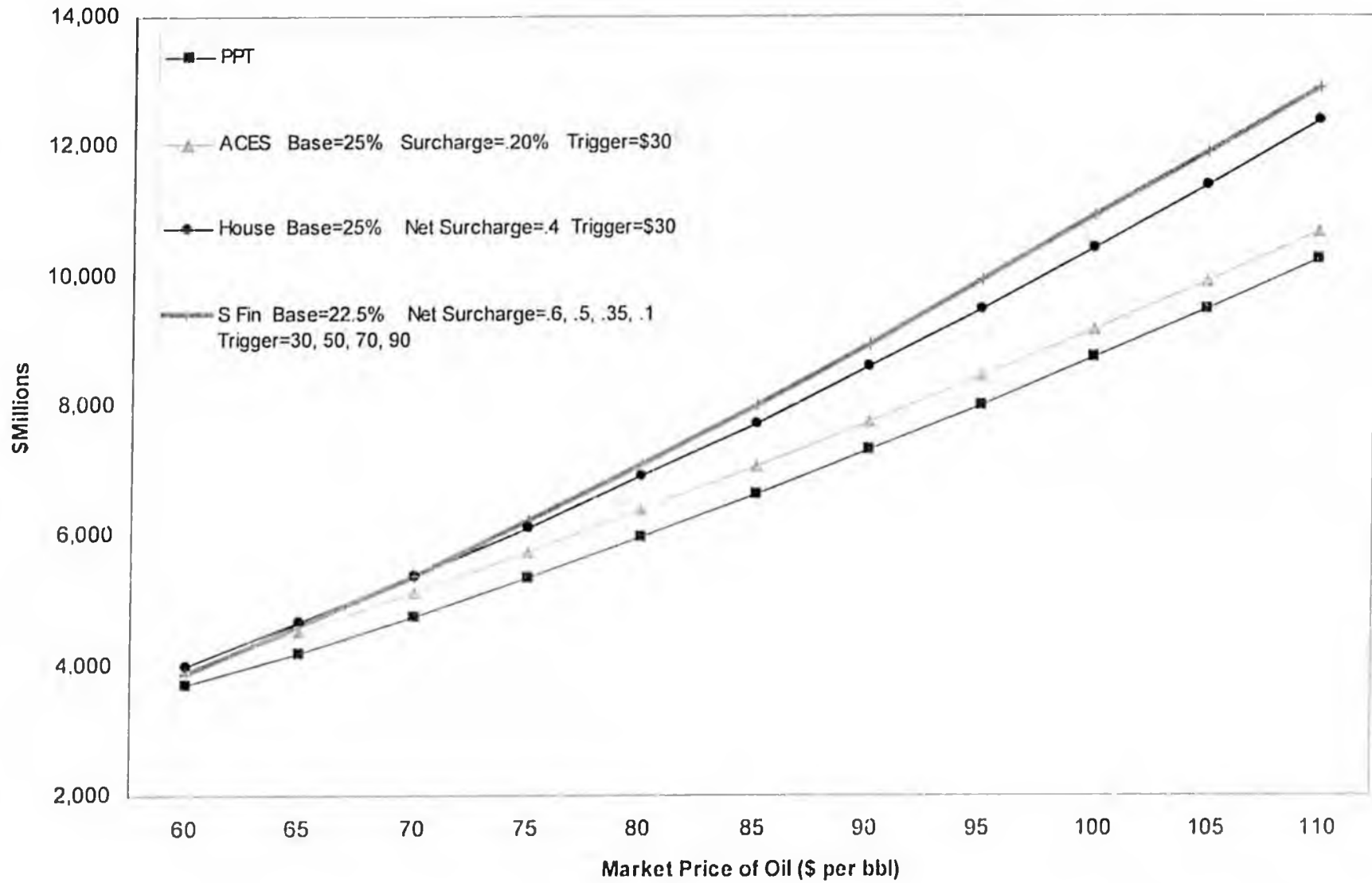
Government Share of Revenue Under Various Scenarios



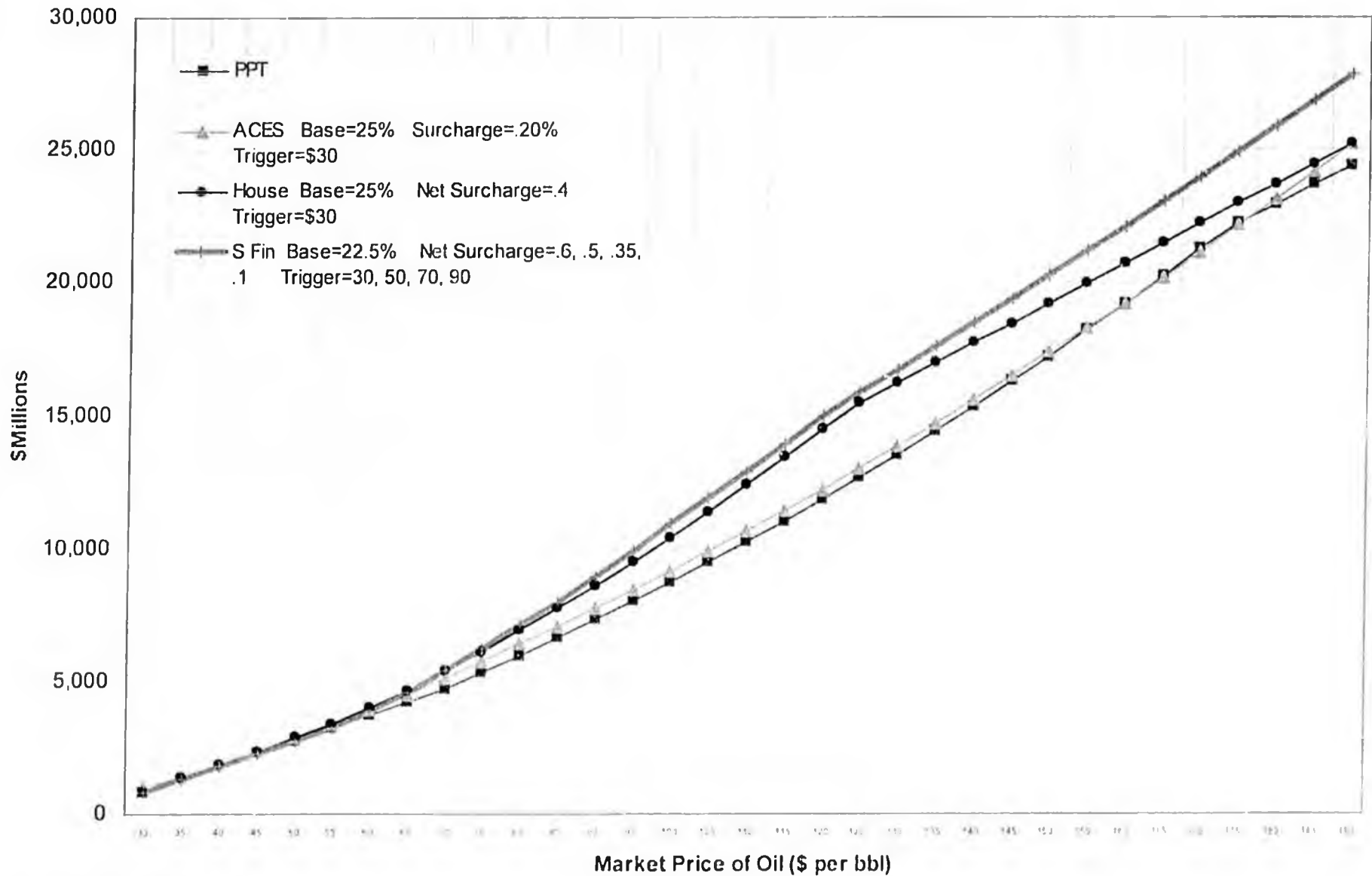
Increases in Total State Revenue Under Various Production Tax Systems



