2d CS FOR HOUSE BILL NO. 247(RLS) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Amended: 5/13/16
Offered: 5/12/16

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

A BILL

FOR AN ACT ENTITLED

"An Act amending the powers of the board of trustees of the Alaska Retirement Management Board to authorize purchase and sale of transferable tax credit certificates issued in conjunction with the production tax on oil and gas; relating to interest applicable to delinquent tax; relating to the oil and gas production tax, tax payments, and credits; relating to exploration incentive credits; relating to refunds for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to the confidential information status and public record status of information in the possession of the Department of Revenue; relating to oil and gas lease expenditures and production tax credits for municipal entities; requiring a bond or cash deposit with a business license application for an oil or gas business; establishing a legislative working group to study the fiscal regime and tax structure and rates for oil and gas produced south of 68

degrees North latitude; and providing for an effective date."

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

*** Section 1.** AS 37.10.220(b) is amended to read:

(b) The board may

(1) employ outside investment advisors to review investment policies;

(2) enter into an agreement with the fiduciary of another state fund in order to assume the management and investment of those assets;

(3) contract for other services necessary to execute the board's powers and duties;

(4) enter into confidentiality agreements that would exempt records from AS 40.25.110 and 40.25.120 if the records contain information that could affect the value of investment by the board or that could impair the ability of the board to acquire, maintain, or dispose of investments**;**

(5) purchase, in whole or in part, transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 for 60 percent of the face value of a transferable tax credit certificate or production tax credit certificate, and sell transferable tax credit certificates and production tax credit certificates to the Department of Revenue under AS 43.55.023(r) and 43.55.025(q) for a cash refund of the full face value of the certificate; under this paragraph, the board

(A) may

(i) on the written application of a person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) or former AS 43.55.023(m) or to whom a production tax credit certificate has been issued under AS 43.55.025(f), purchase a transferable tax credit certificate or a production tax credit certificate; and

(ii) sell a transferable tax credit certificate or production tax credit certificate only if the commissioner of revenue determines that economic conditions are acceptable for the

state to purchase and pay for the credit; and

(B) shall apply the proceeds from a sale made under this paragraph to defray the unfunded pension liabilities of the systems for which the board has responsibility.

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

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

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

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

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

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

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

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

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

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

*** Sec. 6.** AS 38.05.036(g) is amended to read:

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

*** Sec. 7.** AS 40.25.100(a) is amended to read:

(a) Information in the possession of the Department of Revenue that discloses the particulars of the business or affairs of a taxpayer or other person, including information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement under AS 38.05.020(b)(12), is not a matter of public record, except as provided in <u>**AS 43.05.230(i) - (*l*)**</u> [AS 43.05.230(i) OR (k)] or for purposes of investigation and law enforcement. The information shall be kept confidential except when its production is required in an official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports and items, prohibit the publication of tax lists showing the names of taxpayers who are delinquent and relevant information that may assist in the collection of delinquent taxes, or prohibit the publication of records, proceedings, and decisions under AS 43.05.405 - 43.05.499.

*** Sec. 8.** AS 43.05.225 is amended to read:

Sec. 43.05.225. Interest. Unless otherwise provided,

(1) a delinquent tax under this title,

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

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

<u>(C) on and after January 1, 2017, bears interest</u>

<u>(i) for the first four years after a tax becomes delinquent, in each calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, compounded quarterly as of the last day of that quarter; and</u>

<u>(ii) after the first four years after a tax becomes delinquent, in each calendar quarter at a rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter</u>;

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

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

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

*** Sec. 9.** AS 43.05.230 is amended by adding a new subsection to read:

(*l*) For tax credit certificates purchased by the department in the preceding calendar year under AS 43.55.028, the department shall make the following information public by April 30 of each year:

(1) the name of each person from whom the department purchased a transferable tax credit certificate; and

(2) the aggregate amount of the tax credit certificates purchased from the person in the preceding calendar year.

*** Sec. 10.** AS 43.20.046(e) is amended to read:

(e) **<u>Subject to the requirements in AS 43.55.028(j), the</u>** [THE] department may use available money in the oil and gas tax credit fund established in AS 43.55.028

to make the refund applied for under (d) of this section in whole or in part if the department finds that**,** [(1) THE CLAIMANT DOES NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE; AND (2)] after application of all available tax credits, the claimant's total tax liability under this chapter for the calendar year in which the claim is made is zero. [IN THIS SUBSECTION, "UNPAID DELINQUENT TAX" MEANS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY RESOLVED IN THE TAXPAYER'S FAVOR.]

