

ACES Bill Version Comparisons

10/30/2007

| Subject | PPT | ACES | CSHB 2001 (O&G) | CSSB 2001 (RES) |
|-----------------------------------|---|---|-----------------------------|-----------------------------|
| Administration Intent | | Sec. 1. Confirmation of DOR's interpretation of statute of limitations for retroactive tax changes. | Deleted. | Deleted. |
| Information | | Sec. 2. Amends AS 38.05.035(a). Adds authority for DNR to share oil & gas info with DOR. | CS Sec. 1. ACES language | CS Sec. 1. ACES language |
| Technical Amendments | | Secs. 3-9. Conforming technical amendments. | CS Secs. 2-8. ACES language | CS Secs. 2-8. ACES language |
| Administration Auditors | | Sec. 10. Amends AS 39.25.110. Adds exempt service for auditors. | CS Sec. 9. ACES language | CS Sec. 9. ACES language |
| Technical Amendments | | Sec. 11. Amends AS 11.09.010(d). Conforming technical amendments. | CS Sec. 10. ACES language | CS Sec. 10. ACES language |
| Information | | Sec. 12. Amends AS 43.05.230(a). Adds AS 43.55.890 (disclosure of tax info) as possible exception under AS 43.05.230(a) (unlawful disclosure). | CS Sec. 11. ACES language | CS Sec. 11. ACES language |
| Information | | Sec. 13. Amends AS 43.05.230(h). Adds authority for DOR to share production tax info with DNR. | CS Sec. 12. ACES language | CS Sec. 12. ACES language |
| Administration Assessments | | Sec. 14. Amends AS 43.05.260(a). Creates an exemption to allow DOR six years to conduct production tax assessments rather than three years. | CS Sec. 13. ACES language | Deleted. |
| Production Tax | AS 43.55.011(e). Sets the production tax rate at 22.5% | Sec. 15. Repeals & reenacts AS 43.55.011(e). Sets the production tax rate generally at 25%. | PPT | PPT |
| Production Tax Floor | AS 43.55.011(f). Sets a tax floor of not less than 4% of gross value when the average West Coast price is \$25 per barrel with step down factors. | Sec. 16. Repeals & reenacts AS 43.55.011(f). Sets a tax floor on legacy fields of 10% of the total gross value at the point of production; tax credits cannot reduce liability below floor. | PPT | PPT |

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| Progressivity Slope | AS 43.55.011(g). Progressivity is triggered at \$40 net value with a .25% increase per dollar; 25% tax cap on progressivity rate. | Sec. 17. Repeals & reenacts AS 43.55.011(g). Progressivity is triggered at \$30 net value on an annual basis with 0.2% increase per dollar; 50% maximum tax rate (including progressivity). | Repeals AS 43.55.011(g) (PPT progressivity); adds new gross progressivity provision in sec. 17; AS 43.55.011(o). | PPT |
| Progressivity Trigger | AS 43.55.011(h). Establishes the price index for calculating progressivity on a monthly basis. | Sec. 18. Amends AS 43.55.011(h). Establishes price index for calculating progressivity on an annual basis. | Repeals AS 43.55.011(h) (PPT progressivity calculation). | PPT |
| Progressivity Method | AS 43.55.011(h). Establishes the price index for calculating progressivity on a monthly basis. | Sec. 18. Amends AS 43.55.011(h). Establishes price index for calculating progressivity on an annual basis. | Repeals AS 43.55.011(h) (PPT progressivity calculation). | |
| Production Tax Cook Inlet | AS 43.55.011(j). Cook Inlet tax ceiling. | Sec. 19. Amends AS 43.55.011(j). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable. | CS Sec. 14. ACES language Amends 43.55.011(j). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity). | PPT |
| Production Tax Cook Inlet | AS 43.55.011(k). Cook Inlet tax ceiling. | Sec. 20. Amends AS 43.55.011(k) (Cook Inlet tax ceiling). Conforming technical amendment; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable. | CS Sec. 15. ACES language Amends AS 43.55.011(k) (Cook Inlet tax ceiling). Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity). | PPT |
| Production Tax Cook Inlet | AS 43.55.011(l). Cook Inlet tax ceiling. | Repeals AS 43.55.011(l); conforming technical amendment. | CS Sec. 16. ACES language Amends AS 43.55.011(l). Conforming technical amendments; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity). | ACES |

