

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3402

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distinctly separate from any trap that has been tested by a preexisting well; and

(ii) ~~at the time of the request for a determination under (i), the commissioner of natural resources may request from the explorer that specific data sets, ancillary data, and reports including all results, and copies of data collected and data analyses for the well be provided to the Department of Natural Resources upon completion of the well; in this subparagraph, well data includes all analyses conducted on physical material, and well logs collected from the well and sample analyses; testing geophysical and velocity data including vertical seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and access to tangible material; and~~

(iii) ~~the commissioner of natural resources must make an affirmative determination on whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well and what information under (ii) must be submitted after completion, abandonment, or suspension under AS 31.05.030~~ question; the commissioner of natural resources shall decide whether to make that determination within 60 days after receiving all the necessary information from the explorer and based on the information received and on other information the commissioner of natural resources may consider relevant;

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

(C) after completion, ~~suspension, or abandonment, or suspension under AS 31.05.030~~ of the exploration well, the commissioner of natural resources must determine that the well was consistent with

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30 days after the date of a request, unless a longer period is provided by the Department of Natural Resources, specific data sets, ancillary data, and reports identified in (A) of this paragraph: in this subparagraph,

(i) a seismic or geophysical data set includes the data for an entire seismic survey, irrespective of whether the survey area covers nonstate land in addition to state land or land in a unit in addition to land outside a unit;

(ii) well data include all derivative products, results, and copies of data collected and data analyses for the well; well logs; sample analyses; geophysical and velocity data including vertical seismic profiles and check shot surveys; and tangible material including, for each whole core collected, a lengthwise cut slab that is at least 1/3 of the whole core volume, and representative samples, as specified by the Department of Natural Resources, of other gaseous, liquid, or solid material collected from drilling or testing the well;

(C) that, notwithstanding any provision of AS 38, information provided under this paragraph will be held confidential by the Department of Natural Resources

(i) in the case of well data, until the expiration of the 24-month period of confidentiality described in AS 31.05.035(c) -), without extension, after which the Department of Natural Resources [FOR 10 YEARS FOLLOWING THE COMPLETION DATE], at which time the Department of Natural Resources [AT WHICH TIME THAT DEPARTMENT] will release the information after 30 days' public notice unless, in the discretion of the commissioner of natural resources, it is necessary to protectwithhold the well data in order to avoid disclosing information relating to the valuation of unleased acreage in the same vicinity, or unless the well is on private land and the owner, including the lessor but not the lessee, of the oil and gas resources

1 ~~has not given permission to release the well data;~~

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

11 (iii) in the case of seismic data obtained by seismic
12 exploration subject to (l) of this section, only until the expiration of
13 30 days' public notice issued on or after the date the production
14 tax credit certificate is issued under (5) of this subsection;

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

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

21 (5) if the department is satisfied that the explorer's claimed
22 expenditures are qualified under this section and that all data required to be
23 submitted under this section have been submitted, the department shall issue to the
24 explorer a production tax credit certificate for the amount of credit to be allowed
25 against production taxes levied by AS 43.55.011(e) or (f); the credit is available for
26 immediate use; notwithstanding any contrary provision of AS 38, AS 40.25.100,
27 or AS 43.05.230, the following information is not confidential:

28 (A) the explorer's name;

29 (B) the date of the application;

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

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

1 and

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

5 * Sec. 33.34. AS 43.55.025(g) is amended to read:

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

10 * Sec. 35. AS 43.55.025(h) is amended to read:

11 (h) A producer that purchases a production tax credit certificate may apply
12 the credits against its production tax levied by [LIABILITY UNDER]
13 AS 43.55.011(e) [OR (f)]. Regardless of the price the producer paid for the
14 certificate, the producer may receive a credit against its production tax liability for the
15 full amount of the credit, but for not more than the amount for which the certificate is
16 issued. A production tax credit allowed under this section may not be applied more
17 than once.

18 * Sec. 36. AS 43.55.025(i) is repealed and reenacted to read:

19 (i) For a production tax credit under this section,
20 (1) a credit may not be applied to reduce a taxpayer's tax liability
21 under AS 43.55.011(e) or (f) below zero for a calendar year; and
22 (2) an amount of the production tax credit in excess of the amount that
23 may be applied for a calendar year under this subsection may be carried forward and
24 applied against the taxpayer's tax liability under AS 43.55.011(e) or (f) in one or more
25 later calendar years.

26 * Sec. 34.37. AS 43.55.025(k) is amended by adding a new paragraph to read:

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

30 * Sec. 35.38. AS 43.55.025 is amended by adding a new subsections subsection to read:

31 (l) Subject to the terms and conditions of this section, if a claim is filed under

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

5 (1) have been for seismic exploration that

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

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

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

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

19 * Sec. 36.39, AS 43.55.030(a) is amended to read:

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

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

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

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

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

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

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

14 (7) the production tax values of the oil and gas under
15 AS 43.55.160;

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

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

20 * Sec. 37.40, AS 43.55.030(d) is amended to read:

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

29 * Sec. 38.41, AS 43.55.030 is amended by adding new subsections to read:

30 (e) An explorer or producer that incurs a lease expenditure under
31 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar

1 year but does not produce oil or gas from a lease or property in the state during the
2 calendar year shall file with the department on March 31 of the following year a
3 statement, under oath, in a form prescribed by the department, giving, with other
4 information required, the following:

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

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

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

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

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

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

18 (4) lease expenditures and adjustments under AS 43.55.165 and
19 43.55.170;

20 (5) joint interest billings;

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

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

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

26 * Sec. 39.42, AS 43.55.040 is amended to read:

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

29 (1) require a person engaged in production and the agent or employee
30 of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil
31 or gas to furnish, whether by the filing of regular statements or reports or otherwise,

1 additional information that is considered by the department as necessary to compute
2 the amount of the tax; notwithstanding any contrary provision of law, the disclosure
3 of additional information under this paragraph to the producer obligated to pay the tax
4 does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information
5 under this paragraph that is otherwise required to be held confidential under
6 AS 40.25.100(a) or AS 43.05.230(a), the department shall

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

10 (B) impose appropriate conditions limiting

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

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

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

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

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

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

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

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

1 owners relating to unit budget matters; and

2 (6) require a producer that has an average total production in the
3 state of more than 100,000 barrels a day for a calendar year to report the gross
4 value at the point of production of the producer's taxable oil and gas in the state
5 for a calendar year and the total amount of lease expenditures in the state for
6 that calendar year; and

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

15 * Sec. 40.43. AS 43.55 is amended by adding a new section to read:

16 ~~Sec. 43.55.055. Penalty for understatement of tax. (a) In addition to other~~
17 ~~penalties prescribed by law, if there is a substantial understatement of tax required to~~
18 ~~be shown on a statement required under AS 43.55.030(a), there shall be added to the~~
19 ~~tax an amount equal to 40 percent of the substantial understatement of tax.~~

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

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

27 ~~(d) For purposes of this section,~~

28 ~~(1) a substantial understatement of tax for any calendar year exists if~~
29 ~~the amount of the understatement for the calendar year exceeds the lesser of 40~~
30 ~~percent of the tax required to be shown on the statement for the calendar year or~~
31 ~~\$10,000,000;~~

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

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

~~* Sec. 41. AS 43.55 is amended by adding new sections to read:~~

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

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

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

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

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

(1) within 60 days after the final determination of the alteration.

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modification, recomputation, or deficiency, notify the department in writing; and

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

(d) In this section,

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

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

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

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

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

~~(2) the producer or explorer deposits in the court where the judgment was entered or the appeal is pending, in the form of cash, bond, or other security,~~

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

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

~~(i) the applicable statutory rate; or~~

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

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~~(c) In this section:~~

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

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

*~~Sec. 42.44.~~ AS 43.55.110 is amended by adding new subsections to read:

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

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

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

(h) Subject to legislative appropriation, the department may compensate a person who provides information to the department about noncompliance with the provisions of this chapter by an explorer or a producer of oil or gas if that information leads to the collection of additional taxes, penalties, or interest from the producer. The amount of compensation under this subsection may not exceed the lesser of \$1,000,500,000 or 10 percent of the additional tax, penalty, or interest collected as a result of the information. A state employee or an agent of the state is not eligible for compensation under this subsection.

~~(i) A person who, under (h) of this section, provides, in bad faith, to the department erroneous information about noncompliance with the provisions of this chapter by an explorer or producer of oil or gas shall pay to the~~

~~(i) department all expenses related to the department's investigation of the alleged noncompliance; and~~

1 ~~(2) explorer or producer about whom the noncompliance was alleged~~
2 ~~all expenses that are incurred by the explorer or producer relating to the department's~~
3 ~~investigation of the alleged noncompliance.~~

4 * ~~Sec. 43.45.~~ AS 43.55.150 is amended to read:

5 **Sec. 43.55.150. Determination of gross value at the point of production.**

6 (a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point of
7 production is calculated using the actual [REASONABLE] costs of transportation of
8 the oil or gas [. THE REASONABLE COSTS OF TRANSPORTATION ARE THE
9 ACTUAL COSTS], except when the

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

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

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

18 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1),
19 (2), or [AND] (3) of this section is [ARE] present, the gross value at the point of
20 production is calculated using the actual costs of transportation, or the
21 reasonable costs of transportation as determined under this subsection,
22 whichever is lower. The [THE] department shall determine the reasonable costs of
23 transportation, using the fair market value of like transportation, the fair market value
24 of equally efficient and available alternative modes of transportation, or other
25 reasonable methods. Transportation costs fixed by tariff rates that have been
26 adjudicated as just and reasonable by [PROPERLY ON FILE WITH] the
27 Regulatory Commission of Alaska or another [OTHER] regulatory agency and
28 transportation costs in an arm's length transaction paid by parties not affiliated
29 with an owner of the method of transportation shall be considered prima facie
30 reasonable.

