#### HOUSE BILL NO. 277

# IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

#### BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/24/14 Referred: Resources, Labor and Commerce, Finance

### A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to the purposes of the Alaska Gasline Development Corporation to 2 advance to develop a large-diameter natural gas pipeline project, including treatment 3 and liquefaction facilities; establishing the large-diameter natural gas pipeline project 4 fund; creating a subsidiary related to a large-diameter natural gas pipeline project, 5 including treatment and liquefaction facilities; relating to the authority of the 6 commissioner of natural resources to negotiate contracts related to North Slope natural 7 gas projects, to enter into confidentiality agreements in support of contract negotiations 8 and implementation, and to take custody of gas delivered to the state under an election 9 to pay the oil and gas production tax in kind; relating to the sale, exchange, or disposal 10 of gas delivered to the state under an election to pay the oil and gas production tax in 11 kind; relating to the duties of the commissioner of revenue to direct the disposition of 12 revenues received from gas delivered to the state in kind and to consult with the

1 commissioner of natural resources on the custody and disposition of gas delivered to the 2 state in kind; relating to the authority of the commissioner of natural resources to 3 propose modifications to existing state oil and gas leases; making certain information 4 provided to the Department of Natural Resources and the Department of Revenue 5 exempt from inspection as a public record; making certain tax information related to an 6 election to pay the oil and gas production tax in kind exempt from tax confidentiality 7 provisions: relating to establishing under the oil and gas production tax a gross tax rate 8 for gas after 2021; making the alternate minimum tax on oil and gas produced north of 9 68 degrees North latitude after 2021 apply only to oil; relating to apportionment factors 10 of the Alaska Net Income Tax Act; authorizing a producer's election to pay the oil and 11 gas production tax in kind for certain gas and relating to the authorization; relating to 12 monthly installment payments of the oil and gas production tax; relating to interest 13 payments on monthly installment payments of the oil and gas production tax: relating to 14 settlements between producers and royalty owners for oil and gas production tax; 15 relating to annual statements by producers and explorers; relating to annual production 16 tax values; relating to lease expenditures; amending the definition of gross value at the 17 'point of production' for gas for purposes of the oil and gas production tax; adding 18 definitions related to natural gas terms: clarifying that credit may not be taken against 19 the in-kind levy of the oil and gas production tax for gas for purposes of the exploration 20 incentive credit, the oil or gas producer education credit, and the film production tax 21 credit; making conforming amendments; and providing for an effective date."

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

23 \* Section 1. AS 31.25.005 is amended to read:

Sec. 31.25.005. Purpose. The corporation shall, for the benefit of the state, to

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the fullest extent possible,

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(1) advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under former AS 38.34.040 by the corporation while a subsidiary of the Alaska Housing Finance Corporation, with modifications determined by the corporation to be appropriate to develop, finance, construct, and operate an instate natural gas pipeline in a safe, prudent, economical, and efficient manner, for the purpose of making natural gas, including propane and other hydrocarbons associated with natural gas other than oil, available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest rates possible;

10 (2) endeavor to develop natural gas pipelines and other transportation 11 mechanisms to deliver natural gas, including propane and other hydrocarbons 12 associated with natural gas other than oil, to public utility and industrial customers in 13 areas of the state to which the natural gas, including propane and other hydrocarbons 14 associated with natural gas other than oil, may be delivered at commercially 15 reasonable rates; and

(3) endeavor to develop natural gas pipelines and other transportation
 mechanisms that offer commercially reasonable rates for shippers and access for
 shippers who produce natural gas, including propane and other hydrocarbons
 associated with natural gas other than oil, in the state;

20(4) advance to develop a large-diameter natural gas pipeline21project other than the in-state natural gas pipeline described in (1) of this section22by acquiring an equity interest in a large-diameter natural gas pipeline project23through the subsidiary under AS 31.25.122;

24 (5) advance to develop, finance, construct, and operate facilities
 25 for liquefaction and treatment in connection with a large-diameter natural gas
 26 pipeline project other than the in-state natural gas pipeline described in (1) of
 27 this section through the subsidiary under AS 31.25.122.

28 \* Sec. 2. AS 31.25.010 is amended to read:

Sec. 31.25.010. Structure. The Alaska Gasline Development Corporation is a
 public corporation and government instrumentality located for administrative purposes
 in the Department of Commerce, Community, and Economic Development, but

1 having a legal existence independent of and separate from the state. The corporation 2 may not be terminated as long as it has bonds, notes, or other obligations outstanding. 3 The corporation may dissolve when no bonds, notes, or other obligations of the 4 corporation or a subsidiary of the corporation are outstanding and the corporation or a 5 subsidiary of the corporation is no longer engaged in the development, financing, 6 construction, or operation of an in-state natural gas pipeline or a large-diameter 7 natural gas pipeline project. Upon termination of the corporation, its rights and 8 property pass to the state.

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\* Sec. 3. AS 31.25.080(f) is amended to read:

10 (f) The corporation shall, to the maximum extent practicable without delaying 11 the progress of developing the [AN] in-state natural gas pipeline project described in 12 AS 31.25.005(1) and without causing the in-state natural gas pipeline project 13 described in AS 31.25.005(1) to become a competing natural gas pipeline project for 14 purposes of AS 43.90.440, coordinate with and accommodate the developers of a 15 large-diameter [IN-STATE] natural gas pipeline **project** by planning for the 16 development and use of [COMMON] pipeline facilities from the North Slope to [THE 17 LIVENGOOD AREA OR TO ANOTHER POINT FROM WHICH A LARGE-18 DIAMETER IN-STATE NATURAL GAS PIPELINE MAY BE CONSTRUCTED 19 SOUTH TO] tidewater in either the Prince William Sound or Cook Inlet area. The 20 corporation may use money appropriated to the large-diameter natural gas 21 pipeline project fund created in AS 31.25.110 for the purposes described in this 22 subsection and may not use money appropriated to the in-state natural gas 23 pipeline fund created in AS 31.25.100 for the purposes described in this 24 subsection. [IN THIS SUBSECTION, "LARGE-DIAMETER IN-STATE NATURAL 25 GAS PIPELINE" MEANS A PIPELINE IN THE STATE WITH A DIAMETER OF 26 42 INCHES OR MORE.]

27 \* Sec. 4. AS 31.25.100 is amended to read:

28 Sec. 31.25.100. In-state natural gas pipeline fund. The in-state natural gas 29 pipeline fund is established in the corporation and consists of money appropriated to 30 it. The corporation shall determine fund management and may contract with the 31 Department of Revenue for fund management. Unless otherwise provided by law,

1 money appropriated to the fund lapses into the general fund on the day this section is 2 repealed. Interest and other income received on money in the fund shall be separately 3 accounted for and may be appropriated to the fund. The corporation may use money 4 appropriated to the fund without further appropriation **solely** for the cost of managing 5 the fund and for the planning, financing, development, acquisition, maintenance, 6 construction, and operation of the [AN] in-state natural gas pipeline described in 7 AS 31.25.005(1) and may not use money appropriated to the fund for any other 8 purpose, including the purposes described in AS 31.25.005(4) and (5) and 9 31.25.080(f).

10 \* Sec. 5. AS 31.25 is amended by adding a new section to read:

11 Sec. 31.25.110. Large-diameter natural gas pipeline project fund. The 12 large-diameter natural gas pipeline project fund is established in the subsidiary and 13 consists of money appropriated to it. The subsidiary shall determine fund management 14 and may contract with the Department of Revenue for fund management. Interest and 15 other income received on money in the fund shall be separately accounted for and may 16 be appropriated to the fund. The subsidiary may use money appropriated to the fund 17 without further appropriation for the purpose of managing the fund and for the 18 planning, financing, acquisition, maintenance, construction, and operation of a large-19 diameter natural gas pipeline project, including treatment and liquefaction facilities, 20 and may not use the money appropriated to the fund for the purpose described in 21 AS 31.25.005(1). If money is appropriated to the fund to finance the cost of a large-22 diameter natural gas pipeline project described in AS 31.25.005(4) and (5), the 23 subsidiary shall create an account in the fund for that purpose and shall hold the 24 money appropriated for that purpose in that account. In this section, "subsidiary" 25 means a subsidiary established under AS 31.25.122.

26 \* Sec. 6. AS 31.25.120 is amended to read:

27 Sec. 31.25.120. Creation of subsidiaries for an in-state natural gas pipeline 28 **project.** The corporation may create subsidiary corporations for the purpose of 29 developing, constructing, operating, and financing in-state natural gas pipeline 30 projects or other transportation mechanisms; for the purpose of aiding in the 31 development, construction, operation, and financing of in-state natural gas pipeline

1 projects; or for the purpose of acquiring the state's royalty share of natural gas, natural 2 gas from the North Slope, and natural gas from other regions of the state, including the 3 state's outer continental shelf, and making that natural gas available to markets in the 4 state, including the delivery of natural gas, including propane and other hydrocarbons 5 associated with natural gas other than oil, to coastal communities in the state, or for 6 export. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. Except as provided in AS 31.25.110, the [THE] 7 8 corporation may transfer assets of the corporation to a subsidiary created under this 9 section. A subsidiary created under this section may borrow money and issue bonds as 10 evidence of that borrowing and has all the powers of the corporation that the 11 corporation grants to it. Unless otherwise provided by the corporation, the debts, 12 liabilities, and obligations of a subsidiary corporation created under this section are not 13 the debts, liabilities, or obligations of the corporation. A subsidiary corporation 14 created under this section may use money appropriated under AS 31.25.100 and may not use money appropriated under AS 31.25.110.