Total State Revenue Under Various Scenarios



Total State Revenue Under Various Scenarios

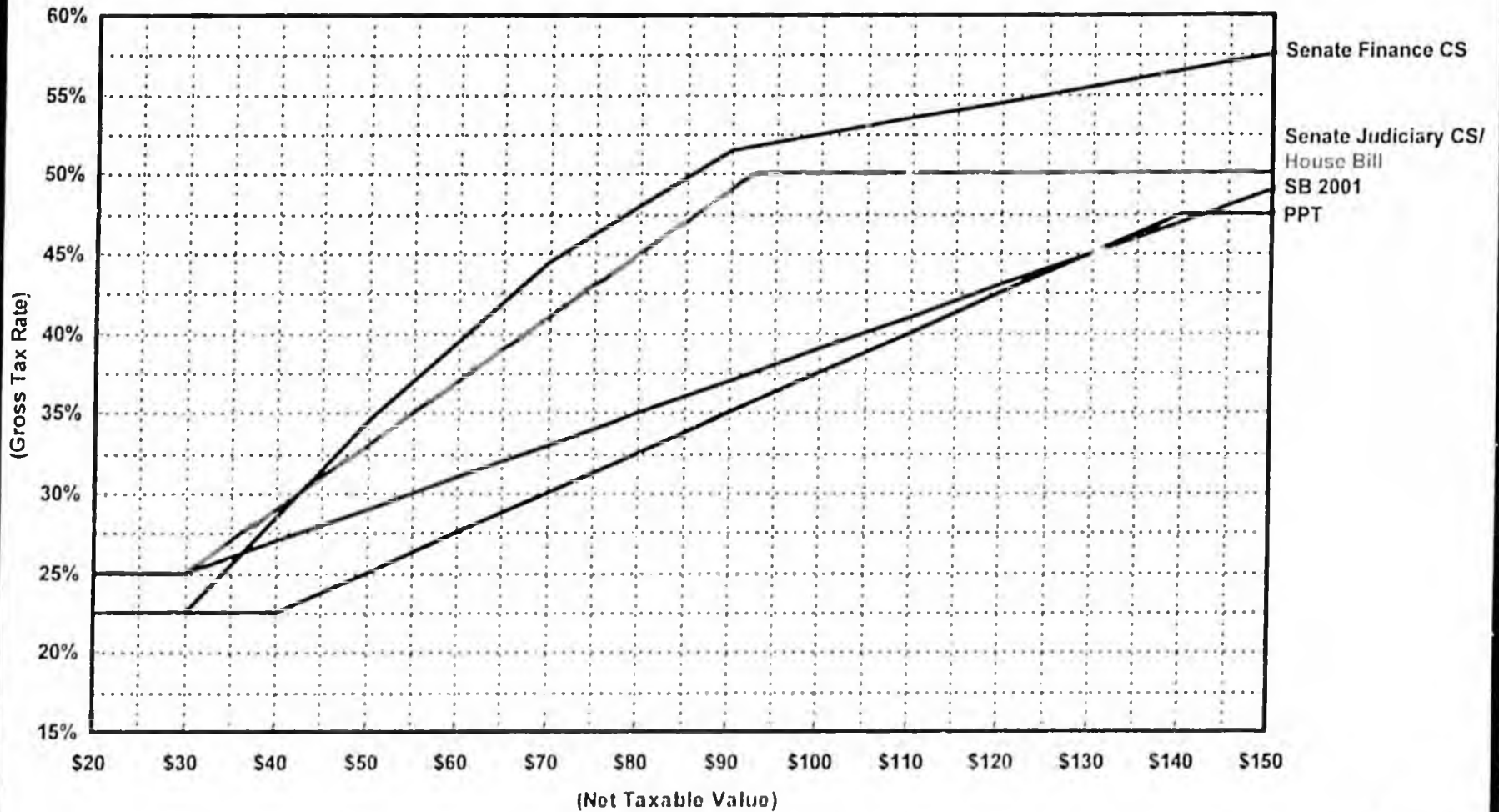


Tax Rates vs. Net Taxable Value Under Alternative Tax Plans

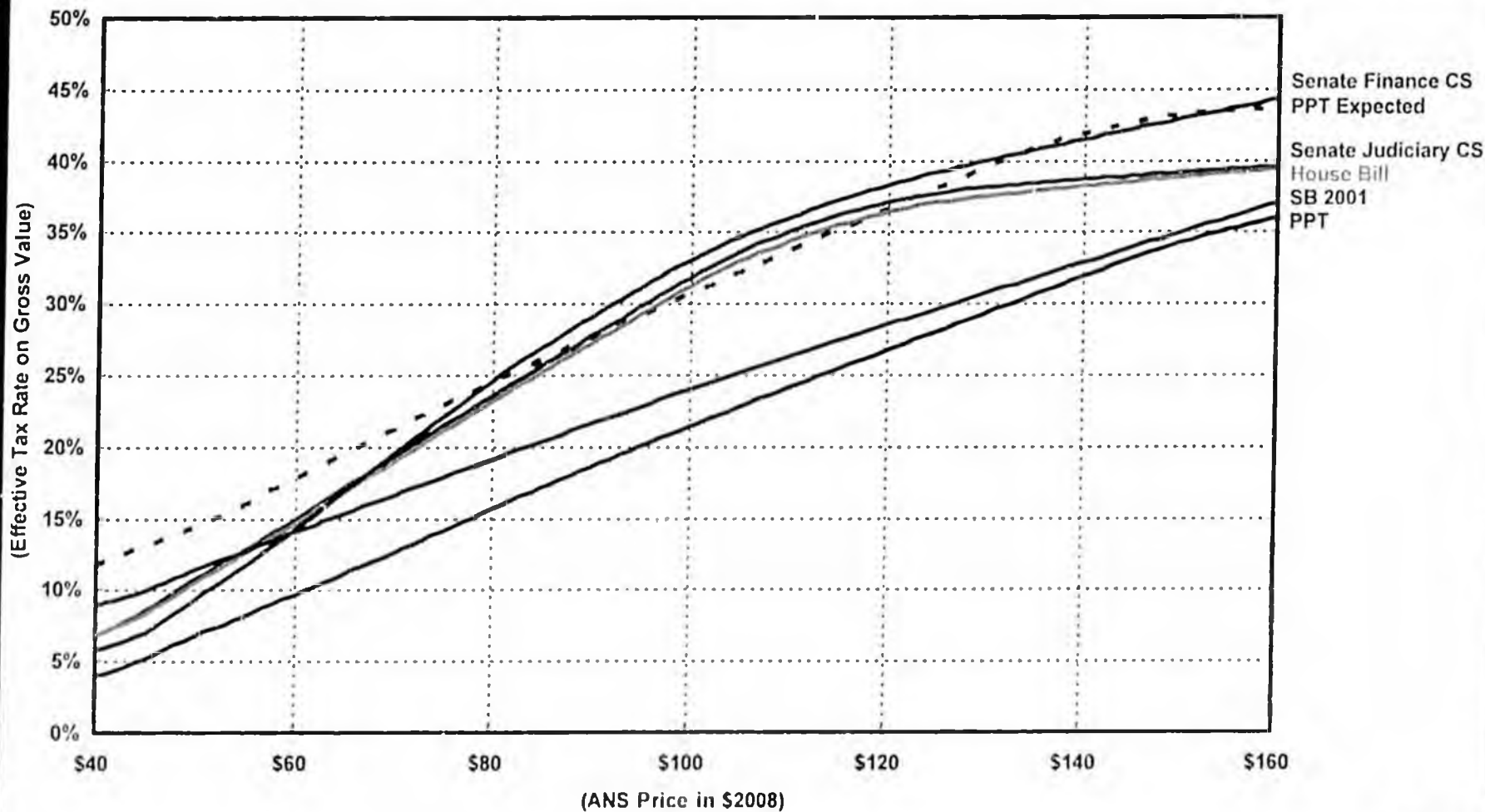
Net Taxable Value	PPT	SB 2001	Senate Judiciary CS	Senate Finance CS	House Bill
\$20	22.50%	25.00%	25.00%	22.50%	25.00%
\$30	22.50%	25.00%	25.00%	22.50%	25.00%
\$40	22.50%	27.00%	29.00%	28.50%	29.00%
\$50	25.00%	29.00%	33.00%	34.50%	33.00%
\$60	27.50%	31.00%	37.00%	39.50%	37.00%
\$70	30.00%	33.00%	41.00%	44.50%	41.00%
\$80	32.50%	35.00%	45.00%	48.00%	45.00%
\$90	35.00%	37.00%	49.00%	51.50%	49.00%
\$100	37.50%	39.00%	50.00%	52.50%	50.00%
\$110	40.00%	41.00%	50.00%	53.50%	50.00%
\$120	42.50%	43.00%	50.00%	54.50%	50.00%
\$130	45.00%	45.00%	50.00%	55.50%	50.00%
\$140	47.50%	47.00%	50.00%	56.50%	50.00%
\$150	47.50%	49.00%	50.00%	57.50%	50.00%
\$160	47.50%	50.00%	50.00%	58.50%	50.00%
\$170	47.50%	50.00%	50.00%	59.50%	50.00%
\$180	47.50%	50.00%	50.00%	60.50%	50.00%
\$190	47.50%	50.00%	50.00%	61.50%	50.00%
\$200	47.50%	50.00%	50.00%	62.50%	50.00%
<hr/>					
Base Tax Rate	22.50%	25.00%	25.00%	22.50%	25.00%
<hr/>					
Net Trigger and Per-Dollar Rate	0.25% over \$40	0.20% over \$30	0.40% over \$30	0.60% \$30-\$50 0.50% \$50-\$70 0.35% \$70-\$90 0.10% over \$90	0.40% over \$30
<hr/>					
Cap	47.50%	50.00%	50.00%	75.00%	50.00%

