

SENATE BILL NO. 5005

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIFTH SPECIAL SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 7/11/16

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the oil and gas production tax, tax payments, and credits; relating to**
2 **oil and gas lease expenditures and production tax credits for municipal entities; relating**
3 **to the interest applicable to delinquent tax; and providing for an effective date."**

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

5 * **Section 1.** AS 43.05.225, as amended by sec. 8, ch. 4, 4SSLA 2016, is repealed and
6 reenacted to read:

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

8 (1) a delinquent tax under this title,

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

14 (B) on and after January 1, 2014, and before January 1, 2017,

1 bears interest in each calendar quarter at the rate of three percentage points
 2 above the annual rate charged member banks for advances by the 12th Federal
 3 Reserve District as of the first day of that calendar quarter;

4 (C) on and after January 1, 2017, bears interest

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

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

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

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

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

18 * **Sec. 2.** AS 43.55.011(f) is amended to read:

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

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

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

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

31 (C) two percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on
 2 the United States West Coast during the calendar year for which the tax is due
 3 is over \$17.50 but not over \$20;

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

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

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

15 (A) five percent of the gross value at the point of production
 16 when the average price per barrel for Alaska North Slope crude oil for
 17 sale on the United States West Coast during the calendar year for which
 18 the tax is due is more than \$55;

19 (B) four percent of the gross value at the point of
 20 production when the average price per barrel for Alaska North Slope
 21 crude oil for sale on the United States West Coast during the calendar
 22 year for which the tax is due is over \$25 but not over \$55;

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

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

31 (E) one percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for
 2 sale on the United States West Coast during the calendar year for which
 3 the tax is due is over \$15 but not over \$17.50; or

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

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

10 (A) five percent of the gross value at the point of production
 11 when the average price per barrel for Alaska North Slope crude oil for
 12 sale on the United States West Coast during the calendar year for which
 13 the tax is due is more than \$55;

14 (B) four percent of the gross value at the point of production
 15 when the average price per barrel for Alaska North Slope crude oil for sale on
 16 the United States West Coast during the calendar year for which the tax is due
 17 is over [MORE THAN] \$25 but not over \$55;

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

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

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

30 (F) [(E)] zero percent of the gross value at the point of
 31 production when the average price per barrel for Alaska North Slope crude oil

1 for sale on the United States West Coast during the calendar year for which the
2 tax is due is \$15 or less.

3 * **Sec. 3.** AS 43.55.020(a), as amended by sec. 16, ch. 4, 4SSLA 2016, is amended to read:

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

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

14 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
15 produced from leases or properties in the state outside the cook inlet
16 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
17 the greater of

18 (i) zero; or

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

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

29 (i) zero;

30 (ii) zero percent, one percent, two percent, three
31 percent, or four percent, as applicable, of the gross value at the point of

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

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

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

13 (i) zero; or

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

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

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

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

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

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

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

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

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

28 (5) for oil and gas produced on and after January 1, 2014, and before
29 January 1, 2022, an installment payment of the estimated tax levied by
30 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
31 month of the calendar year on the last day of the following month; except as otherwise

1 provided under (6) of this subsection, the amount of the installment payment is the
 2 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 3 applied against the tax levied by AS 43.55.011(e) for the calendar year, **except in the**
 4 **case of a tax credit under AS 43.55.024(j), the amount of the tax credit calculated**
 5 **for the applicable month that would not result in an installment payment that**
 6 **would be less than the amount in (B)(ii) of this paragraph,** but the amount of the
 7 installment payment may not be less than zero:

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

12 (i) zero; or

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

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

22 (i) zero;

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

28 (iii) 35 percent multiplied by the remainder obtained by
 29 subtracting 1/12 of the producer's adjusted lease expenditures for the
 30 calendar year of production under AS 43.55.165 and 43.55.170 that are
 31 deductible for the oil and gas under AS 43.55.160 from the gross value

1 at the point of production of the oil and gas produced from those leases
2 or properties during the month for which the installment payment is
3 calculated, except that, for the purposes of this calculation, a reduction
4 from the gross value at the point of production may apply for oil and
5 gas subject to AS 43.55.160(f) or (g);

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

8 (i) zero; or

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

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

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

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

28 (6) an amount calculated under (5)(C) of this subsection for oil or gas
29 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
30 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
31 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in

1 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 2 gas produced during the month for the amount of taxable gas produced during the
 3 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
 4 during the month for the amount of taxable oil produced during the calendar year;