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\* Sec. 7. AS 31.25 is amended by adding a new section to read:

17 Sec. 31.25.122. Creation of a subsidiary for a large-diameter natural gas 18 pipeline project. (a) To maximize the economic recovery and value of the state's 19 natural gas royalties and gas tax revenues for the benefit of the people of the state, a 20 subsidiary of the corporation is established as a public corporation and government 21 instrumentality for administrative purposes of the corporation, but having a legal 22 existence independent of and separate from the state and the corporation, for the 23 purposes of acquiring a state equity interest in a large-diameter natural gas pipeline 24 project, in natural gas treatment facilities, in liquefaction facilities, and in marine 25 terminal facilities related to a large-diameter natural gas project, and in entities that are 26 developing, constructing, and operating such facilities; for the purposes of financing 27 the acquisition, capital costs and operating costs related to the state equity interests; 28 for the purposes of supporting in the development, construction, operation, and 29 financing a large-diameter natural gas pipeline project in which the subsidiary has an 30 equity interest; and for the purposes of transferring net revenues received by the 31 subsidiary related to equity interests acquired to the permanent fund and the general

1	fund as determined by the commissioner of natural resources in consultation with the
2	commissioner of revenue. The subsidiary created under this section may use money
3	appropriated under AS 31.25.110 and may not use money appropriated under
4	AS 31.25.100.
5	(b) The subsidiary created under this section shall be governed by a board of
6	directors consisting of
7	(1) the chair of the corporation;
8	(2) the commissioner of natural resources;
9	(3) the commissioner of revenue; and
10	(4) four public members, one of whom is a public member of the board
11	of directors under AS 31.25.030(a)(1).
12	(c) Public members of the subsidiary board shall be appointed by the
13	governor. Subsidiary board members appointed under (b)(4) of this section shall be
14	compensated as provided in AS 31.25.020(d). Public members of the subsidiary
15	board serve five-year terms. A public member serves at the pleasure of the
16	governor. The provisions of AS 31.25.030, 31.25.035, and 31.25.040 apply to the
17	board of the subsidiary.
18	(d) In addition to other powers granted in this section, the subsidiary may
19	(1) determine the form of ownership and the operating structure of a
20	large-diameter natural gas pipeline project developed by the subsidiary and may enter
21	into agreements with other persons for joint ownership, joint operation, or both, of a
22	large-diameter natural gas pipeline project;
23	(2) plan, finance, construct, develop, acquire, maintain, and operate a
24	pipeline system and other transportation mechanism, including pipelines, treatment
25	and liquefaction facilities, marine terminals, compressors, storage facilities, and other
26	related facilities, equipment, and works of public improvement in the state to facilitate
27	production, transportation, and delivery of natural gas or other related natural
28	resources to the point of consumption or to the point of distribution for consumption;
29	(3) lease or rent facilities, structures, and properties;
30	(4) exercise the power of eminent domain and file a declaration of
31	taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is

necessary for a large-diameter natural gas pipeline project; the exercise of powers by
 the subsidiary under this paragraph may not exceed the permissible exercise of the
 powers by the state;

(5) acquire, by purchase, lease, or gift, land, structures, real or personal property, an interest in property, a right-of-way, a franchise, an easement, or other interest in land, or an interest in or right to capacity in a pipeline system determined to be necessary or convenient for the development, financing, construction, or operation of a large-diameter natural gas pipeline project;

9 (6) transfer or otherwise dispose of all or part of a large-diameter 10 natural gas pipeline project developed by the subsidiary or transfer or otherwise 11 dispose of an interest in an asset of the subsidiary;

12 (7) elect to provide transportation of natural gas as a contract carrier,
13 common carrier, or otherwise;

14 (8) provide light, water, security, and other services for property of the15 subsidiary;

16 (9) conduct hearings to gather and develop data consistent with the
17 purpose and powers of the subsidiary;

18 (10) advocate for new capacity in the project before regulatory19 agencies;

(11) make and execute agreements, contracts, and other instruments
 necessary or convenient in the exercise of the powers and functions of the subsidiary
 under this section, including a contract with a person, firm, corporation, governmental
 agency, or other entity;

(12) sue and be sued in its own name;

(13) adopt an official seal;

26 (14) adopt bylaws for the regulation of its affairs and the conduct of its
27 business and adopt regulations and policies in connection with the performance of its
28 functions and duties;

(15) employ fiscal consultants, engineers, attorneys, appraisers, and
other consultants and employees that may, in the judgment of the subsidiary, be
required and fix and pay their compensation from funds available to the subsidiary;

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(16) procure insurance against a loss in connection with its operation;

(17) borrow money as provided in this chapter to carry out its corporate purposes and issue its obligations as evidence of borrowing;

(18) include in a borrowing the amounts necessary to pay financing charges, to pay interest on the obligations, and to pay the interest, consultant, advisory, and legal fees, and other expenses that are necessary or incident to the borrowing;

(19) receive, administer, and comply with the conditions and requirements of an appropriation, gift, grant, or donation of property or money;

9 (20) do all acts and things necessary, convenient, or desirable to carry
10 out the powers expressly granted or necessarily implied in this section;

(21) invest or reinvest, subject to its contracts with noteholders and bondholders, money or funds held by the subsidiary, including funds in the largediameter natural gas project pipeline fund (AS 31.25.110), in obligations or other securities or investments in which banks or trust companies in the state may legally invest funds held in reserves or sinking funds or funds not required for immediate disbursement, and in certificates of deposit or time deposits secured by obligations of, or guaranteed by, the state or the United States;

(22) enter into, as it determines to be necessary or appropriate, any
swap or hedge, cap, or other contract providing for payments based on levels of or
changes in interest rates or indices or in the cost or price of any commodity, supply, or
expense expected to be used or incurred in connection with the acquisition,
construction, or operation of any facility or property owned, leased, or operated by the
subsidiary, or an option with respect to any of the foregoing.

(e) Except as provided in AS 31.25.100, the corporation may transfer assets to
the subsidiary. The provisions of AS 31.25.090, 31.25.130, 31.25.140, 31.25.160,
31.25.170, 31.25.180, 31.25.190, 31.25.200, 31.25.210, 31.25.220, 31.25.230,
31.25.240, 31.25.250, 31.25.260, 31.25.270, and 31.25.390 apply to the subsidiary
created under this section for a large-diameter natural gas pipeline project, and
references in those sections to

30 (1) "the corporation" shall refer to the subsidiary created under this
31 section; and

1	(2) "in-state natural gas pipeline" shall refer to a large-diameter natural
2	gas pipeline project as described in AS 31.25.005(4) and (5).
3	(f) The subsidiary under this section shall employ a project coordinator, who
4	may not be a member of the board. The project coordinator shall be appointed by the
5	subsidiary board and serves at the pleasure of the subsidiary board. The subsidiary
6	board may engage professional and technical advisers as independent contractors. The
7	project coordinator may hire employees for the subsidiary and engage professional and
8	technical advisers as independent contractors upon approval of the subsidiary board.
9	Employees of the subsidiary created under this section are state employees in the
10	exempt service under AS 39.25.110. The subsidiary board shall prescribe the duties
11	and compensation of subsidiary personnel, including the project coordinator.
12	(g) The subsidiary may not be terminated as long as it has bonds, notes, or
13	other obligations outstanding. Upon termination of the subsidiary, its rights and
14	property pass to the state.
15	* Sec. 8. AS 31.25.390(5) is amended to read:
16	(5) "in-state natural gas pipeline" means a natural gas pipeline for
17	transporting natural gas in the state as described in AS 31.25.005(1);
18	* Sec. 9. AS 31.25.390 is amended by adding new paragraphs to read:
19	(7) "large-diameter natural gas pipeline project" means a natural gas
20	pipeline project as described in AS 31.25.005(4) and (5) that includes facilities for
21	treatment and liquefaction of natural gas, including any marine terminal facilities;
22	(8) "subsidiary board" means the governing board of a subsidiary
23	created under AS 31.25.122.
24	* Sec. 10. AS 38.05.020(b) is amended to read:
25	(b) The commissioner may
26	(1) establish reasonable procedures and adopt reasonable regulations
27	necessary to carry out this chapter and, whenever necessary, issue directives or orders
28	to the director to carry out specific functions and duties; regulations adopted by the
29	commissioner shall be adopted under AS 44.62 (Administrative Procedure Act);
30	orders by the commissioner classifying land, issued after January 3, 1959, are not
31	required to be adopted under AS 44.62 (Administrative Procedure Act);

1	(2) enter into agreements considered necessary to carry out the
2	purposes of this chapter, including agreements with federal and state agencies;
3	(3) review any order or action of the director;
4	(4) exercise the powers and do the acts necessary to carry out the
5	provisions and objectives of this chapter;
6	(5) notwithstanding the provisions of any other section of this chapter,
7	grant an extension of the time within which payments due on any exploration license,
8	lease, or sale of state land, minerals, or materials may be made, including payment of
9	rental and royalties, on a finding that compliance with the requirements is or was
10	prevented by reason of war, riots, or acts of God;
11	(6) classify tracts for agricultural uses;
12	(7) after consulting with the Board of Agriculture and Conservation
13	(AS 03.09.010), waive, postpone, or otherwise modify the development requirements
14	of a contract for the sale of agricultural land if
15	(A) the land is inaccessible by road; or
16	(B) transportation, marketing, and development costs render
17	the required development uneconomic;
18	(8) reconvey or relinquish land or an interest in land to the federal
19	government if
20	(A) the land is described in an amended application for an
21	allotment under 43 U.S.C. 1617; and
22	(B) the reconveyance or relinquishment is
23	(i) for the purposes provided in 43 U.S.C. 1617; and
24	(ii) in the best interests of the state;
25	(9) lead and coordinate all matters relating to the state's review and
26	authorization of resource development projects;
27	(10) enter into commercial agreements with a duration of not more
28	than two years for project services related to a North Slope natural gas project;
29	(11) in consultation with the commissioner of revenue, participate
30	in the negotiation of contracts and development of terms for inclusion in
31	proposed contracts associated with a North Slope natural gas project; a contract

1	negotiated under this paragraph to which the state is a party is not effective
2	unless the legislature authorizes the governor to execute the contract;
3	(12) enter into confidentiality agreements to maintain the
4	confidentiality of information related to contract negotiations and contract
5	implementation associated with a North Slope natural gas project; information
6	under those confidentiality agreements is not subject to AS 40.25 (Alaska Public
7	<b>Records Act), except that</b>
8	(A) the terms of a proposed contract that the commissioner
9	presents to the legislature for the purpose of obtaining authorization for
10	the governor to execute is not confidential; and
11	(B) confidential information obtained under this paragraph
12	may be shared with the legislature only in committees held in executive
13	session or under confidentiality agreements;
14	(13) exercise the powers and do the acts necessary to carry out the
15	provisions and objectives of AS 43.90 that relate to this chapter.
16	* Sec. 11. AS 38.05.020(b), as amended by sec. 10 of this Act, is amended to read:
17	(b) The commissioner may
18	(1) establish reasonable procedures and adopt reasonable regulations
19	necessary to carry out this chapter and, whenever necessary, issue directives or orders
20	to the director to carry out specific functions and duties; regulations adopted by the
21	commissioner shall be adopted under AS 44.62 (Administrative Procedure Act);
22	orders by the commissioner classifying land, issued after January 3, 1959, are not
23	required to be adopted under AS 44.62 (Administrative Procedure Act);
24	(2) enter into agreements considered necessary to carry out the
25	purposes of this chapter, including agreements with federal and state agencies;
26	(3) review any order or action of the director;
27	(4) exercise the powers and do the acts necessary to carry out the
28	provisions and objectives of this chapter;
29	(5) notwithstanding the provisions of any other section of this chapter,
30	grant an extension of the time within which payments due on any exploration license,
31	lease, or sale of state land, minerals, or materials may be made, including payment of

