

HOUSE BILL NO. 247

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/16
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to confidential information status and public record status of
2 information in the possession of the Department of Revenue; relating to interest
3 applicable to delinquent tax; relating to disclosure of oil and gas production tax credit
4 information; relating to refunds for the gas storage facility tax credit, the liquefied
5 natural gas storage facility tax credit, and the qualified in-state oil refinery
6 infrastructure expenditures tax credit; relating to the minimum tax for certain oil and
7 gas production; relating to the minimum tax calculation for monthly installment
8 payments of estimated tax; relating to interest on monthly installment payments of
9 estimated tax; relating to limitations for the application of tax credits; relating to oil and
10 gas production tax credits for certain losses and expenditures; relating to limitations for
11 nontransferable oil and gas production tax credits based on oil production and the
12 alternative tax credit for oil and gas exploration; relating to purchase of tax credit

1 certificates from the oil and gas tax credit fund; relating to a minimum for gross value at
 2 the point of production; relating to lease expenditures and tax credits for municipal
 3 entities; adding a definition for "qualified capital expenditure"; adding a definition for
 4 "outstanding liability to the state"; repealing oil and gas exploration incentive credits;
 5 repealing the limitation on the application of credits against tax liability for lease
 6 expenditures incurred before January 1, 2011; repealing provisions related to the
 7 monthly installment payments for estimated tax for oil and gas produced before
 8 January 1, 2014; repealing the oil and gas production tax credit for qualified capital
 9 expenditures and certain well expenditures; repealing the calculation for certain lease
 10 expenditures applicable before January 1, 2011; making conforming amendments; and
 11 providing for an effective date."

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

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

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

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

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

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

24 (b) The Department of Revenue may obtain from the department information
 25 relating to royalty and net profits payments and to exploration incentive credits under
 26 this chapter [OR UNDER AS 41.09], whether or not that information is confidential.
 27 The Department of Revenue may use the information in carrying out its functions and

1 responsibilities under AS 43, and shall hold that information confidential to the extent
2 required by an agreement with the department or by AS 38.05.035(a)(8) [,
3 AS 41.09.010(d),] or AS 43.05.230.

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

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

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

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

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

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

22 * **Sec. 6.** AS 40.25.100(a) is amended to read:

23 (a) Information in the possession of the Department of Revenue that discloses
24 the particulars of the business or affairs of a taxpayer or other person, including
25 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
26 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
27 AS 43.05.230(i) - (l) [AS 43.05.230(i) OR (k)] or for purposes of investigation and
28 law enforcement. The information shall be kept confidential except when its
29 production is required in an official investigation, administrative adjudication under
30 AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the
31 publication of statistics presented in a manner that prevents the identification of

1 particular reports and items, prohibit the publication of tax lists showing the names of
 2 taxpayers who are delinquent and relevant information that may assist in the collection
 3 of delinquent taxes, or prohibit the publication of records, proceedings, and decisions
 4 under AS 43.05.405 - 43.05.499.

5 * **Sec. 7.** AS 43.05.225 is amended to read:

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

7 (1) a delinquent tax under this title,

8 [(A) BEFORE JANUARY 1, 2014, BEARS INTEREST IN
 9 EACH CALENDAR QUARTER AT THE RATE OF FIVE PERCENTAGE
 10 POINTS ABOVE THE ANNUAL RATE CHARGED MEMBER BANKS
 11 FOR ADVANCES BY THE 12TH FEDERAL RESERVE DISTRICT AS OF
 12 THE FIRST DAY OF THAT CALENDAR QUARTER, OR AT THE
 13 ANNUAL RATE OF 11 PERCENT, WHICHEVER IS GREATER,
 14 COMPOUNDED QUARTERLY AS OF THE LAST DAY OF THAT
 15 QUARTER; OR

16 (B) ON AND AFTER JANUARY 1, 2014,] bears interest in
 17 each calendar quarter at the rate of seven [THREE] percentage points above
 18 the annual rate charged member banks for advances by the 12th Federal
 19 Reserve District as of the first day of that calendar quarter **compounded**
 20 **quarterly as of the last day of that quarter;**

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

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

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

25 * **Sec. 8.** AS 43.05.230 is amended by adding a new subsection to read:

26 (l) The name of each person claiming a credit under AS 43.55, the aggregate
 27 amount of credits under AS 43.55, except for the credit in AS 43.55.024(j), claimed by
 28 the taxpayer in the calendar year, and a description of the taxpayer's activities that
 29 generated the credits claimed are public information.