5 (7) for oil and gas produced on or after January 1, 2022, an installment
 6 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 7 as allowed by law, is due for each month of the calendar year on the last day of the
 8 following month; except as otherwise provided under (10) of this subsection, the
 9 amount of the installment payment is the sum of the following amounts, less 1/12 of
 10 the tax credits that are allowed by law to be applied against the tax levied by
 11 AS 43.55.011(e) for the calendar year, **except in the case of a tax credit under**
 12 **AS 43.55.024(j), the amount of the tax credit calculated for the applicable month**
 13 **that would not result in an installment payment that would be less than the**
 14 **amount in (A)(ii) of this paragraph,** but the amount of the installment payment may
 15 not be less than zero:

16 (A) for oil produced from leases or properties subject to
 17 AS 43.55.011(f), the greatest of

18 (i) zero;

19 (ii) zero percent, one percent, two percent, three
 20 percent, [OR] four percent, **or five percent,** as applicable, of the gross
 21 value at the point of production of the oil produced from the leases or
 22 properties during the month for which the installment payment is
 23 calculated; or

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

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

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

7 (i) zero; or

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

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

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

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

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

30 (i) zero; or

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

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

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

11 (F) for oil subject to AS 43.55.011(k), for each lease or
12 property, the greater of

13 (i) zero; or

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

21 (G) for gas subject to AS 43.55.011(j) or (o), for each lease or
22 property, the greater of

23 (i) zero; or

24 (ii) 13 percent of the gross value at the point of
25 production of the gas produced from the lease or property during the
26 month for which the installment payment is calculated;

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

31 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and

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

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

14 * **Sec. 4.** AS 43.55.020(i) is amended to read:

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

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

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

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

31 (2) if an overpayment of the amount due occurred and the department

1 determines that the producer's overpayment resulted because the regulation was not in
 2 effect when the payment was due, the obligation for a refund for the overpayment does
 3 not begin to accrue interest earlier than the following, as applicable:

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

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

12 * **Sec. 5.** AS 43.55.023(b), as amended by sec. 18, ch. 4, 4SSLA 2016, is amended to read:

13 (b) Before January 1, 2014, a producer or explorer may elect to take a tax
 14 credit in the amount of 25 percent of a carried-forward annual loss. For lease
 15 expenditures incurred on and after January 1, 2014, and before January 1, 2016, to
 16 explore for, develop, or produce oil or gas deposits located north of 68 degrees North
 17 latitude, a producer or explorer may elect to take a tax credit in the amount of 45
 18 percent of a carried-forward annual loss. For lease expenditures incurred on and after
 19 January 1, 2016, **and before January 1, 2017,** to explore for, develop, or produce oil
 20 or gas deposits located north of 68 degrees North latitude, a producer or explorer may
 21 elect to take a tax credit in the amount of 35 percent of a carried-forward annual loss.
 22 **For lease expenditures incurred on or after January 1, 2017, and before**
 23 **January 1, 2018, to explore for, develop, or produce oil or gas deposits located**
 24 **north of 68 degrees North latitude, a producer or explorer may elect to take a tax**
 25 **credit in the amount of 15 percent of a carried-forward annual loss. A producer**
 26 **or explorer may not elect to take a tax credit under this subsection for lease**
 27 **expenditures incurred on or after January 1, 2018, to explore for, develop, or**
 28 **produce oil or gas deposits located north of 68 degrees North latitude.** For lease
 29 expenditures incurred on or after January 1, 2014, and before January 1, 2017, to
 30 explore for, develop, or produce oil or gas deposits located south of 68 degrees North
 31 latitude, a producer or explorer may elect to take a tax credit in the amount of 25

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

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

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

17 * **Sec. 6.** AS 43.55.024(j), as amended by sec. 21, ch. 4, 4SSLA 2016, is amended to read:

18 (j) A producer may apply against the producer's tax liability for the calendar
 19 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
 20 each barrel of oil taxable under AS 43.55.011(e) that does not receive a reduction in
 21 the gross value at the point of production under AS 43.55.160(f) or (g) and that is
 22 produced during a calendar year after December 31, 2013, from leases or properties
 23 north of 68 degrees North latitude. A tax credit under this subsection may not reduce a
 24 producer's tax liability for a calendar year under AS 43.55.011(e) below the amount
 25 calculated under AS 43.55.011(f). **The total amount of a tax credit under this**
 26 **subsection that may be applied against the producer's tax liability under**
 27 **AS 43.55.011(e) for a calendar year may not exceed the sum of the amount of the**
 28 **tax credits or fraction of tax credits under this subsection that are allowed to be**
 29 **applied in calculating installment payments of estimated tax under**
 30 **AS 43.55.020(a) for each month in a calendar year.** The amount of the tax credit for
 31 a barrel of taxable oil subject to this subsection produced during a month of the