1	rental and royalties, on a finding that compliance with the requirements is or was
2	prevented by reason of war, riots, or acts of God;
3	(6) classify tracts for agricultural uses;
4	(7) after consulting with the Board of Agriculture and Conservation
5	(AS 03.09.010), waive, postpone, or otherwise modify the development requirements
6	of a contract for the sale of agricultural land if
7	(A) the land is inaccessible by road; or
8	(B) transportation, marketing, and development costs render
9	the required development uneconomic;
10	(8) reconvey or relinquish land or an interest in land to the federal
11	government if
12	(A) the land is described in an amended application for an
13	allotment under 43 U.S.C. 1617; and
14	(B) the reconveyance or relinquishment is
15	(i) for the purposes provided in 43 U.S.C. 1617; and
16	(ii) in the best interests of the state;
17	(9) lead and coordinate all matters relating to the state's review and
18	authorization of resource development projects;
19	(10) enter into commercial agreements with a duration of not more
20	than two years for project services related to a North Slope natural gas project;
21	(11) in consultation with the commissioner of revenue, participate in
22	the negotiation of contracts and development of terms for inclusion in proposed
23	contracts associated with a North Slope natural gas project; a contract negotiated
24	under this paragraph to which the state is a party is not effective unless the legislature
25	authorizes the governor to execute the contract;
26	(12) enter into confidentiality agreements to maintain the
27	confidentiality of information related to contract negotiations and contract
28	implementation associated with a North Slope natural gas project; information under
29	those confidentiality agreements is not subject to AS 40.25 (Alaska Public Records
30	Act), except that
31	(A) the terms of a proposed contract that the commissioner

1	presents to the legislature for the purpose of obtaining authorization for the
2	governor to execute is not confidential; and
3	(B) confidential information obtained under this paragraph may
4	be shared with the legislature only in committees held in executive session or
5	under confidentiality agreements;
6	(13) <u>in consultation with the commissioner of revenue, take</u>
7	custody of gas delivered to the state under AS 43.55.014(b) and manage the
8	project services and disposition and sale of that gas;
9	(14) exercise the powers and do the acts necessary to carry out the
10	provisions and objectives of AS 43.90 that relate to this chapter.
11	* Sec. 12. AS 38.05.180(i) is amended to read:
12	(i) The commissioner may provide for the establishment of an exploration
13	incentive credit system under which a lessee of state land drilling an exploratory well
14	on that land may earn credits based upon the footage drilled and the region in which
15	the well is situated. The commissioner may also provide for credits to be earned by
16	persons performing geophysical work on state land, if that work is performed during
17	the two seasons immediately preceding an announced lease sale and on land included
18	within the sale area and the geophysical information is made public following the sale.
19	Credits may not exceed 50 percent of the cost of the drilling or geophysical work.
20	Credits may be used during a limited period established by the commissioner and may
21	be assigned during that period. Credits may be applied against (1) royalty and rental
22	payments for oil and gas or for gas only payable to the state or (2) taxes payable under
23	AS 43.55.011 [AS 43.55]. A credit may not exceed 50 percent of the payment toward
24	which it is being applied. Amounts due the Alaska permanent fund (AS 37.13.010)
25	shall be calculated before the application of credits under this subsection.
26	* Sec. 13. AS 38.05.180 is amended by adding a new subsection to read:
27	(hh) Notwithstanding any other provisions of this chapter, if the commissioner
28	makes a written determination that a North Slope natural gas project has sufficient

makes a written determination that a North Slope natural gas project has sufficient financial commitment for a work plan and budget necessary to support major permits and regulatory filings required by state and federal agencies, and sufficient commitment of gas by lessees, the commissioner may propose modifications to

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2(1) switching between taking the state's royalty gas in value and in3kind to ensure that the state's actions do not unreasonably4(A) cause the lessee or other person to bear disproportionate5transportation costs with respect to the state's royalty gas; or6(B) interfere with long-term marketing of natural gas by the7lessee or other person;8(2) providing a method for establishing a fair market value for each9component of the state's royalty gas and using appropriate adjustments to reflect fair10market value deductions for actual and reasonable transportation and processing costs11for the state's royalty gas from the North Slope to the first destination market; and12(3) establishing fixed royalty rates and modifying net profit shares13under leases subject to this subsection.14* Sec. 14. AS 38.05.180(hh), as enacted in sec. 13 of this Act, is amended to read:15(hh) Notwithstanding any other provisions of this chapter, if the commissioner16makes a written determination that a North Slope natural gas project has sufficient17financial commitment for a work plan and budget necessary to support major permits18and regulatory filings required by state and federal agencies, and sufficient19commitment of gas by lessees, the commissioner may propose modifications to20existing leases that relate to21(1) switching between taking the state's royalty gas <u>or gas delivered to</u> 23(A) cause the lessee or other person to bear disproportionate24transpor	1	existing leases that relate to
4(A) cause the lessee or other person to bear disproportionate5transportation costs with respect to the state's royalty gas; or6(B) interfere with long-term marketing of natural gas by the7lessee or other person;8(2) providing a method for establishing a fair market value for each9component of the state's royalty gas and using appropriate adjustments to reflect fair10market value deductions for actual and reasonable transportation and processing costs11for the state's royalty gas from the North Slope to the first destination market; and12(3) establishing fixed royalty rates and modifying net profit shares13under leases subject to this subsection.14* Sec. 14. AS 38.05.180(hh), as enacted in sec. 13 of this Act, is amended to read:15(hh) Notwithstanding any other provisions of this chapter, if the commissioner16makes a written determination that a North Slope natural gas project has sufficient17financial commitment for a work plan and budget necessary to support major permits18and regulatory filings required by state and federal agencies, and sufficient19commitment of gas by lessees, the commissioner may propose modifications to20(A) cause the lessee or other person to bear disproportionate21(A) cause the lessee or other person to bear disproportionate22transportation costs with respect to the state's royalty gas or gas delivered to23(A) cause the lessee or other person to bear disproportionate24transportation costs with respect to the state's royalty gas or	2	(1) switching between taking the state's royalty gas in value and in
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<ul> <li>kind to ensure that the state's actions do not unreasonably</li> <li>(A) cause the lessee or other person to bear disproportionate</li> <li>transportation costs with respect to the state's royalty gas or gas delivered to</li> <li>the state under AS 43.55.014(b); or</li> <li>(B) interfere with long-term marketing of natural gas by the</li> <li>lessee or other person;</li> </ul>	20	existing leases that relate to
<ul> <li>(A) cause the lessee or other person to bear disproportionate</li> <li>transportation costs with respect to the state's royalty gas or gas delivered to</li> <li>the state under AS 43.55.014(b); or</li> <li>(B) interfere with long-term marketing of natural gas by the</li> <li>lessee or other person;</li> </ul>	21	(1) switching between taking the state's royalty gas in value and in
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<ul> <li>25 <u>the state under AS 43.55.014(b);</u> or</li> <li>26 (B) interfere with long-term marketing of natural gas by the</li> <li>27 lessee or other person;</li> </ul>	23	(A) cause the lessee or other person to bear disproportionate
<ul> <li>26 (B) interfere with long-term marketing of natural gas by the</li> <li>27 lessee or other person;</li> </ul>	24	transportation costs with respect to the state's royalty gas or gas delivered to
27 lessee or other person;	25	the state under AS 43.55.014(b); or
	26	(B) interfere with long-term marketing of natural gas by the
28 (2) providing a method for establishing a fair market value for each	27	lessee or other person;
	28	(2) providing a method for establishing a fair market value for each
component of the state's royalty gas and using appropriate adjustments to reflect fair	29	component of the state's royalty gas and using appropriate adjustments to reflect fair
30 market value deductions for actual and reasonable transportation and processing costs	30	market value deductions for actual and reasonable transportation and processing costs
31 for the state's royalty gas from the North Slope to the first destination market; and	31	for the state's royalty gas from the North Slope to the first destination market; and

1 2 (3) establishing fixed royalty rates and modifying net profit shares under leases subject to this subsection.

3 \* Sec. 15. AS 38.05.183(a) is amended to read:

4 (a) The sale, exchange, or other disposal of a mineral obtained by the state as a 5 royalty under AS 38.05.182, [OR] the sale, exchange, or other disposal in whole or in 6 part of a right to receive future mineral production under a state lease under this 7 chapter, or the sale, exchange, or other disposal of gas delivered to the state under 8 AS 43.55.014(b) shall be by competitive bid and the sale, exchange, or other disposal 9 made to the highest responsible bidder, except that competitive bidding is not required 10 when the commissioner, after prior written notice to the Alaska Royalty Oil and Gas 11 Development Advisory Board under AS 38.06.050, determines that the best interest of 12 the state does not require it or that no competition exists.

13 **\* Sec. 16.** AS 38.05.183(c) is amended to read:

14 (c) If the commissioner determines that a sale, exchange, or other disposal of a mineral obtained by the state as a royalty under AS 38.05.182, [OR] of a right to 15 16 receive future mineral production under a state lease under this chapter, or of gas 17 delivered to the state under AS 43.55.014(b) shall be made otherwise than by 18 competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board 19 has been notified in writing of that determination, the commissioner shall make public 20 in writing the specific findings and conclusions upon which that determination is 21 based.

22 \* Sec. 17. AS 38.05.183(d) is amended to read:

(d) Oil or gas taken in kind by the state as its royalty share or gas delivered to
the state under AS 43.55.014(b) may not be sold or otherwise disposed of for export
from the state until the commissioner determines that the [ROYALTY-IN-KIND] oil
or gas is surplus to the present and projected intrastate domestic and industrial needs.
The commissioner shall make public, in writing, the specific findings and reasons on
which the determination is based.

29 **\* Sec. 18.** AS 38.05.183(e) is amended to read:

30 (e) When a sale, exchange, or other disposal of oil or gas taken in kind by the
31 state as its royalty share, or a sale, exchange, or other disposal in whole or in part of a

1	right to receive future royalty oil or gas, under a state lease under this chapter is made
2	other than by competitive bid, or when a sale, exchange, or other disposal of gas
3	delivered to the state under AS 43.55.014(b) is made other than by competitive
4	bid, the sale, exchange, or other disposal shall be awarded by the commissioner to the
5	prospective buyer whose proposal offers the maximum benefits to citizens of the state.
6	The commissioner shall consider
7	(1) the cash value offered;
8	(2) the projected effects of the sale, exchange, or other disposal on the
9	economy of the state;
10	(3) the projected benefits of refining or processing the oil or gas in the
11	state;
12	(4) the ability of the prospective buyer to provide refined products or
13	by-products for distribution and sale in the state with price or supply benefits to the
14	citizens of the state; and
15	(5) the criteria listed in AS 38.06.070(a).
16	* Sec. 19. AS 38.05.965 is amended by adding new paragraphs to read:
17	(26) "North Slope natural gas project" means a project to produce
18	natural gas from state oil and gas leases that include land north of 68 degrees North
19	latitude for transport in a gaseous state from the North Slope;
20	(27) "project services" means services provided by a gas treatment
21	plant, pipeline, liquefaction facility, or marine terminal, marine transportation
22	services, or other services necessary to take natural gas to market.
23	* Sec. 20. AS 40.25.100(a) is amended to read:
24	(a) Information in the possession of the Department of Revenue that discloses
25	the particulars of the business or affairs of a taxpayer or other person, including
26	information under AS 38.05.020(b)(11) that is subject to a confidentiality
27	agreement under AS 38.05.020(b)(12), is not a matter of public record, except as
28	provided in AS 43.05.230(i) or for purposes of investigation and law enforcement. The
29	information shall be kept confidential except when its production is required in an
30	official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or
31	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.

