

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 RES 12691

1 1/12 of the producer's adjusted lease expenditures for the calendar year
2 of production under AS 43.55.165 and 43.55.170 that are deductible
3 under AS 43.55.160 for oil or gas, respectively, produced from the
4 lease or property from the gross value at the point of production of the
5 oil or gas, respectively, produced from the lease or property during the
6 month for which the installment payment is calculated;

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

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

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

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

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

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

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

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

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

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

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

21 or

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

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

29 (3) interest is allowed under (2) of this subsection only from a date
30 that is 90 days after the later of [THE] March 31 following the calendar year of
31 production [DESCRIBED IN AS 43.55.030(a)] or the date that the statement

1 required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment
2 was refunded within the 90-day period;

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

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

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

8 (1) notwithstanding that a qualified capital expenditure may be a
9 deductible lease expenditure for purposes of calculating the production tax value of
10 oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
11 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
12 explorer that incurs a qualified capital expenditure may also elect to apply [TAKE] a
13 tax credit against a tax levied by [DUE UNDER] AS 43.55.011(e) in the amount of
14 20 percent of that expenditure; however, not more than half of the tax credit may
15 be applied for a single calendar year;

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

23 (A) agrees, in writing, to the applicable provisions of
24 AS 43.55.025(f)(2) [TO NOTIFY THE DEPARTMENT OF NATURAL
25 RESOURCES, BEFORE THE LATER OF 30 DAYS AFTER
26 COMPLETION OF THE GEOLOGICAL OR GEOPHYSICAL DATA
27 PROCESSING OR COMPLETION OF THE WELL, OR 30 DAYS AFTER
28 THE STATEMENT IS FILED, OF THE DATE OF COMPLETION AND TO
29 SUBMIT A REPORT TO THAT DEPARTMENT DESCRIBING THE
30 PROCESSING SEQUENCE AND PROVIDE A LIST OF DATA SETS
31 AVAILABLE];

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

6 (C) THAT, NOTWITHSTANDING ANY PROVISION OF
 7 AS 38, THE DEPARTMENT OF NATURAL RESOURCES SHALL HOLD
 8 CONFIDENTIAL THE INFORMATION PROVIDED TO THAT
 9 DEPARTMENT UNDER THIS PARAGRAPH FOR 10 YEARS
 10 FOLLOWING THE COMPLETION DATE, AFTER WHICH THE
 11 DEPARTMENT SHALL PUBLICLY RELEASE THE INFORMATION
 12 AFTER 30 DAYS' PUBLIC NOTICE].

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

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

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

22 (d) Except as limited by (i) of this section, a person that is entitled to take a
 23 tax credit under this section that wishes to transfer the unused credit to another person
 24 or obtain a cash payment may apply to the department for [A] transferable tax credit
 25 certificates [CERTIFICATE]. An application under this subsection must be in a form
 26 prescribed by the department and must include supporting information and
 27 documentation that the department reasonably requires. The department shall grant or
 28 deny an application, or grant an application as to a lesser amount than that claimed
 29 and deny it as to the excess, not later than 120 [60] days after the latest of (1)
 30 March 31 of the year following the calendar year in which the qualified capital
 31 expenditure or carried-forward annual loss for which the credit is claimed was

1 incurred; (2) [IF THE APPLICANT IS REQUIRED UNDER AS 43.55.030(a) TO
 2 FILE A STATEMENT ON OR BEFORE MARCH 31 OF THE YEAR
 3 FOLLOWING THE CALENDAR YEAR IN WHICH THE QUALIFIED CAPITAL
 4 EXPENDITURES OR CARRIED-FORWARD ANNUAL LOSS FOR WHICH THE
 5 CREDIT IS CLAIMED WAS INCURRED,] the date the statement required under
 6 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified
 7 capital expenditure or carried-forward annual loss for which the credit is
 8 claimed was incurred; or (3) the date the application was received by the
 9 department. If, based on the information then available to it, the department is
 10 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
 11 the applicant two [A] transferable tax credit certificates, each [CERTIFICATE] for
 12 half of the amount of the credit. The credit shown on one of the two certificates is
 13 available for immediate use. The credit shown on the second of the two
 14 certificates may not be applied against a tax for a calendar year earlier than the
 15 calendar year following the calendar year in which the certificate is issued, and
 16 the certificate must contain a conspicuous statement to that effect. A certificate
 17 issued under this subsection does not expire.

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

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

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

1 (i) For the purposes of this section,

2 (1) a producer's or explorer's transitional investment expenditures are
3 the sum of the expenditures the producer or explorer incurred after March 31, 2001,
4 and before April 1, 2006, that would be qualified capital expenditures if they were
5 incurred after March 31, 2006, less the sum of the payments or credits the producer or
6 explorer received before April 1, 2006, for the sale or other transfer of assets,
7 including geological, geophysical, or well data or interpretations, acquired by the
8 producer or explorer as a result of expenditures the producer or explorer incurred
9 before April 1, 2006, that would be qualified capital expenditures, if they were
10 incurred after March 31, 2006;

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

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

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

21 (i)] 2013; [OR

22 (ii) THE SIXTH CALENDAR YEAR AFTER THE
23 CALENDAR YEAR FOR WHICH THE PRODUCER FIRST
24 APPLIES A CREDIT UNDER THIS SUBSECTION AGAINST A
25 TAX DUE UNDER AS 43.55.011(e), IF THE PRODUCER DID NOT
26 HAVE COMMERCIAL PRODUCTION OF OIL OR GAS FROM A
27 LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006;]

28 (B) more than once; or

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

31 (4) notwithstanding (d), (e), and (g) of this section, a producer or

1 explorer may not transfer a tax credit or obtain a transferable tax credit certificate for
2 a transitional investment expenditure.