31 (c) In determining the gross value of oil under [(a) Of] this section, the

1 department may not allow as reasonable costs of transportation

2 (1) the amount of loss of or damage to, or of expense incurred due to
3 the loss of or damage to, a vessel used to transport oil if the loss, damage, or expense
4 is incurred in connection with a catastrophic oil discharge from the vessel into the
5 marine or inland waters of the state;

6 (2) the incremental costs of transportation of the oil that are
7 attributable to temporary use of or chartered or substituted service provided by
8 another vessel due to the loss of or damage to a vessel regularly used to transport oil
9 and that are incurred in connection with a catastrophic oil discharge into the marine or
10 inland waters of the state; and

11 (3) the costs incurred to charter, contract, or hire vessels and
12 equipment used to contain or clean up a catastrophic oil discharge.

13 * ~~Sec. 44.46.~~ AS 43.55.160(a) is amended to read:

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

15 [(1)] AS 43.55.011(e), the ~~[ANNUAL]~~ annual production tax value of
16 the taxable

17 (1) [(A)] oil and gas produced during a calendar year from leases or
18 properties in the state that include land north of 68 degrees North latitude is the gross
19 value at the point of production of the oil and gas taxable under AS 43.55.011(e) and
20 produced by the producer from those leases or properties, less the producer's lease
21 expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas
22 produced by the producer from those leases or properties, as adjusted under
23 AS 43.55.170; ~~this subparagraph does not apply to gas subject to~~
24 AS 43.55.011(o);

25 (2) [(B)] oil and gas produced during a calendar year from leases or
26 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
27 north of 68 degrees North latitude, is the gross value at the point of production of the
28 oil and gas taxable under AS 43.55.011(e) and produced by the producer from those
29 leases or properties, less the producer's lease expenditures under AS 43.55.165 for the
30 calendar year applicable to the oil and gas produced by the producer from those leases
31 or properties, as adjusted under AS 43.55.170; ~~this subparagraph does not apply to~~

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~~gas subject to AS 43.55.011(o):~~

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

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

~~(5) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170~~

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

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

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PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;

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

(C) OIL PRODUCED DURING A MONTH FROM A LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR APPLICABLE TO THE OIL PRODUCED BY THE PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED UNDER AS 43.55.170;

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

* Sec. 45.47, AS 43.55.160(b) is amended to read:

1 (b) A production tax value calculated under [(a) OF] this section may not be
2 less than zero.

3 * Sec. 48. AS 43.55.160(e) is amended to read:

4 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
5 would otherwise be deductible by a producer in a calendar year but whose deduction
6 would cause a a [AN ANNUAL.] production tax value calculated under (a) [(a)(1)] of
7 this section of taxable oil or gas produced during the calendar year to be less than
8 zero may be used to establish a carried-forward annual loss under AS 43.55.023(b).
9 However, the department shall provide by regulation a method to ensure that,
10 for a period for which a producer's tax liability is limited by AS 43.55.011(j) or
11 (k), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
12 would otherwise be deductible by a producer for that period but whose
13 deduction would cause a production tax value calculated under (a)(3) or (4) of
14 this section to be less than zero are accounted for as though the adjusted lease
15 expenditures had first been used as deductions in calculating the production tax
16 values of oil or gas subject to any of the limitations under AS 43.55.011(j) or (k)
17 that have positive production tax values so as to reduce the tax liability
18 calculated without regard to the limitation to the maximum amount provided for
19 under the applicable provision of AS 43.55.011(j) or (k). Only the amount of
20 those adjusted lease expenditures remaining after the accounting provided for
21 under this subsection may be used to establish a carried-forward annual loss
22 under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

23 * Sec. 46,49. AS 43.55.165(a) is repealed and reenacted to read:

24 (a) Except as provided in (k) and (l) of this section for purposes of this
25 chapter, a producer's lease expenditures for a calendar year are

26 (1) costs, other than items listed in (e) of this section, that are

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

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land in the state; and

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

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

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

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

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

* Sec. 47.50, AS 43.55.165(b) is amended to read:

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

(1) direct costs include

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

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

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

(2) an activity does not need to be physically located on, near, or within the premises of the lease or property within which an oil or gas deposit being explored for, developed, or produced is located in order for the cost of the activity to

1 be a cost upstream of the point of production of the oil or gas;

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

4 (A) typical industry practices and standards in the state
5 that determine the costs, other than items listed in (e) of this section, that
6 an operator is allowed to bill a producer that is not the operator, under
7 unit operating agreements or similar operating agreements that were in
8 effect before December 2, 2005, and were subject to negotiation with at
9 least one producer with substantial bargaining power, other than the
10 operator; and

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

15 * Sec. 48.51, AS 43.55.165(c) is repealed and reenacted to read:

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

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

29 (A) are billed to the producer by the operator under the
30 agreement to which that lease or property is subject and are either not disputed
31 by a working interest owner party to the agreement or are finally determined

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to be properly billable as a result of dispute resolution; or

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

(2) a reasonable percentage, as determined under regulations adopted by the department, of the costs that are billed under (1) of this subsection as an allowance for overhead expenses directly related to exploring for, developing, and producing oil or gas deposits located within the lease or property.

* Sec. 52, AS 43.55.165(e) is amended to read:

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

(1) depreciation, depletion, or amortization;

(2) oil or gas royalty payments, production payments, lease profit shares, or other payments or distributions of a share of oil or gas production, profit, or revenue, except that a producer's lease expenditures applicable to oil and gas produced from a lease issued under AS 38.05.180(D)(3)(B), (D), or (E) include the share of net profit paid to the state under that lease;

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

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

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

(6) costs, including repairs and replacements, arising from or associated with fraud, willful misconduct, [OR] gross negligence, eriminal negligence, or violation of law, including or failure to comply with an obligation under a violation of 33 U.S.C. 1319(c)(1) lease, permit, or license issued by the state or 1321(b)(3) (Clean Water Act) federal government;

(7) fines or penalties imposed by law;

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

(9) costs incurred in organizing a partnership, joint venture, or other

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business entity or arrangement:

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

(11) surcharges levied under AS 43.55.201 or 43.55.300;

(12) ~~an expenditure incurred~~ for a transaction that is an internal transfer or is otherwise not an arm's length transaction, ~~unless the producer establishes to the satisfaction of the department expenditures incurred that the expenditure is not~~ ~~[EXPENDITURES INCURRED THAT ARE]~~ are in excess of fair market value;

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

(14) a tax levied under AS 43.55.011;

(15) [THE PORTION OF] costs incurred for dismantlement, removal, surrender, or abandonment of a facility, pipeline, well pad, platform, or other structure, or for the restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in conjunction with dismantlement, removal, surrender, or abandonment [THAT IS ATTRIBUTABLE TO PRODUCTION OF OIL OR GAS OCCURRING BEFORE APRIL 1, 2006; THE PORTION IS CALCULATED AS A RATIO OF THE AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF OIL EQUIVALENT, ASSOCIATED WITH THE FACILITY, PIPELINE, WELL PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY OF WATER, OR RIGHT-OF-WAY OCCURRING BEFORE APRIL 1, 2006, TO THE TOTAL AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF OIL EQUIVALENT, ASSOCIATED WITH THAT FACILITY, PIPELINE, WELL PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY OF WATER, OR RIGHT-OF-WAY THROUGH THE END OF THE CALENDAR MONTH BEFORE COMMENCEMENT OF THE DISMANTLEMENT, REMOVAL, SURRENDER, OR ABANDONMENT]; a cost is not excluded under

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this paragraph if the dismantlement, removal, surrender, or abandonment for which the cost is incurred is undertaken for the purpose of replacing, renovating, or improving the facility, pipeline, well pad, platform, or other structure; [FOR THE PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

- (A) IN THE CASE OF OIL, ONE BARREL;
- (B) IN THE CASE OF GAS, 6,000 CUBIC FEET;]

(16) costs incurred for containment, control, cleanup, or removal in connection with any unpermitted release of oil or a hazardous substance and any liability for damages imposed on the producer or explorer for that unpermitted release; this paragraph does not apply to the cost of developing and maintaining an oil discharge prevention and contingency plan under AS 46.04.030;

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

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

(19) costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that results in or is undertaken in response to a failure, problem, or event that results in an unscheduled interruption of, or reduction in the rate of, oil or gas production; or costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that is undertaken in response to, or is otherwise associated with, an unpermitted release of a hazardous substance or of gas; however, costs under this paragraph that would otherwise constitute lease expenditures under (a) and (b) of this section may be treated as lease expenditures if the department determines that the repair or replacement is solely necessitated by an act of war, by an unanticipated grave natural disaster or other natural phenomenon of an

1 exceptional, inevitable, and irresistible character, the effects of which could not
2 have been prevented or avoided by the exercise of due care or foresight, or by an
3 intentional or negligent act or omission of a third party, other than a party or its
4 agents in privity of contract with, or employed by, the producer or an operator
5 acting for the producer, but only if the producer or operator, as applicable,
6 exercised due care in operating and maintaining the facility, pipeline, structure,
7 or equipment, and took reasonable precautions against the act or omission of the
8 third party and against the consequences of the act or omission: in this
9 paragraph,

10 (A) "costs incurred for repair, replacement, or deferred
11 maintenance of a facility, a pipeline, a structure, or equipment" includes
12 costs to dismantle and remove the facility, pipeline, structure, or
13 equipment that is being replaced;

14 (B) "hazardous substance" has the meaning given in
15 AS 46.03.826;

16 (C) "replacement" includes renovation or improvement;

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

28 (2021) costs of lobbying, public relations, public relations
29 advertising, or policy advocacy.

30 * Sec. 49.53, AS 43.55.165(h) is amended to read:

31 (h) The department shall adopt regulations that provide for reasonable

1 methods of allocating costs between oil and gas, ~~between gas subject to~~
2 ~~AS 43.55.011(o) and other gas~~, and between leases or properties in those
3 circumstances where an allocation of costs is required to determine [THE
4 DETERMINATION OF THE] lease expenditures that are costs of exploring for,
5 developing, or producing oil deposits or costs of exploring for, developing, or
6 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of
7 exploring for, developing, or producing oil or gas deposits located within
8 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or
9 properties], REQUIRES AN ALLOCATION OF COSTS].