30 * **Sec. 9.** AS 43.20.046(e) is amended to read:

31 (e) The department may use available money in the oil and gas tax credit fund

1 established in AS 43.55.028 to make the refund applied for under (d) of this section in
2 whole or in part if the department finds that (1) the claimant does not have an
3 outstanding liability to the state [FOR UNPAID DELINQUENT TAXES UNDER
4 THIS TITLE]; and (2) after application of all available tax credits, the claimant's total
5 tax liability under this chapter for the calendar year in which the claim is made is zero.
6 [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS AN AMOUNT
7 OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT
8 THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY
9 RESOLVED IN THE TAXPAYER'S FAVOR.]

10 * **Sec. 10.** AS 43.20.047(e) is amended to read:

11 (e) The department may use money available in the oil and gas tax credit fund
12 established in AS 43.55.028 to make a refund or payment under (d) of this section in
13 whole or in part if the department finds that

14 (1) the claimant does not have an outstanding liability to the state
15 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and

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

22 * **Sec. 11.** AS 43.20.053(e) is amended to read:

23 (e) The department may use money available in the oil and gas tax credit fund
24 established in AS 43.55.028 to make a refund or payment under (d) of this section in
25 whole or in part if the department finds that

26 (1) the claimant does not have an outstanding liability to the state
27 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE]; and

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

30 * **Sec. 12.** AS 43.55.011(f) is repealed and reenacted to read:

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

1 (1) oil and gas produced before January 1, 2022, from leases or
2 properties that include land north of 68 degrees North latitude, other than gas subject
3 to (o) of this section, may not be less than five percent of the gross value at the point
4 of production; and

5 (2) oil produced on and after January 1, 2022, from leases or properties
6 that include land north of 68 degrees North latitude, may not be less than five percent
7 of the gross value at the point of production.

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

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

11 (1) for oil and gas produced before January 1, 2014, an installment
12 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
13 as allowed by law, is due for each month of the calendar year on the last day of the
14 following month; except as otherwise provided under (2) of this subsection, the
15 amount of the installment payment is the sum of the following amounts, less 1/12 of
16 the tax credits that are allowed by law to be applied against the tax levied by
17 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
18 not be less than zero:

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

23 (i) zero; or

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

16 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
17 each lease or property, the greater of

18 (i) zero; or

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

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

29 (i) the sum of 25 percent and the tax rate calculated for
30 the month under AS 43.55.011(g) multiplied by the remainder obtained
31 by 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 and gas under AS 43.55.160 from the gross value
3 at the point of production of the oil and gas produced from the leases or
4 properties during the month for which the installment payment is
5 calculated, but not less than zero; or

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

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

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

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

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

30 (4) any amount of tax levied by AS 43.55.011, net of any credits
31 applied as allowed by law, that exceeds the total of the amounts due as installment

1 payments of estimated tax is due on March 31 of the year following the calendar year
2 of production;

3 (5) for oil and gas produced on and after January 1, 2014, and before
4 January 1, 2022, an installment payment of the estimated tax levied by
5 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
6 month of the calendar year on the last day of the following month; except as otherwise
7 provided under (6) of this subsection, the amount of the installment payment is the
8 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
9 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
10 of the installment payment may not be less than zero:

11 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
12 produced from leases or properties in the state outside the Cook Inlet
13 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
14 the greater of

15 (i) zero; or

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

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

25 (i) zero;

26 (ii) **five** [ZERO PERCENT, ONE PERCENT, TWO
27 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
28 APPLICABLE,] of the gross value at the point of production of the oil
29 and gas produced from the leases or properties during the month for
30 which the installment payment is calculated; or