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

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

6 * **Sec. 30.** AS 43.55.024(a) is amended to read:

7 (a) For a calendar year for which a producer's tax liability under
8 AS 43.55.011(e) [OR (f)] on oil and gas produced from leases or properties outside
9 the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North
10 latitude, exceeds zero before application of any credits under this chapter, a producer
11 that is qualified under (e) of this section may apply a tax credit against that liability of
12 not more than \$6,000,000.

13 * **Sec. 31.** AS 43.55.024(c) is amended to read:

14 (c) For a calendar year for which a producer's tax liability under
15 AS 43.55.011(e) [OR (f)] exceeds zero before application of any credits under this
16 chapter, other than a credit under (a) of this section but after application of any credit
17 under (a) of this section, a producer that is qualified under (e) of this section and
18 whose average amount of oil and gas produced a day and taxable under
19 AS 43.55.011(e) [OR (f)] is less than 100,000 BTU equivalent barrels a day may
20 apply a tax credit under this subsection against that liability. A producer whose
21 average amount of oil and gas produced a day and taxable under AS 43.55.011(e)
22 [OR (f)] is

23 (1) not more than 50,000 BTU equivalent barrels may apply a tax
24 credit of not more than \$12,000,000 for the calendar year;

25 (2) more than 50,000 and less than 100,000 BTU equivalent barrels
26 may apply a tax credit of not more than \$12,000,000 multiplied by the following
27 fraction for the calendar year:

$$28 \quad 1 - [2 \times (AP - 50,000)] \div 100,000$$

29 where AP = the average amount of oil and gas taxable under AS 43.55.011(e) [OR
30 (f)], produced a day during the calendar year in BTU equivalent barrels.

31 * **Sec. 32.** AS 43.55.024(e) is amended to read:

(e) On written application by a producer that includes any information the department may require, the department shall determine whether the producer qualifies for a calendar year under this section. To qualify under this section, a producer must demonstrate that its operation in the state or its ownership of an interest in a lease or property in the state as a distinct producer would not result in the division among multiple producer entities of any production tax liability under AS 43.55.011(e) [OR (f)] that reasonably would be expected to be attributed to a single producer if the tax credit provisions of (a) or (c) of this section did not exist.

* Sec. 33. AS 43.55.024(g) is amended to read:

(g) A tax credit authorized by (c) of this section may not be applied to reduce a producer's tax liability for any calendar year under AS 43.55.011(e) [OR (f)] below zero.

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

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

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

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

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

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

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

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

1 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005,] and

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

4 (2) if for an exploration well,

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

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

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

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

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

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

28 * Sec. 36. AS 43.55.025(c) is repealed and reenacted to read:

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

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

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

3 (A) before spudding the well,

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

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

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

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

24 * Sec. 37. AS 43.55.025(f) is amended to read:

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

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

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

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

20 (B) to provide to the Department of Natural Resources, within
21 30 days after the date of a request, unless a longer period is provided by the
22 Department of Natural Resources, specific data sets, ancillary data, and
23 reports identified in (A) of this paragraph; in this subparagraph,

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

28 (ii) well data include all derivative products, results,
29 and copies of data collected and data analyses for the well; well
30 logs; sample analyses; geophysical and velocity data including
31 vertical seismic profiles and check shot surveys; and tangible

1 material including, for each whole core collected, a lengthwise cut
2 slab that is at least 1/3 of the whole core volume, and
3 representative samples, as specified by the Department of Natural
4 Resources, of other gaseous, liquid, or solid material collected
5 from drilling or testing the well;

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

9 (i) in the case of well data, until the expiration of the
10 24-month period of confidentiality described in AS 31.05.035(c)
11 [FOR 10 YEARS FOLLOWING THE COMPLETION DATE], at
12 which time the Department of Natural Resources [THAT
13 DEPARTMENT] will release the information after 30 days' public
14 notice unless, in the discretion of the commissioner of natural
15 resources, it is necessary to protect information relating to the
16 valuation of unleased acreage in the same vicinity, or unless the
17 well is on private land and the owner, including the lessor but not
18 the lessee, of the oil and gas resources has not given permission to
19 release the well data;

20 (ii) in the case of seismic or other geophysical data,
21 other than seismic data acquired by seismic exploration subject to
22 (i) of this section, for 10 years following the completion date, at
23 which time the Department of Natural Resources will release the
24 information after 30 days' public notice, except as to seismic or
25 other geophysical data acquired from private land, unless the
26 owner, including a lessor but not a lessee, of the oil and gas
27 resources in the private land gives permission to release the
28 seismic or other geophysical data associated with the private land;

29 (iii) in the case of seismic data obtained by seismic
30 exploration subject to (i) of this section, only until the expiration of
31 30 days' public notice issued on or after the date the production

1 tax credit certificate is issued under (5) of this subsection:

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

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

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

15 (A) the explorer's name;

16 (B) the date of the application;

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

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

19 and

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

23 * Sec. 38. AS 43.55.025(g) is amended to read:

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

28 * Sec. 39. AS 43.55.025(h) is amended to read:

29 (h) A producer that purchases a production tax credit certificate may apply
30 the credits against its production tax levied by [LIABILITY UNDER]
31 AS 43.55.011(e) [OR (f)]. Regardless of the price the producer paid for the

1 certificate, the producer may receive a credit against its production tax liability for the
2 full amount of the credit, but for not more than the amount for which the certificate is
3 issued. A production tax credit allowed under this section may not be applied more
4 than once.