10 * ~~Sec. 50, 54.~~ AS 43.55.165~~170(a)~~ is amended by adding new subsections to read:

11 (k) ~~For purposes of AS 43.55.160, for a calendar year after 2006, a producer's~~
12 ~~total lease expenditures, before adjustment under AS 43.55.170, that are applicable to~~
13 ~~oil and gas produced by the producer from all leases or properties within a unit from~~
14 ~~which 1,000,000,000 BTU equivalent barrels of oil or gas have been cumulatively~~
15 ~~produced by the close of the most recent calendar year and from which the average~~
16 ~~daily oil and gas production during the most recent calendar year exceeded 100,000~~
17 ~~BTU equivalent barrels are determined under this subsection and (l) of this section.~~
18 ~~Except as otherwise provided(a). Unless the payment or credit has already been~~
19 ~~subtracted in calculating billable or billed costs under (l) of this section, the~~
20 ~~producer's total lease expenditures, other than qualified capital expenditures, (1) for~~
21 ~~calendar year 2007, are equal to the product of 1.37 multiplied by the total lease~~
22 ~~expenditures for calendar year 2006, other than qualified capital expenditures, that are~~
23 ~~applicable to oil and gas produced by the producer from all leases or properties within~~
24 ~~the unit, as reported on the producer's statement under AS 43.55.030(a) for calendar~~
25 ~~year 2006, and (2) for a calendar year after 2007, are equal to the product of 1.03~~
26 ~~multiplied by the total lease expenditures, other than qualified capital expenditures,~~
27 ~~determined for the previous calendar year under this subsection. The producer's total~~
28 ~~lease expenditures for a calendar year after 2006 that are applicable to oil and gas~~
29 ~~produced by the producer from all leases or properties within a unit subject to this~~
30 ~~subsection are the sum of the producer's qualified capital expenditures incurred~~
31 ~~during the calendar year that are applicable to that oil and gas plus the lease~~

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

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

20 ~~§~~ Sec. 51. AS 43.55.170(a) is amended to read:

21 (a) ~~A~~ UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
22 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
23 AS 43.55.165(c) [OR (d)-(f)], a producer's lease expenditures under AS 43.55.165
24 must be adjusted by subtracting payments or credits, other than tax credits, received
25 by the producer or by an operator acting for the producer for

26 (1) the use by another person of a production facility in which the
27 producer has an ownership interest or the management by the producer of a
28 production facility under a management agreement providing for the producer to
29 receive a management fee;

30 (2) a reimbursement or similar payment that offsets the producer's
31 lease expenditures, including an insurance recovery from a third-party insurer and a

1 payment from the state or federal government for reimbursement of the producer's
2 upstream costs, including costs for gathering, separating, cleaning, dehydration,
3 compressing, or other field handling associated with the production of oil or gas
4 upstream of the point of production;

5 (3) the sale or other transfer of

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

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

14 (ii) for a transaction that is an internal transfer or is
15 otherwise not an arm's length transaction, if the sale or transfer of the
16 asset is made for less than fair market value, the amount subtracted
17 must be the fair market value; and

18 (B) oil or gas

19 (i) that is not considered produced from a lease or
20 property under AS 43.55.020(e); and

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

23 * Sec. 52.55, AS 43.55 is amended by adding a new section to article 4 to read:

24 Sec. 43.55.890. Disclosure of tax information. Notwithstanding any contrary
25 provision of AS 40.25.100, and regardless of whether the information is considered
26 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
27 particular returns or reports, the department may publish the following information
28 under this chapter, if aggregated among three or more producers or explorers,
29 showing by month or calendar year and by lease or property, unit, or area of the state:

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

31 (2) the amount of taxes levied under this chapter or paid under this

1 chapter:

- 2 (3) the effective tax rates under this chapter;
- 3 (4) the gross value of oil or gas at the point of production;
- 4 (5) the transportation costs for oil or gas;
- 5 (6) qualified capital expenditures, as defined in AS 43.55.023;
- 6 (7) exploration expenditures under AS 43.55.025;
- 7 (8) production tax values of oil or gas under AS 43.55.160;
- 8 (9) lease expenditures under AS 43.55.165;
- 9 (10) adjustments to lease expenditures under AS 43.55.170;
- 10 (11) tax credits applicable or potentially applicable against taxes
- 11 levied by this chapter.

12 * Sec. 53.56. AS 43.55.900 is amended by adding new paragraphs to read:

13 (22) "producer" means an owner of an operating right, operating

14 interest, or working interest in a mineral interest in oil or gas;

15 (23) ~~"progressivity tax rate" means that part of the tax rate in~~

16 ~~AS 43.55.011(g) that exceed 25 percent;~~

17 (24) "unit" means a group of tracts of land that is

18 (A) subject to a cooperative or a unit plan of development or

19 operation that has been certified by the commissioner of natural resources

20 under AS 38.05.180(p);

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

22 operation that has been certified by the United States Secretary of the Interior

23 under 30 U.S.C. 226(m);

24 (C) subject to an agreement of the owners of interests in the

25 tracts of land to validly integrate their interests to provide for the unitized

26 management, development, and operation of the tracts of land as a unit, within

27 the meaning of AS 31.05.110(a); or

28 (D) within the unit area of a unit created by order of the

29 Alaska Oil and Gas Conservation Commission under AS 31.05.110(b);.

30 (25) ~~"used in the state" means delivered for consumption as fuel in the~~

31 ~~state, including as fuel consumed to generate electricity;~~

1 ~~* Sec. 54. AS 43.55.160(e), 43.55.165(c), 43.55.165(d), and 43.55.180 are repealed.~~

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

4 ~~APPLICABILITY. (a) Sections 15, 36, 38, 41, 51, and 54 of this Act apply to oil~~
5 ~~and gas produced after December 31, 2007.~~

6 ~~(b) Sections 36 and 38 of this Act apply to statements and reports under~~
7 ~~AS 43.55.03 (a), as amended by sec. 36 of this Act, and AS 43.55.030(e) and (f), as added~~
8 ~~by sec. 38 of this Act, required to be filed after December 31, 2007.~~

9 ~~(c) Sections 29, 32, and 34 of this Act apply to exploration expenditures incurred for~~
10 ~~work performed after December 31, 2006, that are the basis of tax credits that may be~~
11 ~~claimed against taxes levied for oil and gas produced after December 31, 2007.~~

12 ~~(d) AS 43.55.055, enacted by sec. 40 of this Act, applies to understatements made~~
13 ~~after the effective date of sec. 40 of this Act.~~

14 ~~(e) AS 43.55.075(a), enacted by sec. 41 of this Act, applies to any tax liability under~~
15 ~~AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260~~
16 ~~had not expired before the effective date of secs. 14 and 41 of this Act.~~

17 ~~(f) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d) in~~
18 ~~sec. 37 of this Act, applies to any report required to be filed after the effective date of sec. 37~~
19 ~~of this Act that is not filed timely.~~

20 ~~(g) The penalty in AS 43.55.040(v), enacted by the amendment to AS 43.55.040 in~~
21 ~~sec. 39 of this Act, applies to any report, statement, or other document required to be filed~~
22 ~~after the effective date of sec. 39 of this Act.~~

23 ~~* Sec. 56. The uncodified law of the State of Alaska is amended by adding new sections to~~
24 ~~read:~~

25 ~~OIL AND GAS REVENUE AUDIT MASTER POSITIONS; LEGISLATIVE~~
26 ~~INTENT. It is the intent of the legislature that the commissioner of administration shall~~
27 ~~cause not more than four oil and gas revenue audit master positions to be created in the~~
28 ~~Department of Revenue and not more than two oil and gas revenue audit master positions to~~
29 ~~be created in the Department of Natural Resources. Oil and gas revenue audit masters shall~~
30 ~~be employed in a professional capacity to collect oil and gas revenue by developing policy,~~
31 ~~conducting studies, drafting proposed regulations, enforcing regulations, and directing audits~~

1 by oil and gas auditors:

2 ~~OIL AND GAS AUDITORS: CLASSIFICATION AND PAY PLANS.~~

3 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
4 implement a distinct position classification plan and a distinct pay plan for oil and gas
5 auditors and their immediate supervisors that perform

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

7 (2) royalty audits, including net profit share audits, in the Department of
8 Natural Resources.

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

11 ~~TRANSITION: DEPARTMENT OF NATURAL RESOURCES REGULATIONS.~~

12 Notwithstanding any contrary provision of AS 41.62.240, a regulation adopted by the
13 Department of Natural Resources to implement, interpret, make specific, or otherwise carry
14 out statutory provisions for the administration of oil and gas leases issued under
15 AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation deals with the treatment of oil
16 and gas production taxes in determining net profits under those leases, may apply
17 retroactively to April 1, 2006, if the Department of Natural Resources expressly designates in
18 the regulation that the regulation applies retroactively to that date. ~~* Sec. 57,~~

19 ~~AS 43.55.011(d), 43.55.011(f), 43.55.011(n), 43.55.160(c), and 43.55.165(d) are repealed.~~

20 * Sec. 58. The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 APPLICABILITY. (a) Sections 15 - 27, 29 - 38, and 45 - 57 of this Act apply to oil
23 and gas produced after June 30, 2007.

24 (b) Sections 39 and 41 of this Act apply to statements and reports under
25 AS 43.55.030(a), as amended by sec. 39 of this Act, and AS 43.55.030(e) and (f), as added
26 by sec. 41 of this Act, required to be filed after the effective date of secs. 39 and 41 of this
27 Act.

28 (c) Sections 30 - 33, 35, and 37 of this Act apply to exploration expenditures incurred
29 for work performed after December 31, 2007, that are the basis of tax credits that may be
30 claimed against taxes levied for oil and gas produced after December 31, 2007.

31 (d) AS 43.55.075(a), enacted by sec. 43 of this Act, applies to any tax liability under

1 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260
2 had not expired before the effective date of sees. 14 and 43 of this Act.

3 (e) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d)
4 in sec. 40 of this Act, applies to any report required to be filed after the effective date of sec.
5 40 of this Act that is not filed timely.

6 (f) The penalty in AS 43.55.040(7), enacted by the amendment to AS 43.55.040 in
7 sec. 42 of this Act, applies to any report, statement, or other document required to be filed
8 after the effective date of sec. 42 of this Act.