Note: Does not include potential impact of gross floors at lower prices.

Tax Rates vs. Net Taxable Value Under Alternative Tax Plans



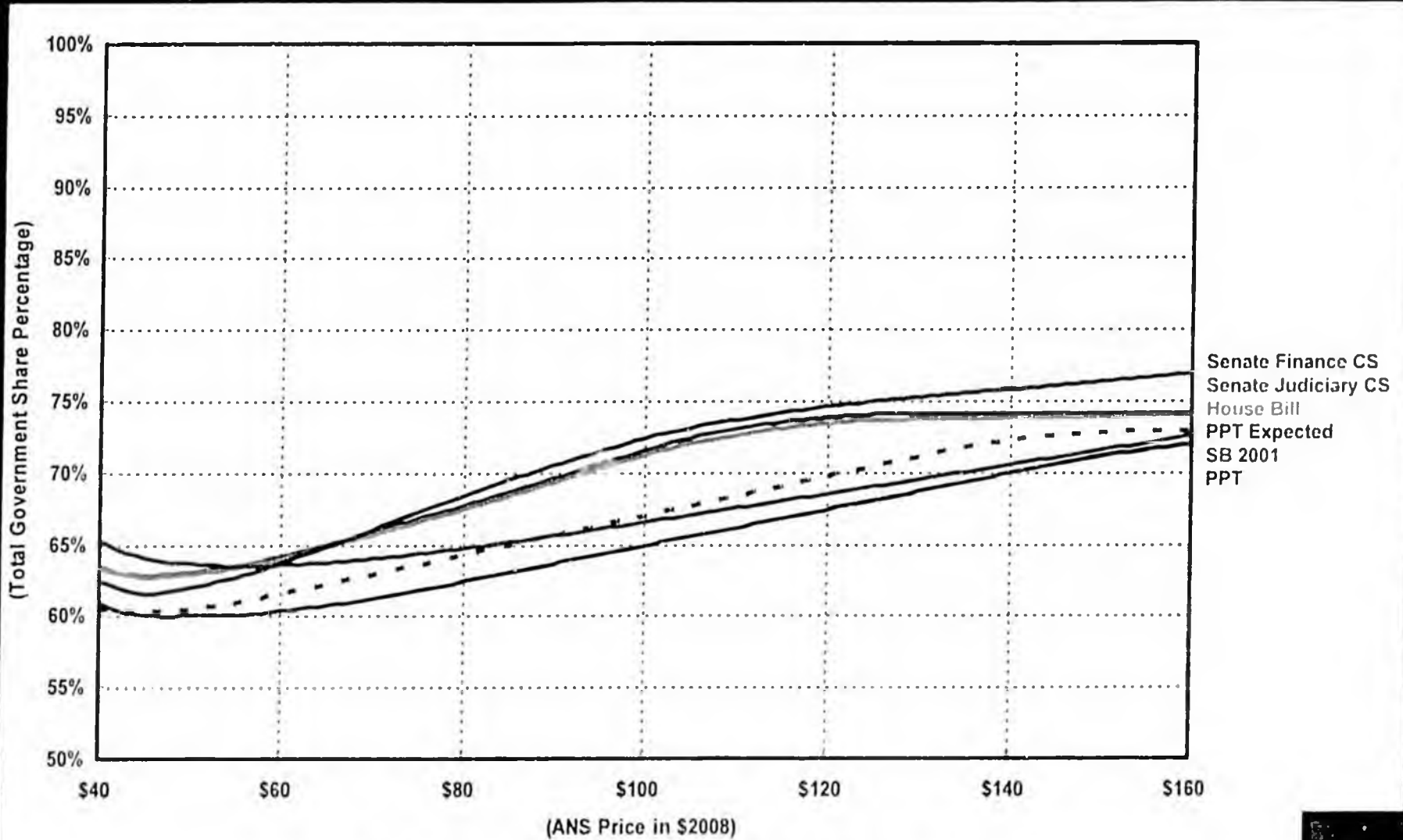
Estimated Average Effective Tax Rate on Gross Taxable Value at Various West Coast ANS Price Levels (FY 2008-2014)



Note: Volumes per current Fall 2007 DOR Forecasts.

Senate Finance: SB2001 using 22.0% base rate; progressivity of 0.4% \$30-\$40, 0.6% \$40-\$75, 0.30% \$75-\$90, 0.11% above \$90, 70% overall cap, TRC credit 2008-2007 for new producers.
 PPT Expected: Current Law using same parameters as SB2001.
 Senate Judiciary: SB2001 using 0.4% progressivity rate, 50% overall cap, TRC credit 2008-2007 for new producers, does not include TAPS adjustment.
 House Bill: SB2001 using 0.6% progressivity rate, 50% overall cap, TRC credit 2008-2007 for new producers, Ops indexed to 2006 figures, does not include TAPS adjustment.