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\* Sec. 21. AS 40.25.100, as amended by sec. 20 of this Act, is amended to read:

- 7 (a) Information in the possession of the Department of Revenue that discloses 8 the particulars of the business or affairs of a taxpayer or other person, including 9 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement 10 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in 11 AS 43.05.230(i) or (k) or for purposes of investigation and law enforcement. The 12 information shall be kept confidential except when its production is required in an 13 official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or 14 court proceeding. These restrictions do not prohibit the publication of statistics 15 presented in a manner that prevents the identification of particular reports and items, 16 prohibit the publication of tax lists showing the names of taxpayers who are delinquent 17 and relevant information that may assist in the collection of delinquent taxes, or 18 prohibit the publication of records, proceedings, and decisions under AS 43.05.405 -19 43.05.499.
- 20 \* Sec. 22. AS 40.25.120(a) is amended to read:
- (a) Every person has a right to inspect a public record in the state, including
   public records in recorders' offices, except
- (1) records of vital statistics and adoption proceedings, which shall be
  treated in the manner required by AS 18.50;
- 25 (2) records pertaining to juveniles unless disclosure is authorized by
  26 law;

(3) medical and related public health records;

- (4) records required to be kept confidential by a federal law or
  regulation or by state law;
- 30 (5) to the extent the records are required to be kept confidential under
  31 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure

1	or retain federal assistance;
2	(6) records or information compiled for law enforcement purposes, but
3	only to the extent that the production of the law enforcement records or information
4	(A) could reasonably be expected to interfere with enforcement
5	proceedings;
6	(B) would deprive a person of a right to a fair trial or an
7	impartial adjudication;
8	(C) could reasonably be expected to constitute an unwarranted
9	invasion of the personal privacy of a suspect, defendant, victim, or witness;
10	(D) could reasonably be expected to disclose the identity of a
11	confidential source;
12	(E) would disclose confidential techniques and procedures for
13	law enforcement investigations or prosecutions;
14	(F) would disclose guidelines for law enforcement
15	investigations or prosecutions if the disclosure could reasonably be expected to
16	risk circumvention of the law; or
17	(G) could reasonably be expected to endanger the life or
18	physical safety of an individual;
19	(7) names, addresses, and other information identifying a person as a
20	participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
21	advance college tuition savings program under AS 14.40.803 - 14.40.817;
22	(8) public records containing information that would disclose or might
23	lead to the disclosure of a component in the process used to execute or adopt an
24	electronic signature if the disclosure would or might cause the electronic signature to
25	cease being under the sole control of the person using it;
26	(9) reports submitted under AS 05.25.030 concerning certain
27	collisions, accidents, or other casualties involving boats;
28	(10) records or information pertaining to a plan, program, or
29	procedures for establishing, maintaining, or restoring security in the state, or to a
30	detailed description or evaluation of systems, facilities, or infrastructure in the state,
31	but only to the extent that the production of the records or information

2       implementation or enforcement of the security plan, program, or procedures;         3       (B) would disclose confidential guidelines for investigations or         4       enforcement and the disclosure could reasonably be expected to risk         5       circumvention of the law; or         6       (C) could reasonably be expected to endanger the life or         7       physical safety of an individual or to present a real and substantial risk to the         8       public health and welfare;         9       (11) the written notification regarding a proposed regulation provided         10       under AS 24.20.105 to the Department of Law and the affected state agency and         11       communications between the Legislative Affairs Agency, the Department of Law, and         12       the affected state agency under AS 24.20.105;         13       (12) records that are         14       (A) proprietary, privileged, or a trade secret in accordance with         15       AS 43.90.150 or 43.90.220(e);         16       (B) applications that are received under AS 43.90 until notice is         17       published under AS 31.25.010 or a subsidiary of the Alaska Gasline Development         10       corfidentiality agreement;         11       ifformation under AS 33.05.020(b)(11) that is subject to a         12       confidentiality agreement under AS 33.0	1	(A) could reasonably be expected to interfere with the
4       enforcement and the disclosure could reasonably be expected to risk         5       circumvention of the law; or         6       (C) could reasonably be expected to endanger the life or         7       physical safety of an individual or to present a real and substantial risk to the         8       public health and welfare;         9       (11) the written notification regarding a proposed regulation provided         10       under AS 24.20.105 to the Department of Law and the affected state agency and         12       communications between the Legislative Affairs Agency, the Department of Law, and         12       the affected state agency under AS 24.20.105;         13       (12) records that are         14       (A) proprietary, privileged, or a trade secret in accordance with         15       AS 43.90.150 or 43.90.220(e);         16       (B) applications that are received under AS 43.90 until notice is         17       published under AS 43.90.160;         18       (13) information of the Alaska Gasline Development Corporation         19       created under AS 31.25.010 or a subsidiary of the Alaska Gasline Development         20       Corporation that is confidential by law or under AS 38.05.020(b)(11) that is subject to a         21       (14) information under AS 38.05.020(b)(12).         23       * Sec. 23. AS 43.05.010. Duties of the	2	implementation or enforcement of the security plan, program, or procedures;
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<ul> <li>25 shall</li> <li>26 (1) exercise general supervision and direct the activities of the</li> <li>27 Department of Revenue;</li> <li>28 (2) supervise the fiscal affairs and responsibilities of the department;</li> <li>29 (3) prescribe uniform rules for investigations and hearings;</li> </ul>	23	* Sec. 23. AS 43.05.010 is amended to read:
<ul> <li>26 (1) exercise general supervision and direct the activities of the</li> <li>27 Department of Revenue;</li> <li>28 (2) supervise the fiscal affairs and responsibilities of the department;</li> <li>29 (3) prescribe uniform rules for investigations and hearings;</li> </ul>	24	Sec. 43.05.010. Duties of the commissioner. The commissioner of revenue
<ul> <li>27 Department of Revenue;</li> <li>28 (2) supervise the fiscal affairs and responsibilities of the department;</li> <li>29 (3) prescribe uniform rules for investigations and hearings;</li> </ul>	25	shall
<ul> <li>(2) supervise the fiscal affairs and responsibilities of the department;</li> <li>(3) prescribe uniform rules for investigations and hearings;</li> </ul>	26	(1) exercise general supervision and direct the activities of the
29 (3) prescribe uniform rules for investigations and hearings;	27	Department of Revenue;
	28	(2) supervise the fiscal affairs and responsibilities of the department;
20 (4) because $-1$ of $-11$ denominant $-1$ 1' 1 $-1$ $-1$	29	(3) prescribe uniform rules for investigations and hearings;
50 (4) keep a record of all departmental proceedings, record and file all	30	(4) keep a record of all departmental proceedings, record and file all
31 bonds, and assume custody of returns, reports, papers, and documents of the	31	bonds, and assume custody of returns, reports, papers, and documents of the

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1	department;
2	(5) adopt a seal and affix it to each order, process, or certificate issued
3	by the commissioner;
4	(6) keep a record of each order, process, and certificate issued by the
5	commissioner, and keep the record open to public inspection at all reasonable times;
6	(7) hold hearings and investigations necessary for the administration of
7	state tax and revenue laws;
8	(8) except as provided in AS 43.05.405 - 43.05.499 and in
9	AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the
10	Department of Revenue and enter orders on the appeals that are final unless reversed
11	or modified by the courts;
12	(9) issue subpoenas to require the attendance of witnesses and the
13	production of necessary books, papers, documents, correspondence, and other things;
14	(10) order the taking of depositions before a person competent to
15	administer oaths;
16	(11) administer oaths and take acknowledgments;
17	(12) request the attorney general for rulings on the interpretation of the
18	tax and revenue laws administered by the department;
19	(13) call upon the attorney general to institute actions for recovery of
20	unpaid taxes, fees, excises, additions to tax, penalties, and interest;
21	(14) issue warrants for the collection of unpaid tax penalties and
22	interest and take all steps necessary and proper to enforce full and complete
23	compliance with the tax, license, excise, and other revenue laws of the state;
24	(15) report to the legislature before February 15 of each year the total
25	amount of contributions reported and the total amount of credit claimed during the
26	previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018,
27	AS 43.65.018, AS 43.75.018, and AS 43.77.045 <u>;</u>
28	(16) consult with the commissioner of natural resources on
29	negotiation of contracts and development of terms for inclusion in proposed
30	contracts associated with a North Slope natural gas project.
31	* Sec. 24. AS 43.05.010, as amended by sec. 23 of this Act, is amended to read:

1	Sec. 43.05.010. Duties of the commissioner. The commissioner of revenue
2	shall
3	(1) exercise general supervision and direct the activities of the
4	Department of Revenue;
5	(2) supervise the fiscal affairs and responsibilities of the department;
6	(3) prescribe uniform rules for investigations and hearings;
7	(4) keep a record of all departmental proceedings, record and file all
8	bonds, and assume custody of returns, reports, papers, and documents of the
9	department;
10	(5) adopt a seal and affix it to each order, process, or certificate issued
11	by the commissioner;
12	(6) keep a record of each order, process, and certificate issued by the
13	commissioner, and keep the record open to public inspection at all reasonable times;
14	(7) hold hearings and investigations necessary for the administration of
15	state tax and revenue laws;
16	(8) except as provided in AS 43.05.405 - 43.05.499 and in
17	AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the
18	Department of Revenue and enter orders on the appeals that are final unless reversed
19	or modified by the courts;
20	(9) issue subpoenas to require the attendance of witnesses and the
21	production of necessary books, papers, documents, correspondence, and other things;
22	(10) order the taking of depositions before a person competent to
23	administer oaths;
24	(11) administer oaths and take acknowledgments;
25	(12) request the attorney general for rulings on the interpretation of the
26	tax and revenue laws administered by the department;
27	(13) call upon the attorney general to institute actions for recovery of
28	unpaid taxes, fees, excises, additions to tax, penalties, and interest;
29	(14) issue warrants for the collection of unpaid tax penalties and
30	interest and take all steps necessary and proper to enforce full and complete
31	compliance with the tax, license, excise, and other revenue laws of the state;