9 * Sec. 59. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 OIL AND GAS REVENUE AUDIT MASTER POSITIONS; LEGISLATIVE
12 INTENT. It is the intent of the legislature that the commissioner of administration shall cause
13 not more than four oil and gas revenue audit master positions to be created in the Department
14 of Revenue and not more than two oil and gas revenue audit master positions to be created in
15 the Department of natural Resources. Oil and gas revenue audit masters shall be employed in
16 a professional capacity to collect oil and gas revenue by developing policy, conducting
17 studies, drafting proposed regulations, enforcing regulations, and directing audits by oil and
18 gas auditors.

19 * Sec. 60. The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 OIL AND GAS AUDITORS; CLASSIFICATION AND PAY PLANS.
22 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
23 implement a distinct position classification plan and a distinct pay plan for oil and gas
24 auditors and their immediate supervisors, other than revenue audit masters, that perform

25 (1) oil and gas tax audits in the Department of Revenue under the direction of
26 an oil and gas revenue audit master;

27 (2) royalty audits, including net profit share audits, in the Department of
28 Natural Resources under the direction of an oil and gas revenue audit master.

29 * Sec. 61. The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 TRANSITION: PAYMENT OF TAX. A person subject to tax under AS 43.55 that is

1 required to make one or more installment payments of estimated tax or other payment of tax
2 under AS 43.55.020(a), as amended by sec. 21 of this Act, for the production of oil or gas
3 during a month after June 30, 2007, and before the effective date of sec. 21 of this Act but
4 that failed to pay the full amount of the installment payments or other payment of tax
5 required under AS 43.55.020(a) because of the retroactive application of secs. 15 - 27, 29 -
6 38, and 45 - 57 of this Act under sec. 64 of this Act, shall pay before April 1, 2008, the
7 balance of any tax due under AS 43.55 for the period after June 30, 2007, and before the
8 effective date of this section.

9 * Sec. 62. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
12 contrary provision of AS 44.62.240,

13 (1) if the Department of Revenue expressly designates in the regulation that
14 the regulation applies retroactively to that date, a regulation adopted by the Department of
15 Revenue to implement, interpret, make specific, or otherwise carry out secs. 15 - 27, 29 - 38,
16 and 45 - 57 of this Act may apply retroactively to July 1, 2007;

17 (2) a regulation adopted by the Department of Natural Resources to
18 implement, interpret, make specific, or otherwise carry out statutory provisions for the
19 administration of oil and gas leases issued under AS 38.05.180(D)(3)(B), (D), or (E), to the
20 extent the regulation deals with the treatment of oil and gas production taxes in determining
21 net profits under those leases, may apply retroactively to April 1, 2006, if the Department of
22 Natural Resources expressly designates in the regulation that the regulation applies
23 retroactively to that date.

24 * Sec. 63. The uncodified law of the State of Alaska is amended by adding a new section to
25 read:

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

30 * Sec. 59.64. The uncodified law of the State of Alaska is amended by adding a new
31 section to read:

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

3 (1) ~~AS 43.55.011—43.55.170~~ for the spanned reference "AS 43.55.011—
4 43.55.180"; ~~AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(e), and~~
5 ~~43.55.300(e);~~

6 (2) ~~"AS 43.55.017—43.55.170"~~ for the spanned reference "AS 43.55.017—
7 43.55.180"; ~~AS 43.55.023(g);~~

8 ~~* Sec. 60. RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a)~~
9 ~~Sections 29 and 34 of this Act are retroactive to July 1, 2003.~~

10 (b) ~~Sections 15 - 36; 27, 29 - 38, 44 - 54, and 54-15 - 57 of this Act take~~ retroactive
11 ~~to July 1, 2007.~~

12 ~~* Sec. 65. Section 28 of this Act takes effect January 1, 2008.~~

13 ~~* Sec. 64.66. Except as provided in sec. 60-65 of this Act, this Act takes effect immediately~~
14 ~~under AS 01.10.070(c).~~

Adopted

11/14/07

25-GH0014/R
Bullock
11/13/07

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on
 2 oil; relating to the issuance of advisory bulletins and the disclosure of certain
 3 information relating to the production tax and the sharing between agencies of certain
 4 information relating to the production tax and to oil and gas or gas only leases;
 5 amending the State Personnel Act to create in the exempt service state oil and gas audit
 6 masters; relating to oil and gas auditors and certain oil and gas auditor supervisors;
 7 providing for civil penalties relating to the oil and gas production tax; providing for
 8 retroactive application of certain statutory and regulatory provisions relating to the
 9 production tax on oil and gas; making conforming amendments; and providing for an
 10 effective date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 LEGISLATIVE INTENT. (a) It is the intent of the legislature that AS 43.55.075(b),
3 enacted by sec. 43 of this Act, confirm by clarification the long-standing interpretation of
4 AS 43.05.260 by the Department of Revenue relating to limitation of assessments for the
5 production tax on oil and gas and conservation surcharges on oil.

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

10 (c) It is the intent of the legislature that the legislature will responsibly invest the
11 amounts received after December 31, 2007, as the result of the enactment of this Act that
12 exceed the amounts that would have been received under AS 43.55.011 - 43.55.180, as those
13 provisions read on June 30, 2007, as if those provisions had been applied after December 31,
14 2007, by making appropriations to the following:

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

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

18 (3) to extinguish the amount of the employers' unfunded liability in the
19 teachers' defined benefit retirement plan and the public employees' defined benefit retirement
20 plan; and

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

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

24 (a) The director shall

25 (1) have general charge and supervision of the division and may
26 exercise the powers specifically delegated to the director; the director may employ
27 and fix the compensation of assistants and employees necessary for the operations of
28 the division; the director [AND] is the certifying officer of the division, with the
29 consent of the commissioner, and may approve vouchers for disbursements of money
30 appropriated to the division;

31 (2) manage, inspect, and control state land and improvements on it

1 belonging to the state and under the jurisdiction of the division;

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

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

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

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

11 (7) have jurisdiction over state land, except that land acquired by the
12 Alaska World War II Veterans Board and the Agricultural Loan Board or the
13 departments or agencies succeeding to their respective functions through foreclosure
14 or default; to this end, the director possesses the powers and, with the approval of the
15 commissioner, shall perform the duties necessary to protect the state's rights and
16 interest in state land, including the taking of all necessary action to protect and
17 enforce the state's contractual or other property rights;

18 (8) [REPEALED]

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

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

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

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

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

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

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

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

[(13) REPEALED

(14) REPEALED].

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

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

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

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

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

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

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

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

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

29 (e) The commissioner may make a written request to a prospective licensee
30 for additional information on the prospective licensee's proposal. The commissioner
31 shall keep confidential information described in AS 38.05.035(a)(8)

1 [AS 38.05.035(a)(9)] that is voluntarily provided if the prospective licensee has made
2 a written request that the information remain confidential.

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

4 (j) The commissioner

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

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

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

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

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

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

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

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

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

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

31 (A) under (1)(A) of this subsection if the royalty modification

1 for the field or pool would establish a royalty rate of less than five percent in
2 amount or value of the production removed or sold from a lease or leases
3 covering the field or pool;

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

8 (5) may not grant a royalty reduction under this subsection without
9 including an explicit condition that the royalty reduction is not assignable without the
10 prior written approval, which may not be unreasonably withheld, by the
11 commissioner; the commissioner shall, in the preliminary and final findings and
12 determinations, set out the conditions under which the royalty reduction may be
13 assigned;

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

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

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

31 (7) may

1 (A) require the lessee or lessees making application for the
2 royalty reduction under (1)(A) of this subsection to pay for the services of an
3 independent contractor, selected by the lessee or lessees from a list of
4 qualified consultants compiled by the commissioner, to evaluate hydrocarbon
5 development, production, transportation, and economics and to assist the
6 commissioner in evaluating the application and financial and technical data;
7 if, under this subparagraph, the commissioner requires payment for the
8 services of an independent contractor, the total cost of the services to be paid
9 for by the lessee or lessees may not exceed \$150,000 for each application, and
10 the commissioner shall determine the relevant scope of the work to be
11 performed by the contractor; selection of an independent contractor under this
12 subparagraph is not subject to AS 36.30;

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

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

29 (9) shall offer to appear before the Legislative Budget and Audit
30 Committee, on a day that is not earlier than 10 days and not later than 20 days after
31 giving public notice under (8) of this subsection, to provide the committee a review of

1 the commissioner's preliminary findings and determination on the royalty reduction
2 application and administrative process; if the Legislative Budget and Audit
3 Committee accepts the commissioner's offer, the committee shall give notice of the
4 committee's meeting to all members of the legislature;

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

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

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

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

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

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

16 (B) make a final findings and determination; the
17 commissioner's final findings and determination prepared under this
18 subparagraph regarding a royalty reduction is final and not appealable to the
19 court;

20 (C) transmit a copy of the final findings and determination to
21 the lessee;

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

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

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

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

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

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

2 (42) oil and gas audit masters employed in a professional capacity by
3 the Department of Revenue and the Department of Natural Resources to collect oil
4 and gas revenue by developing policy, conducting studies, drafting proposed
5 regulations, enforcing regulations, and directing audits by oil and gas revenue
6 auditors.

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

8 (d) Data derived from drilling a stratigraphic test well or exploratory well that
9 is provided to the commissioner under (c)(3) of this section shall be kept confidential
10 for 24 months after receipt by the commissioner unless the owner of the well gives
11 written permission to the state to release the well data at an earlier date, and,
12 notwithstanding AS 31.05.035(c), confidentiality may not be extended beyond 24
13 months. The provisions of AS 38.05.035(a)(8)(C) [AS 38.05.035(a)(9)(C)] apply to
14 other data provided to the commissioner under (c)(3) of this section, except that the
15 commissioner, under appropriate confidentiality provisions and without preference or
16 discrimination, may display to all interested third parties, but may not distribute or
17 transfer in hard copy or electronic form, those data with respect to all land if the
18 commissioner determines that the limited disclosure is necessary to further the
19 interest of the state in evaluating or developing its land.