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| Production Tax Cook Inlet | AS 43.55.011(m). Cook Inlet tax administration. | Sec. 21. Amends AS 43.44.011(m). Adds language to be consistent with sec. 55 (lease expenditures); deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable. | CS Sec. 17. ACES language Amends AS 43.55.011(m). Deletes language added in ACES; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity). | PPT |
| Production Tax Progressivity | | | Sec. 18. Adds AS 43.55.011(o). Replaces ACES and PPT progressivity provisions with a new a new progressivity provision. | |
| Production Tax Mid-Alaska Tax Ceiling | | | Sec. 18. Adds AS 43.55.011(p). Extends Cook Inlet tax ceilings in .011(j) to gas outside Cook Inlet and outside the North Slope. | |
| Tax Payment | AS 43.55.020(a). Installment payments. | Sec. 22. Repeals & reenacts AS 43.55.020(a). Makes installment payment calculations consistent with changes to the production tax. | CS Sec. 19. ACES language with conforming ammendments. | PPT |
| Tax Payment | AS 43.55.020(d). Royalty owner settlement deductions and installment payments. | Sec. 23. Amends AS 43.55.020(d). Conforming technical amendments; deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable. | CS Sec. 20. ACES language Conforming technical amendment; deletes reference to AS 43.55.011(g) (PPT progressivity), inserts reference to 43.55.011(o) (O&G progressivity). | PPT |
| Tax Payment | AS 43.55.020(g). Interest on unpaid installment payments. | Sec. 24. Amends AS 43.55.020(g). Conforming technical amendment. | CS Sec. 21. ACES language Amends AS 43.55.020(g). Conforming technical amendment. | PPT |
| Tax Payment | AS 43.55.020(h). Interest on overpayment of installment payments. | Sec. 25. Amends AS 43.55.020(h). Conforming technical amendment. | CS Sec. 22. ACES language Amends AS 43.55.020(h). Conforming technical amendment. | PPT |
| Tax Credits Capital Expenditures | AS 43.55.023(a). 20% tax credit for qualified capital expenditures and information requirements. | Sec. 26. Amends AS 43.55.023(a). Spreads use of tax credits over two years; moves and adds to info requirements; adds that legacy field tax credits may be applied only against legacy field taxes. | PPT | PPT |

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| Tax Credits Capital Expenditures | AS 43.55.023(b). 20% of carried-forward annual loss credit allowed against deductible lease expenditures when use of the deduction would cause the production tax in a month to be less than zero. | Sec. 27. Amends AS 43.55.023(b). Matches carried-forward annual loss to production tax rate of 25%; adds that carried-forward annual losses may not be based on lease expenditures accrued in legacy fields. | PPT | PPT |
| Tax Credits Capital Expenditures | AS 43.55.023(d). Transferable tax credit certificates. | Sec. 28. Amends AS 43.55.023(d). Adds no transfer of tax credits earned on legacy fields, option to obtain cash payment, and more time for agency approval; requires annual reporting requirements; spreads use of tax credits over two years. | CS Sec. 23. ACES language Amends AS 43.55.023(d). Technical amendment to PPT provision. | PPT |
| Tax Credits Capital Expenditures | AS 43.55.023(e). Transfer of tax credits. | Sec. 29. Amends AS 43.55.023(e). Conforming technical amendment. | PPT | PPT |
| Tax Credits Capital Expenditures | AS 43.55.023(f). Cash refund of up to \$25,000,000 for small producer tax credits. | Repeals AS 43.55.023(f) (replaced with oil and gas tax credit fund). | PPT | PPT |
| Tax Credits Capital Expenditures | AS 43.55.023(g). Tax credit audits. | Sec. 30. Amends AS 43.55.023(g). Adds language to reflect DOR authority to purchase tax credits granted in AS 45.55.028. | PPT | PPT |
| Tax Credits Capital Expenditures | AS 43.55.023(i). Transitional investment expenditure (TIE) tax credits for qualified capital expenditures incurred after March 31, 2001 and before April 1, 2006. | Repeals AS 43.55.023(i). | CS Sec. 24. ACES language Amends AS 43.55.023(i). Changes application of TIE credits to qualified capital expenditures incurred after March 31, 2003 and before April 1, 2006. | CS Sec. 13. ACES language Amends AS 43.55.023(i). Limits TIE credits to taxpayers that did not have commercial production before January 1, 2008, and to 1/10 of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008. |