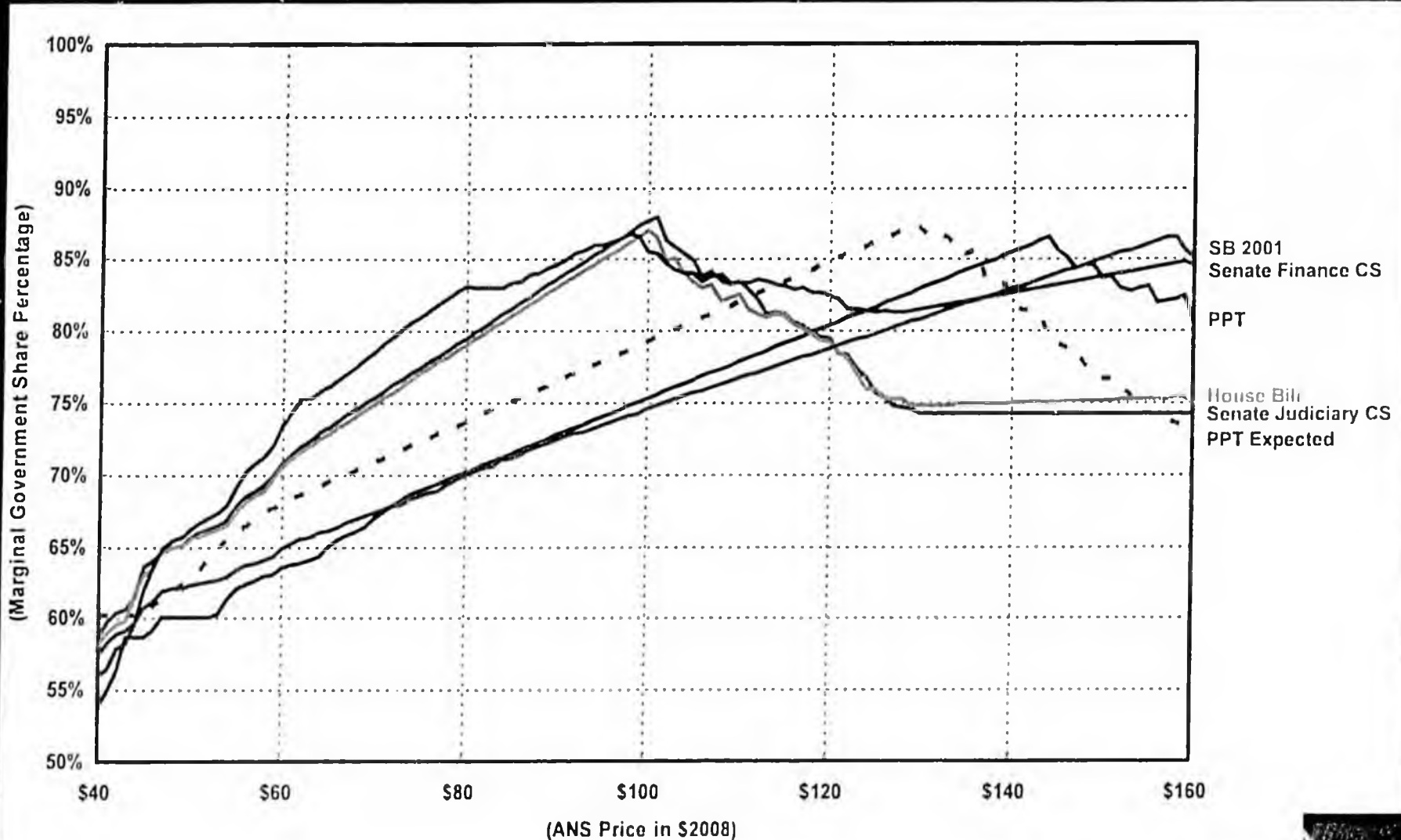
Estimated Total Government Share at Various West Coast ANS Price Levels (FY 2008-2014)



Note: Volumes per current Fall 2007 DOR Forecasts.

Senate Finance: SB2001 using 22.5% base rate; progressivity of 0.6% \$30-\$50, 0.8% \$50-\$75, 0.35% \$70-\$90, 0.1% above \$90, 75% overall cap, TIE credit 2006-2007 for new producers.
 PPT Expected: Current Law using costs per fiscal note to HB3001.
 Senate Judiciary: SB2001 using 0.4% progressivity rate, 50% overall cap, TIE credit 2006-2007 for new producers, does not include TAPS adjustment.
 House Bill: SB2001 using 0.4% progressivity rate, 50% overall cap, TIE credit 2006-2007 for new producers, Opax indexed to 2008 figures, does not include TAPS adjustment.

Estimated Marginal Government Share at Various West Coast ANS Price Levels (FY 2008-2014)



Note: Volumes per current Fall 2007 DOR Forecasts.

Senate Finance: SB2001 using 22.8% base rate; progressivity of 0.8% \$30-\$50, 2.8% \$50-\$75, 0.35% \$70-\$80, 0.1% above \$80, 78% overall cap, TIE credit 2006-2007 for new producers.
 PPT Expected: Current Law using costs per fiscal note in MB1041.
 Senate Judiciary: SB2001 using 0.4% progressivity rate, 50% overall cap, TIE credit 2006-2007 for new producers, does not include TAPS adjustment.
 House Bill: SB2001 using 0.4% progressivity rate, 50% overall cap, TIE credit 2006-2007 for new producers, Open Indexed to 2006 figures, does not include TAPS adjustment.

Estimated Average Effective Tax Rate, Government Shares and Revenue Impacts at Various West Coast ANS Price Levels (FY 2008-2014)

Average ANS West Coast Price in Real 2008 Dollars	\$40.00	\$60.00	State Forecast	\$80.00	\$100.00	\$120.00	\$140.00	\$160.00
Effective Tax Rate on Gross Taxable Value (Percent)								
PPT	4.0%	9.6%	10.1%	15.6%	21.3%	26.7%	31.8%	36.0%
PPT Expected	11.6%	17.7%	18.3%	24.4%	30.6%	36.5%	41.8%	43.6%
SB 2001	8.9%	14.0%	14.5%	19.1%	23.9%	28.5%	32.8%	37.0%
Senate Judiciary CS	6.8%	14.9%	15.7%	23.6%	31.8%	37.1%	38.7%	39.6%
House Bill	6.8%	14.6%	15.3%	23.1%	31.2%	36.4%	38.3%	39.4%
Senate Finance CS	5.8%	14.2%	15.0%	24.6%	33.0%	38.3%	41.4%	44.3%
Total Government Share of Net Cash (Percent)								
PPT	60.9%	60.3%	60.5%	62.4%	64.9%	67.4%	69.9%	71.9%
PPT Expected	60.4%	61.5%	61.7%	64.2%	66.9%	69.7%	72.2%	72.9%
SB 2001	65.3%	63.5%	63.6%	64.7%	66.5%	68.5%	70.5%	72.6%
Senate Judiciary CS	63.4%	64.1%	64.4%	67.7%	71.5%	73.9%	74.1%	74.1%
House Bill	63.4%	64.0%	64.1%	67.5%	71.2%	73.4%	73.8%	74.0%
Senate Finance CS	62.5%	63.6%	63.9%	68.4%	72.4%	74.6%	75.8%	76.9%
Marginal Government Share of Net Cash (Percent)								
PPT	53.8%	63.4%	64.1%	70.1%	75.2%	80.4%	85.5%	80.6%
PPT Expected	60.2%	68.0%	68.4%	73.5%	79.1%	84.7%	81.9%	73.0%
SB 2001	57.4%	64.8%	65.4%	70.0%	74.5%	78.8%	83.0%	85.0%
Senate Judiciary CS	58.7%	70.7%	71.4%	79.5%	87.7%	79.4%	74.1%	74.1%
House Bill	58.7%	70.5%	71.3%	79.0%	87.0%	79.2%	75.0%	74.9%
Senate Finance CS	55.9%	73.4%	74.0%	83.1%	85.5%	82.4%	82.7%	84.5%
Annual Average Tax Difference Above/(Below) PPT (Nominal \$M)								
PPT Expected	\$622	\$1,036	\$1,081	\$1,545	\$2,062	\$2,651	\$3,153	\$2,776
SB 2001	\$402	\$566	\$577	\$611	\$578	\$484	\$309	\$372
Senate Judiciary CS	\$230	\$673	\$732	\$1,394	\$2,320	\$2,796	\$2,158	\$1,305
House Bill	\$229	\$644	\$674	\$1,329	\$2,204	\$2,614	\$2,006	\$1,238
Senate Finance CS	\$145	\$585	\$629	\$1,582	\$2,613	\$3,125	\$3,041	\$3,012

