

CS FOR SENATE BILL NO. 130(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 4/13/16

Referred: Finance

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to interest applicable to delinquent tax; relating to the oil and gas**
2 **production tax, tax payments, and credits; relating to refunds for the gas storage facility**
3 **tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state**
4 **oil refinery infrastructure expenditures tax credit; relating to oil and gas lease**
5 **expenditures and production tax credits for municipal entities; relating to a bond or**
6 **cash deposit required for an oil or gas business; and providing for an effective date."**

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

8 * **Section 1.** AS 38.05.036(a) is amended to read:

9 (a) The department may conduct audits regarding royalty and net profits under
10 oil and gas contracts, agreements, or leases under this chapter and regarding costs
11 related to exploration licenses entered into under AS 38.05.131 - 38.05.134 and
12 exploration incentive credits under this chapter [OR UNDER AS 41.09]. For purposes
13 of an audit under this section,

1 (1) the department may examine the books, papers, records, or
2 memoranda of a person regarding matters related to the audit; and

3 (2) the records and premises where a business is conducted shall be
4 open at all reasonable times for inspection by the department.

5 * **Sec. 2.** AS 38.05.036(b) is amended to read:

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

13 * **Sec. 3.** AS 38.05.036(c) is amended to read:

14 (c) The department may obtain from the Department of Revenue all
15 information obtained under AS 43 relating to royalty and net profits and to exploration
16 incentive credits. The department may use the information for purposes of carrying out
17 its responsibilities and functions under this chapter [AND AS 41.09]. Information
18 made available to the department that was obtained under AS 43 is confidential and
19 subject to the provisions of AS 43.05.230.

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

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

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

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

31 * **Sec. 6.** AS 43.05.225 is amended to read:

1 **Sec. 43.05.225. Interest.** Unless otherwise provided,

2 (1) a delinquent tax under this title,

3 (A) before January 1, 2014, bears interest in each calendar
4 quarter at the rate of five percentage points above the annual rate charged
5 member banks for advances by the 12th Federal Reserve District as of the first
6 day of that calendar quarter, or at the annual rate of 11 percent, whichever is
7 greater, compounded quarterly as of the last day of that quarter; [OR]

8 (B) on and after January 1, 2014, **and before January 1, 2017,**
9 bears interest in each calendar quarter at the rate of three percentage points
10 above the annual rate charged member banks for advances by the 12th Federal
11 Reserve District as of the first day of that calendar quarter, **compounded**
12 **quarterly as of the last day of that quarter;**

13 **(C) on and after January 1, 2017,**

14 **(i) for the first three years after a tax becomes**
15 **delinquent, bears interest in each calendar quarter at the rate of**
16 **seven percentage points above the annual rate charged member**
17 **banks for advances by the 12th Federal Reserve District as of the**
18 **first day of that calendar quarter, compounded quarterly as of the**
19 **last day of that quarter; and**

20 **(ii) after the first three years after a tax becomes**
21 **delinquent, does not bear interest;**

22 (2) the interest rate is 12 percent a year for

23 (A) delinquent fees payable under AS 05.15.095(c); and

24 (B) unclaimed property that is not timely paid or delivered, as
25 allowed by AS 34.45.470(a).

26 * **Sec. 7.** AS 43.20.046(e) is amended to read:

27 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department
28 may use available money in the oil and gas tax credit fund established in AS 43.55.028
29 to make the refund applied for under (d) of this section in whole or in part if the
30 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN
31 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT

1 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,
 2 the claimant's total tax liability under this chapter for the calendar year in which the
 3 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"
 4 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED
 5 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS
 6 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

7 * **Sec. 8.** AS 43.20.047(e) is amended to read:

8 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department
 9 may use money available in the oil and gas tax credit fund established in AS 43.55.028
 10 to make a refund or payment under (d) of this section in whole or in part if the
 11 department finds that, [(1) THE CLAIMANT DOES NOT HAVE AN
 12 OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT
 13 TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits,
 14 the claimant's total tax liability under this chapter for the calendar year in which the
 15 claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX"
 16 MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED
 17 AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS
 18 NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

19 * **Sec. 9.** AS 43.20.053(e) is amended to read:

20 (e) **Subject to the requirements in AS 43.55.028(j), the** [THE] department
 21 may use money available in the oil and gas tax credit fund established in AS 43.55.028
 22 to make a refund or payment under (d) of this section in whole or in part if the
 23 department finds that,

24 [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING
 25 LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS
 26 TITLE; AND

27 (2)] after application of all available tax credits, the claimant's total tax
 28 liability under this chapter for the calendar year in which the claim is made is zero.

29 * **Sec. 10.** AS 43.55.011(e) is amended to read:

30 (e) There is levied on the producer of oil or gas a tax for all oil and gas
 31 produced each calendar year from each lease or property in the state, less any oil and

1 gas the ownership or right to which is exempt from taxation or constitutes a
 2 landowner's royalty interest or for which a tax is levied by AS 43.55.014, **and less any**
 3 **oil or gas to which (q) of this section applies**. Except as otherwise provided under (f)
 4 [, (j), (k), (o),] and (p) of this section, for oil and gas produced

5 (1) before January 1, 2014, the tax is equal to the sum of

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

8 (B) the sum, over all months of the calendar year, of the tax
 9 amounts determined under (g) of this section;

10 (2) on and after January 1, 2014, and before January 1, 2022, the tax is
 11 equal to the annual production tax value of the taxable oil and gas as calculated under
 12 AS 43.55.160(a)(1) multiplied by 35 percent;

13 (3) on and after January 1, 2022, the tax for

14 (A) oil is equal to the annual production tax value of the
 15 taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;

16 (B) gas is equal to 13 percent of the gross value at the point of
 17 production of the taxable gas; if the gross value at the point of production of
 18 gas produced from a lease or property is less than zero, that gross value at the
 19 point of production is considered zero for purposes of this subparagraph.

20 * **Sec. 11.** AS 43.55.011(f) is amended to read:

21 (f) The levy of tax under (e) of this section for

22 (1) oil and gas produced before January 1, 2022, from leases or
 23 properties that include land north of 68 degrees North latitude [, OTHER THAN GAS
 24 SUBJECT TO (o) OF THIS SECTION,] may not be less than

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

29 (B) three percent of the gross value at the point of production
 30 when the average price per barrel for Alaska North Slope crude oil for sale on
 31 the United States West Coast during the calendar year for which the tax is due

1 is over \$20 but not over \$25;

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

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

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

14 (2) oil produced on and after January 1, 2022, from leases or properties
15 that include land north of 68 degrees North latitude, may not be less than

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

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

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

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

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

5 * **Sec. 12.** AS 43.55.011 is amended by adding a new subsection to read:

6 (q) On and after January 1, 2018,

7 (1) no tax is levied on oil or gas produced from a lease or property in
 8 the Cook Inlet sedimentary basin;

9 (2) a producer or explorer may not earn a tax credit under this chapter
 10 for expenditures incurred in the Cook Inlet sedimentary basin.