20 * Sec. 12. AS 43.05.230(a) is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas
27 produced north of 68 degrees North latitude, other than oil and gas production
28 subject to (i) of this section, may not be less than

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

1 (2) three percent of the gross value at the point of production when the
2 average price per barrel for Alaska North Slope crude oil for sale on the United States
3 West Coast during the calendar year for which the tax is due is over \$20 but not over
4 \$25;

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

9 (4) one percent of the gross value at the point of production when the
10 average price per barrel for Alaska North Slope crude oil for sale on the United States
11 West Coast during the calendar year for which the tax is due is over \$15 but not over
12 \$17.50; or

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

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

17 (g) The tax rate applied to the monthly production tax value of oil and gas
18 under (e) of this section for each month of the calendar year in which the tax is levied
19 is 22.5 percent plus, for each month for which the monthly average production tax
20 value for each BTU equivalent barrel is more than

21 (1) \$30 but not more than \$50, 0.6 percent multiplied by the number
22 that represents the difference between the average production tax value for each BTU
23 equivalent barrel of the taxable oil and gas for that month and \$30;

24 (2) \$50 but not more than \$70, the sum of 12 percent and the product
25 of 0.5 percent multiplied by the number that represents the difference between the
26 average production tax value for each BTU equivalent barrel of the taxable oil and
27 gas for that month and \$50;

28 (3) \$70 but not more than \$90, the sum of 22 percent and the product
29 of 0.35 percent multiplied by the number that represents the difference between the
30 average production tax value for each BTU equivalent barrel of the taxable oil and
31 gas for that month and \$70;

1 (4) \$90, the sum of 29 percent and the product of 0.1 percent
2 multiplied by the number that represents the difference between the average
3 production tax value for each BTU equivalent barrel of the taxable oil and gas for that
4 month and \$90, except that the sum determined under this paragraph may not exceed
5 50 percent, and the total tax rate under this subsection may not exceed 75 percent.

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

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

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

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

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

27 (k) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND
28 (g)] of this section for [ON] oil produced from a lease or property in the Cook Inlet
29 sedimentary basin may not exceed

30 (1) for a lease or property that first commenced commercial
31 production of oil before April 1, 2006, the product obtained by multiplying (A) the

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

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

15 * **Sec. 20.** AS 43.55.011(m) is repealed and reenacted:

16 (m) Notwithstanding any contrary provision of AS 38.05.180(i),
17 AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by
18 regulation a method to ensure that for a calendar year for which a producer's tax
19 liability is limited by AS 43.55.011(j) or (k), tax credits otherwise available under
20 AS 38.05.180(i), AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to oil or
21 gas subject to the limitations in AS 43.55.011(j) and (k) are accounted for as though
22 the credits had been applied first against a tax liability calculated without regard to
23 the limitations under AS 43.55.011(j) and (k) so as to reduce the tax liability to the
24 maximum amount provided for under AS 43.55.011(j) for the production of gas or
25 AS 43.55.011(k) for the production of oil. The regulation must provide for a
26 reasonable method to allocate tax credits to oil or gas subject to AS 43.55.011(j) and
27 (k). Only the amount of a tax credit remaining after the accounting provided for under
28 this subsection may be used for a later calendar year, transferred to another person, or
29 applied against a tax levied on the production of oil or gas not subject to
30 AS 43.55.011(j) or (k) to the extent otherwise allowed.

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

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

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

10 (A) for oil and gas produced from leases or properties in the
11 state outside the Cook Inlet sedimentary basin, other than leases or properties
12 subject to AS 43.55.011(f), the greater of

13 (i) zero; or

14 (ii) 22.5 percent of the remainder obtained by
15 subtracting 1/12 of the producer's adjusted lease expenditures for the
16 calendar year of production under AS 43.55.165 and 43.55.170 that are
17 deductible for the leases or properties under AS 43.55.160 from the
18 gross value at the point of production of the oil and gas produced from
19 the leases or properties during the month for which the installment
20 payment is calculated;

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

23 (i) zero;

24 (ii) zero percent, one percent, two percent, three
25 percent, or four percent, as applicable, of the gross value at the point of
26 production of the oil and gas produced from all leases or properties
27 during the month for which the installment payment is calculated; or

28 (iii) 22.5 percent of the remainder obtained by
29 subtracting 1/12 of the producer's adjusted lease expenditures for the
30 calendar year of production under AS 43.55.165 and 43.55.170 that are
31 deductible for those leases or properties under AS 43.55.160 from the

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

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

6 (i) zero; or

7 (ii) 22.5 percent of the remainder obtained by
8 subtracting 1/12 of the producer's adjusted lease expenditures for the
9 calendar year of production under AS 43.55.165 and 43.55.170 that are
10 deductible under AS 43.55.160 for oil or gas, respectively, produced
11 from the lease or property from the gross value at the point of
12 production of the oil or gas, respectively, produced from the lease or
13 property during the month for which the installment payment is
14 calculated;

15 (2) an amount calculated under (1)(C) of this subsection for oil or gas
16 produced from a lease or property subject to AS 43.55.011(j) or (k) may not exceed
17 the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or
18 (2), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for
19 oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A), as applicable, the amount of
20 taxable gas produced during the month for the amount of taxable gas produced during
21 the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable,
22 the amount of taxable oil produced during the month for the amount of taxable oil
23 produced during the calendar year;

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

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

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

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

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

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

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

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

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

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

29 or

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

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

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

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

13 * Sec. 24. AS 43.55.023(a) is amended to read:

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

16 (1) notwithstanding that a qualified capital expenditure may be a
17 deductible lease expenditure for purposes of calculating the production tax value of
18 oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
19 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
20 explorer that incurs a qualified capital expenditure may also elect to apply [TAKE] a
21 tax credit against a tax levied by [DUE UNDER] AS 43.55.011(c) in the amount of
22 20 percent of that expenditure; however, not more than half of the tax credit may
23 be applied for a single calendar year;

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

31 (A) agrees, in writing, to the applicable provisions of

1 AS 43.55.025(f)(2) [TO NOTIFY THE DEPARTMENT OF NATURAL
2 RESOURCES, BEFORE THE LATER OF 30 DAYS AFTER
3 COMPLETION OF THE GEOLOGICAL OR GEOPHYSICAL DATA
4 PROCESSING OR COMPLETION OF THE WELL, OR 30 DAYS AFTER
5 THE STATEMENT IS FILED, OF THE DATE OF COMPLETION AND TO
6 SUBMIT A REPORT TO THAT DEPARTMENT DESCRIBING THE
7 PROCESSING SEQUENCE AND PROVIDE A LIST OF DATA SETS
8 AVAILABLE];

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

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

18 [(C) THAT, NOTWITHSTANDING ANY PROVISION OF
19 AS 38, THE DEPARTMENT OF NATURAL RESOURCES SHALL HOLD
20 CONFIDENTIAL THE INFORMATION PROVIDED TO THAT
21 DEPARTMENT UNDER THIS PARAGRAPH FOR 10 YEARS
22 FOLLOWING THE COMPLETION DATE, AFTER WHICH THE
23 DEPARTMENT SHALL PUBLICLY RELEASE THE INFORMATION
24 AFTER 30 DAYS' PUBLIC NOTICE].

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

26 (b) A producer or explorer may elect to take a tax credit in the amount of 22.5
27 [20] percent of a carried-forward annual loss. A credit under this subsection may be
28 applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For purposes of this
29 subsection, a carried-forward annual loss is the amount of a producer's or explorer's
30 adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous
31 calendar year that was not deductible in calculating production tax values for that

1 calendar year under AS 43.55.160 [AS 43.55.160(b) AND (c)].

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

3 (d) Except as limited by (i) of this section, a person that is entitled to take a
4 tax credit under this section, other than a tax credit described in (a)(3) of this
5 section, and that wishes to transfer the unused credit to another person or obtain a
6 cash payment may apply to the department for [A] transferable tax credit certificates
7 [CERTIFICATE]. An application under this subsection must be in a form prescribed
8 by the department and must include supporting information and documentation that
9 the department reasonably requires. The department shall grant or deny an
10 application, or grant an application as to a lesser amount than that claimed and deny it
11 as to the excess, not later than 120 [60] days after the latest of (1) March 31 of the
12 year following the calendar year in which the qualified capital expenditure or carried-
13 forward annual loss for which the credit is claimed was incurred; (2) [IF THE
14 APPLICANT IS REQUIRED UNDER AS 43.55.030(a) TO FILE A STATEMENT
15 ON OR BEFORE MARCH 31 OF THE YEAR FOLLOWING THE CALENDAR
16 YEAR IN WHICH THE QUALIFIED CAPITAL EXPENDITURES OR CARRIED-
17 FORWARD ANNUAL LOSS FOR WHICH THE CREDIT IS CLAIMED WAS
18 INCURRED,] the date the statement required under AS 43.55.030(a) or (c) was
19 filed for the calendar year in which the qualified capital expenditure or carried-
20 forward annual loss for which the credit is claimed was incurred; or (3) the date
21 the application was received by the department. If, based on the information then
22 available to it, the department is reasonably satisfied that the applicant is entitled to a
23 credit, the department shall issue the applicant two [A] transferable tax credit
24 certificates, each [CERTIFICATE] for half of the amount of the credit. The credit
25 shown on one of the two certificates is available for immediate use. The credit
26 shown on the second of the two certificates may not be applied against a tax for a
27 calendar year earlier than the calendar year following the calendar year in
28 which the certificate is issued, and the certificate must contain a conspicuous
29 statement to that effect. A certificate issued under this subsection does not expire.

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

31 (e) A person to which a transferable tax credit certificate is issued under (d)

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

12 * Sec. 28. AS 43.55.023(j) is amended to read:

13 (i) For the purposes of this section,

14 (1) a producer's or explorer's transitional investment expenditures are
15 the sum of the expenditures the producer or explorer incurred after March 31, 2001,
16 and before April 1, 2006, that would be qualified capital expenditures if they were
17 incurred after March 31, 2006, less the sum of the payments or credits the producer or
18 explorer received before April 1, 2006, for the sale or other transfer of assets,
19 including geological, geophysical, or well data or interpretations, acquired by the
20 producer or explorer as a result of expenditures the producer or explorer incurred
21 before April 1, 2006, that would be qualified capital expenditures, if they were
22 incurred after March 31, 2006;

23 (2) a producer or explorer that did not have commercial production
24 of oil or gas from a lease or property in the state before April 1, 2006, may elect
25 to take a tax credit against a tax levied by [DUE UNDER] AS 43.55.011(e) in the
26 amount of 20 percent of the producer's or explorer's transitional investment
27 expenditures, but only to the extent that the amount does not exceed 1/10 of the
28 producer's or explorer's qualified capital expenditures that are incurred during the
29 calendar year for which the credit is taken;

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

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

2 (i)] 2013; [OR

3 (ii) THE SIXTH CALENDAR YEAR AFTER THE
4 CALENDAR YEAR FOR WHICH THE PRODUCER FIRST
5 APPLIES A CREDIT UNDER THIS SUBSECTION AGAINST A
6 TAX DUE UNDER AS 43.55.011(e), IF THE PRODUCER DID NOT
7 HAVE COMMERCIAL PRODUCTION OF OIL OR GAS FROM A
8 LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006;]

9 (B) more than once; or

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

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

15 * Sec. 29. AS 43.55.023 is amended by adding a new subsection to read:

16 (f) An entity that is exempt from taxation under this chapter may not apply
17 for a transferable tax credit certificate.