1 calendar year is

2 (1) \$8 for each barrel of taxable oil if the average gross value at the
3 point of production for the month is less than \$80 a barrel;

4 (2) \$7 for each barrel of taxable oil if the average gross value at the
5 point of production for the month is greater than or equal to \$80 a barrel, but less than
6 \$90 a barrel;

7 (3) \$6 for each barrel of taxable oil if the average gross value at the
8 point of production for the month is greater than or equal to \$90 a barrel, but less than
9 \$100 a barrel;

10 (4) \$5 for each barrel of taxable oil if the average gross value at the
11 point of production for the month is greater than or equal to \$100 a barrel, but less
12 than \$110 a barrel;

13 (5) \$4 for each barrel of taxable oil if the average gross value at the
14 point of production for the month is greater than or equal to \$110 a barrel, but less
15 than \$120 a barrel;

16 (6) \$3 for each barrel of taxable oil if the average gross value at the
17 point of production for the month is greater than or equal to \$120 a barrel, but less
18 than \$130 a barrel;

19 (7) \$2 for each barrel of taxable oil if the average gross value at the
20 point of production for the month is greater than or equal to \$130 a barrel, but less
21 than \$140 a barrel;

22 (8) \$1 for each barrel of taxable oil if the average gross value at the
23 point of production for the month is greater than or equal to \$140 a barrel, but less
24 than \$150 a barrel;

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

27 * **Sec. 7.** AS 43.55.025(f) is amended to read:

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

29 (1) an explorer shall, in a form prescribed by the department and,
30 except for a credit under (k) of this section, within six months of the completion of the
31 exploration activity, claim the credit and submit information sufficient to demonstrate

1 to the department's satisfaction that the claimed exploration expenditures qualify under
2 this section; in addition, the explorer shall submit information necessary for the
3 commissioner of natural resources to evaluate the validity of the explorer's compliance
4 with the requirements of this section;

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

6 (A) to notify the Department of Natural Resources, within 30
7 days after completion of seismic or geophysical data processing, completion of
8 well drilling, or filing of a claim for credit, whichever is the latest, for which
9 exploration costs are claimed, of the date of completion and submit a report to
10 that department describing the processing sequence and providing a list of data
11 sets available;

12 (B) to provide to the Department of Natural Resources, within
13 30 days after the date of a request, unless a longer period is provided by the
14 Department of Natural Resources, specific data sets, ancillary data, and reports
15 identified in (A) of this paragraph; in this subparagraph,

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

20 (ii) well data include all analyses conducted on physical
21 material, and well logs collected from the well, results, and copies of
22 data collected and data analyses for the well, including well logs;
23 sample analyses; testing geophysical and velocity data including
24 seismic profiles and check shot surveys; testing data and analyses; age
25 data; geochemical analyses; and tangible material;

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

29 (i) in the case of well data, until the expiration of the
30 24-month period of confidentiality described in AS 31.05.035(c), at
31 which time the Department of Natural Resources will release the

1 information after 30 days' public notice unless, in the discretion of the
 2 commissioner of natural resources, it is necessary to protect
 3 information relating to the valuation of [UNLEASED] acreage in the
 4 same vicinity, or unless the well is on private land and the owner,
 5 including the lessor but not the lessee, of the oil and gas resources has
 6 not given permission to release the well data;

7 (ii) in the case of seismic or other geophysical data,
 8 other than seismic data acquired by seismic exploration subject to (k) of
 9 this section, for **the earlier of** 10 years following the completion date,
 10 **or if a lease for which the seismic or other geophysical data was**
 11 **acquired is terminated or relinquished until the date of the**
 12 **termination or relinquishment,** at which time the Department of
 13 Natural Resources will release the information after 30 days' public
 14 notice, **unless, in the discretion of the commissioner of natural**
 15 **resources, it is necessary to protect information relating to the**
 16 **valuation of acreage in the same vicinity, or unless the** [EXCEPT
 17 AS TO] seismic or other geophysical data **was** acquired from private
 18 land **and** [, UNLESS] the owner, including a lessor but not a lessee, of
 19 the oil and gas resources in the private land **has not given** [GIVES]
 20 permission to release the seismic or other geophysical data associated
 21 with the private land;

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

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

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

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

8 (A) the explorer's name;

9 (B) the date of the application;

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

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

12 (E) the date on which the information required to be submitted

13 under this section will be released.