11 * **Sec. 13.** AS 43.55.020(a) is amended to read:

12 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
 13 the tax as follows:

14 (1) for oil and gas produced before January 1, 2014, an installment
 15 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 16 as allowed by law, is due for each month of the calendar year on the last day of the
 17 following month; [EXCEPT AS OTHERWISE PROVIDED UNDER (2) OF THIS
 18 SUBSECTION,] the amount of the installment payment is the sum of the following
 19 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
 20 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment
 21 payment may not be less than zero:

22 (A) for oil and gas not subject to AS 43.55.011(p)
 23 [AS 43.55.011(o) OR (p)] produced from leases or properties in the state
 24 outside the Cook Inlet sedimentary basin, other than leases or properties
 25 subject to AS 43.55.011(f), the greater of

26 (i) zero; or

27 (ii) the sum of 25 percent and the tax rate calculated for
 28 the month under AS 43.55.011(g) multiplied by the remainder obtained
 29 by 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 the oil and gas under AS 43.55.160 from the gross value

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

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

6 (i) zero;

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

11 (iii) the sum of 25 percent and the tax rate calculated for
 12 the month under AS 43.55.011(g) multiplied by the remainder obtained
 13 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 14 calendar year of production under AS 43.55.165 and 43.55.170 that are
 15 deductible for the oil and gas under AS 43.55.160 from the gross value
 16 at the point of production of the oil and gas produced from those leases
 17 or properties during the month for which the installment payment is
 18 calculated;

19 (C) [FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k),
 20 OR (o), FOR EACH LEASE OR PROPERTY, THE GREATER OF

21 (i) ZERO; OR

22 (ii) THE SUM OF 25 PERCENT AND THE TAX
 23 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)
 24 MULTIPLIED BY THE REMAINDER OBTAINED BY
 25 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE
 26 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION
 27 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE
 28 UNDER AS 43.55.160 FOR THE OIL OR GAS, RESPECTIVELY,
 29 PRODUCED FROM THE LEASE OR PROPERTY FROM THE
 30 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL
 31 OR GAS, RESPECTIVELY, PRODUCED FROM THE LEASE OR

1 PROPERTY DURING THE MONTH FOR WHICH THE
2 INSTALLMENT PAYMENT IS CALCULATED;

3 (D)] for oil and gas subject to AS 43.55.011(p), the lesser of

4 (i) the sum of 25 percent and the tax rate calculated for
5 the month under AS 43.55.011(g) multiplied by the remainder obtained
6 by subtracting 1/12 of the producer's adjusted lease expenditures for the
7 calendar year of production under AS 43.55.165 and 43.55.170 that are
8 deductible for the oil and gas under AS 43.55.160 from the gross value
9 at the point of production of the oil and gas produced from the leases or
10 properties during the month for which the installment payment is
11 calculated, but not less than zero; or

12 (ii) four percent of the gross value at the point of
13 production of the oil and gas produced from the leases or properties
14 during the month, but not less than zero;

15 (2) [AN AMOUNT CALCULATED UNDER (1)(C) OF THIS
16 SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY
17 NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE
18 CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2) OR 43.55.011(o), AS
19 APPLICABLE, FOR GAS OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS
20 APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR
21 (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS
22 PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS
23 PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN
24 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF
25 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF
26 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR;

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

31 (A) the applicable tax rate for oil provided under

1 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 2 oil taxable under AS 43.55.011(i) and produced from the lease or property
 3 during the month; and

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

8 **(3)** [(4)] any amount of tax levied by AS 43.55.011, net of any credits
 9 applied as allowed by law, that exceeds the total of the amounts due as installment
 10 payments of estimated tax is due on March 31 of the year following the calendar year
 11 of production;

12 **(4)** [(5)] for oil and gas produced on and after January 1, 2014, and
 13 before January 1, 2022, an installment payment of the estimated tax levied by
 14 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 15 month of the calendar year on the last day of the following month; [EXCEPT AS
 16 OTHERWISE PROVIDED UNDER (6) OF THIS SUBSECTION,] the amount of the
 17 installment payment is the sum of the following amounts, less 1/12 of the tax credits
 18 that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the
 19 calendar year, but the amount of the installment payment may not be less than zero:

20 (A) for oil and gas not subject to **AS 43.55.011(p)**
 21 [AS 43.55.011(o) OR (p)] produced from leases or properties in the state
 22 outside the Cook Inlet sedimentary basin, other than leases or properties
 23 subject to AS 43.55.011(f), the greater of

24 (i) zero; or

25 (ii) 35 percent multiplied by the remainder obtained by
 26 subtracting 1/12 of the producer's adjusted lease expenditures for the
 27 calendar year of production under AS 43.55.165 and 43.55.170 that are
 28 deductible for the oil and gas under AS 43.55.160 from the gross value
 29 at the point of production of the oil and gas produced from the leases or
 30 properties during the month for which the installment payment is
 31 calculated;

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

3 (i) zero;

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

8 (iii) 35 percent multiplied by the remainder obtained by
9 subtracting 1/12 of the producer's adjusted lease expenditures for the
10 calendar year of production under AS 43.55.165 and 43.55.170 that are
11 deductible for the oil and gas under AS 43.55.160 from the gross value
12 at the point of production of the oil and gas produced from those leases
13 or properties during the month for which the installment payment is
14 calculated, except that, for the purposes of this calculation, a reduction
15 from the gross value at the point of production may apply for oil and
16 gas subject to AS 43.55.160(f) or (g);

17 (C) [FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k),
18 OR (o), FOR EACH LEASE OR PROPERTY, THE GREATER OF

19 (i) ZERO; OR

20 (ii) 35 PERCENT MULTIPLIED BY THE
21 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE
22 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE
23 CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND
24 43.55.170 THAT ARE DEDUCTIBLE UNDER AS 43.55.160 FOR
25 THE OIL OR GAS, RESPECTIVELY, PRODUCED FROM THE
26 LEASE OR PROPERTY FROM THE GROSS VALUE AT THE
27 POINT OF PRODUCTION OF THE OIL OR GAS, RESPECTIVELY,
28 PRODUCED FROM THE LEASE OR PROPERTY DURING THE
29 MONTH FOR WHICH THE INSTALLMENT PAYMENT IS
30 CALCULATED;

31 (D)] for oil and gas subject to AS 43.55.011(p), the lesser of

1 (i) 35 percent multiplied by the remainder obtained by
 2 subtracting 1/12 of the producer's adjusted lease expenditures for the
 3 calendar year of production under AS 43.55.165 and 43.55.170 that are
 4 deductible for the oil and gas under AS 43.55.160 from the gross value
 5 at the point of production of the oil and gas produced from the leases or
 6 properties during the month for which the installment payment is
 7 calculated, but not less than zero; or

8 (ii) four percent of the gross value at the point of
 9 production of the oil and gas produced from the leases or properties
 10 during the month, but not less than zero;

11 (5) [(6) AN AMOUNT CALCULATED UNDER (5)(C) OF THIS
 12 SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY
 13 NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE
 14 CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2) OR 43.55.011(o), AS
 15 APPLICABLE, FOR GAS OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS
 16 APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR
 17 (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS
 18 PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS
 19 PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN
 20 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF
 21 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF
 22 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR;

23 (7)] for oil and gas produced on or after January 1, 2022, an
 24 installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax
 25 credits applied as allowed by law, is due for each month of the calendar year on the
 26 last day of the following month; the amount of the installment payment is the sum of
 27 the following amounts, less 1/12 of the tax credits that are allowed by law to be
 28 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 29 of the installment payment may not be less than zero:

30 (A) for oil produced from leases or properties that include land
 31 north of 68 degrees North latitude, the greatest of

- 1 (i) zero;
- 2 (ii) zero percent, one percent, two percent, three
3 percent, or four percent, as applicable, of the gross value at the point of
4 production of the oil produced from the leases or properties during the
5 month for which the installment payment is calculated; or
- 6 (iii) 35 percent multiplied by the remainder obtained by
7 subtracting 1/12 of the producer's adjusted lease expenditures for the
8 calendar year of production under AS 43.55.165 and 43.55.170 that are
9 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
10 the point of production of the oil produced from those leases or
11 properties during the month for which the installment payment is
12 calculated, except that, for the purposes of this calculation, a reduction
13 from the gross value at the point of production may apply for oil
14 subject to AS 43.55.160(f) or 43.55.160(f) and (g);
- 15 (B) for oil produced before or during the last calendar year
16 under AS 43.55.024(b) for which the producer could take a tax credit under
17 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
18 sedimentary basin, no part of which is north of 68 degrees North latitude, other
19 than leases or properties subject to AS 43.55.011(p), the greater of
- 20 (i) zero; or
- 21 (ii) 35 percent multiplied by the remainder obtained by
22 subtracting 1/12 of the producer's adjusted lease expenditures for the
23 calendar year of production under AS 43.55.165 and 43.55.170 that are
24 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
25 the point of production of the oil produced from the leases or properties
26 during the month for which the installment payment is calculated;
- 27 (C) for oil and gas produced from leases or properties subject
28 to AS 43.55.011(p), except as otherwise provided under (6) [(8)] of this
29 subsection, the sum of
- 30 (i) 35 percent multiplied by the remainder obtained by
31 subtracting 1/12 of the producer's adjusted lease expenditures for the