*** Sec. 11.** AS 43.20.047(e) is amended to read:

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

*** Sec. 12.** AS 43.20.053(e) is amended to read:

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

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

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

*** Sec. 13.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as otherwise provided under (f) [, (j), (k), (o),] and (p) of this section, for oil and gas produced

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

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

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

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

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

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

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

*** Sec. 14.** AS 43.55.011(f) is amended to read:

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

(1) oil and gas produced before January 1, **2017** [2022], from leases or properties that include land north of 68 degrees North latitude, other than gas subject to (o) of this section, may not be less than

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

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

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

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

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

(2) **oil and gas produced after December 31, 2016, and before January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, other than gas subject to (o) of this section, may not be less than**

(A) five percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than $70;

(B) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $25 but not over $70;

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

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

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

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

__(3)__ oil produced on and after January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, may not be less than

(A) **__five percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than $70;__**

__(B)__ four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is **__over__** [MORE THAN] $25 **__but not over $70__**;

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

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

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

<u>(F)</u> [(E)] zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is $15 or less.

* **Sec. 15.** AS 43.55.011(f), as amended by sec. 14 of this Act, is amended to read:

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

(1) oil and gas produced before January 1, 2017, from leases or properties that include land north of 68 degrees North latitude [, OTHER THAN GAS SUBJECT TO (o) OF THIS SECTION,] may not be less than

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

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

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

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

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

(2) oil and gas produced after December 31, 2016, and before January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, other than gas subject to (o) of this section, may not be less than

(A) five percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than $70;

(B) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $25 but not over $70;

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

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

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

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

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

(A) five percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than $70;

(B) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over $25 but not over $70;

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

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

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

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

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

(m) Notwithstanding any contrary provision of [AS 38.05.180(i), AS 41.09.010,] AS 43.55.024 [,] or 43.55.025, the department shall provide by regulation a method to ensure that, for a calendar year for which a producer's tax liability is limited by (j), (k), or (o) of this section, tax credits based on a lease expenditure incurred before January 1, 2011, that are otherwise available under [AS 38.05.180(i), AS 41.09.010,] AS 43.55.024 [,] or 43.55.025 and allocated to gas subject to the limitations in (j), (k), and (o) of this section are accounted for as though the credits had been applied first against a tax liability calculated without regard to the limitations under (j), (k), and (o) of this section so as to reduce the tax liability to the maximum amount provided for under (j) or (o) of this section for the production of gas or (k) of this section for the production of oil. The regulation must provide for a reasonable method to allocate tax credits to gas subject to (j) and (o) of this section. Only the amount of a tax credit remaining after the accounting provided for under this subsection may be used for a later calendar year, transferred to another person, or applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o) of this section to the extent otherwise allowed.

*** Sec. 17.** AS 43.55.020(a) is amended to read:

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

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

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

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

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

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

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

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

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

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

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

(i) zero;

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

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

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

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(2) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

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

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

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

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

(i) zero; or

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

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

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

(9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point of production is determined under <u>**AS 43.55.011(f)(1) - (3)**</u> [AS 43.55.011(f)(1) OR (2)] but substituting the phrase "month for which the installment payment is calculated" in <u>**AS 43.55.011(f)(1) - (3)**</u> [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for which the tax is due<u>**";**</u>

<u>**(10) after December 31, 2016, for the purposes of a calculation under (5) or (7) of this subsection, a credit under AS 43.55.024(j) may not be applied to reduce an installment payment to less than the applicable percentage under AS 43.55.011(f)**</u>. ["]

*** Sec. 18.** AS 43.55.020(a), as amended by sec. 17 of this Act, is amended to read:

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

(1) [FOR OIL AND GAS PRODUCED BEFORE JANUARY 1, 2014, AN INSTALLMENT PAYMENT OF THE ESTIMATED TAX LEVIED BY AS 43.55.011(e), NET OF ANY TAX CREDITS APPLIED AS ALLOWED BY LAW, IS DUE FOR EACH MONTH OF THE CALENDAR YEAR ON THE LAST

DAY OF THE FOLLOWING MONTH; EXCEPT AS OTHERWISE PROVIDED UNDER (2) OF THIS SUBSECTION, THE AMOUNT OF THE INSTALLMENT PAYMENT IS THE SUM OF THE FOLLOWING AMOUNTS, LESS 1/12 OF THE TAX CREDITS THAT ARE ALLOWED BY LAW TO BE APPLIED AGAINST THE TAX LEVIED BY AS 43.55.011(e) FOR THE CALENDAR YEAR, BUT THE AMOUNT OF THE INSTALLMENT PAYMENT MAY NOT BE LESS THAN ZERO:

(A) FOR OIL AND GAS NOT SUBJECT TO AS 43.55.011(o) OR (p) PRODUCED FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN, OTHER THAN LEASES OR PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATER OF

(i) ZERO; OR

(ii) THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED;

(B) FOR OIL AND GAS PRODUCED FROM LEASES OR PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATEST OF

(i) ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE

LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED; OR

(iii) THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THOSE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED;

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

(i) ZERO; OR

(ii) THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE UNDER AS 43.55.160 FOR THE OIL OR GAS, RESPECTIVELY, PRODUCED FROM THE LEASE OR PROPERTY FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS, RESPECTIVELY, PRODUCED FROM THE LEASE OR PROPERTY DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED;