5 * **Sec. 40.** AS 43.55.025(i) is repealed and reenacted to read:

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

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

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

13 * **Sec. 41.** AS 43.55.025(k) is amended by adding a new paragraph to read:

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

17 * **Sec. 42.** AS 43.55.025 is amended by adding a new subsection to read:

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

23 (1) have been for seismic exploration that

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

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

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

1 * Sec. 43. AS 43.55.030(a) is amended to read:

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

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

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

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

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

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

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

27 (7) the production tax values of the oil and gas under
 28 AS 43.55.160;

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

30 (9) calculations showing the amounts, if any, that were or are due
 31 under AS 43.55.020(a) and interest on any underpayment or overpayment

1 [AS 43.55.160 - 43.55.170].

2 * Sec. 44. AS 43.55.030(d) is amended to read:

3 (d) Reports required under this section [BY OR ON BEHALF OF THE
4 PRODUCER] are delinquent the first day following the day the report is due. The
5 person required to file the report is liable for a penalty, as determined by the
6 department under standards adopted in regulation by the department, of not
7 more than \$1,000 for each day the person fails to file the report at the time
8 required. The penalty is in addition to the penalties in AS 43.05.220 and
9 43.05.290 and is assessed, collected, and paid in the same manner as a tax
10 deficiency under this title. In this subsection, "report" includes a statement.

11 * Sec. 45. AS 43.55.030 is amended by adding new subsections to read:

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

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

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

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

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

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

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

31 (4) lease expenditures and adjustments under AS 43.55.165 and

1 43.55.170;

2 (5) joint interest billings;

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

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

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

8 * Sec. 46. AS 43.55.040 is amended to read:

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

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

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

23 (B) impose appropriate conditions limiting

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

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

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

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

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

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

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

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

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

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

28 * Sec. 47. AS 43.55 is amended by adding a new section to read:

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

amended
#5

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

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

12 and

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

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

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

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

26 (d) In this section,

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

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

31 * Sec. 48. AS 43.55.110 is amended by adding new subsections to read:

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

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

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

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

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

23 (1) department all expenses related to the department's investigation
24 of the alleged noncompliance; and

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

28 * **Sec. 49.** AS 43.55.150 is amended to read:

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

30 (a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point of
31 production is calculated using the actual [REASONABLE] costs of transportation of

1 the oil or gas [. THE REASONABLE COSTS OF TRANSPORTATION ARE THE
2 ACTUAL COSTS], except when the

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

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

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

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

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

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

30 (2) the incremental costs of transportation of the oil that are
31 attributable to temporary use of or chartered or substituted service provided by

1 another vessel due to the loss of or damage to a vessel regularly used to transport oil
2 and that are incurred in connection with a catastrophic oil discharge into the marine or
3 inland waters of the state; and

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

6 * Sec. 50. AS 43.55.160(a) is amended to read:

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

8 (1) AS 43.55.011(e), the annual production tax value of the taxable

9 (A) oil and gas produced during a calendar year from leases or
10 properties in the state that include land north of 68 degrees North latitude is
11 the gross value at the point of production of the oil and gas taxable under
12 AS 43.55.011(e) and produced by the producer from those leases or
13 properties, less the producer's lease expenditures under AS 43.55.165 for the
14 calendar year applicable to the oil and gas produced by the producer from
15 those leases or properties, as adjusted under AS 43.55.170;

16 (B) oil and gas produced during a calendar year from leases or
17 properties in the state outside the Cook Inlet sedimentary basin, no part of
18 which is north of 68 degrees North latitude, is the gross value at the point of
19 production of the oil and gas taxable under AS 43.55.011(e) and produced by
20 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
22 and gas produced by the producer from those leases or properties, as adjusted
23 under AS 43.55.170;

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

30 (D) gas produced during a calendar year from a lease or
31 property in the Cook Inlet sedimentary basin is the gross value at the point of

1 production of the gas taxable under AS 43.55.011(e) and produced by the
2 producer from that lease or property, less the producer's lease expenditures
3 under AS 43.55.165 for the calendar year applicable to the gas produced by
4 the producer from that lease or property, as adjusted under AS 43.55.170;

5 (2) AS 43.55.011(g), the monthly production tax value of the taxable

6 (A) oil and gas produced during a month from leases or
7 properties in the state that include land north of 68 degrees North latitude is
8 the gross value at the point of production of the oil and gas taxable under
9 AS 43.55.011(e) [AS 43.55.011(g)] and produced by the producer from those
10 leases or properties, less 1/12 of the producer's lease expenditures under
11 AS 43.55.165 for the calendar year applicable to the oil and gas produced by
12 the producer from those leases or properties, as adjusted under AS 43.55.170;

13 (B) oil and gas produced during a month from leases or
14 properties in the state outside the Cook Inlet sedimentary basin, no part of
15 which is north of 68 degrees North latitude, is the gross value at the point of
16 production of the oil and gas taxable under AS 43.55.011(e)
17 [AS 43.55.011(g)] and produced by the producer from those leases or
18 properties, less 1/12 of the producer's lease expenditures under AS 43.55.165
19 for the calendar year applicable to the oil and gas produced by the producer
20 from those leases or properties, as adjusted under AS 43.55.170;

21 (C) oil produced during a month from a lease or property in
22 the Cook Inlet sedimentary basin is the gross value at the point of production
23 of the oil taxable under AS 43.55.011(e) [AS 43.55.011(g)] and produced by
24 the producer from that lease or property, less 1/12 of the producer's lease
25 expenditures under AS 43.55.165 for the calendar year applicable to the oil
26 produced by the producer from that lease or property, as adjusted under
27 AS 43.55.170;

28 (D) gas produced during a month from a lease or property in
29 the Cook Inlet sedimentary basin is the gross value at the point of production
30 of the gas taxable under AS 43.55.011(e) [AS 43.55.011(g)] and produced by
31 the producer from that lease or property, less 1/12 of the producer's lease

1 expenditures under AS 43.55.165 for the calendar year applicable to the gas
2 produced by the producer from that lease or property, as adjusted under
3 AS 43.55.170.