1 calendar year of production under AS 43.55.165 and 43.55.170 that are
2 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
3 the point of production of the oil produced from the leases or properties
4 during the month for which the installment payment is calculated, but
5 not less than zero; and

6 (ii) 13 percent of the gross value at the point of
7 production of the gas produced from the leases or properties during the
8 month, but not less than zero;

9 (D) for oil produced from leases or properties in the state, no
10 part of which is north of 68 degrees North latitude, other than leases or
11 properties subject to (B) or (C) of this paragraph, the greater of

12 (i) zero; or

13 (ii) 35 percent multiplied by the remainder obtained by
14 subtracting 1/12 of the producer's adjusted lease expenditures for the
15 calendar year of production under AS 43.55.165 and 43.55.170 that are
16 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
17 the point of production of the oil produced from the leases or properties
18 during the month for which the installment payment is calculated;

19 (E) for gas produced from each lease or property in the state,
20 other than a lease or property subject to AS 43.55.011(p), 13 percent of the
21 gross value at the point of production of the gas produced from the lease or
22 property during the month for which the installment payment is calculated, but
23 not less than zero;

24 (6) [(8)] an amount calculated under (5)(C) [(7)(C)] of this subsection
25 may not exceed four percent of the gross value at the point of production of the oil and
26 gas produced from leases or properties subject to AS 43.55.011(p) during the month
27 for which the installment payment is calculated;

28 (7) [(9)] for purposes of the calculation under (1)(B)(ii), (4)(B)(ii)
29 [(5)(B)(ii)], and (5)(A)(ii) [(7)(A)(ii)] of this subsection, the applicable percentage of
30 the gross value at the point of production is determined under AS 43.55.011(f)(1) or
31 (2) but substituting the phrase "month for which the installment payment is calculated"

1 in AS 43.55.011(f)(1) and (2) for the phrase "calendar year for which the tax is due."

2 * **Sec. 14.** AS 43.55.020(g) is amended to read:

3 (g) Notwithstanding any contrary provision of AS 43.05.225,

4 (1) before January 1, 2014, an unpaid amount of an installment
5 payment required under (a)(1) and (2) [(a)(1) - (3)] of this section that is not paid
6 when due bears interest (A) at the rate provided for an underpayment under 26 U.S.C.
7 6621 (Internal Revenue Code), as amended, compounded daily, from the date the
8 installment payment is due until March 31 following the calendar year of production,
9 and (B) as provided for a delinquent tax under AS 43.05.225 after that March 31;
10 interest accrued under (A) of this paragraph that remains unpaid after that March 31 is
11 treated as an addition to tax that bears interest under (B) of this paragraph; an unpaid
12 amount of tax due under (a)(3) [(a)(4)] of this section that is not paid when due bears
13 interest as provided for a delinquent tax under AS 43.05.225;

14 (2) on and after January 1, 2014, an unpaid amount of an installment
15 payment required under (a)(2), (4), or (5) [(a)(3), (5), (6), OR (7)] of this section that
16 is not paid when due bears interest (A) at the rate provided for an underpayment under
17 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the
18 date the installment payment is due until March 31 following the calendar year of
19 production, and (B) as provided for a delinquent tax under AS 43.05.225 after that
20 March 31; interest accrued under (A) of this paragraph that remains unpaid after that
21 March 31 is treated as an addition to tax that bears interest under (B) of this paragraph;
22 an unpaid amount of tax due under (a)(3) [(a)(4)] of this section that is not paid when
23 due bears interest as provided for a delinquent tax under AS 43.05.225.

24 * **Sec. 15.** AS 43.55.020(h) is amended to read:

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

26 (1) an overpayment of an installment payment required under (a)(1),
27 (2), (4), or (5) [(a)(1), (2), (3), (5), (6), OR (7)] of this section bears interest at the rate
28 provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as
29 amended, compounded daily, from the later of the date the installment payment is due
30 or the date the overpayment is made, until the earlier of

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

1 (B) March 31 following the calendar year of production;

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

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

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

13 * **Sec. 16.** AS 43.55.020(i) is amended to read:

14 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
15 this section, if the amount of a tax payment, including an installment payment, due
16 under (a)(1) - (5) [(a)(1) - (4)] of this section is affected by the retroactive application
17 of a regulation adopted under this chapter, the department shall determine whether the
18 retroactive application of the regulation caused an underpayment or an overpayment of
19 the amount due and adjust the interest due on the affected payment as follows:

20 (1) if an underpayment of the amount due occurred, the department
21 shall waive interest that would otherwise accrue for the underpayment before the first
22 day of the second month following the month in which the regulation became
23 effective, if

24 (A) the department determines that the producer's
25 underpayment resulted because the regulation was not in effect when the
26 payment was due; and

27 (B) the producer demonstrates that it made a good faith
28 estimate of its tax obligation in light of the regulations then in effect when the
29 payment was due and paid the estimated tax;

30 (2) if an overpayment of the amount due occurred and the department
31 determines that the producer's overpayment resulted because the regulation was not in

1 effect when the payment was due, the obligation for a refund for the overpayment does
2 not begin to accrue interest earlier than the following, as applicable:

3 (A) except as otherwise provided under (B) of this paragraph,
4 the first day of the second month following the month in which the regulation
5 became effective;

6 (B) 90 days after an amended statement under AS 43.55.030(a)
7 and an application to request a refund of production tax paid is filed, if the
8 overpayment was for a period for which an amended statement under
9 AS 43.55.030(a) was required to be filed before the regulation became
10 effective.

11 * **Sec. 17.** AS 43.55.023(a) is amended to read:

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

14 (1) notwithstanding that a qualified capital expenditure may be a
15 deductible lease expenditure for purposes of calculating the production tax value of oil
16 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
17 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or
18 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
19 against a tax levied by AS 43.55.011(e) in the amount of 10 [20] percent of that
20 expenditure;

21 (2) a producer or explorer may take a credit for a qualified capital
22 expenditure incurred in connection with geological or geophysical exploration or in
23 connection with an exploration well only if the producer or explorer

24 (A) agrees, in writing, to the applicable provisions of
25 AS 43.55.025(f)(2); and

26 (B) submits to the Department of Natural Resources all data
27 that would be required to be submitted under AS 43.55.025(f)(2);

28 (3) a credit for a qualified capital expenditure incurred to explore for,
29 develop, or produce oil or gas deposits located north of 68 degrees North latitude may
30 be taken only if the expenditure is incurred before January 1, 2014.

31 * **Sec. 18.** AS 43.55.023(a), as amended by sec. 17 of this Act, is amended to read:

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

3 (1) notwithstanding that a qualified capital expenditure may be a
4 deductible lease expenditure for purposes of calculating the production tax value of oil
5 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
6 AS 43.20.043 or AS 43.55.025, a producer or explorer that incurs a qualified capital
7 expenditure may also elect to apply a tax credit against a tax levied by
8 AS 43.55.011(e) in the amount of 10 percent of that expenditure;

9 (2) a producer or explorer may take a credit for a qualified capital
10 expenditure incurred in connection with geological or geophysical exploration or in
11 connection with an exploration well only if the producer or explorer

12 (A) agrees, in writing, to the applicable provisions of
13 AS 43.55.025(f)(2); and

14 (B) submits to the Department of Natural Resources all data
15 that would be required to be submitted under AS 43.55.025(f)(2);

16 (3) a credit for a qualified capital expenditure incurred to explore for,
17 develop, or produce oil or gas deposits located

18 (A) north of 68 degrees North latitude may be taken only if the
19 expenditure is incurred before January 1, 2014;

20 (B) in the Cook Inlet sedimentary basin may be taken only
21 if the expenditure is incurred before January 1, 2018.