(D) FOR OIL AND GAS SUBJECT TO AS 43.55.011(p), THE LESSER OF

(i) THE SUM OF 25 PERCENT AND THE TAX

RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED, BUT NOT LESS THAN ZERO; OR

(ii) FOUR PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE LEASES OR PROPERTIES DURING THE MONTH, BUT NOT LESS THAN ZERO;

(2) AN AMOUNT CALCULATED UNDER (1)(C) OF THIS SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2) OR 43.55.011(o), AS APPLICABLE, FOR GAS OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR;

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

(A) the applicable tax rate for oil provided under

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

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

<u>(2)</u> [(4)] any amount of tax levied by AS 43.55.011, net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production;

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) ZERO; OR

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

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

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

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

(4) [(6) AN AMOUNT CALCULATED UNDER (5)(C) OF THIS SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2) OR 43.55.011(o), AS APPLICABLE, FOR GAS OR SET OUT IN AS 43.55.011(k)(1) OR (2), AS APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR;

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

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

(i) zero;

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

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

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

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(2) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from leases or properties subject to AS 43.55.011(p), except as otherwise provided under **<u>(5)</u>** [(8)] of this subsection, the sum of

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

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

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

(i) zero; or

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

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

<u>(5)</u> [(8)] an amount calculated under **<u>(4)(C)</u>** [(7)(C)] of this subsection may not exceed four percent of the gross value at the point of production of the oil and gas produced from leases or properties subject to AS 43.55.011(p) during the month for which the installment payment is calculated;

<u>(6)</u> [(9)] for purposes of the calculation under **<u>(3)(B)(ii)</u>** [(1)(B)(ii), (5)(B)(ii),] and **<u>(4)(A)(ii)</u>** [(7)(A)(ii)] of this subsection, the applicable percentage of the gross value at the point of production is determined under AS 43.55.011(f)(1) - (3)

but substituting the phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1) - (3) for the phrase "calendar year for which the tax is due";

(7) [(10)] after December 31, 2016, for the purposes of a calculation under **(3) or (4)** [(5) OR (7)] of this subsection, a credit under AS 43.55.024(j) may not be applied to reduce an installment payment to less than the applicable percentage under AS 43.55.011(f).

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

(g) Notwithstanding any contrary provision of AS 43.05.225,

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

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

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

(h) Notwithstanding any contrary provision of AS 43.05.280,

(1) an overpayment of an installment payment required under **(a)(1),**

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

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

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

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

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

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

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

(i) Notwithstanding any contrary provision of AS 43.05.225 or (g) or (h) of this section, if the amount of a tax payment, including an installment payment, due under **<u>(a)(1) and (2)</u>** [(a)(1) - (4)] of this section is affected by the retroactive application of a regulation adopted under this chapter, the department shall determine whether the retroactive application of the regulation caused an underpayment or an overpayment of the amount due and adjust the interest due on the affected payment as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>(A)</u> north of 68 degrees North latitude may be taken only if the expenditure is incurred before January 1, 2014**<u>;</u>**

<u>(B) in the Cook Inlet sedimentary basin may be taken only if the expenditure is incurred before July 1, 2016</u>.

*** Sec. 23.** AS 43.55.023(a), as amended by sec. 22 of this Act, is amended to read:

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

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

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

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

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

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

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

(B) in the Cook Inlet sedimentary basin may be taken only if the expenditure is incurred before July 1, 2016.

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

(b) Before January 1, 2014, a producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. For lease expenditures incurred on and after January 1, 2014, and before January 1, 2016, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 45 percent of a carried-forward annual loss. For lease expenditures incurred **<u>during calendar year 2016</u>** [ON AND AFTER JANUARY 1, 2016,] to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 35 percent of a carried-forward annual loss. **<u>For lease expenditures incurred north of 68 degrees North latitude, a producer may elect to take a tax credit in the amount of 32 percent of a carried-forward annual loss incurred during calendar year 2017 or 2018; 29 percent of a carried-forward annual loss incurred during calendar year 2019 or 2020; 26 percent of a carried-forward annual loss incurred during calendar year 2021 or 2022; and 25 percent of a carried-forward annual loss incurred after calendar year 2022.</u>** For lease expenditures incurred on or after January 1, 2014, **<u>and before January 1, 2018,</u>** to explore for, develop, or produce oil or gas deposits located south of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. **<u>For lease expenditures incurred after December 31, 2017, to explore for, develop, or produce oil or gas deposits located south of 68 degrees North latitude and outside of the Cook Inlet sedimentary basin, a producer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss. A credit under this subsection for an expenditure incurred after December 31, 2016, is subject to the requirements of (q) of this section.</u>** A credit under this subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection,

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

(2) for lease expenditures incurred after December 31, 2016, any reduction under AS 43.55.160(f) or (g) is added back to the calculation of production tax values for that calendar year under AS 43.55.160 for the determination of a carried-forward annual loss.