1	(15) report to the legislature before February 15 of each year the total
2	amount of contributions reported and the total amount of credit claimed during the
3	previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018,
4	AS 43.65.018, AS 43.75.018, and AS 43.77.045;
5	(16) consult with the commissioner of natural resources on negotiation
6	of contracts and development of terms for inclusion in proposed contracts associated
7	with a North Slope natural gas project:
8	(17) direct the disposition of revenues received from gas delivered
9	to the state under AS 43.55.014(b) by entering into agreements with the
10	commissioner of natural resources related to the management of the custody and
11	disposition of gas delivered to the state under AS 43.55.014(b).
12	* Sec. 25. AS 43.05.230 is amended by adding a new subsection to read:
13	(k) The name of each person that the department has allowed to make an
14	election under AS 43.55.014(a) and the amount of gas produced from each lease or
15	property to which an effective election under AS 43.55.014 applies is public
16	information.
17	* Sec. 26. AS 43.20.144(f) is amended to read:
18	(f) The extraction factor of a taxpayer subject to this section is a fraction,
19	(1) the numerator of which is the sum of the following for the tax
20	period:
21	(A) the number of barrels of the taxpayer's oil (net of royalty to
22	an unrelated party) produced from or allocated to leases or properties of the
23	taxpayer in this state; and
24	(B) one-sixth of the number of Mcf of the taxpayer's gas <sub>a</sub>
25	including gas subject to an election under AS 43.55.014, (net of royalty to
26	an unrelated party) produced from or allocated to leases or properties of the
27	taxpayer in this state, excluding reinjected gas; and
28	(2) the denominator of which is the sum of the following for the tax
20	
29	period:
	period: (A) the number of barrels of oil of the taxpayer's consolidated

1	leases or properties of the taxpayer's consolidated business everywhere; and
2	(B) one-sixth of the number of Mcf of gas, including gas
3	subject to an election under AS 43.55.014, of the taxpayer's consolidated
4	business (net of royalty to an unrelated party) produced from or allocated to
5	leases or properties of the taxpayer's consolidated business everywhere,
6	excluding reinjected gas.
7	* Sec. 27. AS 43.55.011(e) is amended to read:
8	(e) There is levied on the producer of oil or gas a tax for all oil and gas
9	produced each calendar year from each lease or property in the state, less any oil and
10	gas the ownership or right to which is exempt from taxation or constitutes a
11	landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as
12	otherwise provided under (f), (j), (k), (o), and (p) of this section, for oil and gas
13	produced
14	(1) before January 1, 2014, the tax is equal to the sum of
15	(A) the annual production tax value of the taxable oil and gas
16	as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and
17	(B) the sum, over all months of the calendar year, of the tax
18	amounts determined under (g) of this section;
19	(2) on and after January 1, 2014, and before January 1, 2022, the tax
20	is equal to the annual production tax value of the taxable oil and gas as calculated
21	under AS 43.55.160(a)(1) multiplied by 35 percent:
22	(3) on and after January 1, 2022, the tax for
23	(A) oil is equal to the annual production tax value of the
24	taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;
25	(B) gas is equal to 10.5 percent of the gross value at the
26	point of production of the taxable gas; if the gross value at the point of
27	production of gas produced from a lease or property is less than zero, that
28	gross value at the point of production is considered zero for purposes of
29	this subparagraph.
30	* Sec. 28. AS 43.55.011(f) is amended to read:
31	(f) The levy of tax under $(\underline{e})$ of this section for

1	(1) oil and gas produced before January 1, 2022, from leases or
2	properties that include land north of 68 degrees North latitude, other than [OIL
3	AND GAS PRODUCTION SUBJECT TO (i) OF THIS SECTION AND] gas subject
4	to (o) of this section, may not be less than
5	(A) [(1)] four percent of the gross value at the point of
6	production when the average price per barrel for Alaska North Slope crude oil
7	for sale on the United States West Coast during the calendar year for which the
8	tax is due is more than \$25;
9	(B) $[(2)]$ three percent of the gross value at the point of
10	production when the average price per barrel for Alaska North Slope crude oil
11	for sale on the United States West Coast during the calendar year for which the
12	tax is due is over \$20 but not over \$25;
13	(C) [(3)] two percent of the gross value at the point of
14	production when the average price per barrel for Alaska North Slope crude oil
15	for sale on the United States West Coast during the calendar year for which the
16	tax is due is over \$17.50 but not over \$20;
17	(D) $[(4)]$ one percent of the gross value at the point of
18	production when the average price per barrel for Alaska North Slope crude oil
19	for sale on the United States West Coast during the calendar year for which the
20	tax is due is over \$15 but not over \$17.50; or
21	(E) $[(5)]$ zero percent of the gross value at the point of
22	production when the average price per barrel for Alaska North Slope crude oil
23	for sale on the United States West Coast during the calendar year for which the
24	tax is due is \$15 or less <u>; and</u>
25	(2) oil produced on and after January 1, 2022, from leases or
26	properties that include land north of 68 degrees North latitude, may not be less
27	than
28	(A) four percent of the gross value at the point of
29	production when the average price per barrel for Alaska North Slope
30	crude oil for sale on the United States West Coast during the calendar
31	year for which the tax is due is more than \$25;

1	(B) three percent of the gross value at the point of
2	production when the average price per barrel for Alaska North Slope
3	crude oil for sale on the United States West Coast during the calendar
4	year for which the tax is due is over \$20 but not over \$25;
5	(C) two percent of the gross value at the point of production
6	when the average price per barrel for Alaska North Slope crude oil for
7	sale on the United States West Coast during the calendar year for which
8	the tax is due is over \$17.50 but not over \$20;
9	(D) one percent of the gross value at the point of production
10	when the average price per barrel for Alaska North Slope crude oil for
11	sale on the United States West Coast during the calendar year for which
12	the tax is due is over \$15 but not over \$17.50; or
13	(E) zero percent of the gross value at the point of
14	production when the average price per barrel for Alaska North Slope
15	crude oil for sale on the United States West Coast during the calendar
16	year for which the tax is due is \$15 or less.
17	* Sec. 29. AS 43.55 is amended by adding a new section to read:
18	Sec. 43.55.014. Payment in kind of tax for gas. (a) For gas produced on and
19	after January 1, 2022, from oil and gas leases that have been modified under
20	AS 38.05.180(hh), other than gas described in (e) of this section, the department may
21	allow a producer to make an irrevocable election, under regulations adopted by the
22	department, to pay a production tax in kind levied by this section in lieu of the tax
23	otherwise levied for the gas by AS 43.55.011(e).
24	(b) A production tax in kind is levied by this section equal to 10.5 percent of
25	the gas otherwise taxable under AS 43.55.011(e)(3) produced from each lease or
26	property to which an effective election under (a) of this section applies, when and as
27	that gas is produced. The producer shall pay the tax in kind by delivering that 10.5
28	percent of the gas to the state at the entrance of the transportation facility specified by
29	the state.
30	(c) The Department of Natural Resources shall manage under
31	AS 38.05.020(b)(13) the custody and disposition of gas delivered to the state under (b)

of this section.

1

2 (d) If a deficiency in a tax levied by this section is assessed, or if a provision 3 of this title providing for interest or a penalty based on a percentage of a tax liability or 4 tax deficiency applies to gas for which a tax is levied by this section, the amount of the 5 deficiency and the tax amount on which the interest or penalty percentage is calculated 6 is treated for the purpose only of that calculation as having been levied by 7 AS 43.55.011(e) rather than this section. 8 (e) This section does not apply to gas 9 (1) flared, released, or allowed to escape upstream of the point of 10 production of gas; or 11 (2) used in the operation of a lease or property in the state for drilling 12 for or producing oil or gas, or for repressuring a reservoir. \* Sec. 30. AS 43.55.019(a) is amended to read: 13 14 (a) A producer of oil or gas is allowed a credit against the tax levied by 15 AS 43.55.011(e) [DUE UNDER THIS CHAPTER] for cash contributions accepted for 16 (1)direct instruction, research, and educational support purposes, 17 including library and museum acquisitions, and contributions to endowment, by an 18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or 19 four-year college accredited by a regional accreditation association; 20 (2) secondary school level vocational education courses, programs, and 21 facilities by a school district in the state; 22 (3) vocational education courses, programs, and facilities by a state-23 operated vocational technical education and training school; 24 (4) a facility or an annual intercollegiate sports tournament by a 25 nonprofit, public or private, Alaska two-year or four-year college accredited by a 26 regional accreditation association; 27 (5) Alaska Native cultural or heritage programs and educational 28 support, including mentoring and tutoring, provided by a nonprofit agency for public 29 school staff and for students who are in grades kindergarten through 12 in the state; 30 (6) education, research, rehabilitation, and facilities by an institution 31 that is located in the state and that qualifies as a coastal ecosystem learning center

1	under the Coastal America Partnership established by the federal government; and
2	(7) the Alaska higher education investment fund under AS 37.14.750.
3	* Sec. 31. AS 43.55.019(e) is amended to read:
4	(e) The credit under this section may not reduce a person's tax liability under
5	AS 43.55.011(e) [THIS CHAPTER] to below zero for any tax year. An unused credit
6	or portion of a credit not used under this section for a tax year may not be sold, traded,
7	transferred, or applied in a subsequent tax year.
8	* Sec. 32. AS 43.55.020(a) is amended to read:
9	(a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
10	the tax as follows:
11	(1) for oil and gas produced before January 1, 2014, an installment
12	payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
13	as allowed by law, is due for each month of the calendar year on the last day of the
14	following month; except as otherwise provided under (2) of this subsection, the
15	amount of the installment payment is the sum of the following amounts, less 1/12 of
16	the tax credits that are allowed by law to be applied against the tax levied by
17	AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
18	not be less than zero:
19	(A) for oil and gas not subject to AS 43.55.011(o) or (p)
20	produced from leases or properties in the state outside the Cook Inlet
21	sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
22	the greater of
23	(i) zero; or
24	(ii) the sum of 25 percent and the tax rate calculated for
25	the month under AS 43.55.011(g) multiplied by the remainder obtained
26	by subtracting 1/12 of the producer's adjusted lease expenditures for the
27	calendar year of production under AS 43.55.165 and 43.55.170 that are
28	deductible for the oil and gas under AS 43.55.160 from the gross value
29	at the point of production of the oil and gas produced from the leases or
30	properties during the month for which the installment payment is
31	calculated;