22 * **Sec. 19.** AS 43.55.023(b) is amended to read:

23 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
24 credit in the amount of 25 percent of a carried-forward annual loss. For lease
25 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
26 explore for, develop, or produce oil or gas deposits located north of 68 degrees North
27 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
28 percent of a carried-forward annual loss. For lease expenditures incurred on and after
29 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north
30 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in
31 the amount of 35 percent of a carried-forward annual loss. For lease expenditures

1 incurred on or after January 1, 2014, **and before January 1, 2017**, to explore for,
 2 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
 3 producer or explorer may elect to take a tax credit in the amount of 25 percent of a
 4 carried-forward annual loss. **For lease expenditures incurred on or after January 1,**
 5 **2017, to explore for, develop, or produce oil or gas deposits located south of 68**
 6 **degrees North latitude, a producer or explorer may elect to take a tax credit in**
 7 **the amount of 15 percent of a carried-forward annual loss.** A credit under this
 8 subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of
 9 this subsection,

10 (1) a carried-forward annual loss is the amount of a producer's or
 11 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
 12 previous calendar year that was not deductible in calculating production tax values for
 13 that calendar year under AS 43.55.160;

14 (2) **for lease expenditures incurred on or after January 1, 2017,**
 15 **any reduction under AS 43.55.160(f) or (g) is added back to the calculation of**
 16 **production tax values for that calendar year under AS 43.55.160 for the**
 17 **determination of a carried-forward annual loss.**

18 * **Sec. 20.** AS 43.55.023(b), as amended by sec. 19 of this Act, is amended to read:

19 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
 20 credit in the amount of 25 percent of a carried-forward annual loss. For lease
 21 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
 22 explore for, develop, or produce oil or gas deposits located north of 68 degrees North
 23 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
 24 percent of a carried-forward annual loss. For lease expenditures incurred on and after
 25 January 1, 2016, to explore for, develop, or produce oil or gas deposits located north
 26 of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in
 27 the amount of 35 percent of a carried-forward annual loss. For lease expenditures
 28 incurred on or after January 1, 2014, and before January 1, 2017, to explore for,
 29 develop, or produce oil or gas deposits located south of 68 degrees North latitude, a
 30 producer or explorer may elect to take a tax credit in the amount of 25 percent of a
 31 carried-forward annual loss. For lease expenditures incurred on or after January 1,

1 2017, to explore for, develop, or produce oil or gas deposits located south of 68
 2 degrees North latitude, a producer or explorer may elect to take a tax credit in the
 3 amount of 15 percent of a carried-forward annual loss, **except that a credit for lease**
 4 **expenditures incurred to explore for, develop, or produce oil or gas deposits**
 5 **located in the Cook Inlet sedimentary basin may only be taken if the expenditure**
 6 **is incurred before January 1, 2018.** A credit under this subsection may be applied
 7 against a tax levied by AS 43.55.011(e). For purposes of this subsection,

8 (1) a carried-forward annual loss is the amount of a producer's or
 9 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
 10 previous calendar year that was not deductible in calculating production tax values for
 11 that calendar year under AS 43.55.160;

12 (2) for lease expenditures incurred on or after January 1, 2017, any
 13 reduction under AS 43.55.160(f) or (g) is added back to the calculation of production
 14 tax values for that calendar year under AS 43.55.160 for the determination of a
 15 carried-forward annual loss.

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

17 (d) A person that is entitled to take a tax credit under this section that wishes
 18 to transfer the unused credit to another person or obtain a cash payment under
 19 AS 43.55.028 may apply to the department for a transferable tax credit certificate. An
 20 application under this subsection must be in a form prescribed by the department and
 21 must include supporting information and documentation that the department
 22 reasonably requires. The department shall grant or deny an application, or grant an
 23 application as to a lesser amount than that claimed and deny it as to the excess, not
 24 later than 120 days after the latest of (1) March 31 of the year following the calendar
 25 year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward
 26 annual loss for which the credit is claimed was incurred; (2) the date the statement
 27 required under AS 43.55.030(a) or (e) was filed for the calendar year in which the
 28 [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which
 29 the credit is claimed was incurred; or (3) the date the application was received by the
 30 department. If, based on the information then available to it, the department is
 31 reasonably satisfied that the applicant is entitled to a credit, the department shall issue

1 the applicant a transferable tax credit certificate for the amount of the credit. A
2 certificate issued under this subsection does not expire.

3 * **Sec. 22.** AS 43.55.023(e) is amended to read:

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

15 * **Sec. 23.** AS 43.55.023(l) is amended to read:

16 (l) A producer or explorer may apply for a tax credit for a well lease
17 expenditure incurred in the state south of 68 degrees North latitude after June 30,
18 2010, as follows:

19 (1) notwithstanding that a well lease expenditure incurred in the state
20 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
21 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
22 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),
23 AS 41.09.010,] AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
24 well lease expenditure in the state south of 68 degrees North latitude may elect to
25 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of

26 **(A)** 40 percent of that expenditure **incurred before January 1,**
27 **2017;**

28 **(B) 20 percent of that expenditure incurred on or after**
29 **January 1, 2017** [; A TAX CREDIT UNDER THIS PARAGRAPH MAY BE
30 APPLIED FOR A SINGLE CALENDAR YEAR];

31 (2) a producer or explorer may take a credit for a well lease

1 expenditure incurred in the state south of 68 degrees North latitude in connection with
 2 geological or geophysical exploration or in connection with an exploration well only if
 3 the producer or explorer

4 (A) agrees, in writing, to the applicable provisions of
 5 AS 43.55.025(f)(2); and

6 (B) submits to the Department of Natural Resources all data
 7 that would be required to be submitted under AS 43.55.025(f)(2).

8 * **Sec. 24.** AS 43.55.023(l), as amended by sec. 23 of this Act, is amended to read:

9 (l) A producer or explorer may apply for a tax credit for a well lease
 10 expenditure incurred in the state south of 68 degrees North latitude after June 30,
 11 2010, as follows:

12 (1) notwithstanding that a well lease expenditure incurred in the state
 13 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
 14 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
 15 credit for that expenditure is taken under (a) of this section, AS 43.20.043, or
 16 AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state
 17 south of 68 degrees North latitude may elect to apply a tax credit against a tax levied
 18 by AS 43.55.011(e) in the amount of

19 (A) 40 percent of that expenditure incurred before January 1,
 20 2017;

21 (B) 20 percent of that expenditure incurred on or after
 22 January 1, 2017;

23 (2) a producer or explorer may take a credit for a well lease
 24 expenditure incurred in the state south of 68 degrees North latitude in connection with
 25 geological or geophysical exploration or in connection with an exploration well only if
 26 the producer or explorer

27 (A) agrees, in writing, to the applicable provisions of
 28 AS 43.55.025(f)(2); and

29 (B) submits to the Department of Natural Resources all data
 30 that would be required to be submitted under AS 43.55.025(f)(2);

31 **(3) a credit for a well lease expenditure incurred to explore**

1 for, develop, or produce oil or gas deposits located in the Cook Inlet
2 sedimentary basin may be taken only if the expenditure is incurred before
3 January 1, 2018.