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

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

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

(e) A person to which a transferable tax credit certificate is issued under (d) of this section may transfer the certificate to another person, and a transferee may further transfer the certificate. Subject to the limitations set out in **former (a) of this section and (b) - (d)** [(a) - (d)] of this section, and notwithstanding any action the department may take with respect to the applicant under (g) of this section, the owner of a certificate may apply the credit or a portion of the credit shown on the certificate only against a tax levied by AS 43.55.011(e). However, a credit shown on a transferable tax credit certificate may not be applied to reduce a transferee's total tax liability under

AS 43.55.011(e) for oil and gas produced during a calendar year to less than 80 percent of the tax that would otherwise be due without applying that credit. Any portion of a credit not used under this subsection may be applied in a later period.

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

(*l*) A producer or explorer may apply for a tax credit for a well lease expenditure incurred in the state [SOUTH OF 68 DEGREES NORTH LATITUDE] after June 30, 2010, as follows:

(1) notwithstanding that a well lease expenditure incurred in the state [SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state [SOUTH OF 68 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of

<u>**(A)**</u> 40 percent of that expenditure <u>**incurred south of 68 degrees North latitude before January 1, 2017;**</u>

<u>**(B) 20 percent of that expenditure incurred inside the Cook Inlet sedimentary basin after December 31, 2016, and before January 1, 2018;**</u>

<u>**(C) 30 percent of that expenditure incurred outside the Cook Inlet sedimentary basin and south of 68 degrees North latitude after December 31, 2016**</u> [; A TAX CREDIT UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR YEAR];

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

<u>**(A)**</u> in the state south of 68 degrees North latitude in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

<u>**(i)**</u> [(A)] agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(ii) [(B)] submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2)**;**

(B) in the Cook Inlet sedimentary basin only if the producer or explorer produced oil or gas in the Cook Inlet sedimentary basin before January 1, 2017.

*** Sec. 28.** AS 43.55.023 is amended by adding new subsections to read:

(q) For a calendar year after December 31, 2016, to qualify for a credit under (b) of this section,

(1) the producer incurring the expenditure may not have an average daily production of more than 15,000 BTU equivalent barrels a day in the state during the calendar year in which the expenditure is incurred;

(2) the expenditure must be incurred for a lease

(A) from which the state receives a royalty under AS 38.05 or federal law and in a unit under a unit plan of development approved by the commissioner of natural resources as consistent with AS 38.05.180 or by the applicable federal agency; and

(B) in which the producer has a working interest; and

(3) if the unit is in the Cook Inlet sedimentary basin, the producer incurring the expenditure must have produced oil or gas in the Cook Inlet sedimentary basin before January 1, 2017.

(r) Notwithstanding the limitation on the use of a transferable tax credit certificate by a transferee in (e) of this section, and subject to appropriation, the department shall issue a cash refund to the Alaska Retirement Management Board for a transferable tax credit certificate originally issued to a person under (d) of this section and purchased by the Alaska Retirement Management Board under AS 37.10.220(b) within five years after the board's purchase of the certificate. The refund shall be made from funds appropriated from the general fund to the department for that purpose.

*** Sec. 29.** AS 43.55.024(i) is amended to read:

(i) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit of $5 for each barrel of oil taxable under AS 43.55.011(e) that **receives a reduction in the gross value at the point of production under** [MEETS ONE OR MORE OF THE CRITERIA IN] AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013. A tax credit authorized by this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below zero.

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

(j) A producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for each barrel of oil taxable under AS 43.55.011(e) that does not **receive a reduction in the gross value at the point of production under** [MEET ANY OF THE CRITERIA IN] AS 43.55.160(f) or (g) and that is produced during a calendar year after December 31, 2013, from leases or properties north of 68 degrees North latitude. A tax credit under this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The amount of the tax credit for a barrel of taxable oil subject to this subsection produced during a month of the calendar year is

(1) $8 for each barrel of taxable oil if the average gross value at the point of production for the month is less than $80 a barrel;

(2) $7 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $80 a barrel, but less than $90 a barrel;

(3) $6 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $90 a barrel, but less than $100 a barrel;

(4) $5 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $100 a barrel, but less than $110 a barrel;

(5) $4 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $110 a barrel, but less than $120 a barrel;

(6) $3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $120 a barrel, but less than $130 a barrel;

(7) $2 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $130 a barrel, but less than $140 a barrel;

(8) $1 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $140 a barrel, but less than $150 a barrel;

(9) zero if the average gross value at the point of production for the month is greater than or equal to $150 a barrel.