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| Tax Credits Capital Expenditures | | Sec. 31. Amends AS 43.55.023. Adds subsection (l) to make clear a tax exempt entity may not obtain a transferable tax credit. | CS Sec. 25. ACES language | Deleted. |
| Tax Credits Mid-Alaska | AS 43.55.024. Additional tax credit of \$6,000,000 for production from leases outside Cook Inlet and the North Slope for small producers. | Secs. 32 - 35. Amends AS 43.55.024. Subsection(a): technical correction; (b), (c), (e), (g): conforming technical amendments | PPT | PPT |
| Tax Credits Exploration | AS. 43.55.025. Alternative tax credits for up to 40% for oil and gas exploration. | Secs. 36 - 44. Amends AS 43.55.025 to clarify credit eligibility; extends eligibility for deliniation wells from 150 days to 540 days; requires additional information to be submitted to DOR; allows additional 5% credit for seismic exploration conducted before July 1, 2003 in exchange for seismic data. | PPT | PPT |
| Tax Credits Oil & Gas Tax Credit Fund | | Sec. 45. Adds AS 43.55.028. Replaces PPT tax credit refund with an oil and tax credit fund funded by an appropriation of a percentage of production tax revenues. | PPT | PPT |
| Reporting Requirements | | Sec. 46. Amends AS 43.55.030(a). Makes clear every taxpayer must file an annual return; expands info requirements. | CS Sec. 26. ACES language | CS Sec. 14. ACES language |
| Reporting Requirements Penalties | | Sec. 47. Amends AS 43.55.030(d). Adds late filing penalty of \$1000/day for information required by the DOR. | Deleted. | CS Sec. 15. ACES language |

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| Reporting Requirements | | Sec. 48. Amends AS 43.55.030. Adds new subsections (e) - requires annual expenditure statement; and (f) - authorizes DOR to require monthly filing of info. | CS Sec. 27. ACES language | CS Sec. 16. ACES language |
| Reporting Requirements and Penalties | | Sec. 49. Amends AS 43.55.040. Clarifies DOR has authority to require filing of reports necessary to forecast state revenue; adds additional penalties. | CS Sec. 28. ACES language Amends AS 43.55.040. Retains ACES authority clarification; deletes additional penalty. | CS Sec. 17. ACES language |
| Administration Statute of Limitations | | Sec. 50. Amends AS 43.55. Adds a new section, AS 43.55.075, that expands statute of limitations for conducting tax assessments from three years to six years. | CS Sec. 29. ACES language | Deleted. |
| Administration Electronic Filing & Advisory Bulletins | | Sec. 51. Amends AS 43.55.110. Adds new subsections (e) & (f) that authorize DOR to require electronic filings and payments; and (g) that gives DOR authority to issue advisory bulletins. | CS Sec. 30. ACES language | CS Sec. 18. ACES language |
| Tax Determination | AS 43.55.160(a). Determination of production tax value of oil and gas. | Sec. 52. Repeals and reenacts AS 43.55.160(a). Retains PPT principle that the taxable value is the gross value at the point of production minus lease expenditures; the changes are necessary to implement different tax treatments. | CS Sec. 31. ACES language Amends AS 43.55.160(a). Retains PPT language with conforming amendments. | PPT |
| Tax Determination | AS 43.55.160(b). Production tax value may not be less than zero. | Sec. 53. Amends AS 43.55.160(b). Conforming technical amendment. | PPT | PPT |
| Tax Determination | AS 43.55.160(e). Carried forward annual losses established when production tax value is less than zero. | Sec. 54. Repeals & reenacts AS 43.55.160(e). Provides explicit rules for calculating production tax values for oil and gas subject to different statutory provisions. | PPT | PPT |

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| Tax Determination | | Sec. 55. Amends AS 43.55.160. Adds four new subsections related to allocations and calculations of adjusted lease expenditures. | Deleted. | Deleted. |
| Lease Expenditures | AS 43.55.165(a). Describes deductible lease expenditures for purposes of determining the net taxable amount; provides standards DOR shall consider for determining lease expenditures. | Sec. 56. Repeals & reenacts AS 43.55.165(a). Retains but rewords deductible lease expenditures description; adds requirement that deductible lease expenditures be affirmatively allowed through regulation; allows overhead expenses (moved from 165(b)); deletes standards (moved to 165(b)). | CS Sec. 32. ACES language PPT with conforming ammendments. | Sec. 19. ACES |
| Lease Expenditures | AS 43.55.165(b). Lists direct costs that may be considered deductible lease expenditures; allows overhead expenses; and specifies allowed costs need not be physically located on lease. | Sec. 57. Amends AS 43.55.165(b). Retains PPT language; adds the standards DOR shall consider for determining lease expenditures (moved from 165(a) and (c)); deletes overhead expenses (moved to 165(a)). | PPT | CS Sec. 20. ACES language |
| Lease Expenditures | AS 43.55.165(c) and (d). Allows DOR to substitute costs that are billable or actually billed through unit operating agreements in place of the general lease expenditures standards. | Repeals AS 43.55.165(c) and (d). | ACES | ACES |
| Lease Expenditures | | Sec. 58. Amends AS 43.55.165(e). Adds to the list of non-deductible lease expenditures, including costs incurred for violations of law and for repair, replacement or deferred maintenance in specified circumstances. | CS Sec. 33. ACES language | CS Sec. 21. ACES language |