4 * **Sec. 25.** AS 43.55.025(m) is amended to read:

5 (m) The persons that drill the first four exploration wells in the state and
6 within the areas described in (o) of this section on state lands, private lands, or federal
7 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a
8 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)
9 of this section. A credit under this subsection may not be taken for more than two
10 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration
11 expenditures eligible for the credit in this subsection must be incurred for work
12 performed after June 1, 2012, and before July 1, 2016, **except that expenditures to**
13 **complete an exploration well that was spudded but not completed before July 1,**
14 **2016, are eligible for the credit under this subsection.** A person planning to drill an
15 exploration well on private land and to apply for a credit under this subsection shall
16 obtain written consent from the owner of the oil and gas interest for the full public
17 release of all well data after the expiration of the confidentiality period applicable to
18 information collected under (f) of this section. The written consent of the owner of the
19 oil and gas interest must be submitted to the commissioner of natural resources before
20 approval of the proposed exploration well. In addition to the requirements in (c)(1),
21 (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the
22 owner of the oil and gas interest, a person planning to drill an exploration well shall
23 obtain approval from the commissioner of natural resources before the well is
24 spudded. The commissioner of natural resources shall make a written determination
25 approving or rejecting an exploration well within 60 days after receiving the request
26 for approval or as soon as is practicable thereafter. Before approving the exploration
27 well, the commissioner of natural resources shall consider the following: the location
28 of the well; the proximity to a community in need of a local energy source; the
29 proximity of existing infrastructure; the experience and safety record of the explorer in
30 conducting operations in remote or roadless areas; the projected cost schedule;
31 whether seismic mapping and seismic data sufficiently identify a particular trap for

1 exploration; whether the targeted and planned depth and range are designed to
 2 penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and
 3 reach the level below which economic hydrocarbon reservoirs are likely to be found,
 4 or reach 12,000 feet or more true vertical depth; and whether the exploration plan
 5 provides for a full evaluation of the wellbore below surface casing to the depth of the
 6 well. Whether the exploration well for which a credit is requested under this
 7 subsection is located within an area and a basin described under (o) of this section
 8 shall be determined by the commissioner of natural resources and reported to the
 9 commissioner. A taxpayer that obtains a credit under this subsection may not claim a
 10 tax credit under AS 43.55.023 or another provision in this section for the same
 11 exploration expenditure.

12 * **Sec. 26.** AS 43.55.028(e) is amended to read:

13 (e) The department, on the written application of a person to whom a
 14 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
 15 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under
 16 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
 17 purchase, in whole or in part, the certificate. **The department may not purchase a**
 18 **total of more than \$85,000,000 in tax credit certificates from a person in a**
 19 **calendar year. Before purchasing a certificate or part of a certificate,** [IF] the
 20 department **shall find** [FINDS] that

21 (1) the calendar year of the purchase is not earlier than the first
 22 calendar year for which the credit shown on the certificate would otherwise be allowed
 23 to be applied against a tax;

24 (2) the **application is not the result of the division of a single entity**
 25 **into multiple entities that would reasonably be expected to apply as a single entity**
 26 **if the \$85,000,000 limitation in this subsection did not exist** [APPLICANT DOES
 27 NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID
 28 DELINQUENT TAXES UNDER THIS TITLE];

29 (3) the applicant's total tax liability under AS 43.55.011(e), after
 30 application of all available tax credits, for the calendar year in which the application is
 31 made is zero;

1 (4) the applicant's average daily production of oil and gas taxable
 2 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
 3 the application is made was not more than 50,000 BTU equivalent barrels; and

4 (5) the purchase is consistent with this section and regulations adopted
 5 under this section.

6 * **Sec. 27.** AS 43.55.028(g) is amended to read:

7 (g) The department **shall** [MAY] adopt regulations to carry out the purposes
 8 of this section, including standards and procedures to allocate available money among
 9 applications for purchases under this chapter and claims for refunds and payments
 10 under AS 43.20.046, 43.20.047, or 43.20.053 when the total amount of the
 11 applications for purchase and claims for refund exceed the amount of available money
 12 in the fund. The regulations adopted by the department

13 **(1)** may not, when allocating available money in the fund under this
 14 section, distinguish an application for the purchase of a credit certificate issued under
 15 former AS 43.55.023(m) or a claim for a refund or payment under AS 43.20.046,
 16 43.20.047, or 43.20.053;

17 **(2) must grant a preference to an applicant if at least 75 percent of**
 18 **the applicant's workforce in the state in the previous calendar year was**
 19 **composed of resident workers; in this paragraph, "resident worker" has the**
 20 **meaning given in AS 43.40.092(b).**

21 * **Sec. 28.** AS 43.55.028 is amended by adding a new subsection to read:

22 (j) If an applicant or claimant has an outstanding liability to the state directly
 23 related to the applicant's or claimant's oil or gas exploration, development, or
 24 production and the department has not previously reduced the amount paid to that
 25 applicant or claimant for a certificate or refund because of that outstanding liability,
 26 the department may purchase only that portion of a certificate or pay only that portion
 27 of a refund that exceeds the outstanding liability. With the applicant's or claimant's
 28 consent, the department may apply the amount by which the department reduced its
 29 purchase of a certificate or payment for a refund because of an outstanding liability to
 30 satisfy the outstanding liability. Satisfaction of an outstanding liability under this
 31 subsection does not affect the applicant's ability to contest that liability. The

1 department may enter into contracts or agreements with another department to which
 2 the outstanding liability is owed. In this subsection, "outstanding liability" means an
 3 amount of tax, interest, penalty, fee, rental, royalty, or other charge for which the state
 4 has issued a demand for payment that has not been paid when due and, if contested,
 5 has not been finally resolved against the state.

6 * **Sec. 29.** AS 43.55.029(a) is amended to read:

7 (a) An explorer or producer that has applied for a production tax credit under
 8 **former** AS 43.55.023(a) [, (b),] or (l) **or under AS 43.55.023(b)** or 43.55.025(a) may
 9 make a present assignment of the production tax credit certificate expected to be
 10 issued by the department to a third-party assignee. The assignment may be made either
 11 at the time the application is filed with the department or not later than 30 days after
 12 the date of filing with the department. Once a notice of assignment in compliance with
 13 this section is filed with the department, the assignment is irrevocable and cannot be
 14 modified by the explorer or producer without the written consent of the assignee
 15 named in the assignment. If a production tax credit certificate is issued to the explorer
 16 or producer, the notice of assignment remains effective and shall be filed with the
 17 department by the explorer or producer together with any application for the
 18 department to purchase the certificate under AS 43.55.028(e).

19 * **Sec. 30.** 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 state
 21 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
 22 for that oil or gas, shall file with the department on March 31 of the following year a
 23 statement, under oath, in a form prescribed by the department, giving, with other
 24 information required, the following:

25 (1) a description of each lease or property from which oil or gas was
 26 produced, by name, legal description, lease number, or accounting codes assigned by
 27 the department;

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

30 (3) the gross amount of oil and the gross amount of gas produced from
 31 each lease or property, separately identifying the gross amount of gas produced from

1 each oil and gas lease to which an effective election under AS 43.55.014(a) applies,
2 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of
3 the gross amount of oil and gas owned by the producer;

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 producer and the costs of
6 transportation of the oil and gas;

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

10 (6) the producer's qualified capital expenditures, [AS DEFINED IN
11 AS 43.55.023,] other lease expenditures under AS 43.55.165, and adjustments or other
12 payments or credits under AS 43.55.170;

13 (7) the production tax values of the oil and gas under AS 43.55.160(a)
14 or of the oil under AS 43.55.160(h), as applicable;

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

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

18 * **Sec. 31.** AS 43.55.030(e) is amended to read:

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

25 (1) the explorer's or producer's qualified capital expenditures, [AS
26 DEFINED IN AS 43.55.023,] other lease expenditures under AS 43.55.165, and
27 adjustments or other payments or credits under AS 43.55.170; and

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

31 * **Sec. 32.** AS 43.55.160(a) is amended to read:

1 (a) For oil and gas produced before January 1, 2022, except as provided in (b),
2 (f), and (g) of this section, for the purposes of

3 (1) AS 43.55.011(e)(1) and (2), the annual production tax value of
4 taxable oil, gas, or oil and gas produced during a calendar year in a category for which
5 a separate annual production tax value is required to be calculated under this
6 paragraph is the gross value at the point of production of that oil, gas, or oil and gas
7 taxable under AS 43.55.011(e), less the producer's lease expenditures under
8 AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas in that
9 category produced by the producer during the calendar year, as adjusted under
10 AS 43.55.170; a separate annual production tax value shall be calculated for

11 (A) oil and gas produced from leases or properties in the state
12 that include land north of 68 degrees North latitude, other than gas produced
13 before 2022 and used in the state;

14 (B) oil and gas produced from leases or properties in the state
15 outside the Cook Inlet sedimentary basin, no part of which is north of 68
16 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)
17 and (b); this subparagraph does not apply to