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

(m) The persons that drill the first four exploration wells in the state and within the areas described in (o) of this section on state lands, private lands, or federal onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (o) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (o)(1) - (6) of this section. <u>**Notwithstanding (b) of this section, exploration**</u> [EXPLORATION] expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012, and before <u>**July 1, 2017, except that expenditures to complete an exploration well that was spudded but not completed before July 1, 2017, are eligible for the credit under this subsection**</u> [JULY 1, 2016]. A person planning to drill an exploration well on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section. The written consent of the owner of the oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in (c)(1), (c)(2)(A), and (c)(2)(C) of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall make a written determination approving or rejecting an exploration well within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving the exploration well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (o) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

*** Sec. 32.** AS 43.55.025 is amended by adding a new subsection to read:

(q) Notwithstanding the limitation on the use of a production tax credit certificate by a transferee in (f) of this section, and subject to appropriation, the department shall issue a cash refund to the Alaska Retirement Management Board for a production tax credit certificate originally issued to an explorer under (f) of this section and purchased by the Alaska Retirement Management Board under AS 37.10.220(b) within five years of the board's purchase of the certificate. The refund shall be made from funds appropriated from the general fund to the department for that purpose.

*** Sec. 33.** AS 43.55.028(a) is amended to read:

(a) The oil and gas tax credit fund is established as a separate fund of the state.

The purpose of the fund is to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to pay refunds and payments claimed under AS 43.20.046, 43.20.047, or 43.20.053. **The fund may not be used to purchase a transferable tax credit certificate or production tax credit certificate from the Alaska Retirement Management Board that the board purchased under AS 37.10.220(b) or to pay a refund under AS 43.55.023(r) or 43.55.025(q).**

*** Sec. 34.** AS 43.55.028(e) is amended to read:

(e) The department, on the written application of a person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) or former AS 43.55.023(m) or to whom a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate**. The department may not purchase a total of more than $70,000,000 in tax credit certificates from a person in a calendar year. The department may only purchase a certificate or part of a certificate** if the department finds that

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

(2) the **application is not the result of the division of a single entity into multiple entities that would reasonably be expected to apply as a single entity if the $70,000,000 limitation in this subsection did not exist** [APPLICANT DOES NOT HAVE AN OUTSTANDING LIABILITY TO THE STATE FOR UNPAID DELINQUENT TAXES UNDER THIS TITLE];

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

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

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

*** Sec. 35.** AS 43.55.028(g) is amended to read:

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

(1) may not [, WHEN ALLOCATING AVAILABLE MONEY IN THE FUND UNDER THIS SECTION,] distinguish an application for the purchase of a credit certificate issued under former AS 43.55.023(m) or a claim for a refund or payment under AS 43.20.046, 43.20.047, or 43.20.053**;**

(2) must grant a preference, between two applicants, to the applicant with a higher percentage of resident workers in the applicant's workforce, including workers employed by the applicant's direct contractors, in the state in the previous calendar year; in this paragraph, "resident worker" has the meaning given in AS 43.40.092(b).

*** Sec. 36.** AS 43.55.028 is amended by adding a new subsection to read:

(j) If an applicant or claimant has an outstanding liability to the state directly related to the applicant's or claimant's oil or gas exploration, development, or production and the department has not previously reduced the amount paid to that applicant or claimant for a certificate or refund because of that outstanding liability, the department may purchase only that portion of a certificate or pay only that portion of a refund that exceeds the outstanding liability. The department may apply the amount by which the department reduced its purchase of a certificate or payment for a refund because of an outstanding liability to satisfy the outstanding liability. Satisfaction of an outstanding liability under this subsection does not affect the applicant's ability to contest that liability. The department may enter into contracts or agreements with another department to which the outstanding liability is owed. In this subsection, "outstanding liability" means an amount of tax, interest, penalty, fee, rental, royalty, or other charge for which the state has issued a demand for payment that has not been paid when due and, if contested, has not been finally resolved against the state.

*** Sec. 37.** AS 43.55.029(a) is amended to read:

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

*** Sec. 38.** AS 43.55.029(a), as amended by sec. 37 of this Act, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*** Sec. 41.** AS 43.55.150 is amended by adding a new subsection to read:

(d) For purposes of calculating the tax under this chapter, the gross value at the point of production may not be less than zero.

*** Sec. 42.** AS 43.55.160(a) is amended to read:

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

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

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

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

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

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

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

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

(E) GAS PRODUCED BEFORE 2022 FROM EACH LEASE OR PROPERTY IN THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN AND USED IN THE STATE, OTHER THAN GAS SUBJECT TO AS 43.55.011(p);

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

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

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

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

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

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

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

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

*** Sec. 43.** AS 43.55.160(e) is amended to read:

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value calculated under (a)(1) or (h) of this section of taxable oil or gas produced during the calendar year to be less than zero may be used to establish a carried-forward annual loss under AS 43.55.023(b).