31 (iii) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the
2 calendar year of production under AS 43.55.165 and 43.55.170 that are
3 deductible for the oil and gas under AS 43.55.160 from the gross value
4 at the point of production of the oil and gas produced from those leases
5 or properties during the month for which the installment payment is
6 calculated, except that, for the purposes of this calculation, a reduction
7 from the gross value at the point of production may apply for oil and
8 gas subject to AS 43.55.160(f) or (g);

9 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
10 each lease or property, the greater of

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained by
13 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 under AS 43.55.160 for the oil or gas, respectively,
16 produced from the lease or property from the gross value at the point of
17 production of the oil or gas, respectively, produced from the lease or
18 property during the month for which the installment payment is
19 calculated;

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

21 (i) 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 and gas under AS 43.55.160 from the gross value
25 at the point of production of the oil and gas produced from the leases or
26 properties during the month for which the installment payment is
27 calculated, but not less than zero; or

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

31 (6) an amount calculated under (5)(C) of this subsection for oil or gas

1 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
 2 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
 3 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
 4 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
 5 amount of taxable gas produced during the month for the amount of taxable gas
 6 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
 7 (2)(A), as applicable, the amount of taxable oil produced during the month for the
 8 amount of taxable oil produced during the calendar year;

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

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

18 (i) zero;

19 (ii) **five** [ZERO PERCENT, ONE PERCENT, TWO
 20 PERCENT, THREE PERCENT, OR FOUR] percent [, AS
 21 APPLICABLE,] of the gross value at the point of production of the oil
 22 produced from the leases or properties during the month for which the
 23 installment payment is calculated; or

24 (iii) 35 percent multiplied by the remainder obtained by
 25 subtracting 1/12 of the producer's adjusted lease expenditures for the
 26 calendar year of production under AS 43.55.165 and 43.55.170 that are
 27 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
 28 the point of production of the oil produced from those leases or
 29 properties during the month for which the installment payment is
 30 calculated, except that, for the purposes of this calculation, a reduction
 31 from the gross value at the point of production may apply for oil

1 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

2 (B) for oil produced before or during the last calendar year
3 under AS 43.55.024(b) for which the producer could take a tax credit under
4 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
5 sedimentary basin, no part of which is north of 68 degrees North latitude, other
6 than leases or properties subject to AS 43.55.011(p), the greater of

7 (i) zero; or

8 (ii) 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 under AS 43.55.160(h)(2) from the gross value at
12 the point of production of the oil produced from the leases or properties
13 during the month for which the installment payment is calculated;

14 (C) for oil and gas produced from leases or properties subject
15 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
16 the sum of

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

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

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

30 (i) zero; or

31 (ii) 35 percent multiplied by the remainder obtained by

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

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

11 (8) an amount calculated under (7)(C) of this subsection may not
 12 exceed four percent of the gross value at the point of production of the oil and gas
 13 produced from leases or properties subject to AS 43.55.011(p) during the month for
 14 which the installment payment is calculated;

15 (9) for purposes of the calculation under [(1)(B)(ii),] (5)(B)(ii) [,] and
 16 (7)(A)(ii) of this subsection, the [APPLICABLE] percentage of the gross value at the
 17 point of production is determined under AS 43.55.011(f)(1) or (2) but substituting the
 18 phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1)
 19 and (2) for the phrase "calendar year for which the tax is due."

20 * **Sec. 14.** AS 43.55.020(g) is repealed and reenacted to read:

21 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
 22 amount of an installment payment required under (a)(3), (5), (6), or (7) of this section
 23 that is not paid when due bears interest (1) at the rate provided for an underpayment
 24 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from
 25 the date the installment payment is due until March 31 following the calendar year of
 26 production; and (2) as provided for a delinquent tax under AS 43.05.225 after that
 27 March 31, interest accrued under (1) of this subsection that remains unpaid after that
 28 March 31 is treated as an addition to tax that bears interest under (2) of this subsection,
 29 an unpaid amount of tax due under (a)(4) of this section that is not paid when due
 30 bears interest as provided for a delinquent tax under AS 43.05.225.