18 (i) gas produced before 2022 and used in the state; or

19 (ii) oil and gas subject to AS 43.55.011(p);

20 (C) [OIL PRODUCED BEFORE 2022 FROM EACH LEASE
21 OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN;

22 (D) GAS PRODUCED BEFORE 2022 FROM EACH LEASE
23 OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN;

24 (E)] gas produced before 2022 from each lease or property in
25 the state outside the Cook Inlet sedimentary basin and used in the state, other
26 than gas subject to AS 43.55.011(p);

27 (D) [(F)] oil and gas subject to AS 43.55.011(p) produced from
28 leases or properties in the state;

29 (E) [(G)] oil and gas produced from leases or properties in the
30 state no part of which is north of 68 degrees North latitude, other than oil or
31 gas described in (B), (C), or (D) [, (E), OR (F)] of this paragraph;

1 (2) AS 43.55.011(g), for oil and gas produced before January 1, 2014,
2 the monthly production tax value of the taxable

3 (A) oil and gas produced during a month from leases or
4 properties in the state that include land north of 68 degrees North latitude is the
5 gross value at the point of production of the oil and gas taxable under
6 AS 43.55.011(e) and produced by the producer from those leases or properties,
7 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
8 calendar year applicable to the oil and gas produced by the producer from
9 those leases or properties, as adjusted under AS 43.55.170; [THIS
10 SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO
11 AS 43.55.011(o);]

12 (B) oil and gas produced during a month from leases or
13 properties in the state outside the Cook Inlet sedimentary basin, no part of
14 which is north of 68 degrees North latitude, is the gross value at the point of
15 production of the oil and gas taxable under AS 43.55.011(e) and produced by
16 the producer from those leases or properties, less 1/12 of the producer's lease
17 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
18 gas produced by the producer from those leases or properties, as adjusted under
19 AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS
20 SUBJECT TO AS 43.55.011(o);]

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

30 (D) GAS PRODUCED DURING A MONTH FROM A
31 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN IS

1 THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS
 2 TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE
 3 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE
 4 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
 5 CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE
 6 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
 7 UNDER AS 43.55.170;

8 (E)] gas produced during a month from a lease or property
 9 outside the Cook Inlet sedimentary basin and used in the state is the gross
 10 value at the point of production of that gas taxable under AS 43.55.011(e) and
 11 produced by the producer from that lease or property, less 1/12 of the
 12 producer's lease expenditures under AS 43.55.165 for the calendar year
 13 applicable to that gas produced by the producer from that lease or property, as
 14 adjusted under AS 43.55.170.

15 * **Sec. 33.** AS 43.55.160(e) is amended to read:

16 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
 17 would otherwise be deductible by a producer in a calendar year but whose deduction
 18 would cause an annual production tax value calculated under (a)(1) or (h) of this
 19 section of taxable oil or gas produced during the calendar year to be less than zero
 20 may be used to establish a carried-forward annual loss under AS 43.55.023(b).
 21 However, the department shall provide by regulation a method to ensure that, for a
 22 period for which a producer's tax liability is limited by AS 43.55.011(p)
 23 [AS 43.55.011(j), (k), (o), OR (p)], any adjusted lease expenditures under
 24 AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that
 25 period but whose deduction would cause a production tax value calculated under
 26 (a)(1)(C) or [,] (D) [, (E), OR (F),] or (h)(3) of this section to be less than zero are
 27 accounted for as though the adjusted lease expenditures had first been used as
 28 deductions in calculating the production tax values of oil or gas subject to any of the
 29 limitations under AS 43.55.011(p) [AS 43.55.011(j), (k), (o), OR (p)] that have
 30 positive production tax values so as to reduce the tax liability calculated without
 31 regard to the limitation to the maximum amount provided for under the applicable

1 provision of **AS 43.55.011(p)** [AS 43.55.011(j), (k), (o), OR (p)]. Only the amount of
 2 those adjusted lease expenditures remaining after the accounting provided for under
 3 this subsection may be used to establish a carried-forward annual loss under
 4 AS 43.55.023(b). In this subsection, "producer" includes "explorer."

5 * **Sec. 34.** AS 43.55.160(f) is amended to read:

6 (f) On and after January 1, 2014, in the calculation of an annual production tax
 7 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
 8 point of production of oil or gas produced from a lease or property north of 68 degrees
 9 North latitude meeting one or more of the following criteria is reduced by 20 percent:
 10 (1) the oil or gas is produced from a lease or property that does not contain a lease that
 11 was within a unit on January 1, 2003; (2) the oil or gas is produced from a
 12 participating area established after December 31, 2011, that is within a unit formed
 13 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
 14 contain a reservoir that had previously been in a participating area established before
 15 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
 16 existing participating area by the Department of Natural Resources on and after
 17 January 1, 2014, and the producer demonstrates to the department that the volume of
 18 oil or gas produced is from acreage added to an existing participating area. This
 19 subsection does not apply to gas produced before 2022 that is used in the state or to
 20 gas produced on and after January 1, 2022. **For oil or gas first produced after**
 21 **December 31, 2016, the reduction under this subsection shall apply to oil or gas**
 22 **produced from a lease or property for the first five years after the**
 23 **commencement of production in commercial quantities of oil or gas from that**
 24 **lease or property. For oil or gas first produced before January 1, 2017, the**
 25 **reduction under this subsection for a lease or property shall expire January 1,**
 26 **2021.** A reduction under this subsection may not reduce the gross value at the point of
 27 production below zero. In this subsection, "participating area" means a reservoir or
 28 portion of a reservoir producing or contributing to production as approved by the
 29 Department of Natural Resources.

30 * **Sec. 35.** AS 43.55.160(g) is amended to read:

31 (g) On and after January 1, 2014, in addition to the reduction under (f) of this

1 section, in the calculation of an annual production tax value of a producer under
 2 (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or
 3 gas produced from a lease or property north of 68 degrees North latitude that does not
 4 contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if
 5 the oil or gas is produced from a unit made up solely of leases that have a royalty
 6 share of more than 12.5 percent in amount or value of the production removed or sold
 7 from the lease as determined under AS 38.05.180(f). This subsection does not apply if
 8 the royalty obligation for one or more of the leases in the unit has been reduced to 12.5
 9 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the
 10 annual production tax value is calculated. This subsection does not apply to gas
 11 produced before 2022 that is used in the state or to gas produced on and after
 12 January 1, 2022. **For oil or gas first produced after December 31, 2016, the**
 13 **reduction under this subsection shall apply to oil or gas produced from a lease or**
 14 **property for the first five years after the commencement of production in**
 15 **commercial quantities of oil or gas from that lease or property. For oil or gas first**
 16 **produced before January 1, 2017, the reduction under this subsection for a lease**
 17 **or property shall expire January 1, 2021.** A reduction under this subsection may not
 18 reduce the gross value at the point of production below zero.