14 * **Sec. 8.** AS 43.55.028(e), as amended by sec. 23, ch. 4, 4SSLA 2016, is amended to read:

15 (e) The department, on the written application of a person to whom a
 16 transferable tax credit certificate has been issued under AS 43.55.023(d) or former
 17 AS 43.55.023(m) or to whom a production tax credit certificate has been issued under
 18 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
 19 purchase, in whole or in part, the certificate. The department may not purchase a total
 20 of more than \$70,000,000 in tax credit certificates from a person in a calendar year.
 21 Before purchasing a certificate or part of a certificate, the department shall find that

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

25 (2) the application is not the result of the division of a single entity into
 26 multiple entities that would reasonably be expected to apply as a single entity if the
 27 \$70,000,000 limitation in this subsection did not exist;

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

31 (4) the applicant's average daily production of oil and gas taxable

1 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
2 the application is made was not more than 15,000 [50,000] BTU equivalent barrels;
3 and

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

6 * **Sec. 9.** AS 43.55.150 is amended by adding a new subsection to read:

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

9 * **Sec. 10.** AS 43.55.895(b), as amended by sec. 30, ch. 4, 4SSLA 2016, is repealed and
10 reenacted to read:

11 (b) A municipal entity subject to taxation because of this section is eligible for
12 tax credits only to the extent allowed under regulations adopted by the department that
13 limit the amount of an otherwise available tax credit to a fraction that is equal to the
14 fraction of the municipal entity's production that it sells to another party. A municipal
15 entity subject to taxation because of this section shall calculate annual production tax
16 values under AS 43.55.160(a)(1) and (h) using a method prescribed by regulations
17 adopted by the department that limits the amount of deductible adjusted lease
18 expenditures under AS 43.55.165 and 43.55.170 to a fraction that is equal to the
19 fraction of the municipal entity's production that it sells to another party. For purposes
20 of this subsection, a municipal entity's production does not include oil or gas the
21 ownership or right to which constitutes the federal or state government's or
22 landowner's royalty interest.

23 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 **APPLICABILITY.** AS 43.55.025(f), as amended by sec. 7 of this Act, applies to tax
26 credit certificates issued on or after the effective date of sec. 7 of this Act for which the
27 producer or explorer is required to agree to the provisions of AS 43.55.025 and submit
28 information to the Department of Natural Resources under AS 43.55.025(f).

29 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 **APPLICABILITY.** (a) Only for the purposes of the time calculation in

1 AS 43.05.225(1), as amended by sec. 1 of this Act, a tax delinquent before the effective date
 2 of sec. 1 of this Act that remains delinquent on the effective date of sec 1 of this Act is
 3 considered to be first delinquent on the effective date of sec. 1 of this Act.

4 (b) AS 43.55.028(e), as amended by sec. 8 of this Act, applies to a purchase applied
 5 for on or after the effective date of sec. 8 of this Act.

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

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

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

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

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

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

30 * **Sec. 15.** Sections 7, 11, 13, and 14 of this Act take effect immediately under
 31 AS 01.10.070(c).

- 1 * **Sec. 16.** Section 1 of this Act takes effect on the effective date of sec. 8, ch. 4, 4SSLA
2 2016.
- 3 * **Sec. 17.** Section 3 of this Act takes effect on the effective date of sec. 16, ch. 4, 4SSLA
4 2016.
- 5 * **Sec. 18.** Section 5 of this Act takes effect on the effective date of sec. 18, ch. 4, 4SSLA
6 2016.
- 7 * **Sec. 19.** Section 6 of this Act takes effect on the effective date of sec. 21, ch. 4, 4SSLA
8 2016.
- 9 * **Sec. 20.** Section 8 of this Act takes effect on the effective date of sec. 23, ch. 4, 4SSLA
10 2016.
- 11 * **Sec. 21.** Section 10 of this Act takes effect on the effective date of sec. 30, ch. 4, 4SSLA
12 2016.
- 13 * **Sec. 22.** Except as provided in secs. 15 - 21 of this Act, this Act takes effect January 1,
14 2017.