4 * Sec. 51. 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. 52. AS 43.55.160(e) is amended to read:

8 (e) 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)(1) of this
11 section of taxable oil or gas produced during the calendar year to be less than zero
12 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(i) 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)(1)(C) or (D)
18 of 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(i) 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. 53. AS 43.55.165(a) is amended to read:

28 (a) Except as provided under (c) and (e) [(c) - (e)] of this section, for the
29 purposes of AS 43.55.160, a producer's lease expenditures for a calendar year are the
30 ordinary and necessary costs upstream of the point of production of oil and gas that
31 are incurred during the calendar year by the producer after March 31, 2006, and that

1 are direct costs of exploring for, developing, or producing oil or gas deposits located
2 within the producer's leases or properties in the state or, in the case of land in which
3 the producer does not own a working interest, that are direct costs of exploring for oil
4 or gas deposits located within other land in the state. In determining whether costs are
5 lease expenditures, the department shall consider, among other factors,

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

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

16 * Sec. 54. AS 43.55.165(c) is repealed and reenacted to read:

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

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

30 (A) are billed to the producer by the operator under the
31 agreement to which that lease or property is subject and are either not disputed

1 by a working interest owner party to the agreement or are finally determined
2 to be properly billable as a result of dispute resolution; or

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

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

11 * Sec. 55. AS 43.55.165(e) is amended to read:

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

13 (1) depreciation, depletion, or amortization;

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

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

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

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

23 (6) costs, including repairs and replacements, arising from or
24 associated with fraud, wilful misconduct, [OR] gross negligence, criminal
25 negligence, or violation of law, including a violation of 33 U.S.C. 1319(c)(1) or
26 1321(b)(3) (Clean Water Act);

27 (7) fines or penalties imposed by law;

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

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

1 business entity or arrangement;

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

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

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

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

12 (14) a tax levied under AS 43.55.011;

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

1 PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

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

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

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

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

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

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

1 agents in privity of contract with, or employed by, the producer or an operator
 2 acting for the producer, but only if the producer or operator, as applicable,
 3 exercised due care in operating and maintaining the facility, pipeline, structure,
 4 or equipment, and took reasonable precautions against the act or omission of the
 5 third party and against the consequences of the act or omission; in this
 6 paragraph,

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

11 (B) "hazardous substance" has the meaning given in
 12 AS 46.03.826;

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

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

25 (21) costs of lobbying, public relations, public relations
 26 advertising, or policy advocacy.

27 * Sec. 56. AS 43.55.165(h) is amended to read:

28 (h) The department shall adopt regulations that provide for reasonable
 29 methods of allocating costs between oil and gas and between leases or properties in
 30 those circumstances where an allocation of costs is required to determine [THE
 31 DETERMINATION OF THE] lease expenditures that are costs of exploring for,

1 developing, or producing oil deposits or costs of exploring for, developing, or
 2 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of
 3 exploring for, developing, or producing oil or gas deposits located within
 4 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or
 5 properties [, REQUIRES AN ALLOCATION OF COSTS].

6 * Sec. 57. AS 43.55.170(a) is amended to read:

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

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

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

22 (3) the sale or other transfer of

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

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

31 (ii) for a transaction that is an internal transfer or is

1 otherwise not an arm's length transaction, if the sale or transfer of the
 2 asset is made for less than fair market value, the amount subtracted
 3 must be the fair market value; and

4 (B) oil or gas

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

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

9 * **Sec. 58.** AS 43.55 is amended by adding new sections to article 4 to read:

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

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

17 (2) the amount of taxes levied under this chapter or paid under this
 18 chapter;

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

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

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

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

23 (7) exploration expenditures under AS 43.55.025;

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

25 (9) lease expenditures under AS 43.55.165;

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

27 (11) tax credits applicable or potentially applicable against taxes
 28 levied by this chapter.

29 **Sec. 43.55.895. Applicability to municipal entities.** (a) Notwithstanding
 30 AS 29.35.670(a) or other provision of law, a producer that is a municipal entity is
 31 subject to taxation and payment of surcharges under this chapter for oil and gas that it

1 sells to another party.

2 (b) A municipal entity subject to taxation because of this section is eligible
3 for all tax credits under this chapter to the same extent as any other producer.

4 (c) In this section, "municipal entity" means a municipality, municipally
5 owned utility, public corporation of a municipality, or entity established by more than
6 one municipality.

7 * Sec. 59. AS 43.55.900 is amended by adding new paragraphs to read:

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

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

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

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

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

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

23 * Sec. 60. AS 43.55.011(h), 43.55.011(l), 43.55.011(n), 43.55.160(c), and 43.55.165(d) are
24 repealed.

25 * Sec. 61. AS 39.25.110(42) is repealed December 31, 2011.