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

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

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

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

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

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

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

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

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

21 (i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of
22 this section, if the amount of a tax payment, including an installment payment, due
23 under (a)(3) - (5) [(a)(1) - (4)] of this section is affected by the retroactive application
24 of a regulation adopted under this chapter, the department shall determine whether the
25 retroactive application of the regulation caused an underpayment or an overpayment of
26 the amount due and adjust the interest due on the affected payment as follows:

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

31 (A) the department determines that the producer's

1 underpayment resulted because the regulation was not in effect when the
2 payment was due; and

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

6 (2) if an overpayment of the amount due occurred and the department
7 determines that the producer's overpayment resulted because the regulation was not in
8 effect when the payment was due, the obligation for a refund for the overpayment does
9 not begin to accrue interest earlier than the following, as applicable:

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

13 (B) 90 days after an amended statement under AS 43.55.030(a)
14 and an application to request a refund of production tax paid is filed, if the
15 overpayment was for a period for which an amended statement under
16 AS 43.55.030(a) was required to be filed before the regulation became
17 effective.

18 * **Sec. 17.** AS 43.55 is amended by adding a new section to read:

19 **Sec. 43.55.022. Limitations on tax credits.** (a) Notwithstanding any contrary
20 provision of AS 43.55, the application of tax credits under AS 43.55 is subject to the
21 limitations set out in this section.

22 (b) A tax credit or a fraction of a tax credit under AS 43.55.023, 43.55.024,
23 and 43.55.025 may not be subtracted in calculating an installment payment of
24 estimated tax required under AS 43.55.020(a) if the resulting amount of the
25 installment payment would be less than the amount in AS 43.55.020(a)(5)(B)(ii) or
26 43.55.020(a)(7)(A)(ii), as applicable.

27 (c) The total amount of tax credits under AS 43.55.023, 43.55.024, and
28 43.55.025 that may be applied against a tax levied by AS 43.55.011(e) for a calendar
29 year may not exceed the sum of the amount of the tax credits or fractions of tax credits
30 that are allowed under (b) of this section to be subtracted in calculating the installment
31 payments of estimated tax for each month in the calendar year.

1 * **Sec. 18.** AS 43.55.023(b) is amended to read:

2 (b) [BEFORE JANUARY 1, 2014, A PRODUCER OR EXPLORER MAY
 3 ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 25 PERCENT OF A
 4 CARRIED-FORWARD ANNUAL LOSS. FOR LEASE EXPENDITURES
 5 INCURRED ON AND AFTER JANUARY 1, 2014, AND BEFORE JANUARY 1,
 6 2016, TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS
 7 LOCATED NORTH OF 68 DEGREES NORTH LATITUDE, A PRODUCER OR
 8 EXPLORER MAY ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 45
 9 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS.] For lease expenditures
 10 incurred on and after January 1, 2016, to explore for, develop, or produce oil or gas
 11 deposits located north of 68 degrees North latitude, a producer or explorer may elect to
 12 take a tax credit in the amount of 35 percent of a carried-forward annual loss. For lease
 13 expenditures incurred on or after January 1, 2014, to explore for, develop, or produce
 14 oil or gas deposits located south of 68 degrees North latitude, a producer or explorer
 15 may elect to take a tax credit in the amount of 25 percent of a carried-forward annual
 16 loss. A credit under this subsection may be applied against a tax levied by
 17 AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the
 18 amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165
 19 and 43.55.170 for a previous calendar year that was not deductible in calculating
 20 production tax values for that calendar year under AS 43.55.160. **For the purpose of**
 21 **a credit under this subsection, any reduction under AS 43.55.160(f) or (g) is**
 22 **added back to the calculation of production tax values for that calendar year**
 23 **under AS 43.55.160 for the determination of a carried-forward annual loss.**

24 * **Sec. 19.** AS 43.55.023(c) is amended to read:

25 (c) A credit or portion of a credit under this section may not be used to reduce
 26 a person's tax liability under AS 43.55.011(e) for any calendar year below **the amount**
 27 **calculated under AS 43.55.011(f)** [ZERO], and any unused credit or portion of a
 28 credit not used under this subsection may be applied in a later calendar year. **An**
 29 **unused credit or portion of a credit may not be applied in a calendar year later**
 30 **than the 10th calendar year in which the carried-forward annual loss for which**
 31 **the credit is claimed was incurred.**

1 * **Sec. 20.** AS 43.55.023(d) is amended to read:

2 (d) A person that is entitled to take a tax credit under this section that wishes
3 to transfer the unused credit to another person or obtain a cash payment under
4 AS 43.55.028 may apply to the department for a transferable tax credit certificate. An
5 application under this subsection must be in a form prescribed by the department and
6 must include supporting information and documentation that the department
7 reasonably requires. The department shall grant or deny an application, or grant an
8 application as to a lesser amount than that claimed and deny it as to the excess, not
9 later than 120 days after the latest of (1) March 31 of the year following the calendar
10 year in which the [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward
11 annual loss for which the credit is claimed was incurred; (2) the date the statement
12 required under AS 43.55.030(a) or (e) was filed for the calendar year in which the
13 [QUALIFIED CAPITAL EXPENDITURE OR] carried-forward annual loss for which
14 the credit is claimed was incurred; or (3) the date the application was received by the
15 department. If, based on the information then available to it, the department is
16 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
17 the applicant a transferable tax credit certificate for the amount of the credit. A
18 certificate issued under this subsection **expires after 10 years from the calendar**
19 **year in which the carried-forward annual loss for which the credit is claimed was**
20 **incurred** [DOES NOT EXPIRE].

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

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

1 this subsection may be applied in a later period.

2 * **Sec. 22.** AS 43.55.023 is amended by adding a new section to read:

3 (q) A producer or explorer shall comply with the notice and information
4 provision requirements in AS 43.55.025(f)(2) for the lease expenditures incurred
5 towards a credit under this section. The Department of Natural Resources shall hold
6 the confidential information under AS 43.55.025(f)(2)(C). For a producer or explorer
7 required to comply with the notice and information requirements of this section, the
8 Department of Natural Resources may publish the name of the producer or explorer,
9 the location of the well or seismic exploration, and the date on which information
10 required to be submitted under this section may be released.

11 * **Sec. 23.** AS 43.55.024(g) is amended to read:

12 (g) A tax credit authorized by (c) of this section may not be applied to reduce
13 a producer's tax liability for any calendar year under AS 43.55.011(e) below **the**
14 **amount calculated under AS 43.55.011(f)** [ZERO].

15 * **Sec. 24.** AS 43.55.024(i) is amended to read:

16 (i) A producer may apply against the producer's tax liability for the calendar
17 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
18 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) or (g) and
19 that is produced during a calendar year after December 31, 2013. A tax credit
20 authorized by this subsection may not reduce a producer's tax liability for a calendar
21 year under AS 43.55.011(e) below **the amount calculated under AS 43.55.011(f)**
22 [ZERO].

23 * **Sec. 25.** AS 43.55.025(i) is amended to read:

24 (i) For a production tax credit under this section,
25 (1) a credit may not be applied to reduce a taxpayer's tax liability under
26 AS 43.55.011(e) below **the amount calculated under AS 43.55.011(f)** [ZERO] for a
27 calendar year; and
28 (2) an amount of the production tax credit in excess of the amount that
29 may be applied for a calendar year under this subsection may be carried forward and
30 applied against the taxpayer's tax liability under AS 43.55.011(e) in one or more later
31 calendar years.

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

2 (e) The department, on the written application of a person to whom a
3 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
4 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under
5 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
6 purchase, in whole or in part, the certificate if the department finds that

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

10 (2) the applicant does not have an outstanding liability to the state
11 [FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE];

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

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

18 (5) **the applicant's revenues generated from the applicant's oil and**
19 **gas business, including the revenues of the applicant's affiliates if the applicant is**
20 **part of an affiliated group, during the calendar year preceding the calendar year**
21 **in which the application is made were less than \$10,000,000,000;**

22 (6) **the amount expended for the purchase and amounts previously**
23 **purchased from the applicant during the calendar year the sum of which would**
24 **not exceed \$25,000,000; and**

25 (7) the purchase is consistent with this section and regulations adopted
26 under this section.