However, the department shall provide by regulation a method to ensure that, for a period for which a producer's tax liability is limited by **<u>AS 43.55.011(p)</u>** [AS 43.55.011(j), (k), (o), OR (p)], any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under (a)(1)(C) [, (D), (E), OR (F),] or (h)(3) of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under **<u>AS 43.55.011(p)</u>** [AS 43.55.011(j), (k), (o), OR (p)] that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of **<u>AS 43.55.011(p)</u>** [AS 43.55.011(j), (k), (o), OR (p)]. Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

*** Sec. 44.** AS 43.55.160(f) is amended to read:

(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or gas produced from a lease or property north of 68 degrees North latitude meeting one or more of the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. **<u>For oil and gas first produced from a</u>**

lease or property after December 31, 2016, a reduction allowed under this subsection applies from the date of commencement of regular production of oil and gas in commercial quantities from that lease or property and expires after three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than $70 or after seven years, whichever occurs first. For oil and gas first produced from a lease or property before January 1, 2017, a reduction allowed under this subsection expires on the earlier of January 1, 2023, or January 1 following three years, consecutive or nonconsecutive, in which the average annual price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than $70. A reduction under this subsection may not reduce the gross value at the point of production below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources.

*** Sec. 45.** AS 43.55.160(g) is amended to read:

(g) On and after January 1, 2014, in addition to the reduction under (f) of this section, in the calculation of an annual production tax value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the point of production of oil or gas produced from a lease or property north of 68 degrees North latitude that does not contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if the oil or gas is produced from a unit made up solely of leases that have a royalty share of more than 12.5 percent in amount or value of the production removed or sold from the lease as determined under AS 38.05.180(f). This subsection does not apply if the royalty obligation for one or more of the leases in the unit has been reduced to 12.5 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the annual production tax value is calculated. This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. **For oil or gas first produced after December 31, 2016, the reduction under this subsection shall apply to oil or gas produced from a lease or property for the first five years after the commencement of production in commercial quantities of oil or gas from that lease or property. For oil or gas first**

produced before January 1, 2017, the reduction under this subsection for a lease or property shall expire January 1, 2021. A reduction under this subsection may not reduce the gross value at the point of production below zero.

*** Sec. 46.** AS 43.55.165(a) is amended to read:

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

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

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

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

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

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

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

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

*** Sec. 47.** AS 43.55.165(e) is amended to read:

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

(1) depreciation, depletion, or amortization;

(2) oil or gas royalty payments, production payments, lease profit shares, or other payments or distributions of a share of oil or gas production, profit, or

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

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

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

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

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

(7) fines or penalties imposed by law;

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

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

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

(11) surcharges levied under AS 43.55.201 or 43.55.300;

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

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

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

(15) costs incurred for dismantlement, removal, surrender, or

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

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

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

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

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

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

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

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

(C) "replacement" includes renovation or improvement;

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

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

*** Sec. 48.** AS 43.55.165(f) is amended to read:

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

<u>January 1, 2017, to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."</u>

*** Sec. 49.** AS 43.55.165(f), as amended by sec. 48 of this Act, is amended to read:

(f) [FOR PURPOSES OF AS 43.55.023(a) AND ONLY AS TO EXPENDITURES INCURRED TO EXPLORE FOR AN OIL OR GAS DEPOSIT LOCATED WITHIN LAND IN WHICH AN EXPLORER DOES NOT OWN A WORKING INTEREST, THE TERM "PRODUCER" IN THIS SECTION INCLUDES "EXPLORER."] For purposes of AS 43.55.023(b), for expenditures incurred before January 1, 2017, to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."

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

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

*** Sec. 51.** AS 43.55.170(c) is amended to read:

(c) For purposes of AS 43.55.023(a) [AND (b)] and only as to expenditures incurred to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer." **<u>For purposes of AS 43.55.023(b), for expenditures incurred before January 1, 2017, to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."</u>**

*** Sec. 52.** AS 43.55.170(c), as amended by sec. 51 of this Act, is amended to read:

(c) [FOR PURPOSES OF AS 43.55.023(a) AND ONLY AS TO

EXPENDITURES INCURRED TO EXPLORE FOR AN OIL OR GAS DEPOSIT LOCATED WITHIN LAND IN WHICH AN EXPLORER DOES NOT OWN A WORKING INTEREST, THE TERM "PRODUCER" IN THIS SECTION INCLUDES "EXPLORER."] For purposes of AS 43.55.023(b), for expenditures incurred before January 1, 2017, to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term "producer" in this section includes "explorer."

*** Sec. 53.** AS 43.55.890 is amended to read:

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

(1) the amount of oil or gas production;

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

(3) the effective tax rates under this chapter;

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

(5) the transportation costs for oil or gas;

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

(7) exploration expenditures under AS 43.55.025;

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

(9) lease expenditures under AS 43.55.165;

(10) adjustments to lease expenditures under AS 43.55.170;

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

*** Sec. 54.** AS 43.55.895(b) is amended to read:

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

<u>(1)</u> is eligible for [ALL] tax credits **<u>proportionate to its production taxable under AS 43.55.011(e); and</u>**

<u>(2) shall allocate its lease expenditures in proportion to its production taxable under AS 43.55.011(e)</u> [UNDER THIS CHAPTER TO THE SAME EXTENT AS ANY OTHER PRODUCER].