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| Lease Expenditures | AS 43.55.165(h). Allocation of costs between oil and gas. | Sec. 59. Amends AS 43.55.165(h). Conforming amendment to be consistent with new AS 43.55.160 (production tax determination). | PPT | PPT |
| Lease Expenditure Adjustments | | Sec. 60. Amends AS 43.55.170(a). Conforming amendment necessitated by repeal of AS 43.55.165(c) and (d) (determination of lease expenditures). | CS Sec. 34. ACES language | CS Sec. 22. ACES language |
| Information | | Sec. 61. Amends AS 43.55. Adds new section AS 43.55.890; makes clear DOR may publish production tax info that is aggregated among at least three taxpayers. | CS Sec. 35. ACES language | CS Sec. 23. ACES language |
| Definitions | | Sec. 62. Amends AS 43.55.900. Adds new definitions for "nonunitized reservoir;" "pool;" "producer;" and "unit." | CS Sec. 36. ACES language Amends AS 43.55.900. Retains ACES definitions for "producer" and "unit;" deletes "nonunitized reservoir" and "pool." | CS Sec. 24. ACES language Amends AS 43.55.900. Retains ACES definitions for "producer" and "unit;" deletes "nonunitized reservoir" and "pool." |
| Repeals | AS 43.55.023(f) Provides cash refund for small producer credits. | Sec. 63. Repeals | PPT | PPT |
| Repeals | | Sec. 64. Repeals AS 43.55.165(c) and (d): determination of deductible lease expenditures using unit operating agreements. | CS Sec. 37. ACES language | CS Sec. 25. ACES language |
| Repeals | | Sec. 65. Repeals AS 43.55.011(I): (order for applying Cook Inlet tax ceiling); AS 43.55.023(i) (transitional investment expenditures); and AS 43.55.160(c) (determining tax value under AS 43.55.011(g) (progressivity)). | CS Sec. 38. ACES language Adds repeals of AS 43.55.011(g) and (h) (progressivity); retains ACES repeal of AS 43.55.160(c) (determining tax value); deletes repeal of AS 43.55.011(I) and AS 43.55.023(i). | CS Sec. 26. ACES language Retains ACES repeal of AS 43.55.011(I); deletes other repeals. |

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| Applicability | | Sec. 66. Applicability of specified sections. | CS Sec. 39. ACES language No change to applicability of retained ACES sections. | CS Sec. 27. ACES language No change to applicability of retained ACES sections. |
| Transition Auditors | | Sec. 67. Allows current oil and gas auditors to opt to remain in classified service. | CS Sec. 40. ACES language | CS Sec. 28. ACES language |
| Transition Regulations | | Sec. 68. Allows regulations adopted by DOR and DNR to be applied retroactively to the applicability date of the statutory provisions being implemented. | CS Sec. 41. ACES language (with changed section numbers) | CS Sec. 29. ACES language (with changed section numbers) |
| Transition Pending Applications | | Sec. 69. Provides for the treatment of pending applications for transferable credits and the refund of credits under AS 43.55.023. | Deleted. | Deleted. |
| Transition Regulations | | Sec. 70. Authorizes DNR and DOR to proceed with adopting regulations. | CS Sec. 42. ACES language | CS Sec. 30. ACES language |
| Retroactivity | | Sec. 71. Provides for the retroactivity of certain provisions. | CS Sec. 43. ACES language No change to retroactivity of retained ACES sections. | CS Sec. 31. ACES language No change to retroactivity of retained ACES sections. |
| Effective Dates | | Secs. 72 and 73. | CS Sec. 44 & 45. ACES language No change to effective dates of retained ACES sections. | CS Secs. 32 & 33. ACES language No change to effective dates of retained ACES sections. |