27 * **Sec. 27.** AS 43.55.028 is amended by adding a new subsections to read:

28 (j) The percentage of a transferable tax credit certificate or a production tax
29 credit certificate purchased by the department may not exceed the percentage of the
30 applicant's workforce in the state in the previous calendar year that were resident
31 workers. The applicant's workforce in the state includes resident workers employed by

1 the applicant's contractors. An amount of a credit not purchased due to application of
 2 this subsection may be applied against the applicant's tax liability under this chapter.
 3 In this subsection, "resident worker" has the meaning given in AS 43.40.092(b).

4 * **Sec. 28.** AS 43.55.029(a) is amended to read:

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

17 * **Sec. 29.** AS 43.55.030(a) is amended to read:

18 (a) A producer that produces oil or gas from a lease or property in the state
 19 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
 20 for that oil or gas, shall file with the department on March 31 of the following year a
 21 statement, under oath, in a form prescribed by the department, giving, with other
 22 information required, the following:

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

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

28 (3) the gross amount of oil and the gross amount of gas produced from
 29 each lease or property, separately identifying the gross amount of gas produced from
 30 each oil and gas lease to which an effective election under AS 43.55.014(a) applies,
 31 the amount of gas delivered to the state under AS 43.55.014(b), and the percentage of

1 the gross amount of oil and gas owned by the producer;

2 (4) the gross value at the point of production of the oil and of the gas
3 produced from each lease or property owned by the producer and the costs of
4 transportation of the oil and gas;

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

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

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

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

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

16 * **Sec. 30.** AS 43.55.030(e) is amended to read:

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

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

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

29 * **Sec. 31.** AS 43.55.150 is amended by adding a new subsection to read:

30 (d) The gross value at the point of production may not be less than zero.

31 * **Sec. 32.** AS 43.55.165(a) is amended to read:

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

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

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

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

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

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

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

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

23 * **Sec. 33.** AS 43.55.165(e) is amended to read:

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

25 (1) depreciation, depletion, or amortization;

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

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

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

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

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

7 (7) fines or penalties imposed by law;

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

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

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

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

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

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

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

27 (15) costs incurred for dismantlement, removal, surrender, or
28 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
29 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
30 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
31 excluded under this paragraph if the dismantlement, removal, surrender, or

1 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
2 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

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

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

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

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

1 maintaining the facility, pipeline, structure, or equipment, and took reasonable
 2 precautions against the act or omission of the third party and against the consequences
 3 of the act or omission; in this paragraph,

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

8 (B) "hazardous substance" has the meaning given in
 9 AS 46.03.826;

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

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

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

23 * **Sec. 34.** AS 43.55.165(f) is amended to read:

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

28 * **Sec. 35.** AS 43.55.170(c) is amended to read:

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

1 includes "explorer."

2 * **Sec. 36.** AS 43.55.890 is amended to read:

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

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

10 (2) the amount of taxes levied under this chapter or paid under this
11 chapter;

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

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

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

15 (6) qualified capital expenditures [, AS DEFINED IN AS 43.55.023];

16 (7) exploration expenditures under AS 43.55.025;

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

18 (9) lease expenditures under AS 43.55.165;

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

20 (11) tax credits applicable or potentially applicable against taxes levied
21 by this chapter.

22 * **Sec. 37.** AS 43.55.895(b) is amended to read:

23 (b) A municipal entity subject to taxation because of this section is eligible for
24 [ALL] tax credits **proportionate to its production taxable under AS 43.55.011(e). A**
25 **municipal entity shall allocate its lease expenditures in proportion to its**
26 **production taxable under AS 43.55.011(e)** [UNDER THIS CHAPTER TO THE
27 SAME EXTENT AS ANY OTHER PRODUCER].