18 * Sec. 30. AS 43.55.025(a) is amended to read:

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

23 (1) 20 percent of the total exploration expenditures that qualify only
24 under (b) and (c) of this section;

25 (2) 20 percent of the total exploration expenditures [FOR WORK
26 PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under (b) and (d) of
27 this section;

28 (3) 40 percent of the total exploration expenditures that qualify under
29 (b), (c), and (d) of this section; or

30 (4) 40 percent of the total exploration expenditures that qualify only
31 under (b) and (e) of this section.

1 * Sec. 31. AS 43.55.025(b) is amended to read:

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

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

9 (2) if for an exploration well,

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

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

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

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

22 (3) may not be for [TESTING, STIMULATION, OR COMPLETION
23 COSTS;] administration, supervision, engineering, or lease operating costs;
24 geological or management costs; community relations or environmental costs;
25 bonuses, taxes, or other payments to governments related to the well; costs arising
26 from gross negligence or violation of health, safety, or environmental statutes or
27 regulations; or other costs that are generally recognized as indirect costs or financing
28 costs; and

29 (4) may not be incurred for an exploration well or seismic exploration
30 that is included in a plan of exploration or a plan of development for any unit before
31 May 14, 2005 [ON MAY 13, 2003].

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

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

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

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

7 (A) before spudding the well,

8 (i) the explorer shall submit to the commissioner of
9 natural resources the information necessary to determine whether the
10 geological objective of the well is a potential oil or gas trap that is
11 distinctly separate from any trap that has been tested by a preexisting
12 well; and

13 (ii) the commissioner of natural resources must make
14 an affirmative determination on that question; the commissioner of
15 natural resources shall decide whether to make that determination
16 within 60 days after receiving all the necessary information from the
17 explorer and based on the information received and on other
18 information the commissioner of natural resources may consider
19 relevant;

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

25 (C) after completion, suspension, or abandonment of the
26 exploration well, the commissioner of natural resources must determine that
27 the well adequately achieved the explorer's stated geological objective.

28 * Sec. 33. AS 43.55.025(f) is amended to read:

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

30 (1) an explorer shall, in a form prescribed by the department and,
31 except for a credit under (f) of this section, within six months of the completion of

1 the exploration activity, claim the credit and submit information sufficient to
2 demonstrate to the department's satisfaction that the claimed exploration expenditures
3 qualify under this section;

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

5 (A) to notify the Department of Natural Resources, within 30
6 days after completion of seismic or geophysical data processing, completion
7 of [A] well drilling, or filing of a claim for credit, whichever is the latest, for
8 which exploration costs are claimed, of the date of completion and submit a
9 report to that department describing the processing sequence and providing a
10 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN
11 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES
12 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE
13 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
14 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
15 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
16 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES
17 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT
18 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE
19 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL
20 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE
21 SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE
22 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60
23 DAYS;]

24 (B) to provide to the Department of Natural Resources, within
25 30 days after the date of a request, unless a longer period is provided by the
26 Department of Natural Resources, specific data sets, ancillary data, and
27 reports identified in (A) of this paragraph; in this subparagraph,

28 (i) a seismic or geophysical data set includes the
29 data for an entire seismic survey, irrespective of whether the
30 survey area covers nonstate land in addition to state land or land
31 in a unit in addition to land outside a unit;

1 (ii) well data include all derivative products, results,
2 and copies of data collected and data analyses for the well; well
3 logs; sample analyses; geophysical and velocity data including
4 vertical seismic profiles and check shot surveys; and tangible
5 material including, for each whole core collected, a lengthwise cut
6 slab that is at least 1/3 of the whole core volume, and
7 representative samples, as specified by the Department of Natural
8 Resources, of other gaseous, liquid, or solid material collected
9 from drilling or testing the well;

10 (C) that, notwithstanding any provision of AS 38, information
11 provided under this paragraph will be held confidential by the Department of
12 Natural Resources

13 (i) in the case of well data, until the expiration of the
14 24-month period of confidentiality described in AS 31.05.035(c),
15 without extension, after which the Department of Natural
16 Resources [FOR 10 YEARS FOLLOWING THE COMPLETION
17 DATE, AT WHICH TIME THAT DEPARTMENT] will release the
18 information after 30 days' public notice unless, in the discretion of
19 the commissioner of natural resources, it is necessary to withhold
20 the well data in order to avoid disclosing information relating to
21 the valuation of unleased acreage in the same vicinity;

22 (ii) in the case of seismic or other geophysical data,
23 other than seismic data acquired by seismic exploration subject to
24 (f) of this section, for 10 years following the completion date, at
25 which time the Department of Natural Resources will release the
26 information after 30 days' public notice;

27 (iii) in the case of seismic data obtained by seismic
28 exploration subject to (f) of this section, only until the expiration of
29 30 days' public notice issued on or after the date the production
30 tax credit certificate is issued under (5) of this subsection;

31 (3) if more than one explorer holds an interest in a well or seismic

1 exploration, each explorer may claim an amount of credit that is proportional to the
2 explorer's cost incurred;

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

6 (5) if the department is satisfied that the explorer's claimed
7 expenditures are qualified under this section and that all data required to be
8 submitted under this section have been submitted, the department shall issue to the
9 explorer a production tax credit certificate for the amount of credit to be allowed
10 against production taxes levied by AS 43.55.011(e); notwithstanding any contrary
11 provision of AS 38, AS 40.25.100, or AS 43.05.230, the following information is
12 not confidential:

13 (A) the explorer's name;

14 (B) the date of the application;

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

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

17 and

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

21 * Sec. 34. AS 43.55.025(g) is amended to read:

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

26 * Sec. 35. AS 43.55.025(h) is amended to read:

27 (h) A producer that purchases a production tax credit certificate may apply
28 the credits against its production tax levied by [LIABILITY UNDER]
29 AS 43.55.011(e) [OR (f)]. Regardless of the price the producer paid for the
30 certificate, the producer may receive a credit against its production tax liability for the
31 full amount of the credit, but for not more than the amount for which the certificate is

1 issued. A production tax credit allowed under this section may not be applied more
2 than once.

3 * Sec. 36. AS 43.55.025(i) is repealed and reenacted to read:

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

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

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

11 * Sec. 37. AS 43.55.025(k) is amended by adding a new paragraph to read:

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

15 * Sec. 38. AS 43.55.025 is amended by adding a new subsection to read:

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

21 (1) have been for seismic exploration that

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

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

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

30 * Sec. 39. AS 43.55.030(a) is amended to read:

31 (a) A producer that produces oil or gas from a lease or property in the

1 state during a calendar year, whether or not any tax payment is due under
2 AS 43.55.020(a) for that oil or gas, [THE PERSON PAYING THE TAX] shall file
3 with the department on March 31 of the following year [FOLLOWING THE
4 CALENDAR YEAR FOR WHICH THE TAX WAS LEVIED] a statement, under
5 oath, in a form prescribed by the department, giving, with other information required,
6 the following:

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

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

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

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

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

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

25 (7) the production tax values of the oil and gas under
26 AS 43.55.160;

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

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

31 * Sec. 40. AS 43.55.030(d) is amended to read:

1 (d) Reports required under this section [BY OR ON BEHALF OF THE
2 PRODUCER] are delinquent the first day following the day the report is due. The
3 person required to file the report is liable for a penalty, as determined by the
4 department under standards adopted in regulation by the department, of not
5 more than \$1,000 for each day the person fails to file the report at the time
6 required. The penalty is in addition to the penalties in AS 43.05.220 and
7 43.05.290 and is assessed, collected, and paid in the same manner as a tax
8 deficiency under this title. In this subsection, "report" includes a statement.

9 * Sec. 41. AS 43.55.030 is amended by adding new subsections to read:

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

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

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

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

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

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

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

29 (4) lease expenditures and adjustments under AS 43.55.165 and
30 43.55.170;

31 (5) joint interest billings;

- 1 (6) contracts for the sale or transportation of oil or gas;
2 (7) information and calculations used in determining monthly
3 installment payments of estimated tax under AS 43.55.020(a); and
4 (8) other records and information the department considers necessary
5 for the administration of this chapter.