Note: Volumes per current Fall 2007 DOR Forecasts.

Senate Finance: SB2001 using 22.5% base rate; progressivity of 0.8% \$30-\$50, 0.8% \$50-\$75, 0.3% \$75-\$90, 0.1% above \$90, 75% overall cap, TIE credit 2008-2007 for new producers.
 PPT Expected: Current Law using costs per fiscal note to HB3001.
 Senate Judiciary: SB2001 using 0.4% progressivity rate, 50% overall cap, TIE credit 2008-2007 for new producers, does not include TAPS adjustment.
 House Bill: SB2001 using 0.4% progressivity rate, 50% overall cap, TIE credit 2008-2007 for new producers, Opex indexed to 2008 figures, does not include TAPS adjustment.

CS HB 2001 (FIN) AM

*Adopted
11/14/07*

25-GH0014\W-AR

Bullock
11/13/07

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SPECIAL SESSION

BY THE HOUSE SENATE FINANCE COMMITTEE

Amended: 11/11/07

Offered: 11/11/07

Referred:

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

FOR AN ACT ENTITLED

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on
2 oil; ~~providing a limit on the amount of tax that may be levied on the production of~~
3 ~~certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the~~
4 issuance of advisory bulletins and the disclosure of certain information relating to the
5 production tax and the sharing between agencies of certain information relating to the
6 production tax and to oil and gas or gas only leases; expandingamending the
7 periodState Personnel Act to create in which the Department of Revenue may assess the
8 amount of oil and gas production tax and conservation surcharges; ~~prohibiting a~~
9 producer or explorer from receiving tax credits if certain judgments are not satisfied
10 and requiring, as a condition of receiving the tax credits, the deposit of the amount of
11 certain unpaid judgments and certain interest on those judgments in the court during
12 an appeal and relating to that interest; relating to exempt service state oil and gas audit

1 masters; relating to oil and gas auditors and certain oil and gas auditor supervisors;
 2 providing for civil penalties relating to the oil and gas production tax; providing for
 3 retroactive application of certain statutory and regulatory provisions relating to the
 4 production tax on oil and gas; making conforming amendments; and providing for an
 5 effective date."

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

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

9 LEGISLATIVE INTENT. (a) It is the intent of the legislature that the provisions of
 10 this Act will

11 (1) ~~ensure a fair and equitable means of assessing and taxing Alaska's oil and~~
 12 ~~gas resources; and~~

13 (2) ~~encourage the availability to Alaska's citizens of affordable gas produced,~~
 14 ~~transported, and consumed within the state;~~

15 (b) ~~It is the intent of the legislature that AS 43.55.075(b), enacted by sec. 41-13 of this~~
 16 ~~Act, confirm by clarification the long-standing interpretation of AS 43.05.260 by the~~
 17 ~~Department of Revenue relating to the limitation of assessments for the production tax on oil~~
 18 ~~and gas and conservation surcharges on oil, confirms by clarification the long-standing~~
 19 ~~interpretation of AS 43.05.260 by the Department of Revenue.~~

20 (b) ~~It is the intent of the legislature that the amount of money received by the state as~~
 21 ~~a result of the retroactivity of certain provisions under sec. 65 of this Act that exceeds the~~
 22 ~~amount of money the state would have received if those provisions had not taken effect until~~
 23 ~~January 1, 2008, will be appropriated to the public education fund (AS 14.17.300).~~

24 (c) ~~It is the intent of the legislature that costs disallowed in accordance with~~
 25 ~~AS 43.55.165(e)(6), as amended by sec. 48 of this Act, include costs, subsequent to the~~
 26 ~~effective date the legislature will responsibly invest the amounts received after December 31,~~
 27 ~~2007, as the result of the enactment of this Act that exceed the amounts that would have been~~
 28 ~~received under AS 43.55.011 - 43.55.165(e)(6), incurred as a result of monitoring and~~
 29 ~~management decisions that fail to properly consider risks posed~~ 180, as those provisions read

1 on June 30, 2007, as if those provisions had been applied after December 31, 2007, by
2 changing operating conditions and result in failure to take necessary actions to prevent a
3 pipeline spill, interruption of service, or shutdown, making appropriations to the following:

4 (1) the public education fund (AS 14.17.300);

5 (2) the budget reserve fund (art. IX, sec. 17, Constitution of the State of
6 Alaska);

7 (3) to extinguish the amount of the employers' unfunded liability in the
8 teachers' defined benefit retirement plan and the public employees' defined benefit retirement
9 plan; and

10 (4) the development and implementation of a long-range fiscal plan for the
11 state.

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

13 (a) The director shall

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

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

22 (3) execute laws, rules, regulations, and orders adopted by the
23 commissioner;

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

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

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

31 (7) have jurisdiction over state land, except that land acquired by the

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Alaska World War II Veterans Board and the Agricultural Loan Board or the departments or agencies succeeding to their respective functions through foreclosure or default; to this end, the director possesses the powers and, with the approval of the commissioner, shall perform the duties necessary to protect the state's rights and interest in state land, including the taking of all necessary action to protect and enforce the state's contractual or other property rights:

(8) [REPEALED]

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

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

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

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

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

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

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

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

(10) [(11)] select and employ or obtain at reasonable compensation

1 cadastral, appraisal, or other professional personnel the director considers necessary
2 for the proper operation of the division;

3 (11) [(12)] be the certifying agent of the state to select, accept, and
4 secure by whatever action is necessary in the name of the state, by deed, sale, gift,
5 devise, judgment, operation of law, or other means any land, of whatever nature or
6 interest, available to the state; and be the certifying agent of the state, to select,
7 accept, or secure by whatever action is necessary in the name of the state any land, or
8 title or interest to land available, granted, or subject to being transferred to the state
9 for any purpose:

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

19 [(13) REPEALED]

20 [(14) REPEALED].

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

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

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

30 (f) Except as otherwise provided in this section or in connection with official
31 investigations or proceedings of the department, it is unlawful for a current or former

1 officer, employee, or agent of the state to divulge information obtained by the
2 department as a result of an audit under this section that is required by an agreement
3 with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or
4 AS 41.09.010(d) to be kept confidential.