28 * **Sec. 38.** AS 43.55.900 is amended by adding a new paragraph to read:

29 (26) "qualified capital expenditure"

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

1 is

2 (i) incurred for geological or geophysical exploration;

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

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

13 (B) does not include an expenditure incurred to acquire an asset

14 (i) the cost of previously acquiring which was a lease
15 expenditure under AS 43.55.165 or would have been a lease
16 expenditure under AS 43.55.165 if it had been incurred after March 31,
17 2006; or

18 (ii) that has previously been placed in service in the
19 state; an expenditure to acquire an asset is not excluded under this
20 paragraph if not more than an immaterial portion of the asset meets a
21 description under this paragraph; for purposes of this subparagraph,
22 "asset" includes geological, geophysical, and well data and
23 interpretations.

24 * **Sec. 39.** AS 43.99.950 is amended by adding a new paragraph to read:

25 (3) "outstanding liability to the state" means an amount of tax, interest,
26 penalty, fee, rental, royalty, or other charge for which the state has issued a demand
27 for payment that has not been paid when due and, if contested, has not been finally
28 resolved against the state.

29 * **Sec. 40.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090;
30 AS 43.20.053(j)(4); AS 43.55.011(m), 43.55.020(a)(1), 43.55.020(a)(2), 43.55.023(a),
31 43.55.023(l), 43.55.023(n), AS 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(j), and

1 43.55.165(k) are repealed.

2 * **Sec. 41.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 APPLICABILITY. (a) Section 17 of this Act applies to credits against the oil and gas
5 production tax levied by AS 43.55.011(e) for oil and gas produced on and after January 1,
6 2016.

7 (b) Sections 8 - 11 and 26 - 28 of this Act, and the repeal of AS 43.55.023(a) and (l)
8 in sec. 40 of this Act, apply to expenditures incurred on and after July 1, 2016.

9 (c) Sections 12, 13, and 16 of this Act apply to oil and gas produced on and after
10 July 1, 2016.

11 (d) For the purpose of determining the last calendar year that a credit or an unused
12 portion of a credit under AS 43.55.023(c) or credit certificate under AS 43.55.023(d) may be
13 carried forward due to the limitations in AS 43.55.023(c) and (d), as amended by secs. 19 and
14 20 of this Act,

15 (1) the carried-forward annual loss for a tax credit under AS 43.55.023(c), for
16 expenditures incurred before July 1, 2016, is considered to have been incurred on July 1,
17 2016;

18 (2) the carried-forward annual loss for a tax credit certificate under
19 AS 43.55.023(d), for expenditures incurred before July 1, 2016, is considered to have been
20 incurred on the later of July 1, 2016, or the date the tax credit certificate is issued.

21 * **Sec. 42.** The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

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

30 * **Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
2 contrary provision of AS 44.62.240,

3 (1) if the Department of Revenue expressly designates in a regulation that the
4 regulation applies retroactively, a regulation adopted by the Department of Revenue to
5 implement, interpret, make specific, or otherwise carry out this Act may apply retroactively to
6 January 1, 2016 or July 1, 2016, as applicable;

7 (2) a regulation adopted by the Department of Natural Resources to
8 implement, interpret, make specific, or otherwise carry out statutory provisions for the
9 administration of oil and gas leases issued under AS 38.05.180(f)(3)(B), (D), or (E), to the
10 extent the regulation relates to the treatment of oil and gas production taxes in determining net
11 profits under those leases, may apply retroactively to January 1, 2016, or July 1, 2016, as
12 applicable, if the Department of Natural Resources expressly designates in the regulation that
13 the regulation applies retroactively to one of those dates.

14 * **Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 **RETROACTIVITY.** Section. 17 of this Act is retroactive to January 1, 2016.

17 * **Sec. 45.** Sections 17 and 42 - 44 of this Act take effect immediately under
18 AS 01.10.070(c).

19 * **Sec. 46.** Except as provided in sec. 45 of this Act, this Act takes effect July 1, 2016.