19 * **Sec. 36.** AS 43.55.165(a) is amended to read:

20 (a) **For** [EXCEPT AS PROVIDED IN (j) AND (k) OF THIS SECTION,
 21 FOR] purposes of this chapter, a producer's lease expenditures for a calendar year are

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

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

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

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

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

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

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

11 * **Sec. 37.** 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 produced
17 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net
18 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 debt
21 capital;

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

23 (6) costs arising from fraud, wilful misconduct, gross negligence,
24 violation of law, or failure to comply with an obligation under a lease, permit, or
25 license issued by the state or federal government;

26 (7) fines or penalties imposed by law;

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

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

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

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

5 (12) an expenditure otherwise deductible under (b) of this section that
6 is a result of an internal transfer, a transaction with an affiliate, or a transaction
7 between related parties, or is otherwise not an arm's length transaction, unless the
8 producer establishes to the satisfaction of the department that the amount of the
9 expenditure does not exceed the fair market value of the expenditure;

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

14 (14) a tax levied under AS 43.55.011 or 43.55.014;

15 (15) costs incurred for dismantlement, removal, surrender, or
16 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
17 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
18 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
19 excluded under this paragraph if the dismantlement, removal, surrender, or
20 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
21 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

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

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

29 (18) that portion of expenditures, that would otherwise be qualified
30 capital expenditures, [AS DEFINED IN AS 43.55.023,] incurred during a calendar
31 year that are less than the product of \$0.30 multiplied by the total taxable production

1 from each lease or property, in BTU equivalent barrels, during that calendar year,
2 except that, when a portion of a calendar year is subject to this provision, the
3 expenditures and volumes shall be prorated within that calendar year;

4 (19) costs incurred for repair, replacement, or deferred maintenance of
5 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is
6 undertaken in response to a failure, problem, or event that results in an unscheduled
7 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for
8 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or
9 equipment, other than a well, that is undertaken in response to, or is otherwise
10 associated with, an unpermitted release of a hazardous substance or of gas; however,
11 costs under this paragraph that would otherwise constitute lease expenditures under (a)
12 and (b) of this section may be treated as lease expenditures if the department
13 determines that the repair or replacement is solely necessitated by an act of war, by an
14 unanticipated grave natural disaster or other natural phenomenon of an exceptional,
15 inevitable, and irresistible character, the effects of which could not have been
16 prevented or avoided by the exercise of due care or foresight, or by an intentional or
17 negligent act or omission of a third party, other than a party or its agents in privity of
18 contract with, or employed by, the producer or an operator acting for the producer, but
19 only if the producer or operator, as applicable, exercised due care in operating and
20 maintaining the facility, pipeline, structure, or equipment, and took reasonable
21 precautions against the act or omission of the third party and against the consequences
22 of the act or omission; in this paragraph,

23 (A) "costs incurred for repair, replacement, or deferred
24 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
25 to dismantle and remove the facility, pipeline, structure, or equipment that is
26 being replaced;

27 (B) "hazardous substance" has the meaning given in
28 AS 46.03.826;

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

30 (20) costs incurred to construct, acquire, or operate a refinery or crude
31 oil topping plant, regardless of whether the products of the refinery or topping plant

1 are used in oil or gas exploration, development, or production operations; however, if
 2 a producer owns a refinery or crude oil topping plant that is located on or near the
 3 premises of the producer's lease or property in the state and that processes the
 4 producer's oil produced from that lease or property into a product that the producer
 5 uses in the operation of the lease or property in drilling for or producing oil or gas, the
 6 producer's lease expenditures include the amount calculated by subtracting from the
 7 fair market value of the product used the prevailing value, as determined under
 8 AS 43.55.020(f), of the oil that is processed;

9 (21) costs of lobbying, public relations, public relations advertising, or
 10 policy advocacy.

11 * **Sec. 38.** AS 43.55.165(f) is amended to read:

12 (f) For purposes of AS 43.55.023(b) [AS 43.55.023(a) AND (b)] and only as
 13 to expenditures incurred to explore for an oil or gas deposit located within land in
 14 which an explorer does not own a working interest, the term "producer" in this section
 15 includes "explorer."

16 * **Sec. 39.** AS 43.55.165(h) is amended to read:

17 (h) The department shall adopt regulations that provide for reasonable
 18 methods of allocating costs between oil and gas [, BETWEEN GAS SUBJECT TO
 19 AS 43.55.011(o) AND OTHER GAS,] and between leases or properties in those
 20 circumstances where an allocation of costs is required to determine lease expenditures
 21 that are costs of exploring for, developing, or producing oil deposits or costs of
 22 exploring for, developing, or producing gas deposits, or that are costs of exploring for,
 23 developing, or producing oil or gas deposits located within different leases or
 24 properties.

25 * **Sec. 40.** AS 43.55.170(c) is amended to read:

26 (c) For purposes of AS 43.55.023(b) [AS 43.55.023(a) AND (b)] and only as
 27 to expenditures incurred to explore for an oil or gas deposit located within land in
 28 which an explorer does not own a working interest, the term "producer" in this section
 29 includes "explorer."

30 * **Sec. 41.** AS 43.55.890 is amended to read:

31 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary

1 provision of AS 40.25.100, and regardless of whether the information is considered
 2 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
 3 particular returns or reports, the department may publish the following information
 4 under this chapter, if aggregated among three or more producers or explorers, showing
 5 by month or calendar year and by lease or property, unit, or area of the state:

- 6 (1) the amount of oil or gas production;
- 7 (2) the amount of taxes levied under this chapter or paid under this
 8 chapter;
- 9 (3) the effective tax rates under this chapter;
- 10 (4) the gross value of oil or gas at the point of production;
- 11 (5) the transportation costs for oil or gas;
- 12 (6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];
- 13 (7) exploration expenditures under AS 43.55.025;
- 14 (8) production tax values of oil or gas under AS 43.55.160;
- 15 (9) lease expenditures under AS 43.55.165;
- 16 (10) adjustments to lease expenditures under AS 43.55.170;
- 17 (11) tax credits applicable or potentially applicable against taxes levied
 18 by this chapter.

19 * **Sec. 42.** AS 43.55.895(b) is amended to read:

20 (b) A municipal entity subject to taxation because of this section

21 **(1) is eligible for [ALL] tax credits proportionate to its production**
 22 **taxable under AS 43.55.011(e); and**

23 **(2) shall allocate its lease expenditures in proportion to its**
 24 **production taxable under AS 43.55.011(e) [UNDER THIS CHAPTER TO THE**
 25 **SAME EXTENT AS ANY OTHER PRODUCER].**

26 * **Sec. 43.** AS 43.55.900 is amended by adding a new paragraph to read:

27 (26) "qualified capital expenditure"

28 (A) means, except as otherwise provided in (B) of this
 29 paragraph, an expenditure that is a lease expenditure under AS 43.55.165 and
 30 is

31 (i) incurred for geological or geophysical exploration;

1 (ii) treated as a capitalized expenditure under 26 U.S.C.
 2 (Internal Revenue Code), as amended, regardless of elections made
 3 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
 4 treated as a capitalized expenditure for federal income tax reporting
 5 purposes by the person incurring the expenditure; or

6 (iii) treated as a capitalized expenditure under 26 U.S.C.
 7 (Internal Revenue Code), as amended, regardless of elections made
 8 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is
 9 eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal
 10 Revenue Code), as amended;

11 (B) does not include an expenditure incurred to acquire an asset
 12 the cost of previously acquiring which was a lease expenditure under
 13 AS 43.55.165 or would have been a lease expenditure under AS 43.55.165 if it
 14 had been incurred after March 31, 2006, or that has previously been placed in
 15 service in the state; an expenditure to acquire an asset is not excluded under
 16 this subparagraph if not more than an immaterial portion of the asset meets a
 17 description under this subparagraph; for purposes of this subparagraph, "asset"
 18 includes geological, geophysical, and well data and interpretations.

19 * **Sec. 44.** AS 43.70 is amended by adding new sections to read:

20 **Sec. 43.70.025. Bond or cash deposit required for an oil or gas business.** (a)

21 At the time of applying for a license under this chapter, an applicant engaged in the
 22 business of oil or gas exploration, development, or production shall file a surety bond
 23 in the amount of \$250,000 running to the state, conditioned upon the applicant's
 24 promise to pay all

25 (1) taxes and contributions due the state and political subdivisions;

26 (2) persons furnishing labor or material or renting or supplying
 27 equipment to the applicant; and

28 (3) amounts that may be adjudged against the applicant because of
 29 negligent or improper work or breach of contract while engaged in the business of oil
 30 or gas exploration, development, or production.

31 (b) In lieu of the surety bond required under this section, the applicant may

1 file with the commissioner a cash deposit or other negotiable security acceptable to the
2 commissioner in the amount of \$250,000.

3 (c) The bond required by this section remains in effect until cancelled by
4 action of the surety, the principal, or if the commissioner finds that the business is
5 producing oil or gas in commercial quantities, by the commissioner.