2to AS 43.55.011(f), the greatest of3(i) zero;4(ii) zero percent, one percent, two percent, three5percent, or four percent, as applicable, of the gross value at the point of6production of the oil and gas produced from the leases or properties7during the month for which the installment payment is calculated; or8(iii) the sum of 25 percent and the tax rate calculated for9the month under AS 43.55.011(g) multiplied by the remainder obtained10by subtracting 1/12 of the producer's adjusted lease expenditures for the11calendar year of production under AS 43.55.165 and 43.55.170 that are12deductible for the oil and gas under AS 43.55.160 from the gross value13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.101 (g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.011(g) multiplied by the remainder obtained24produced from the lease or property from the gross value at the point of25produced from the lease or property from th	1	(B) for oil and gas produced from leases or properties subject
4(ii) zero percent, one percent, two percent, three5percent, or four percent, as applicable, of the gross value at the point of6production of the oil and gas produced from the leases or properties7during the month for which the installment payment is calculated; or8(iii) the sum of 25 percent and the tax rate calculated for9the month under AS 43.55.011(g) multiplied by the remainder obtained10by subtracting 1/12 of the producer's adjusted lease expenditures for the11calendar year of production under AS 43.55.165 and 43.55.170 that are12deductible for the oil and gas under AS 43.55.160 from the gross value13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.160 for the oil or gas, respectively,23produced from the lease or property from the gross value at the point of24produced from the lease or property from the gross value at the point of25produced from the lease or property from the gross value at the point of26production of the oil or gas, respectively, produced from the lease or27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25	2	to AS 43.55.011(f), the greatest of
5percent, or four percent, as applicable, of the gross value at the point of6production of the oil and gas produced from the leases or properties7during the month for which the installment payment is calculated; or8(iii) the sum of 25 percent and the tax rate calculated for9the month under AS 43.55.011(g) multiplied by the remainder obtained10by subtracting 1/12 of the producer's adjusted lease expenditures for the11calendar year of production under AS 43.55.160 from the gross value13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.160 for the oil or gas, respectively,21production [/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25produced from the lease or property from the gross value at the point of26production of the oil or gas, respectively, produced from the lease or27calendar year of production and gas subject to AS 43.55.011(p), the lesser of28(D) for oil and gas subject to AS	3	(i) zero;
6production of the oil and gas produced from the leases or properties7during the month for which the installment payment is calculated; or8(iii) the sum of 25 percent and the tax rate calculated for9the month under AS 43.55.011(g) multiplied by the remainder obtained10by subtracting 1/12 of the producer's adjusted lease expenditures for the11calendar year of production under AS 43.55.165 and 43.55.170 that are12deductible for the oil and gas under AS 43.55.160 from the gross value13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24production of the oil or gas, respectively,25produced from the lease or property from the gross value at the point of26production of the oil or gas, respectively, produced from the lease or27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and	4	(ii) zero percent, one percent, two percent, three
7during the month for which the installment payment is calculated; or8(iii) the sum of 25 percent and the tax rate calculated for9the month under AS 43.55.011(g) multiplied by the remainder obtained10by subtracting 1/12 of the producer's adjusted lease expenditures for the11calendar year of production under AS 43.55.165 and 43.55.170 that are12deductible for the oil and gas under AS 43.55.160 from the gross value13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for29(i) the sum of 25 per	5	percent, or four percent, as applicable, of the gross value at the point of
8       (iii) the sum of 25 percent and the tax rate calculated for         9       the month under AS 43.55.011(g) multiplied by the remainder obtained         10       by subtracting 1/12 of the producer's adjusted lease expenditures for the         11       calendar year of production under AS 43.55.165 and 43.55.170 that are         12       deductible for the oil and gas under AS 43.55.160 from the gross value         13       at the point of production of the oil and gas produced from those leases         14       or properties during the month for which the installment payment is         15       calculated;         16       (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for         17       each lease or property, the greater of         18       (i) zero; or         19       (ii) the sum of 25 percent and the tax rate calculated for         20       the month under AS 43.55.011(g) multiplied by the remainder obtained         21       by subtracting 1/12 of the producer's adjusted lease expenditures for the         22       calendar year of production under AS 43.55.165 and 43.55.170 that are         23       deductible under AS 43.55.160 for the oil or gas, respectively,         24       produced from the lease or property from the gross value at the point of         25       produced from the lease or property from the gross value at the point of      <	6	production of the oil and gas produced from the leases or properties
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12deductible for the oil and gas under AS 43.55.160 from the gross value13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	10	by subtracting 1/12 of the producer's adjusted lease expenditures for the
13at the point of production of the oil and gas produced from those leases14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	11	calendar year of production under AS 43.55.165 and 43.55.170 that are
14or properties during the month for which the installment payment is15calculated;16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	12	deductible for the oil and gas under AS 43.55.160 from the gross value
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16(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for17each lease or property, the greater of18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	14	or properties during the month for which the installment payment is
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18(i) zero; or19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	16	(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
19(ii) the sum of 25 percent and the tax rate calculated for20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	17	each lease or property, the greater of
20the month under AS 43.55.011(g) multiplied by the remainder obtained21by subtracting 1/12 of the producer's adjusted lease expenditures for the22calendar year of production under AS 43.55.165 and 43.55.170 that are23deductible under AS 43.55.160 for the oil or gas, respectively,24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	18	(i) zero; or
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	19	(ii) the sum of 25 percent and the tax rate calculated for
<ul> <li>calendar year of production under AS 43.55.165 and 43.55.170 that are</li> <li>deductible under AS 43.55.160 for the oil or gas, respectively,</li> <li>produced from the lease or property from the gross value at the point of</li> <li>production of the oil or gas, respectively, produced from the lease or</li> <li>property during the month for which the installment payment is</li> <li>calculated;</li> <li>(D) for oil and gas subject to AS 43.55.011(p), the lesser of</li> <li>(i) the sum of 25 percent and the tax rate calculated for</li> <li>the month under AS 43.55.011(g) multiplied by the remainder obtained</li> </ul>	20	the month under AS 43.55.011(g) multiplied by the remainder obtained
<ul> <li>deductible under AS 43.55.160 for the oil or gas, respectively,</li> <li>produced from the lease or property from the gross value at the point of</li> <li>production of the oil or gas, respectively, produced from the lease or</li> <li>property during the month for which the installment payment is</li> <li>calculated;</li> <li>(D) for oil and gas subject to AS 43.55.011(p), the lesser of</li> <li>(i) the sum of 25 percent and the tax rate calculated for</li> <li>the month under AS 43.55.011(g) multiplied by the remainder obtained</li> </ul>	21	by subtracting 1/12 of the producer's adjusted lease expenditures for the
24produced from the lease or property from the gross value at the point of25production of the oil or gas, respectively, produced from the lease or26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	22	calendar year of production under AS 43.55.165 and 43.55.170 that are
<ul> <li>production of the oil or gas, respectively, produced from the lease or</li> <li>property during the month for which the installment payment is</li> <li>calculated;</li> <li>(D) for oil and gas subject to AS 43.55.011(p), the lesser of</li> <li>(i) the sum of 25 percent and the tax rate calculated for</li> <li>the month under AS 43.55.011(g) multiplied by the remainder obtained</li> </ul>	23	deductible under AS 43.55.160 for the oil or gas, respectively,
26property during the month for which the installment payment is27calculated;28(D) for oil and gas subject to AS 43.55.011(p), the lesser of29(i) the sum of 25 percent and the tax rate calculated for30the month under AS 43.55.011(g) multiplied by the remainder obtained	24	produced from the lease or property from the gross value at the point of
<ul> <li>27 calculated;</li> <li>28 (D) for oil and gas subject to AS 43.55.011(p), the lesser of</li> <li>29 (i) the sum of 25 percent and the tax rate calculated for</li> <li>30 the month under AS 43.55.011(g) multiplied by the remainder obtained</li> </ul>	25	production of the oil or gas, respectively, produced from the lease or
<ul> <li>(D) for oil and gas subject to AS 43.55.011(p), the lesser of</li> <li>(i) the sum of 25 percent and the tax rate calculated for</li> <li>the month under AS 43.55.011(g) multiplied by the remainder obtained</li> </ul>	26	property during the month for which the installment payment is
<ul> <li>(i) the sum of 25 percent and the tax rate calculated for</li> <li>the month under AS 43.55.011(g) multiplied by the remainder obtained</li> </ul>	27	calculated;
30 the month under AS 43.55.011(g) multiplied by the remainder obtained	28	(D) for oil and gas subject to AS 43.55.011(p), the lesser of
	29	(i) the sum of 25 percent and the tax rate calculated for
31 by subtracting 1/12 of the producer's adjusted lease expenditures for the	30	the month under AS 43.55.011(g) multiplied by the remainder obtained
	31	by subtracting 1/12 of the producer's adjusted lease expenditures for the

1	calendar year of production under AS 43.55.165 and 43.55.170 that are
2	deductible for the oil and gas under AS 43.55.160 from the gross value
3	at the point of production of the oil and gas produced from the leases or
4	properties during the month for which the installment payment is
5	calculated, but not less than zero; or
6	(ii) four percent of the gross value at the point of
7	production of the oil and gas produced from the leases or properties
8	during the month, but not less than zero;
9	(2) an amount calculated under $(1)(C)$ of this subsection for oil or gas
10	subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
11	carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
12	applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
13	substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
14	amount of taxable gas produced during the month for the amount of taxable gas
15	produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
16	(2)(A), as applicable, the amount of taxable oil produced during the month for the
17	amount of taxable oil produced during the calendar year;
18	(3) an installment payment of the estimated tax levied by
19	AS 43.55.011(i) for each lease or property is due for each month of the calendar year
20	on the last day of the following month; the amount of the installment payment is the
21	sum of
22	(A) the applicable tax rate for oil provided under
23	AS 43.55.011(i), multiplied by the gross value at the point of production of the
24	oil taxable under AS 43.55.011(i) and produced from the lease or property
25	during the month; and
26	(B) the applicable tax rate for gas provided under
27	AS 43.55.011(i), multiplied by the gross value at the point of production of the
28	gas taxable under AS 43.55.011(i) and produced from the lease or property
29	during the month;
30	(4) any amount of tax levied by AS 43.55.011, net of any credits
31	applied as allowed by law, that exceeds the total of the amounts due as installment

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

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

(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

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

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

25(i) zero;26(ii) zero perc

(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

30 (iii) 35 percent multiplied by the remainder obtained by
31 subtracting 1/12 of the producer's adjusted lease expenditures for the

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1	calendar year of production under AS 43.55.165 and 43.55.170 that are
2	deductible for the oil and gas under AS 43.55.160 from the gross value
3	at the point of production of the oil and gas produced from those leases
4	or properties during the month for which the installment payment is
5	calculated, except that, for the purposes of this calculation, a reduction
6	from the gross value at the point of production may apply for oil and
7	gas subject to AS 43.55.160(f) or (g);
8	(C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
9	each lease or property, the greater of
10	(i) zero; or
11	(ii) 35 percent multiplied by the remainder obtained by
12	subtracting 1/12 of the producer's adjusted lease expenditures for the
13	calendar year of production under AS 43.55.165 and 43.55.170 that are
14	deductible under AS 43.55.160 for the oil or gas, respectively,
15	produced from the lease or property from the gross value at the point of
16	production of the oil or gas, respectively, produced from the lease or
17	property during the month for which the installment payment is
18	calculated;
19	(D) for oil and gas subject to AS 43.55.011(p), the lesser of
20	(i) 35 percent multiplied by the remainder obtained by
21	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, but not less than zero; or
27	(ii) four percent of the gross value at the point of
28	production of the oil and gas produced from the leases or properties
29	during the month, but not less than zero;
30	(6) an amount calculated under $(5)(C)$ of this subsection for oil or gas
31	subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by