6 * Sec. 42. AS 43.55.040 is amended to read:

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

9 (1) require a person engaged in production and the agent or employee
10 of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil
11 or gas to furnish, whether by the filing of regular statements or reports or otherwise,
12 additional information that is considered by the department as necessary to compute
13 the amount of the tax; notwithstanding any contrary provision of law, the disclosure
14 of additional information under this paragraph to the producer obligated to pay the tax
15 does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information
16 under this paragraph that is otherwise required to be held confidential under
17 AS 40.25.100(a) or AS 43.05.230(a), the department shall

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

21 (B) impose appropriate conditions limiting

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

26 (ii) the use of the information to use for that purpose:

- 27 (2) examine the books, records, and files of the [SUCH A] person;
28 (3) conduct hearings and compel the attendance of witnesses and the
29 production of books, records, and papers of any person; [AND]
30 (4) make an investigation or hold an inquiry that is considered
31 necessary to a disclosure of the facts as to

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

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

4 (5) require a producer, an explorer, or an operator of a lease or
5 property to file reports and copies of records that the department considers
6 necessary to forecast state revenue under this chapter; in the case of reports and
7 copies of records relating to proposed, expected, or approved unit expenditures
8 for a unit for which one or more working interest owners other than the
9 operator have authority to approve unit expenditures, the required reports and
10 copies of records are limited to those reports or copies of records that constitute
11 or disclose communications between the operator and the working interest
12 owners relating to unit budget matters;

13 (6) require a producer that has an average total production in the
14 state of more than 100,000 barrels a day for a calendar year to report the gross
15 value at the point of production of the producer's taxable oil and gas in the state
16 for a calendar year and the total amount of lease expenditures in the state for
17 that calendar year; and

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

26 * Sec. 43. AS 43.55 is amended by adding a new section to read:

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

30 (b) A decision of a regulatory agency, court, or other body with authority to
31 resolve disputes that results in a retroactive change to a lease expenditure, to an

1 adjustment to a lease expenditure, to costs of transportation, to sale price, to
2 prevailing value, or to consideration of quality differentials relating to the
3 commingling of oils has a corresponding effect, either an increase or decrease, as
4 applicable, on the production tax value of oil or gas or the amount or availability of a
5 tax credit as determined under this chapter. For purposes of this section, a change to a
6 lease expenditure includes a change in the categorization of a lease expenditure as a
7 qualified capital expenditure or as not a qualified capital expenditure. The producer
8 shall

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

10 and

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

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

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

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

24 (d) In this section,

25 (1) "qualified capital expenditure" has the meaning given in
26 AS 43.55.023;

27 (2) "return" includes a report, a statement, and an amended return,
28 report, or statement.

29 * Sec. 44. AS 43.55.110 is amended by adding new subsections to read:

30 (e) The department may require that returns, statements, reports, notifications,
31 and applications filed under this chapter be filed electronically in a form and manner

1 approved or prescribed by the department.

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

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

10 (h) Subject to legislative appropriation, the department may compensate a
11 person who provides information to the department about noncompliance with the
12 provisions of this chapter by an explorer or a producer of oil or gas if that information
13 leads to the collection of additional taxes, penalties, or interest from the producer. The
14 amount of compensation under this subsection may not exceed the lesser of \$500,000
15 or 10 percent of the additional tax, penalty, or interest collected as a result of the
16 information. A state employee or an agent of the state is not eligible for compensation
17 under this subsection.

18 * Sec. 45. AS 43.55.150 is amended to read:

19 **Sec. 43.55.150. Determination of gross value at the point of production.**

20 (a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point of
21 production is calculated using the actual [REASONABLE] costs of transportation of
22 the oil or gas [. THE REASONABLE COSTS OF TRANSPORTATION ARE THE
23 ACTUAL COSTS], except when the

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

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

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

1 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1),
2 (2), or [AND] (3) of this section is [ARE] present, the gross value at the point of
3 production is calculated using the actual costs of transportation, or the
4 reasonable costs of transportation as determined under this subsection,
5 whichever is lower. The [THE] department shall determine the reasonable costs of
6 transportation, using the fair market value of like transportation, the fair market value
7 of equally efficient and available alternative modes of transportation, or other
8 reasonable methods. Transportation costs fixed by tariff rates that have been
9 adjudicated as just and reasonable by [PROPERLY ON FILE WITH] the
10 Regulatory Commission of Alaska or another [OTHER] regulatory agency and
11 transportation costs in an arm's length transaction paid by parties not affiliated
12 with an owner of the method of transportation shall be considered prima facie
13 reasonable.

14 (c) In determining the gross value of oil under [(a) OF] this section, the
15 department may not allow as reasonable costs of transportation

16 (1) the amount of loss of or damage to, or of expense incurred due to
17 the loss of or damage to, a vessel used to transport oil if the loss, damage, or expense
18 is incurred in connection with a catastrophic oil discharge from the vessel into the
19 marine or inland waters of the state;

20 (2) the incremental costs of transportation of the oil that are
21 attributable to temporary use of or chartered or substituted service provided by
22 another vessel due to the loss of or damage to a vessel regularly used to transport oil
23 and that are incurred in connection with a catastrophic oil discharge into the marine or
24 inland waters of the state; and

25 (3) the costs incurred to charter, contract, or hire vessels and
26 equipment used to contain or clean up a catastrophic oil discharge.

27 * Sec. 46. AS 43.55.160(a) is amended to read:

28 (a) Except as provided in (b) of this section, for the purposes of
29 [(1)] AS 43.55.011(c), the annual production tax value of the taxable
30 (1) [(A)] oil and gas produced during a calendar year from leases or
31 properties in the state that include land north of 68 degrees North latitude is the gross

1 value at the point of production of the oil and gas taxable under AS 43.55.011(e) and
2 produced by the producer from those leases or properties, less the producer's lease
3 expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas
4 produced by the producer from those leases or properties, as adjusted under
5 AS 43.55.170;

6 (2) [(B)] oil and gas produced during a calendar year from leases or
7 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
8 north of 68 degrees North latitude, is the gross value at the point of production of the
9 oil and gas taxable under AS 43.55.011(e) and produced by the producer from those
10 leases or properties, less the producer's lease expenditures under AS 43.55.165 for the
11 calendar year applicable to the oil and gas produced by the producer from those leases
12 or properties, as adjusted under AS 43.55.170;

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

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

25 (2) AS 43.55.011(g). THE MONTHLY PRODUCTION TAX
26 VALUE OF THE TAXABLE

27 (A) OIL AND GAS PRODUCED DURING A MONTH
28 FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE
29 LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS
30 VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS
31 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE

1 PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF
2 THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR
3 THE CALENDAR YEAR APPLICABLE TO THE OIL AND GAS
4 PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
5 PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;

6 (B) OIL AND GAS PRODUCED DURING A MONTH
7 FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK
8 INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
9 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
10 OF PRODUCTION OF THE OIL AND GAS TAXABLE UNDER
11 AS 43.55.011(g) AND PRODUCED BY THE PRODUCER FROM THOSE
12 LEASES OR PROPERTIES. LESS 1/12 OF THE PRODUCER'S LEASE
13 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
14 APPLICABLE TO THE OIL AND GAS PRODUCED BY THE PRODUCER
15 FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER
16 AS 43.55.170;

17 (C) OIL PRODUCED DURING A MONTH FROM A
18 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN
19 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL
20 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
21 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE
22 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
23 CALENDAR YEAR APPLICABLE TO THE OIL PRODUCED BY THE
24 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
25 UNDER AS 43.55.170;

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

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

4 * Sec. 47. AS 43.55.160(b) is amended to read:

5 (b) A production tax value calculated under [(a) OF] this section may not be
6 less than zero.

7 * Sec. 48. AS 43.55.160(c) is amended to read:

8 (c) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
9 would otherwise be deductible by a producer in a calendar year but whose deduction
10 would cause a a [AN ANNUAL] production tax value calculated under (a) [(a)(1)] of
11 this section of taxable oil or gas produced during the calendar year to be less than
12 zero may be used to establish a carried-forward annual loss under AS 43.55.023(b).
13 However, the department shall provide by regulation a method to ensure that,
14 for a period for which a producer's tax liability is limited by AS 43.55.011(j) or
15 (k), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
16 would otherwise be deductible by a producer for that period but whose
17 deduction would cause a production tax value calculated under (a)(3) or (4) of
18 this section to be less than zero are accounted for as though the adjusted lease
19 expenditures had first been used as deductions in calculating the production tax
20 values of oil or gas subject to any of the limitations under AS 43.55.011(j) or (k)
21 that have positive production tax values so as to reduce the tax liability
22 calculated without regard to the limitation to the maximum amount provided for
23 under the applicable provision of AS 43.55.011(j) or (k). Only the amount of
24 those adjusted lease expenditures remaining after the accounting provided for
25 under this subsection may be used to establish a carried-forward annual loss
26 under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

27 * Sec. 49. AS 43.55.165(a) is repealed and reenacted to read:

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

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

31 (A) incurred by the producer during the calendar year after

1 March 31, 2006, to explore for, develop, or produce oil or gas deposits located
2 within the producer's leases or properties in the state or, in the case of land in
3 which the producer does not own an operating right, operating interest, or
4 working interest, to explore for oil or gas deposits within other land in the
5 state; and

6 (B) allowed by the department by regulation, based on the
7 department's determination that the costs satisfy the following three
8 requirements:

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

11 (ii) the costs must be ordinary and necessary costs of
12 exploring for, developing, or producing, as applicable, oil or gas
13 deposits; and

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

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

19 * Sec. 50. AS 43.55.165(b) is amended to read:

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

21 (1) direct costs include

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

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

28 [(C) A REASONABLE ALLOWANCE, AS DETERMINED
29 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR
30 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,
31 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED

1 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

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

6 (3) in determining whether costs are lease expenditures, the
7 department shall consider, among other factors, the

8 (A) typical industry practices and standards in the state
9 that determine the costs, other than items listed in (e) of this section, that
10 an operator is allowed to bill a producer that is not the operator, under
11 unit operating agreements or similar operating agreements that were in
12 effect before December 2, 2005, and were subject to negotiation with at
13 least one producer with substantial bargaining power, other than the
14 operator; and

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

19 * Sec. 51. AS 43.55.165(c) is repealed and reenacted to read:

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

31 (1) the costs, other than items listed in (e) of this section, that are

1 incurred by the operator during the calendar year and that

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

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

10 (2) a reasonable percentage, as determined under regulations adopted
11 by the department, of the costs that are billed under (1) of this subsection as an
12 allowance for overhead expenses directly related to exploring for, developing, and
13 producing oil or gas deposits located within the lease or property.