*** Sec. 55.** AS 43.55.900 is amended by adding a new paragraph to read:

(26) "qualified capital expenditure"

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

(i) incurred for geological or geophysical exploration;

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

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

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

*** Sec. 56.** AS 43.70 is amended by adding new sections to read:

Sec. 43.70.025. Bond or cash deposit required for an oil or gas business. (a) At the time of applying for a license under this chapter, an applicant engaged in the business of oil or gas exploration, development, or production shall file a surety bond in the amount of $250,000 running to the state, conditioned upon the applicant's promise to pay all

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

(2) unsecured creditors furnishing labor or material or renting or supplying equipment to the applicant.

(b) In lieu of the surety bond required under this section, the applicant may file with the commissioner a cash deposit or other negotiable security acceptable to the commissioner in the amount of $250,000.

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

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

(1) material, equipment, and supplies delivered in the state by an unsecured creditor;

(2) labor, including employee benefits provided by an unsecured creditor;

(3) taxes and other amounts due to the city and borough, in that order;

(4) repair of public facilities;

(5) taxes and other amounts due to the state.

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

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

*** Sec. 57.** AS 38.05.180(i); AS 41.09.010, 41.09.020, 41.09.030, 41.09.090; and AS 43.20.053(j)(4) are repealed January 1, 2017.

*** Sec. 58.** AS 43.55.011(j), 43.55.011(k), 43.55.011(m), 43.55.011(o), 43.55.023(*l*), and 43.55.023(n) are repealed January 1, 2019.

*** Sec. 59.** AS 43.55.023(a), 43.55.023(o), 43.55.028(i), 43.55.075(d)(1), 43.55.165(j), and 43.55.165(k) are repealed January 1, 2022.

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

LEGISLATIVE WORKING GROUP. (a) A legislative working group is established to analyze the Cook Inlet fiscal regime for oil and gas, review the state's tax structure and rates on oil and gas produced south of 68 degrees North latitude, recommend changes to the legislature for consideration during the First Regular Session of the Thirtieth Alaska State Legislature, and develop terms for a comprehensive fiscal regime, including

(1) a tax structure that accounts for the unique circumstances for each oil and gas producing area south of 68 degrees North latitude;

(2) incentives other than direct monetary support from the state for the exploration, development, and production of oil and gas south of 68 degrees North latitude;

(3) consideration of the competitiveness of the area south of 68 degrees North latitude to attract new oil and gas development;

(4) consideration of the unique market considerations of the Cook Inlet sedimentary basin and the need to support energy supply security for communities in Southcentral Alaska;

(5) alternative means of state support for the exploration, development, and production of oil and gas in the Cook Inlet sedimentary basin, including loan guarantees or other financial support through the Alaska Industrial Development and Export Authority, or other state corporation or entity;

(6) the applicability of the recommended tax structure to gas currently subject to AS 43.55.011(o).

(b) The recommended changes under (a) of this section may not include refundable or deductible tax credits or carried-forward lease expenditures.

(c) The working group consists of

(1) two co-chairs, one of whom is a member of the house of representatives appointed by the speaker of the house of representatives, and one of whom is a member of the senate appointed by the president of the senate; and

(2) members appointed by the co-chairs; members must be legislators and must include members of the majority and minority caucuses.

(d) The co-chairs of the working group may form an advisory group to the working group, composed of members who are not legislators and who have expertise and skills to assist in the review and development of a new plan for the tax structure and rates on oil and gas produced south of 68 degrees North latitude. The members of an advisory group may include commissioners or employees of state departments, members of the oil and gas industry or trade associations, and economists.

(e) The working group may be supported by legislative consultants under contract through the Legislative Budget and Audit Committee.

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

APPLICABILITY. AS 43.20.046(e), as amended by sec. 10 of this Act, AS 43.20.047(e), as amended by sec. 11 of this Act, AS 43.20.053(e), as amended by sec. 12 of this Act, AS 43.55.028(e), as amended by sec. 34 of this Act, AS 43.55.028(j), added by sec. 36 of this Act, and regulations related to a tax credit certificate purchase preference for applicants with a workforce of resident workers, adopted under AS 43.55.028(g), as amended by sec. 35 of this Act, apply to a purchase applied for on or after the effective date of secs. 10 - 12 and 34 - 36 of this Act.

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

TRANSITION: WELL LEASE EXPENDITURES. (a) Notwithstanding the repeal of AS 43.55.023(*l*) and (n) by sec. 58 of this Act, and the amendment to AS 43.55.029(a) by sec. 37 of this Act, a taxpayer who incurs a well lease expenditure before the repeal of AS 43.55.023(*l*) and (n) by sec. 58 of this Act that qualifies for a well lease expenditure credit under AS 43.55.023(*l*) may apply for a credit or transferable tax credit certificate under AS 43.55.023 and assign the tax credit under AS 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(*l*) and (n) by sec. 58 of this Act.

(b) The Department of Revenue may continue to apply and enforce AS 43.55.023(*l*), as that section read on the day before the repeal of AS 43.55.023(*l*) by sec. 58 of this Act, for well lease expenditures incurred before the repeal of AS 43.55.023(*l*) by sec. 58 of this Act.