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

28 **APPLICABILITY.** (a) AS 43.55.165(e)(19), enacted by the amendment to
29 AS 43.55.165(e) in sec. 55 of this Act, applies to expenditures after March 31, 2006.

30 (b) Except as provided in (a) of this section, secs. 15 - 27, 29 - 42, and 49 - 60 of this
31 Act apply to oil and gas produced after June 30, 2007.

1 (c) Sections 43 and 45 of this Act apply to statements and reports under
2 AS 43.55.030(a), as amended by sec. 43 of this Act, and AS 43.55.030(e) and (f), as added
3 by sec. 45 of this Act, required to be filed after the effective date of secs. 43 and 45 of this
4 Act.

5 (d) Sections 34 - 37, 39, and 41 of this Act apply to exploration expenditures
6 incurred for work performed after December 31, 2007, that are the basis of tax credits that
7 may be claimed against taxes levied for oil and gas produced after December 31, 2007.

8 (e) AS 43.55.075(a), enacted by sec. 47 of this Act, applies to any tax liability under
9 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260
10 had not expired before the effective date of secs. 14 and 47 of this Act.

11 (f) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d) in
12 sec. 44 of this Act, applies to any report required to be filed after the effective date of sec. 44
13 of this Act that is not filed timely.

14 (g) The penalty in AS 43.55.040(7), enacted by the amendment to AS 43.55.040 in
15 sec. 46 of this Act, applies to any report, statement, or other document required to be filed
16 after the effective date of sec. 46 of this Act.

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

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

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

29 OIL AND GAS AUDITORS: CLASSIFICATION AND PAY PLANS.
30 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
31 implement a distinct position classification plan and a distinct pay plan for oil and gas

1 auditors and their immediate supervisors, other than revenue audit masters, that perform

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

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

6 * Sec. 65. The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 TRANSITION: PAYMENT OF TAX. A person subject to tax under AS 43.55 that is
9 required to make one or more installment payments of estimated tax or other payment of tax
10 under AS 43.55.020(a) during the period after March 31, 2006, and before the effective date
11 of sec. 21 of this Act, and under AS 43.55.020(a), as amended by sec. 21 of this Act, for the
12 production of oil or gas during a month after March 31, 2006, and before the effective date of
13 sec. 21 of this Act but that failed to pay the full amount of the installment payments or other
14 payment of tax required under AS 43.55 because of the retroactive application of
15 AS 43.55.165(e)(19), as enacted in the amendment to AS 43.55.165(e) in sec. 55 of this Act,
16 that is retroactive to April 1, 2006, under sec. 68 of this Act, and the retroactive application
17 of secs. 15 - 27, 29 - 42, 49 - 54, 56 - 60, and that part of AS 43.55.165(e) in sec. 55 of this
18 Act under sec. 68 of this Act, shall pay before April 1, 2008, the balance of any tax due under
19 AS 43.55 for the period after March 31, 2006, and before the effective date of this section.

20 * Sec. 66. The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
23 contrary provision of AS 44.62.240,

24 (1) if the Department of Revenue expressly designates in the regulation that
25 the regulation applies retroactively to that date, a regulation adopted by the Department of
26 Revenue to implement, interpret, make specific, or otherwise carry out secs. 15 - 27, 29 - 42,
27 and 49 - 60 of this Act may apply retroactively to July 1, 2007, except that a regulation
28 adopted by the Department of Revenue to implement, interpret, make specific, or otherwise
29 carry out AS 43.55.165(e)(19), as enacted in the amendment to AS 43.55.165(e) in sec. 55 of
30 this Act, may apply retroactively to April 1, 2006;

31 (2) a regulation adopted by the Department of Natural Resources to

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

7 * Sec. 67. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

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

13 * Sec. 68. The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a) Sections 29
16 and 38 of this Act are retroactive to July 1, 2003.

17 (b) AS 43.55.165(e)(19), enacted by the amendment to AS 43.55.165(e) in sec. 55 of
18 this Act, is retroactive to April 1, 2006.

19 (c) Except as provided in (b) of this section, secs. 15 - 27, 29 - 42, and 49 - 60 of this
20 Act are retroactive to July 1, 2007.

21 * Sec. 69. Section 28 of this Act takes effect January 1, 2008.

22 * Sec. 70. Except as provided in sec. 69 of this Act, this Act takes effect immediately under
23 AS 01.10.070(c).

AMENDMENT #17

OFFERED IN THE SENATE
TO: SCS CSHB 2001(FIN)

BY SENATOR STEDMAN

technical amend

1 Page 1, line 12:

2 Delete "sec. 47"

3 Insert "sec. 48"

4

5 Page 2, line 3:

6 Delete "sec. 68"

7 Insert "sec. 69"

8

9 Page 23, line 30:

10 Delete "December 31, 2007"

11 Insert "June 30, 2007"

12

13 Page 25, following line 23:

14 Insert a new bill section to read:

15 **** Sec. 37. AS 43.55.025(d) is amended to read:**

16 (d) To be eligible for the 30 [20] percent production tax credit authorized by
17 (a)(2) of this section or the 40 percent production tax credit authorized by (a)(3) of this
18 section, an exploration expenditure must

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

20 (2) be for an exploration well that is located not less than 25 miles
21 outside of the outer boundary, as delineated on July 1, 2003, of any unit that is under a
22 plan of development, except that for an exploration well for a Cook Inlet prospect to
23 qualify under this paragraph, the exploration well must be located not less than 10

1 miles outside the outer boundary, as delineated on July 1, 2003, of any unit that is
2 under a plan of development."
3