14 * Sec. 52. AS 43.55.165(e) is amended to read:

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

16 (1) depreciation, depletion, or amortization;

17 (2) oil or gas royalty payments, production payments, lease profit
18 shares, or other payments or distributions of a share of oil or gas production, profit, or
19 revenue, except that a producer's lease expenditures applicable to oil and gas
20 produced from a lease issued under AS 38.05.180(F)(3)(B), (D), or (E) include the
21 share of net profit paid to the state under that lease;

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

23 (4) interest or other financing charges or costs of raising equity or
24 debt capital;

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

26 (6) costs arising from fraud, wilful misconduct, [OR] gross
27 negligence, violation of law, or failure to comply with an obligation under a lease,
28 permit, or license issued by the state or federal government;

29 (7) fines or penalties imposed by law;

30 (8) costs of arbitration, litigation, or other dispute resolution activities
31 that involve the state or concern the rights or obligations among owners of interests

1 in, or rights to production from, one or more leases or properties or a unit;

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

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

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

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

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

14 (14) a tax levied under AS 43.55.011;

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

1 the cost is incurred is undertaken for the purpose of replacing, renovating, or
2 improving the facility, pipeline, well pad, platform, or other structure; [FOR THE
3 PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

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

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

6 (16) costs incurred for containment, control, cleanup, or removal in
7 connection with any unpermitted release of oil or a hazardous substance and any
8 liability for damages imposed on the producer or explorer for that unpermitted
9 release; this paragraph does not apply to the cost of developing and maintaining an oil
10 discharge prevention and contingency plan under AS 46.04.030;

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

13 (18) that portion of expenditures, that would otherwise be qualified
14 capital expenditures, as defined in AS 43.55.023 [AS 43.55.023(k)], incurred during a
15 calendar year that are less than the product of \$0.3, multiplied by the total taxable
16 production from each lease or property, in BTU equivalent barrels, during that
17 calendar year, except that, when a portion of a calendar year is subject to this
18 provision, the expenditures and volumes shall be prorated within that calendar year;

19 (19) costs incurred for repair, replacement, or deferred
20 maintenance of a facility, a pipeline, a structure, or equipment, other than a well,
21 that results in or is undertaken in response to a failure, problem, or event that
22 results in an unscheduled interruption of, or reduction in the rate of, oil or gas
23 production; or costs incurred for repair, replacement, or deferred maintenance
24 of a facility, a pipeline, a structure, or equipment, other than a well, that is
25 undertaken in response to, or is otherwise associated with, an unpermitted
26 release of a hazardous substance or of gas; however, costs under this paragraph
27 that would otherwise constitute lease expenditures under (a) and (b) of this
28 section may be treated as lease expenditures if the department determines that
29 the repair or replacement is solely necessitated by an act of war, by an
30 unanticipated grave natural disaster or other natural phenomenon of an
31 exceptional, inevitable, and irresistible character, the effects of which could not

1 have been prevented or avoided by the exercise of due care or foresight, or by an
2 intentional or negligent act or omission of a third party, other than a party or its
3 agents in privity of contract with, or employed by, the producer or an operator
4 acting for the producer, but only if the producer or operator, as applicable,
5 exercised due care in operating and maintaining the facility, pipeline, structure,
6 or equipment, and took reasonable precautions against the act or omission of the
7 third party and against the consequences of the act or omission: in this
8 paragraph,

9 (A) "costs incurred for repair, replacement, or deferred
10 maintenance of a facility, a pipeline, a structure, or equipment" includes
11 costs to dismantle and remove the facility, pipeline, structure, or
12 equipment that is being replaced;

13 (B) "hazardous substance" has the meaning given in
14 AS 46.03.826;

15 (C) "replacement" includes renovation or improvement;

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

27 (21) costs of lobbying, public relations, public relations
28 advertising, or policy advocacy.

29 * Sec. 53. AS 43.55.165(h) is amended to read:

30 (h) The department shall adopt regulations that provide for reasonable
31 methods of allocating costs between oil and gas and between leases or properties in

1 those circumstances where an allocation of costs is required to determine [THE
2 DETERMINATION OF THE] lease expenditures that are costs of exploring for,
3 developing, or producing oil deposits or costs of exploring for, developing, or
4 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of
5 exploring for, developing, or producing oil or gas deposits located within
6 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or
7 properties [, REQUIRES AN ALLOCATION OF COSTS].

8 * Sec. 54. AS 43.55.170(a) is amended to read:

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

14 (1) the use by another person of a production facility in which the
15 producer has an ownership interest or the management by the producer of a
16 production facility under a management agreement providing for the producer to
17 receive a management fee;

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

24 (3) the sale or other transfer of

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

29 (i) if a producer removes from the state, for use outside
30 the state, an asset described in this subparagraph, the value of the asset
31 at the time it is removed is considered a payment received by the

1 producer for sale or transfer of the asset;

2 (ii) for a transaction that is an internal transfer or is
3 otherwise not an arm's length transaction, if the sale or transfer of the
4 asset is made for less than fair market value, the amount subtracted
5 must be the fair market value; and

6 (B) oil or gas

7 (i) that is not considered produced from a lease or
8 property under AS 43.55.020(e); and

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

11 * Sec. 55. AS 43.55 is amended by adding a new section to article 4 to read:

12 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary
13 provision of AS 40.25.100, and regardless of whether the information is considered
14 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
15 particular returns or reports, the department may publish the following information
16 under this chapter, if aggregated among three or more producers or explorers,
17 showing by month or calendar year and by lease or property, unit, or area of the state:

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

19 (2) the amount of taxes levied under this chapter or paid under this
20 chapter;

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

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

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

24 (6) qualified capital expenditures, as defined in AS 43.55.023;

25 (7) exploration expenditures under AS 43.55.025;

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

27 (9) lease expenditures under AS 43.55.165;

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

29 (11) tax credits applicable or potentially applicable against taxes
30 levied by this chapter.

31 * Sec. 56. AS 43.55.900 is amended by adding new paragraphs to read:

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

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

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

7 (B) subject to a cooperative or a unit plan of development or
8 operation that has been certified by the United States Secretary of the Interior
9 under 30 U.S.C. 226(m);

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

14 (D) within the unit area of a unit created by order of the
15 Alaska Oil and Gas Conservation Commission under AS 31.05.110(b).

16 * Sec. 57. AS 43.55.011(h), 43.55.011(l), 43.55.011(n), 43.55.160(c), and 43.55.165(d) are
17 repealed.

18 * Sec. 58. The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 APPLICABILITY. (a) Sections 15 - 27, 29 - 38, and 45 - 57 of this Act apply to oil
21 and gas produced after June 30, 2007.

22 (b) Sections 39 and 41 of this Act apply to statements and reports under
23 AS 43.55.030(a), as amended by sec. 39 of this Act, and AS 43.55.030(e) and (f), as added
24 by sec. 41 of this Act, required to be filed after the effective date of secs. 39 and 41 of this
25 Act.

26 (c) Sections 30 - 33, 35, and 37 of this Act apply to exploration expenditures incurred
27 for work performed after December 31, 2007, that are the basis of tax credits that may be
28 claimed against taxes levied for oil and gas produced after December 31, 2007.

29 (d) AS 43.55.075(a), enacted by sec. 43 of this Act, applies to any tax liability under
30 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260
31 had not expired before the effective date of secs. 14 and 43 of this Act.

1 (e) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d)
2 in sec. 40 of this Act, applies to any report required to be filed after the effective date of sec.
3 40 of this Act that is not filed timely.

4 (f) The penalty in AS 43.55.040(7), enacted by the amendment to AS 43.55.040 in
5 sec. 42 of this Act, applies to any report, statement, or other document required to be filed
6 after the effective date of sec. 42 of this Act.

7 * Sec. 59. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 OIL AND GAS REVENUE AUDIT MASTER POSITIONS; LEGISLATIVE
10 INTENT. It is the intent of the legislature that the commissioner of administration shall cause
11 not more than four oil and gas revenue audit master positions to be created in the Department
12 of Revenue and not more than two oil and gas revenue audit master positions to be created in
13 the Department of natural Resources. Oil and gas revenue audit masters shall be employed in
14 a professional capacity to collect oil and gas revenue by developing policy, conducting
15 studies, drafting proposed regulations, enforcing regulations, and directing audits by oil and
16 gas auditors.

17 * Sec. 60. The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 OIL AND GAS AUDITORS; CLASSIFICATION AND PAY PLANS.
20 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
21 implement a distinct position classification plan and a distinct pay plan for oil and gas
22 auditors and their immediate supervisors, other than revenue audit masters, that perform

23 (1) oil and gas tax audits in the Department of Revenue under the direction of
24 an oil and gas revenue audit master;

25 (2) royalty audits, including net 1 share audits, in the Department of
26 Natural Resources under the direction of an oil and gas revenue audit master.

27 * Sec. 61. The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 TRANSITION: PAYMENT OF TAX. A person subject to tax under AS 43.55 that is
30 required to make one or more installment payments of estimated tax or other payment of tax
31 under AS 43.55.020(a), as amended by sec. 21 of this Act, for the production of oil or gas

1 during a month after June 30, 2007, and before the effective date of sec. 21 of this Act but
2 that failed to pay the full amount of the installment payments or other payment of tax
3 required under AS 43.55.020(a) because of the retroactive application of secs. 15 - 27, 29 -
4 38, and 45 - 57 of this Act under sec. 64 of this Act, shall pay before April 1, 2008, the
5 balance of any tax due under AS 43.55 for the period after June 30, 2007, and before the
6 effective date of this section.

7 * Sec. 62. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
10 contrary provision of AS 44.62.240,

11 (1) if the Department of Revenue expressly designates in the regulation that
12 the regulation applies retroactively to that date, a regulation adopted by the Department of
13 Revenue to implement, interpret, make specific, or otherwise carry out secs. 15 - 27, 29 - 38,
14 and 45 - 57 of this Act may apply retroactively to July 1, 2007;

15 (2) a regulation adopted by the Department of Natural Resources to
16 implement, interpret, make specific, or otherwise carry out statutory provisions for the
17 administration of oil and gas leases issued under AS 38.05.180(f)(3)(B), (D), or (E), to the
18 extent the regulation deals with the treatment of oil and gas production taxes in determining
19 net profits under those leases, may apply retroactively to April 1, 2006, if the Department of
20 Natural Resources expressly designates in the regulation that the regulation applies
21 retroactively to that date.

22 * Sec. 63. The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

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

28 * Sec. 64. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a) Sections 29
31 and 34 of this Act are retroactive to July 1, 2003.

1 (b) Sections 15 - 27, 29 - 38, and 45 - 57 of this Act are retroactive to July 1, 2007.

2 * Sec. 65. Section 28 of this Act takes effect January 1, 2008.

3 * Sec. 66. Except as provided in sec. 65 of this Act, this Act takes effect immediately under
4 AS 01.10.070(c).