1	carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
2	applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
3	substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
4	amount of taxable gas produced during the month for the amount of taxable gas
5	produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
6	(2)(A), as applicable, the amount of taxable oil produced during the month for the
7	amount of taxable oil produced during the calendar year:
8	(7) for oil and gas produced on or after January 1, 2022, an
9	installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax
10	credits applied as allowed by law, is due for each month of the calendar year on
11	the last day of the following month; the amount of the installment payment is the
12	sum of the following amounts, less 1/12 of the tax credits that are allowed by law
13	to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but
14	the amount of the installment payment may not be less than zero:
15	(A) for oil produced from leases or properties that include
16	land north of 68 degrees North latitude, the greatest of
17	<u>(i) zero;</u>
18	(ii) zero percent, one percent, two percent, three
19	percent, or four percent, as applicable, of the gross value at the
20	point of production of the oil produced from the leases or
21	properties during the month for which the installment payment is

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

calculated; or

1	<u>43.55.160(f) and (g);</u>
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
4	under AS 43.55.024(a), from leases or properties in the state outside the
5	Cook Inlet sedimentary basin, no part of which is north of 68 degrees
6	North latitude, other than leases or properties subject to AS 43.55.011(p),
7	the greater of
8	(i) zero; or
9	(ii) 35 percent multiplied by the remainder obtained
10	by subtracting 1/12 of the producer's adjusted lease expenditures
11	for the calendar year of production under AS 43.55.165 and
12	43.55.170 that are deductible for the oil under AS 43.55.160(h)(2)
13	from the gross value at the point of production of the oil produced
14	from the leases or properties during the month for which the
15	installment payment is calculated;
16	(C) for oil and gas produced from leases or properties
17	subject to AS 43.55.011(p), except as otherwise provided under (8) of this
18	subsection, the sum of
19	(i) 35 percent multiplied by the remainder obtained
20	by subtracting 1/12 of the producer's adjusted lease expenditures
21	for the calendar year of production under AS 43.55.165 and
22	43.55.170 that are deductible for the oil under AS $43.55.160(h)(3)$
23	from the gross value at the point of production of the oil produced
24	from the leases or properties during the month for which the
25	installment payment is calculated, but not less than zero; and
26	(ii) 10.5 percent of the gross value at the point of
27	production of the gas produced from the leases or properties
28	during the month, but not less than zero;
29	(D) for oil produced from leases or properties in the state,
30	no part of which is north of 68 degrees North latitude, other than leases or
31	properties subject to (B) or (C) of this paragraph, the greater of

1	<u>(i)</u> zero; or
2	(ii) 35 percent multiplied by the remainder obtained
3	by subtracting 1/12 of the producer's adjusted lease expenditures
4	for the calendar year of production under AS 43.55.165 and
5	43.55.170 that are deductible for the oil under AS 43.55.160(h)(4)
6	from the gross value at the point of production of the oil produced
7	from the leases or properties during the month for which the
8	installment payment is calculated;
9	(E) for gas produced from each lease or property in the
10	state, other than a lease or property subject to AS 43.55.011(p), 10.5
11	percent of the gross value at the point of production of the gas produced
12	from the lease or property during the month for which the installment
13	payment is calculated, but not less than zero;
14	(8) an amount calculated under $(7)(C)$ of this subsection may not
15	exceed four percent of the gross value at the point of production of the oil and gas
16	produced from leases or properties subject to AS 43.55.011(p) during the month
17	for which the installment payment is calculated;
18	(9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
19	(7)(A)(ii) of this subsection, the applicable percentage of the gross value at the
20	point of production is determined under AS 43.55.011(f)(1) or (2) but substituting
21	the phrase "month for which the installment payment is calculated" in
22	AS 43.55.011(f)(1) and (2) for the phrase "calendar year for which the tax is
23	due.''
24	* Sec. 33. AS 43.55.020(g) is amended to read:
25	(g) Notwithstanding any contrary provision of AS 43.05.225,
26	(1) before January 1, 2014, an unpaid amount of an installment
27	payment required under $(a)(1) - (3)$ of this section that is not paid when due bears
28	interest (A) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal
29	Revenue Code), as amended, compounded daily, from the date the installment
30	payment is due until March 31 following the calendar year of production, and (B) as
31	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)(4) of this section that is not paid when due bears interest as provided for
 a delinquent tax under AS 43.05.225;

- 5 (2) on and after January 1, 2014, an unpaid amount of an installment 6 payment required under (a)(3), (5), [OR] (6), or (7) of this section that is not paid 7 when due bears interest (A) at the rate provided for an underpayment under 26 U.S.C. 8 6621 (Internal Revenue Code), as amended, compounded daily, from the date the 9 installment payment is due until March 31 following the calendar year of production, 10 and (B) as provided for a delinquent tax under AS 43.05.225 after that March 31; 11 interest accrued under (A) of this paragraph that remains unpaid after that March 31 is 12 treated as an addition to tax that bears interest under (B) of this paragraph; an unpaid 13 amount of tax due under (a)(4) of this section that is not paid when due bears interest 14 as provided for a delinquent tax under AS 43.05.225.
- 15 **\* Sec. 34.** AS 43.55.020(h) is amended to read:
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(h) Notwithstanding any contrary provision of AS 43.05.280,

(1) an overpayment of an installment payment required under (a)(1),
(2), (3), (5), (6), or (7) [(a)(1) - (3), (5), OR (6)] 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

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(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;

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

4 **\* Sec. 35.** AS 43.55.020(*l*) is amended to read:

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5 (1) For oil and gas produced on [ON] and after January 1, 2014, and before 6 January 1, 2022, in making settlement with the royalty owner for oil and gas that is 7 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on 8 taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in 9 value at the time the tax becomes due to the amount of the tax paid. If the total 10 deductions of installment payments of estimated tax for a calendar year exceed the 11 actual tax for that calendar year, the producer shall, before April 1 of the following 12 year, refund the excess to the royalty owner. Unless otherwise agreed between the 13 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on 14 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or 15 right to which constitutes a landowner's royalty interest, is considered to be the gross 16 value at the point of production of the taxable royalty oil and gas produced during the 17 calendar year multiplied by a figure that is a quotient, in which

- 18 (1) the numerator is the producer's total tax liability under
   19 <u>AS 43.55.011(e)(2)</u> [AS 43.55.011(e)] for the calendar year of production; and
- (2) the denominator is the total gross value at the point of production
  of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all
  leases and properties in the state during the calendar year.
- \* Sec. 36. AS 43.55.020 is amended by adding a new subsection to read:

24 (m) For oil and gas produced on and after January 1, 2022, in making 25 settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, 26 the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or 27 may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes 28 due to the amount of the tax paid. If the total deductions of installment payments of 29 estimated tax for a calendar year exceed the actual tax for that calendar year, the 30 producer shall, before April 1 of the following year, refund the excess to the royalty 31 owner. In making settlement with the royalty owner for gas that is taxable under

1 AS 43.55.014, the producer may deduct the amount of the gas paid as in kind tax on 2 taxable royalty gas or may deduct the gross value at the point of production of the gas 3 paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the 4 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on 5 taxable royalty oil for a calendar year, other than oil the ownership or right to which 6 constitutes a landowner's royalty interest, is considered to be the gross value at the 7 point of production of the taxable royalty oil produced during the calendar year 8 multiplied by a figure that is a quotient, in which 9 the numerator is the producer's total tax liability under (1)10 AS 43.55.011(e)(3)(A) for the calendar year of production; and 11 (2) the denominator is the total gross value at the point of production

of the oil taxable under AS 43.55.011(e) produced by the producer from all leases and
properties in the state during the calendar year.

14 **\* Sec. 37.** 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:

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

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

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

30 (4) the gross value at the point of production of the oil and of the gas31 produced from each lease or property owned by the producer and the costs of

1	transportation of the oil and gas;
2	(5) the name of the first purchaser and the price received for the oil and
3	for the gas, unless relieved from this requirement in whole or in part by the
4	department;
5	(6) the producer's qualified capital expenditures, as defined in
6	AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
7	payments or credits under AS 43.55.170;
8	(7) the production tax values of the oil and gas under AS 43.55.160(a)
9	or of the oil under AS 43.55.160(h), as applicable [AS 43.55.160];
10	(8) any claims for tax credits to be applied; and
11	(9) calculations showing the amounts, if any, that were or are due
12	under AS 43.55.020(a) and interest on any underpayment or overpayment.
13	* Sec. 38. AS 43.55.160(a) is amended to read:
14	(a) For oil and gas produced before January 1, 2022, except [EXCEPT] as
15	provided in (b), (f), and (g) of this section, for the purposes of
16	(1) AS $43.55.011(e)(1)$ and (2), the annual production tax value of
17	taxable oil, gas, or oil and gas produced during a calendar year in a category for which
18	a separate annual production tax value is required to be calculated under this
19	paragraph is the gross value at the point of production of that oil, gas, or oil and gas
20	taxable under AS 43.55.011(e), less the producer's lease expenditures under
21	AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas in that
22	category produced by the producer during the calendar year, as adjusted under
23	AS 43.55.170; a separate annual production tax value shall be calculated for
24	(A) oil and gas produced from leases or properties in the state
25	that include land north of 68 degrees North latitude, other than gas produced
26	before 2022 and used in the state;
27	(B) oil and gas produced from leases or properties in the state
28	outside the Cook Inlet sedimentary basin, no part of which is north of 68
29	degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)
30	and (b); this subparagraph does not apply to
31	(i) gas produced before 2022 and used in the state; or