4 Renumber the following bill sections accordingly.
5

6 Page 47, line 26, through page 48, line 16:

7 Delete all material and insert:

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

10 **APPLICABILITY.** AS 43.55.075(a), enacted by sec. 48 of this Act, applies to any tax
11 liability under AS 43.55 for the production of oil and gas after December 31, 2006."
12

13 Page 49, line 8:

14 Delete "TAX."

15 Insert "TAX; FILING. (a)"
16

17 Page 49, line 15:

18 Delete "sec. 55"

19 Insert "sec. 56"
20

21 Page 49, line 16:

22 Delete "sec. 68"

23 Insert "sec. 69"
24

25 Page 49, line 17:

26 Delete "secs. 15 - 27, 29 - 42, 49 - 54, 56 - 60"

27 Insert "secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61"

28 Delete "sec. 55"

29 Insert "sec. 56"
30

31 Page 49, line 18:

1 Delete "sec. 68"

2 Insert "sec. 69"

3

4 Page 49, following line 19:

5 Insert a new subsection to read:

6 "(b) A person required to file a statement under AS 43.55.030(a), as amended
7 by sec. 44 of this Act, or a statement under AS 43.55.030(e) or (f), as enacted by sec.
8 46 of this Act, but that failed to file a statement required under AS 43.55 because of
9 the retroactive application of secs. 44 and 46 of this Act under sec. 69 of this Act, shall
10 file, before April 1, 2008, any statement required to have been filed after June 30,
11 2007, and before the effective date of this section."

12

13 Page 49, lines 26 - 27:

14 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

15 Insert "secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61"

16

17 Page 49, line 29:

18 Delete "sec. 55"

19 Insert "sec. 56"

20

21 Page 50, lines 13 - 20:

22 Delete all material and insert:

23 "* Sec. 69. The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a) Section 39 of
26 this Act, and AS 43.55.297⁸¹⁵, enacted by sec. 59 of this Act, are retroactive to July 1, 2003.

27 (b) Section 29 of this Act and AS 43.55.165(e)(19), enacted by the
28 amendment to AS 43.55.165(e) in sec. 56 of this Act, are retroactive to April 1, 2006.

29 (c) Except as provided in (b) of this section, secs. 15 - 27, 30 - 33, 50 - 58, 60,
30 and 61 of this Act are retroactive to July 1, 2007."

31

1 Page 50, following line 21:

2 Insert a new bill section to read:

3 **"* Sec. 71. Sections 34 - 38 and 40 - 43 of this Act take effect July 1, 2008."**

4

5 Renumber the following bill section accordingly.

6

7 Page 50, line 22:

8 Delete "sec. 69"

9 Insert "secs. 70 and 71"

speaking in opposition:
Stedman

25-GH0014\F.24
Cook/Bullock
11/15/07

Failed

AMENDMENT # 16

page - 13 nay

Therriault-

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

repeals 2011 date
in original PPT for
evaluation of PPT

- 1 Page 2, line 3:
- 2 Delete "sec. 68"
- 3 Insert "sec. 69"
- 4
- 5 Page 47, line 23:
- 6 Delete "and 43.55.165(d)"
- 7 Insert ", 43.55.165(d), and 43.55.180"
- 8
- 9 Page 49, line 16:
- 10 Delete "sec. 68"
- 11 Insert "sec. 69"
- 12
- 13 Page 49, line 18:
- 14 Delete "sec. 68"
- 15 Insert "sec. 69"
- 16
- 17 Page 50, following line 12:
- 18 Insert a new bill section to read:
- 19 "** Sec. 68. The uncoded law of the State of Alaska is amended by adding a new section to
- 20 read:
- 21 REVISOR'S INSTRUCTION. In the following statute sections, the revisor of statutes
- 22 shall substitute the spanned reference
- 23 (1) "AS 43.55.011 - 43.55.170" for the spanned reference "AS 43.55.011 -

1 43.55.180": AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(c), and
2 43.55.300(c);

3 (2) "AS 43.55.017 - 43.55.170" for the spanned reference "AS 43.55.017 -
4 43.55.180": AS 43.55.023(g)."

5

6 Renumber the following bill sections accordingly.

7

8 Page 50, line 22:

9 Delete "sec. 69"

10 Insert "sec. 70"

AMENDMENT

#15

Farked
ya 6-13 nap

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN), Version "F"

Wagoner
Bunde

- 1 Page 2, line 9
- 2 Delete: "June 30, 2007"
- 3 Insert: "September 30, 2007"
- 4
- 5 Page 47, line 31
- 6 Delete: "June 30, 2007"
- 7 Insert: "September 30, 2007"
- 8
- 9 Page 49, line 27
- 10 Delete: "July 1, 2007"
- 11 Insert: "October 1, 2007"
- 12
- 13 Page 50, line 20
- 14 Delete: "July 1, 2007"
- 15 Insert: "October 1, 2007"
- 16
- 17

change effective date -
shortened retroactivity to
3 months

Speaking against.