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

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

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

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

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

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

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

24 (j) The commissioner

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

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

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

31 (ii) the field or pool has not previously produced oil or

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gas for sale; and

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

(B) to prolong the economic life of an oil or gas field or pool as per barrel or barrel equivalent costs increase or as the price of oil or gas decreases, and the increase or decrease is sufficient to make future production no longer economically feasible; or

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

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

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

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

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

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

(5) may not grant a royalty reduction under this subsection without including an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner; the commissioner shall, in the preliminary and final findings and

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determinations, set out the conditions under which the royalty reduction may be assigned;

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

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

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

(7) may

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

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subparagraph is not subject to AS 36.30;

(B) with the mutual consent of the lessee or lessees making application for the royalty reduction under (1)(B) or (1)(C) of this subsection, request payment for the services of an independent contractor, selected from a list of qualified consultants to evaluate hydrocarbon development, production, transportation, and economics by the commissioner to assist the commissioner in evaluating the application and financial and technical data; if, under this subparagraph, the commissioner requires payment for the services of an independent contractor, the total cost of the services that may be paid for by the lessee or lessees may not exceed \$150,000 for each application, and the commissioner shall determine the relevant scope of the work to be performed by the contractor; selection of an independent contractor under this subparagraph is not subject to AS 36.30;

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

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

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

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

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

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

1 (11) shall, within 30 days after the close of the public comment period
2 under (8) of this subsection.

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

5 (B) make a final findings and determination; the
6 commissioner's final findings and determination prepared under this
7 subparagraph regarding a royalty reduction is final and not appealable to the
8 court;

9 (C) transmit a copy of the final findings and determination to
10 the lessee;

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

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

16 (12) is not limited by the provisions of AS 38.05.134(3) or (4) of this
17 section in the commissioner's determination under this subsection.

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

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

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

22 (42) oil and gas auditor masters employed in a professional capacity
23 by the Department of Revenue and the Department of Natural Resources to collect oil
24 and gas revenue by developing policy, ~~conducting~~ conducting studies, drafting
25 proposed regulations, enforcing regulations, and directing audits by oil and gas
26 revenue auditors.

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

28 (d) Data derived from drilling a stratigraphic test well or exploratory well that
29 is provided to the commissioner under (c)(3) of this section shall be kept confidential
30 for 24 months after receipt by the commissioner unless the owner of the well gives
31 written permission to the state to release the well data at an earlier date, and,

1 notwithstanding AS 31.05.035(c), confidentiality may not be extended beyond 24
2 months. The provisions of AS 38.05.035(a)(8)(C) [AS 38.05.035(a)(9)(C)] apply to
3 other data provided to the commissioner under (c)(3) of this section, except that the
4 commissioner, under appropriate confidentiality provisions and without preference or
5 discrimination, may display to all interested third parties, but may not distribute or
6 transfer in hard copy or electronic form, those data with respect to all land if the
7 commissioner determines that the limited disclosure is necessary to further the
8 interest of the state in evaluating or developing its land.

9 * ~~Sec. 12. AS 42.45.43.05.230(a) is amended by adding a new section to read:~~

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

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

21 ~~(c) Nothing in this section requires that money be appropriated or creates a~~
22 ~~dedicated fund.~~

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

27 ~~(a) It is unlawful for a current or former officer, employee, or agent of the~~
28 ~~state to divulge the amount of income or the particulars set out or disclosed in a report~~
29 ~~or return made under this title, except~~

30 ~~(1) in connection with official investigations or proceedings of the~~
31 ~~department, whether judicial or administrative, involving taxes due under this title;~~

1 (2) in connection with official investigations or proceedings of the
2 child support enforcement agency, whether judicial or administrative, involving child
3 support obligations imposed or imposable under AS 25 or AS 47;

4 (3) as provided in AS 38.05.036 pertaining to audit functions of the
5 Department of Natural Resources;

6 (4) as provided in AS 43.05.405 - 43.05.499; and

7 (5) as otherwise provided in this section or AS 43.55.890.

8 * **Sec. 13.** AS 43.05.230(h) is amended to read:

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

16 * **Sec. 14.** AS 43.05.260(a) is amended to read:

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

23 * **Sec. 15.** AS 43.55.011(e) is repealed and reenacted to read:

24 (e) There is levied on the producer of oil or gas a tax for all oil and gas
25 produced each calendar year from each lease or property in the state, less any oil and
26 gas the ownership or right to which is exempt from taxation or constitutes a
27 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (l)
28 of this section, the tax is equal to the sum of

29 (1) the production tax value of the taxable oil and gas as calculated
30 under AS 43.55.160 multiplied by 25 percent; and

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

1 calculated rate determined under (g) of this section.

2 * Sec. 16. AS 43.55.011(f) is amended to read:

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

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

10 (2) three percent of the gross value at the point of production when the
11 average price per barrel for Alaska North Slope crude oil for sale on the United States
12 West Coast during the calendar year for which the tax is due is over \$20 but not over
13 \$25;

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

18 (4) one percent of the gross value at the point of production when the
19 average price per barrel for Alaska North Slope crude oil for sale on the United States
20 West Coast during the calendar year for which the tax is due is over \$15 but not over
21 \$17.50; or

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

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

26 (g) ~~For each month for which the price index determined under (h) of this~~
27 ~~section is greater than zero, the amount of tax for purposes of (e)(2) of this section is~~
28 ~~calculated as follows: (1) for oil and gas produced from each lease or property, the~~
29 ~~monthly production tax value is calculated in the manner described in~~
30 ~~AS 43.55.160(a) and (b), except that the gross value at the point of production for the~~
31 ~~month is substituted for the gross value at the point of production for the calendar~~

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

12 ~~* Sec. 18.~~ AS 43.55.011(h) is repealed and reenacted to read:

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

21 ~~* Sec. 19.~~ (g) The tax rate applied to the monthly production tax value of
 22 oil and gas under (e) of this section for each month of the calendar year in which the
 23 tax is levied is 22.5 percent plus, for each month for which the monthly average
 24 production tax value for each BBL equivalent barrel is more than

25 (1) \$30 but not more than \$50, 0.6 percent multiplied by the number
 26 that represents the difference between the average production tax value for each BBL
 27 equivalent barrel of the taxable oil and gas for that month and \$30;

28 (2) \$50 but not more than \$70, the sum of 12 percent and the product
 29 of 0.5 percent multiplied by the number that represents the difference between the
 30 average production tax value for each BBL equivalent barrel of the taxable oil and
 31 gas for that month and \$50;

1 (3) \$70 but not more than \$90, the sum of 22 percent and the product
2 of 0.35 percent multiplied by the number that represents the difference between the
3 average production tax value for each BTU equivalent barrel of the taxable oil and
4 gas for that month and \$70;

5 (4) \$90, the sum of 29 percent and the product of 0.1 percent
6 multiplied by the number that represents the difference between the average
7 production tax value for each BTU equivalent barrel of the taxable oil and gas for that
8 month and \$90, except that the sum determined under this paragraph may not exceed
9 50 percent, and the total tax rate under this subsection may not exceed 75 percent.