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

TRANSITION: QUALIFIED CAPITAL EXPENDITURES. (a) Notwithstanding the repeal of AS 43.55.023(a) and (o) by sec. 59 of this Act, and the amendments to AS 45.55.023(d) by sec. 25 of this Act, AS 43.55.029(a) by sec. 38 of this Act, AS 43.55.030(a) and (e) by secs. 39 and 40 of this Act, AS 43.55.165(f) by sec. 49 of this Act, and AS 43.55.170(c) by sec. 52 of this Act, a taxpayer who incurs a qualified capital expenditure before the repeal of AS 43.55.023(a) and (o) by sec. 59 of this Act that qualifies for a qualified capital expenditure credit under AS 43.55.023(a) may apply for a credit or tax credit certificate under AS 43.55.023(d) and, as applicable, assign the tax credit under AS 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a) by sec. 59 of this Act.

(b) The Department of Revenue may continue to apply and enforce AS 43.55.023(a) and (o) and 43.55.029, as those sections read on the day before the repeal of AS 43.55.023(a) by sec. 59 of this Act, for qualified capital expenditures incurred before the repeal of AS 43.55.023(a) by sec. 59 of this Act.

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

TRANSITION: LEASE EXPENDITURES FOR A CALENDAR YEAR AFTER 2006 AND BEFORE 2010. Notwithstanding AS 43.55.165(a), as amended by sec. 46 of this Act, and the repeal of AS 43.55.165(j) and (k) by sec. 59 of this Act, AS 43.55.165(j) and (k) apply to a producer's total lease expenditures for a calendar year after 2006 and before 2010 under AS 43.55.165, as that section read on the day before the repeal of AS 43.55.165(j) and (k) by sec. 59 of this Act.

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

TRANSITION: PAYMENT OF TAX; FILING. (a) Notwithstanding the amendments to AS 43.55.020 by secs. 18 - 21 of this Act,

(1) a person subject to tax under AS 43.55 that is required to make one or more installment payments of estimated tax or other payments of tax under AS 43.55.020 for production before the effective date of secs. 18 - 21 of this Act shall pay the tax under AS 43.55.020, as that section read on the day before the effective date of secs. 18 - 21 of this Act;

(2) an unpaid amount of an installment payment required under AS 43.55.020 for production before the effective date of secs. 18 - 21 of this Act that is not paid when due bears interest under AS 43.55.020, as that section read on the day before the effective date of secs. 18 - 21 of this Act;

(3) an overpayment of an installment payment required under AS 43.55.020 for production before the effective date of secs. 18 - 21 of this Act bears interest under AS 43.55.020, as that section read on the day before the effective date of secs. 18 - 21 of this Act.

(b) The Department of Revenue may continue to apply and enforce AS 43.55.020, as that section read on the day before the effective date of secs. 18 - 21 of this Act, for a tax or installment payment for production before the effective date of secs. 18 - 21 of this Act.

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

TRANSITION: PRODUCTION TAX AND CARRIED-FORWARD ANNUAL LOSSES. Notwithstanding the repeal of AS 43.55.011(j), (k), (m), and (o) by sec. 58 of this Act, and the amendments to AS 43.55.011(e) and (f) by secs. 13 and 15 of this Act, 43.55.160(a) and (e) by secs. 42 and 43 of this Act, and 43.55.165(h) by sec. 50 of this Act,

(1) for oil and gas produced before the repeal of AS 43.55.011(j), (k), (m), and (o) by sec. 58 of this Act, the production tax and production tax value of that oil and gas shall be determined under AS 43.55.011 and 43.55.160, as those sections read on the day before the repeal of AS 43.55.011(j), (k), (m), and (o) by sec. 58 of this Act;

(2) in determining lease expenditures incurred before the effective date of sec. 50 of this Act, the Department of Revenue shall continue to apply regulations that were

adopted under AS 43.55.165(h) that were in effect on the day before the effective date of sec. 50 of this Act; and

(3) a lease expenditure incurred before the effective date of sec. 43 of this Act may be used to establish a carried-forward annual loss under AS 43.55.160(e), as that subsection read on the day before the effective date of sec. 43 of this Act.

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

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

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

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

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

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

*** Sec. 69.** Sections 31, 60, 67, and 68 of this Act take effect immediately under AS 01.10.070(c).

*** Sec. 70.** Section 22 of this Act takes effect July 1, 2016.

*** Sec. 71.** Sections 13, 15, 18 - 21, 37, 42, 43, 50, 58, 62, 65, and 66 of this Act take effect January 1, 2019.

*** Sec. 72.** Sections 25, 26, 38 - 40, 46, 47, 49, 52, 53, 55, 59, 63, and 64 of this Act take effect January 1, 2022.

*** Sec. 73.** Except as provided in secs. 69 - 72 of this Act, this Act takes effect January 1, 2017.