6 **Sec. 43.70.028. Claims against an oil or gas business.** (a) A person having a
7 claim against a person required to file a surety bond under AS 43.70.025 because of
8 the failure to pay a liability described in AS 43.70.025(a) may bring suit upon the
9 bond. A copy of the complaint shall be served by registered or certified mail on the
10 commissioner at the time suit is filed, and the commissioner shall maintain a record,
11 available for public inspection, of all suits commenced. This service on the
12 commissioner shall constitute service on the surety, and the commissioner shall
13 transmit the complaint or a copy of it to the surety within 72 hours after it is received.
14 The surety on the bond is not liable in an aggregate amount in excess of that named in
15 the bond, but if claims pending at any one time exceed the amount of the bond, the
16 claims shall be satisfied from the bond in the following order:

- 17 (1) labor, including employee benefits;
18 (2) taxes and contributions due the state, city, and borough, in that
19 order;
20 (3) material and equipment;
21 (4) claims for negligent or improper work or breach of contract;
22 (5) repair of public facilities.

23 (b) If a judgment is entered against a cash deposit, the commissioner, upon
24 receipt of a certified copy of a final judgment, shall pay the judgment from the amount
25 of the deposit in accordance with the priorities set out in (a) of this section.

26 (c) An action described in (a) of this section may not be commenced on the
27 bond more than three years after the cancellation of the bond.

28 * **Sec. 45.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;
29 AS 43.20.053(j)(4); and AS 43.55.011(m) are repealed January 1, 2017.

30 * **Sec. 46.** AS 43.55.011(j), 43.55.011(k), and 43.55.011(o) are repealed January 1, 2018.

31 * **Sec. 47.** AS 43.55.023(a), 43.55.023(l), 43.55.023(n), 43.55.023(o), 43.55.028(i),

1 43.55.075(d)(1), 43.55.165(j), and 43.55.165(k) are repealed January 1, 2022.

2 * **Sec. 48.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 APPLICABILITY. Sections 7 - 9, 26, and 28 of this Act apply to a refund or payment
5 applied for on or after January 1, 2017.

6 * **Sec. 49.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 TRANSITION: QUALIFIED CAPITAL EXPENDITURES AND WELL LEASE
9 EXPENDITURES. (a) Notwithstanding the repeal of AS 43.55.023(a), (l), (n), and (o) by sec.
10 47 of this Act, and the amendments to AS 43.55.023(d) and (e), 43.55.029(a), 43.55.165(f),
11 and 43.55.170(c) by secs. 21, 22, 29, 38, and 40 of this Act, a taxpayer who incurs

12 (1) a qualified capital expenditure before the effective date of sec. 47 of this
13 Act that qualifies for a qualified capital expenditure credit under AS 43.55.023(a) may apply
14 for a credit or transferable tax credit certificate under AS 43.55.023 and assign the tax credit
15 under AS 43.55.029, as those sections read on the day before the effective date of sec. 47 of
16 this Act;

17 (2) a well lease expenditure before the effective date of sec. 47 of this Act that
18 qualifies for a well lease expenditure credit under AS 43.55.023(l) may apply for a credit or
19 transferable tax credit certificate under AS 43.55.023 and assign the tax credit under
20 AS 43.55.029, as those sections read on the day before the effective date of sec. 47 of this
21 Act.

22 (b) The Department of Revenue may continue to apply and enforce AS 43.55.023 and
23 43.55.029, as those sections read on the day before the effective date of sec. 47 of this Act, for
24 qualified capital expenditures and well lease expenditures incurred before the effective date of
25 sec. 47 of this Act.

26 * **Sec. 50.** The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER
29 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 36 of this
30 Act, and the repeal of AS 43.55.165(j) and (k) by sec. 47 of this Act, AS 43.55.165(j) and (k)
31 apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010

1 under AS 43.55.165, as that section read on the day before the effective date of sec. 47 of this
2 Act.

3 * **Sec. 51.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITION: PAYMENT OF TAX; FILING. (a) Notwithstanding the amendments
6 to AS 43.55.020 by secs. 13 - 16 of this Act,

7 (1) a person subject to tax under AS 43.55 that is required to make one or
8 more installment payments of estimated tax or other payments of tax under AS 43.55.020 for
9 production before the effective date of secs. 13 - 16 of this Act shall pay the tax under
10 AS 43.55.020, as that section read on the day before the effective date of secs. 13 - 16 of this
11 Act;

12 (2) an unpaid amount of an installment payment required under AS 43.55.020
13 for production before the effective date of secs. 13 - 16 of this Act that is not paid when due
14 bears interest under AS 43.55.020, as that section read on the day before the effective date of
15 secs. 13 - 16 of this Act;

16 (3) an overpayment of an installment payment required under AS 43.55.020
17 for production before the effective date of secs. 13 - 16 of this Act bears interest under
18 AS 43.55.020, as that section read on the day before the effective date of secs. 13 - 16 of this
19 Act.

20 (b) The Department of Revenue may continue to apply and enforce AS 43.55.020, as
21 that section read on the day before the effective date of secs. 13 - 16 of this Act, for a tax or
22 installment payment for production before the effective date of secs. 13 - 16 of this Act.

23 * **Sec. 52.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 TRANSITION: PRODUCTION TAX AND CARRIED-FORWARD ANNUAL
26 LOSS. Notwithstanding the repeal of AS 43.55.011(j), (k), and (o) by sec. 46 of this Act and
27 the amendments to AS 43.55.011(e) and (f), 43.55.160(a) and (e), and 43.55.165(h) by secs.
28 10, 11, 32, 33, and 39 of this Act,

29 (1) for oil and gas produced before the effective date of sec. 46 of this Act, the
30 production tax and production tax value of that oil and gas shall be determined under
31 AS 43.55.011 and 43.55.160, as those sections read on the day before the effective date of

1 secs. 10, 11, 32, 33, and 46 of this Act;

2 (2) in determining lease expenditures incurred before the effective date of sec.
3 39 of this Act, the Department of Revenue shall continue to apply regulations that were
4 adopted under AS 43.55.165(h) that were in effect on the day before the effective date of sec.
5 39 of this Act; and

6 (3) a lease expenditure incurred before the effective date of sec. 33 of this Act
7 may be used to establish a carried-forward annual loss under AS 43.55.160(e), as that
8 subsection read on the day before the effective date of sec. 33 of this Act.

9 * **Sec. 53.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **TRANSITION: REGULATIONS.** The Department of Revenue and the Department of
12 Natural Resources may adopt regulations necessary to implement the changes made by this
13 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not
14 before the effective date of the law implemented by the regulation. The Department of
15 Revenue shall adopt regulations governing the use of tax credits under AS 43.55 for a
16 calendar year for which the applicable tax credit provisions of AS 43.55 differ as between
17 parts of the year as a result of this Act.

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

20 **TRANSITION: RETROACTIVITY OF REGULATIONS.** Notwithstanding any
21 contrary provision of AS 44.62.240,

22 (1) if the Department of Revenue expressly designates in a regulation that the
23 regulation applies retroactively, a regulation adopted by the Department of Revenue to
24 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
25 the effective date of the law implemented by the regulation;

26 (2) if the Department of Natural Resources expressly designates in the
27 regulation that the regulation applies retroactively, a regulation adopted by the Department of
28 Natural Resources to implement, interpret, make specific, or otherwise carry out the statutory
29 amendments in this Act affecting the administration of oil and gas leases issued under
30 AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation relates to the treatment of oil
31 and gas production taxes in determining net profits under those leases, may apply

1 retroactively to the effective date of the law implemented by the regulation.

2 * **Sec. 55.** Sections 25 and 53 of this Act take effect immediately under AS 01.10.070(c).

3 * **Sec. 56.** Sections 10 - 16, 18, 20, 24, 32, 33, 39, 46, 51, and 52 of this Act take effect
4 January 1, 2018.

5 * **Sec. 57.** Sections 21, 22, 29 - 31, 36 - 38, 40, 41, 43, 47, 49, and 50 of this Act take effect
6 January 1, 2022.

7 * **Sec. 58.** Except as provided in secs. 55 - 57 of this Act, this Act takes effect January 1,
8 2017.