10 * Sec. 18, AS 43.55.011(j) is amended to read:

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

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

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

30 * Sec. 20.19, AS 43.55.011(k) is amended to read:

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

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

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

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

* Sec. 2420, AS 43.55.011(m) is amended to read:repealed and reenacted:

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

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

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

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

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

10 (4) any amount of excess tax credits remaining after reduction under (3) of
 11 (m) Notwithstanding any contrary provision of AS 38.05.180(i), AS 41.09.010,
 12 AS 43.55.024, or 43.55.025, the department shall provide by regulation a method to
 13 ensure that for a calendar year for which a producer's tax liability is limited by
 14 AS 43.55.011(j) or (k), tax credits otherwise available under AS 38.05.180(i),
 15 AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to oil or gas subject to the
 16 limitations in AS 43.55.011(j) and (k) are accounted for as though the credits had
 17 been applied first against a tax liability calculated without regard to the limitations
 18 under AS 43.55.011(j) and (k) so as to reduce the tax liability to the maximum
 19 amount provided for under AS 43.55.011(j) for the production of gas or
 20 AS 43.55.011(k) for the production of oil. The regulation must provide for a
 21 reasonable method to allocate tax credits to oil or gas subject to AS 43.55.011(j) and
 22 (k). Only the amount of a tax credit remaining after the accounting provided for under
 23 this subsection may be used for a later calendar year, transferred to another person, or
 24 applied against a tax levied for [O/S] oil or gas produced from a lease or property
 25 located anywhere in the state on the production of oil or gas not subject to
 26 AS 43.55.011(j) or (k) to the extent otherwise allowed under applicable law
 27 governing the tax credits.

28 * **Sec. 22.** AS 43.55.011 is amended by adding a new subsection to read:

29 (o) Notwithstanding other provisions of this section, for a calendar year
 30 before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas
 31 or gas produced from a lease or property outside the Cook Inlet sedimentary basin

1 and used in the state may not exceed the amount of tax for each 1,000 cubic feet of
2 gas that is determined under (j)(2) of this section;

3 * ~~Sec. 2321~~. AS 43.55.020(a) is repealed and reenacted to read:

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

6 (1) an installment payment of the estimated tax levied by
7 AS 43.55.011(e) ~~-(g) and (i)~~, net of any tax credits applied as allowed by law, is due
8 for each month of the calendar year on the last day of the following month; except as
9 otherwise provided under (2) of this subsection, the amount of the installment
10 payment is the sum of the following amounts, less 1/12 of the tax credits that are
11 allowed by law to be applied against the tax levied by AS 43.55.011(e) ~~-(g) and (i)~~ for
12 the calendar year, but the amount of the installment payment may not be less than
13 zero:

14 (A) for oil and gas produced from leases or properties in the
15 state outside the Cook Inlet sedimentary basin ~~or not subject to~~
16 ~~AS 43.55.011(g)~~, other than leases or properties subject to AS 43.55.011(f),
17 the greater of

18 (i) zero; or

19 (ii) the sum of 22.5 percent and the progressivity tax
20 rate calculated under ~~AS 43.55.011(g)~~ multiplied by ~~of~~ the remainder
21 obtained by subtracting 1/12 of the producer's adjusted lease
22 expenditures for the calendar year of production under AS 43.55.165
23 and 43.55.170 that are deductible for the leases or properties under
24 AS 43.55.160 from the gross value at the point of production of the oil
25 and gas produced from the leases or properties during the month for
26 which the installment payment is calculated;

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

29 (i) zero;

30 (ii) zero percent, one percent, two percent, three
31 percent, or four percent, as applicable, of the gross value at the point of

1 production of the oil and gas produced from those leases or
2 properties during the month for which the installment payment is
3 calculated; or

4 (iii) ~~the sum of 22.5 percent and the progressivity tax~~
5 ~~rate calculated under AS 43.55.011(g) multiplied by~~ of the remainder
6 obtained by subtracting 1/12 of the producer's adjusted lease
7 expenditures for the calendar year of production under AS 43.55.165
8 and 43.55.170 that are deductible for those leases or properties under
9 AS 43.55.160 from the gross value at the point of production of the oil
10 and gas produced from those leases or properties during the month for
11 which the installment payment is calculated:

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

14 (i) zero; or

15 (ii) ~~the sum of 22.5 percent and the progressivity tax~~
16 ~~rate calculated under AS 43.55.011(g) multiplied by~~ of the remainder
17 obtained by subtracting 1/12 of the producer's adjusted lease
18 expenditures for the calendar year of production under AS 43.55.165
19 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,
20 respectively, produced from the lease or property from the gross value
21 at the point of production of the oil or gas, respectively, produced from
22 the lease or property during the month for which the installment
23 payment is calculated:

24 (2) an amount calculated under (1)(C) of this subsection for oil or gas
25 produced from a lease or property subject to AS 43.55.011(j), ~~or~~ or (k) may not
26 exceed the product obtained by carrying out the calculation set out in
27 AS 43.55.011(j)(1) or (2) ~~or~~ 43.55.011(o), as applicable, for gas or set out in
28 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
29 AS 43.55.011(j)(1)(A) or (2)(A) ~~or~~ 43.55.011(o), as applicable, the amount of taxable
30 gas produced during the month for the amount of taxable gas produced during the
31 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the

1 amount of taxable oil produced during the month for the amount of taxable oil
2 produced during the calendar year:

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

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

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

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

19 * Sec. 24.22, AS 43.55.020(g) is amended to read:

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

31 * Sec. 25.23, AS 43.55.020(h) is amended to read:

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(h) Notwithstanding any contrary provision of AS 43.05.280,

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

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

or

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

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

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

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

* Sec. 2624, AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply [TAK] a tax credit against a tax levied by [DELETED UNDER] AS 43.55.011(c) in the amount of

1 20 percent of that expenditure; however, not more than half of the tax credit may
2 be applied for a single calendar year:

3 (2) a producer or explorer may take a credit for a qualified capital
4 expenditure incurred in connection with geological or geophysical exploration or in
5 connection with an exploration well only if the producer or explorer [PROVIDES TO
6 THE DEPARTMENT, AS PART OF THE STATEMENT REQUIRED UNDER
7 AS 43.55.030(a) FOR THE CALENDAR YEAR FOR WHICH THE CREDIT IS
8 SOUGHT TO BE TAKEN, THE PRODUCER'S OR EXPLORER'S WRITTEN
9 AGREEMENT]

10 (A) agrees, in writing, to the applicable provisions of
11 AS 43.55.025(f)(2) [TO NOTIFY THE DEPARTMENT OF NATURAL
12 RESOURCES, BEFORE THE LATER OF 30 DAYS AFTER
13 COMPLETION OF THE GEOLOGICAL OR GEOPHYSICAL DATA
14 PROCESSING OR COMPLETION OF THE WELL, OR 30 DAYS AFTER
15 THE STATEMENT IS FILED, OF THE DATE OF COMPLETION AND TO
16 SUBMIT A REPORT TO THAT DEPARTMENT DESCRIBING THE
17 PROCESSING SEQUENCE AND PROVIDE A LIST OF DATA SETS
18 AVAILABLE];

19 (B) submits [TO PROVIDE] to the Department of Natural
20 Resources all data that would be required to be submitted under
21 AS 43.55.025(f)(2) [, WITHIN 30 DAYS AFTER THE DATE OF A
22 REQUEST, SPECIFIC DATA SETS, ANCILLARY DATA, AND
23 REPORTS IDENTIFIED IN (A) OF THIS PARAGRAPH];

24 (3) a tax credit for a qualified capital expenditure to explore for,
25 develop, or produce oil or gas deposits subject to AS 43.55.011(f) may not be
26 applied against a tax for oil or gas produced from a lease or property not subject
27 to AS 43.55.011(f)

28 (C) THAT, NOTWITHSTANDING ANY PROVISION OF
29 AS 38, THE DEPARTMENT OF NATURAL RESOURCES SHALL HOLD
30 CONFIDENTIAL THE INFORMATION PROVIDED TO THAT
31 DEPARTMENT UNDER THIS PARAGRAPH FOR 10 YEARS

1 FOLLOWING THE COMPLETION DATE, AFTER WHICH THE
2 DEPARTMENT SHALL PUBLICLY RELEASE THE INFORMATION
3 AFTER 30 DAYS' PUBLIC NOTICE].