Stedman - this would preclude our putting these \$ in ed fund, PRS/TRS, general debt level,

25-GH0014\F.16
Chenoweth/Bullock
11/15/07

AMENDMENT #14 ^{you} 5-14 nap
Failed

THERRIAULT
WILKEN
DYSON
BUNDE
WAGONER

OFFERED IN THE SENATE
TO: SCS CSHB 2001(FIN)

- 1 Page 1, line 12:
- 2 Delete "sec. 47"
- 3 Insert "sec. 48"

- 4
- 5 Page 2, line 3:
- 6 Delete "sec. 68"
- 7 Insert "sec. 69"

- 8
- 9 Page 2, following line 19:
- 10 Insert a new bill section to read:

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

12 **Sec. 37.10.440. Appropriations to the earnings reserve account of**
 13 **production tax revenue.** (a) By February 1 of each year, the Department of Revenue
 14 shall determine whether the state received for the general fund, during the immediately
 15 preceding calendar year, an additional amount of money under AS 43.55.011(g)
 16 because the monthly average production tax value for each BTU equivalent barrel is
 17 more than \$30 under that subsection. If the state received an additional amount, the
 18 department shall notify the legislature of that amount.

19 (b) The legislature may appropriate 50 percent of the amount identified by the
 20 Department of Revenue under (a) of this section to the earnings reserve account
 21 established under AS 37.13.145.

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

progressivity \$ x 1/2
deposited in earnings
reserve acct.

1

2 **Renumber the following bill sections accordingly.**

3

4 **Page 47, line 29:**5 **Delete "sec. 55"**6 **Insert "sec. 56"**

7

8 **Page 47, line 30:**9 **Delete "secs. 15 - 27, 29 - 42, and 49 - 60"**10 **Insert "secs. 16 - 28, 30 - 43, and 50 - 61"**

11

12 **Page 48, line 1:**13 **Delete "Sections 43 and 45"**14 **Insert "Sections 44 and 46"**

15

16 **Page 48, line 2:**17 **Delete "sec. 43"**18 **Insert "sec. 44"**

19

20 **Page 48, line 3:**21 **Delete "sec. 45"**22 **Insert "sec. 46"**23 **Delete "secs. 43 and 45"**24 **Insert "secs. 44 and 46"**

25

26 **Page 48, line 5:**27 **Delete "Sections 34 - 37, 39, and 41"**28 **Insert "Sections 35 - 38, 40, and 42"**

29

30 **Page 48, line 8:**31 **Delete "sec. 47"**

- 1 Insert "sec. 48"
- 2
- 3 Page 48, line 10:
- 4 Delete "secs. 14 and 47"
- 5 Insert "secs. 15 and 48"
- 6
- 7 Page 48, line 12:
- 8 Delete "sec. 44" in both places
- 9 Insert "sec. 45" in both places
- 10
- 11 Page 48, line 15:
- 12 Delete "sec. 46"
- 13 Insert "sec. 47"
- 14
- 15 Page 48, line 16:
- 16 Delete "sec. 46"
- 17 Insert "sec. 47"
- 18
- 19 Page 49, line 11:
- 20 Delete "sec. 21" in both places
- 21 Insert "sec. 22" in both places
- 22
- 23 Page 49, line 13:
- 24 Delete "sec. 21"
- 25 Insert "sec. 22"
- 26
- 27 Page 49, line 15:
- 28 Delete "sec. 55"
- 29 Insert "sec. 56"
- 30
- 31 Page 49, line 16:

- 1 Delete "sec. 68"
- 2 Insert "sec. 69"
- 3
- 4 Page 49, line 17:
 - 5 Delete "secs. 15 - 27, 29 - 42, 49 - 54, and 56 - 60"
 - 6 Insert "secs. 16 - 28, 30 - 43, 50 - 55, and 57 - 61"
 - 7 Delete "sec. 55"
 - 8 Insert "sec. 56"
 - 9
- 10 Page 49, line 18:
 - 11 Delete "sec. 68"
 - 12 Insert "sec. 69"
 - 13
- 14 Page 49, lines 26 - 27:
 - 15 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"
 - 16 Insert "secs. 16 - 28, 30 - 43, and 50 - 61"
 - 17
- 18 Page 49, line 29 :
 - 19 Delete "sec. 55"
 - 20 Insert "sec. 56"
 - 21
- 22 Page 50, lines 15 - 16:
 - 23 Delete "Sections 29 and 38"
 - 24 Insert "Sections 30 and 39"
 - 25
- 26 Page 50, line 17:
 - 27 Delete "sec. 55"
 - 28 Insert "sec. 56"
 - 29
- 30 Page 50, line 19:
 - 31 Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

1 Insert "secs. 16 - 28, 30 - 43, and 50 - 61"

2

3 Page 50, line 21:

4 Delete "Section 28"

5 Insert "Section 29"

6

7 Page 50, line 22:

8 Delete "sec. 69"

9 Insert "sec. 70"

^{speaking}
Opposed: Wielechowski "this amend will cost \$450M"

Failed

AMENDMENT #13 ya 4-12 nay

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN), Version "F"

Bunde
Wagoner
add: Dyson

- 1 Page 2, line 9
- 2 Delete: "June 30, 2007"
- 3 Insert: "December 31, 2007"
- 4
- 5 Page 47, line 31
- 6 Delete: "June 30, 2007"
- 7 Insert: "December 31, 2007"
- 8
- 9 Page 49, line 27
- 10 Delete: "July 1, 2007"
- 11 Insert: "January 1, 2008"
- 12
- 13 Page 50, line 20
- 14 Delete: "July 1, 2007"
- 15 Insert: "January 1, 2008"
- 16
- 17

AMENDMENT #12
Senator French

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

1 Page 1, line 12:

2 Delete "sec. 47"

3 Insert "sec. 48"

4

5 Page 2, line 3.:

6 Delete "sec. 68"

7 Insert "sec. 69"

8

9 Page 33, following line 27:

10 Insert a new bill section to read:

11 "* Sec. 47. AS 43.55 is amended by adding a new section to read:

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

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

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

23 (d) For purposes of this section,

1 (1) a substantial understatement of tax for any calendar year exists if
2 the amount of the understatement for the calendar year exceeds 10 percent of the tax
3 required to be shown on the statement for the calendar year;

4 (2) a gross understatement of tax for any calendar year exists if the
5 amount of the understatement for the calendar year exceeds 20 percent of the tax
6 required to be shown on the statement for the calendar year;

7 (3) "understatement" means the amount by which the tax required to
8 be shown on the statement for the calendar year exceeds the amount of the tax
9 reported as due by the taxpayer as shown on the statement."
10

11 Renumber the following bill sections accordingly.
12

13 Page 47, line 29:

14 Delete "sec. 55"

15 Insert "sec. 56"
16

17 Page 47, line 30:

18 Delete "49 - 60"

19 Insert "50 - 61"
20

21 Page 48, following line 4:

22 Insert a new subsection to read:

23 "(d) AS 43.55.055, enacted by sec. 47 of this Act, applies to understatements made
24 after the effective date of sec. 47 of this Act."
25

26 Reletter the following subsections accordingly.
27

28 Page 48, line 8:

29 Delete "sec. 47"

30 Insert "sec. 48"
31

- 1 Page 48, line 10:
- 2 Delete "47"
- 3 Insert "48"
- 4
- 5 Page 49, line 15:
- 6 Delete "sec. 55"
- 7 Insert "sec. 56"
- 8
- 9 Page 49, line 16:
- 10 Delete "sec. 68"
- 11 Insert "sec. 69"
- 12
- 13 Page 49, line 17:
- 14 Delete "49 - 54, 56 - 60"
- 15 Insert "50 - 55, 57 - 61"
- 16 Delete "sec. 55"
- 17 Insert "sec. 56"
- 18
- 19 Page 49, line 18:
- 20 Delete "sec. 68"
- 21 Insert "sec. 69"
- 22
- 23 Page 49, line 27:
- 24 Delete "49 - 60"
- 25 Insert "50 - 61"
- 26
- 27 Page 49, line 29:
- 28 Delete "sec. 55"
- 29 Insert "sec. 56"
- 30
- 31 Page 50, line 17:

- 1 Delete "sec. 55"
- 2 Insert "sec. 56"
- 3
- 4 Page 50, line 19:
 - 5 Delete "49 - 60"
 - 6 Insert "50 - 61"
 - 7
- 8 Page 50, line 22:
 - 9 Delete "sec. 69"
 - 10 Insert "sec. 70"

AMENDMENT #11

U.C.
Sen. Stedman

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

appropriately

- 1 Page 12, line 19:
- 2 Delete "\$90"
- 3 Insert "\$92.50"
- 4
- 5 Page 12, line 22:
- 6 Delete "\$90"
- 7 Insert "\$92.50"
- 8 Delete "24"
- 9 Insert "25"
- 10
- 11 Page 12, line 25:
- 12 Delete "\$90"
- 13 Insert "\$92.50"

AMENDMENT # 10

U.C.
BY SEN. STEEDMAN

OFFERED IN THE SENATE

TO: SCS CSHB 2001(FIN)

monthly progressively pyts
+ annual tax filing
admin -suppits

1 Page 2, line 3:

2 Delete "sec. 68"

3 Insert "sec. 69"

4

5 Page 11, lines 14 - 22:

6 Delete all material and insert:

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

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

13 (1) the annual production tax value of the taxable oil and gas as
14 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

15 (2) the sum, over all months of the calendar year, of the tax amounts
16 determined under (g) of this section."

17

18 Page 12, lines 14 - 26:

19 Delete all material and insert:

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

21 "(g) For each month of the calendar year for which the producer's average
22 monthly production tax value under AS 43.55.160(a)(2) per BTU equivalent barrel of
23 the taxable oil and gas is more than \$30, the amount of tax for purposes of (c) of this

1 section is determined by multiplying the monthly production tax value of the taxable
2 oil and gas produced during the month by the tax rate calculated as follows:

3 (1) if the producer's average monthly production tax value per BTU
4 equivalent barrel of the taxable oil and gas for the month is not more than \$90, the tax
5 rate is 0.4 percent multiplied by the number that represents the difference between that
6 average monthly production tax value per BTU equivalent barrel and \$30; or

7 (2) if the producer's average monthly production tax value per BTU
8 equivalent barrel of the taxable oil and gas for the month is more than \$90, the tax rate
9 is the sum of 24 percent and the product of 0.1 percent multiplied by the number that
10 represents the difference between the average monthly production tax value per BTU
11 equivalent barrel and \$90, except that the sum determined under this paragraph may
12 not exceed 50 percent."

13
14 Page 15, line 4:

15 Delete "the total tax rate for the month determined in"

16 Insert "the sum of 25 percent and the tax rate calculated for the month under"

17
18 Page 15, line 19:

19 Delete "the total tax rate for the month determined in"

20 Insert "the sum of 25 percent and the tax rate calculated for the month under"

21
22 Page 15, line 30:

23 Delete "the total tax rate for the month determined in"

24 Insert "the sum of 25 percent and the tax rate calculated for the month under"

25
26 Page 39, following line 6:

27 Insert a new bill section to read:

28 **** Sec. 52.** AS 43.55.160(c) is amended to read:

29 (c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of
30 calculating a monthly production tax value under (a)(2) of this section, the gross value
31 at the point of production of the oil and gas [TAXABLE UNDER AS 43.55.011(g)] is