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

5 (b) A producer or explorer may elect to take a tax credit in the amount of
6 2522.5 [20] percent of a carried-forward annual loss. A credit under this subsection
7 may be applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For
8 purposes of this subsection, a carried-forward annual loss is the amount of a
9 producer's or explorer's adjusted lease expenditures under AS 43.55.165 and
10 43.55.170 for a previous calendar year that was not deductible in calculating
11 production tax values for that calendar year under AS 43.55.160 [AS 43.55.160(b)
12 AND (e)].

13 * Sec. 26. AS 43.55.023(d) is amended to read:

14 (d) Except as limited by (i) of this section, a person that is entitled to take a
15 tax credit under this section, other than a tax credit described in (a)(3) of this
16 section, and that wishes to transfer the unused credit to another person or obtain a
17 cash payment may apply to the department for [A] transferable tax credit certificates
18 [CERTIFICATE]. An application under this subsection must be in a form prescribed
19 by the department and must include supporting information and documentation that
20 the department reasonably requires. The department shall grant or deny an
21 application, or grant an application as to a lesser amount than that claimed and deny it
22 as to the excess, not later than 120 [60] days after the latest of (1) March 31 of the
23 year following the calendar year in which the qualified capital expenditure or carried-
24 forward annual loss for which the credit is claimed was incurred; (2) [1] THE
25 APPLICANT IS REQUIRED UNDER AS 43.55.030(a) TO FILE A STATEMENT
26 ON OR BEFORE MARCH 31 OF THE YEAR FOLLOWING THE CALENDAR
27 YEAR IN WHICH THE QUALIFIED CAPITAL EXPENDITURES OR CARRIED-
28 FORWARD ANNUAL LOSS FOR WHICH THE CREDIT IS CLAIMED WAS
29 INCURRED.] the date the statement required under AS 43.55.030(a) or (c) was
30 filed for the calendar year in which the qualified capital expenditure or carried-
31 forward annual loss for which the credit is claimed was incurred; or (3) the date

1 the application was received by the department. If, based on the information then
 2 available to it, the department is reasonably satisfied that the applicant is entitled to a
 3 credit, the department shall issue the applicant two [A] transferable tax credit
 4 certificates, each [CERTIFICATE] for half of the amount of the credit. The credit
 5 shown on one of the two certificates is available for immediate use. The credit
 6 shown on the second of the two certificates may not be applied against a tax for a
 7 calendar year earlier than the calendar year following the calendar year in
 8 which the certificate is issued, and the certificate must contain a conspicuous
 9 statement to that effect. A certificate issued under this subsection does not expire.

10 * Sec. 27, AS 43.55.023(e) is amended to read:

11 (e) A person to which a transferable tax credit certificate is issued under (d)
 12 of this section may transfer the certificate to another person, and a transferee may
 13 further transfer the certificate. Subject to the limitations set out in (a) - (d) [(a) - (c)]
 14 of this section, and notwithstanding any action the department may take with respect
 15 to the applicant under (e) of this section, the owner of a certificate may apply the
 16 credit or a portion of the credit shown on the certificate only against a tax levied by
 17 [DUE UNDER] AS 43.55.011(e). However, a credit shown on a transferable tax
 18 credit certificate may not be applied to reduce a transferee's total tax liability [DUE]
 19 under AS 43.55.011(e) for [ON] oil and gas produced during a calendar year to less
 20 than 80 percent of the tax that would otherwise be due without applying that credit.
 21 Any portion of a credit not used under this subsection may be applied in a later
 22 period.

23 * Sec. 28, AS 43.55.023(i) is amended to read:

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

1 before April 1, 2006, that would be qualified capital expenditures, if they were
2 incurred after March 31, 2006;

3 (2) a producer or explorer that did not have commercial production
4 of oil or gas from a lease or property in the state before January 1,
5 20082006, may elect to take a tax credit against a tax levied by [DUE UNDER]
6 AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's
7 transitional investment expenditures, but only to the extent that the amount does not
8 exceed 1/10 of the producer's or explorer's qualified capital expenditures that wereare
9 incurred after March 31, 2006, and before January 1, 2008 ~~ARE INCURRED~~
10 ~~DURING THE CALENDAR YEAR FOR WHICH THE CREDIT IS TAKEN~~ during
11 the calendar year for which the credit is taken;

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

14 (A) for any calendar year after [THE LATER OF

15 (i) 2013; [OR

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

22 (B) more than once; or

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

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

28 * Sec. 2829, AS 43.55.023 is amended by adding a new subsection to read:

29 (f) ~~Notwithstanding the limitation on the use of a transferable tax credit by a~~
30 ~~transferee under (e) of this section and subject to appropriations made by law, if and~~
31 ~~to the extent that purchase of transferable tax credits by the Alaska Retirement~~

1 Management Board is authorized by law, the department shall issue a cash refund to
2 the Alaska Retirement Management Board for a transferable tax credit originally
3 issued to a person under (d) of this section and purchased by the Alaska Retirement
4 Management Board. An entity that is exempt from taxation under this chapter may
5 not apply for a transferable tax credit certificate.

6 * Sec. 29~~30~~, AS 43.55.025(a) is amended to read.

7 (a) Subject to the terms and conditions of this section, a credit against the
8 production tax levied by [DUE UNDER] AS 43.55.011(c) or [OR (f)] is allowed for
9 exploration expenditures that qualify under (b) of this section in an amount equal to
10 one of the following:

11 (1) ~~30~~[20] percent of the total exploration expenditures that qualify
12 only under (b) and (c) of this section;

13 (2) ~~30~~[20] PERCENT percent of the total exploration expenditures
14 [FOR WORK PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under
15 (b) and (d) of this section;

16 (3) 40 percent of the total exploration expenditures that qualify under
17 (b), (c), and (d) of this section; or

18 (4) 40 percent of the total exploration expenditures that qualify only
19 under (b) and (c) of this section.

20 * Sec. 30~~31~~, AS 43.55.025(b) is amended to read:

21 (b) To qualify for the production tax credit under (a) of this section, an
22 exploration expenditure must be incurred for work performed [ON OR] after
23 December 31, 2006~~2007~~ [JULY 1, 2003], and before July 1, 2016. [EXCEPT THAT
24 AN EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST
25 BE INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005.] and

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

28 (2) if for an exploration well,

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

31 (B) may be for either a [AN OIL OR GAS DISCOVERY]

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well that encounters an oil or gas deposit or a dry hole; [AND]

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

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

(3) may not be for [TESTING, STIMULATION, OR COMPLETION COSTS:] administration, supervision, engineering, or lease operating costs; geological or management costs; community relations or environmental costs; bonuses, taxes, or other payments to governments related to the well; costs including repairs and replacements arising from or associated with fraud, willful misconduct, gross negligence, criminal negligence, or violation of law, including a violation of 33 U.S.C. 1319(e)(1) health, safety, or environmental statutes or 1321(b)(3) (Clean Water Act) regulations; or other costs that are generally recognized as indirect costs or financing costs; and

(4) may not be incurred for an exploration well or seismic exploration that is included in a plan of exploration or a plan of development for any unit on before May 14, 2003 [ON MAY 13, 2003].

* Sec. 31,32, AS 43.55.025(c) is repealed and reenacted to read:

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

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

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

(A) before spudding the well,

(i) the explorer shall submit to the commissioner of natural resources the information necessary to determine whether the geological objective of the well is a potential oil or gas trap that is