1	(ii) oil and gas subject to AS 43.55.011(p);
2	(C) oil produced before 2022 from each lease or property in the
3	Cook Inlet sedimentary basin;
4	(D) gas produced before 2022 from each lease or property in
5	the Cook Inlet sedimentary basin;
6	(E) gas produced before 2022 from each lease or property in
7	the state outside the Cook Inlet sedimentary basin and used in the state, other
8	than gas subject to AS 43.55.011(p);
9	(F) oil and gas subject to AS 43.55.011(p) produced from
10	leases or properties in the state;
11	(G) oil and gas produced from leases or properties in the state
12	no part of which is north of 68 degrees North latitude, other than oil or gas
13	described in (B), (C), (D), (E), or (F) of this paragraph;
14	(2) AS 43.55.011(g), for oil and gas produced before January 1, 2014,
15	the monthly production tax value of the taxable
16	(A) oil and gas produced during a month from leases or
17	properties in the state that include land north of 68 degrees North latitude is the
18	gross value at the point of production of the oil and gas taxable under
19	AS 43.55.011(e) and produced by the producer from those leases or properties,
20	less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
21	calendar year applicable to the oil and gas produced by the producer from
22	those leases or properties, as adjusted under AS 43.55.170; this subparagraph
23	does not apply to gas subject to AS 43.55.011(o);
24	(B) oil and gas produced during a month from leases or
25	properties in the state outside the Cook Inlet sedimentary basin, no part of
26	which is north of 68 degrees North latitude, is the gross value at the point of
27	production of the oil and gas taxable under AS 43.55.011(e) and produced by
28	the producer from those leases or properties, less 1/12 of the producer's lease
29	expenditures under AS 43.55.165 for the calendar year applicable to the oil and
30	gas produced by the producer from those leases or properties, as adjusted under
31	AS 43.55.170; this subparagraph does not apply to gas subject to

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1 AS 43.55.011(o); 2 (C) oil produced during a month from a lease or property in the 3 Cook Inlet sedimentary basin is the gross value at the point of production of 4 the oil taxable under AS 43.55.011(e) and produced by the producer from that 5 lease or property, less 1/12 of the producer's lease expenditures under 6 AS 43.55.165 for the calendar year applicable to the oil produced by the 7 producer from that lease or property, as adjusted under AS 43.55.170; 8 (D) gas produced during a month from a lease or property in 9 the Cook Inlet sedimentary basin is the gross value at the point of production 10 of the gas taxable under AS 43.55.011(e) and produced by the producer from 11 that lease or property, less 1/12 of the producer's lease expenditures under 12 AS 43.55.165 for the calendar year applicable to the gas produced by the 13 producer from that lease or property, as adjusted under AS 43.55.170; 14 (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 15 16 value at the point of production of that gas taxable under AS 43.55.011(e) and 17 produced by the producer from that lease or property, less 1/12 of the 18 producer's lease expenditures under AS 43.55.165 for the calendar year 19 applicable to that gas produced by the producer from that lease or property, as 20 adjusted under AS 43.55.170. 21 \* Sec. 39. AS 43.55.160(e) is amended to read: 22 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that 23 would otherwise be deductible by a producer in a calendar year but whose deduction 24 would cause an annual production tax value calculated under (a)(1) or (h) of this 25

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 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) of this section

1 to be less than zero are accounted for as though the adjusted lease expenditures had 2 first been used as deductions in calculating the production tax values of oil or gas 3 subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that have 4 positive production tax values so as to reduce the tax liability calculated without 5 regard to the limitation to the maximum amount provided for under the applicable 6 provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease 7 expenditures remaining after the accounting provided for under this subsection may be 8 used to establish a carried-forward annual loss under AS 43.55.023(b). In this 9 subsection, "producer" includes "explorer."

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## \* **Sec. 40.** AS 43.55.160(f) is amended to read:

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

29 **\* Sec. 41.** AS 43.55.160(g) is amended to read:

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(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

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

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\* Sec. 42. AS 43.55.160 is amended by adding a new subsection to read:

(h) For oil produced on and after January 1, 2022, except as provided in (b),
(f), and (g) of this section, for the purposes of AS 43.55.011(e)(3), the annual production tax value of oil taxable under AS 43.55.011(e) produced by a producer during a calendar year

(1) 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 that oil, less the
producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
explore for, develop, or produce oil or gas deposits located in the state north of 68
degrees North latitude or located in leases or properties in the state that include land
north of 68 degrees North latitude, as adjusted under AS 43.55.170;

24 (2) before or during the last calendar year under AS 43.55.024(b) for 25 which the producer could take a tax credit under AS 43.55.024(a), from leases or 26 properties in the state outside the Cook Inlet sedimentary basin, no part of which is 27 north of 68 degrees North latitude, other than leases or properties subject to 28 AS 43.55.011(p), is the gross value at the point of production of that oil, less the 29 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to 30 explore for, develop, or produce oil or gas deposits located in the state outside the 31 Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil or

gas deposits located in a lease or property that includes land north of 68 degrees North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from which commercial production has not begun, as adjusted under AS 43.55.170;

4 (3) from leases or properties subject to AS 43.55.011(p) is the gross 5 value at the point of production of that oil, less the producer's lease expenditures under 6 AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil or 7 gas deposits located in leases or properties subject to AS 43.55.011(p) or, before 8 January 1, 2027, located in leases or properties in the state outside the Cook Inlet 9 sedimentary basin, no part of which is north of 68 degrees North latitude from which 10 commercial production has not begun, as adjusted under AS 43.55.170;

11 (4) from leases or properties in the state no part of which is north of 68 12 degrees North latitude, other than leases or properties subject to (2) or (3) of this 13 subsection, is the gross value at the point of production of that oil less the producer's 14 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, 15 develop, or produce oil or gas deposits located in the state south of 68 degrees North 16 latitude, other than oil or gas deposits located in a lease or property in the state that 17 includes land north of 68 degrees North latitude, and excluding lease expenditures that 18 are deductible under (2) or (3) of this subsection or would be deductible under (2) or 19 (3) of this subsection if not prohibited by (b) of this section, as adjusted under 20 AS 43.55.170.

21 **\* Sec. 43.** AS 43.55.165(e) is amended to read:

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

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(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;

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

1	(5) acquisition costs for a lease or property or exploration license;
2	(6) costs arising from fraud, willful misconduct, gross negligence,
3	violation of law, or failure to comply with an obligation under a lease, permit, or
4	license issued by the state or federal government;
5	(7) fines or penalties imposed by law;
6	(8) costs of arbitration, litigation, or other dispute resolution activities
7	that involve the state or concern the rights or obligations among owners of interests in,
8	or rights to production from, one or more leases or properties or a unit;
9	(9) costs incurred in organizing a partnership, joint venture, or other
10	business entity or arrangement;
11	(10) amounts paid to indemnify the state; the exclusion provided by
12	this paragraph does not apply to the costs of obtaining insurance or a surety bond from
13	a third-party insurer or surety;
14	(11) surcharges levied under AS 43.55.201 or 43.55.300;
15	(12) an expenditure otherwise deductible under (b) of this section that
16	is a result of an internal transfer, a transaction with an affiliate, or a transaction
17	between related parties, or is otherwise not an arm's length transaction, unless the
18	producer establishes to the satisfaction of the department that the amount of the
19	expenditure does not exceed the fair market value of the expenditure;
20	(13) an expenditure incurred to purchase an interest in any corporation,
21	partnership, limited liability company, business trust, or any other business entity,
22	whether or not the transaction is treated as an asset sale for federal income tax
23	purposes;
24	(14) a tax levied under AS 43.55.011 or 43.55.014;
25	(15) costs incurred for dismantlement, removal, surrender, or
26	abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
27	restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
28	conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
29	excluded under this paragraph if the dismantlement, removal, surrender, or
30	abandonment for which the cost is incurred is undertaken for the purpose of replacing,
31	renovating, or improving the facility, pipeline, well pad, platform, or other structure;

1 (16) costs incurred for containment, control, cleanup, or removal in 2 connection with any unpermitted release of oil or a hazardous substance and any 3 liability for damages imposed on the producer or explorer for that unpermitted release; 4 this paragraph does not apply to the cost of developing and maintaining an oil 5 discharge prevention and contingency plan under AS 46.04.030;

6 7 (17) costs incurred to satisfy a work commitment under an exploration license under AS 38.05.132;

8 (18) that portion of expenditures, that would otherwise be qualified 9 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that 10 are less than the product of \$0.30 multiplied by the total taxable production from each 11 lease or property, in BTU equivalent barrels, during that calendar year, except that, 12 when a portion of a calendar year is subject to this provision, the expenditures and 13 volumes shall be prorated within that calendar year;

14 (19) costs incurred for repair, replacement, or deferred maintenance of 15 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is 16 undertaken in response to a failure, problem, or event that results in an unscheduled 17 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for 18 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or 19 equipment, other than a well, that is undertaken in response to, or is otherwise 20 associated with, an unpermitted release of a hazardous substance or of gas; however, 21 costs under this paragraph that would otherwise constitute lease expenditures under (a) 22 and (b) of this section may be treated as lease expenditures if the department 23 determines that the repair or replacement is solely necessitated by an act of war, by an 24 unanticipated grave natural disaster or other natural phenomenon of an exceptional, 25 inevitable, and irresistible character, the effects of which could not have been 26 prevented or avoided by the exercise of due care or foresight, or by an intentional or 27 negligent act or omission of a third party, other than a party or its agents in privity of 28 contract with, or employed by, the producer or an operator acting for the producer, but 29 only if the producer or operator, as applicable, exercised due care in operating and 30 maintaining the facility, pipeline, structure, or equipment, and took reasonable 31 precautions against the act or omission of the third party and against the consequences

1	of the act or omission; in this paragraph,
2	(A) "costs incurred for repair, replacement, or deferred
3	maintenance of a facility, a pipeline, a structure, or equipment" includes costs
4	to dismantle and remove the facility, pipeline, structure, or equipment that is
5	being replaced;
6	(B) "hazardous substance" has the meaning given in
7	AS 46.03.826;
8	(C) "replacement" includes renovation or improvement;
9	(20) costs incurred to construct, acquire, or operate a refinery or crude
10	oil topping plant, regardless of whether the products of the refinery or topping plant
11	are used in oil or gas exploration, development, or production operations; however, if
12	a producer owns a refinery or crude oil topping plant that is located on or near the
13	premises of the producer's lease or property in the state and that processes the
14	producer's oil produced from that lease or property into a product that the producer
15	uses in the operation of the lease or property in drilling for or producing oil or gas, the
16	producer's lease expenditures include the amount calculated by subtracting from the
17	fair market value of the product used the prevailing value, as determined under
18	AS 43.55.020(f), of the oil that is processed;
19	(21) costs of lobbying, public relations, public relations advertising, or
20	policy advocacy.
21	* Sec. 44. AS 43.55.900(10) is amended to read:
22	(10) "gas processing plant" means a facility that
23	(A) extracts and recovers liquid hydrocarbons from a gaseous
24	mixture of hydrocarbons by gas processing; and
25	(B) is located upstream of <u>the inlet of</u> any <u>pipeline</u>
26	transporting gas to a gas treatment plant and upstream of the inlet of any gas
27	pipeline system transporting gas to a market;
28	* Sec. 45. AS 43.55.900(20) is amended to read:
29	(20) "point of production" means
30	(A) for oil, the automatic custody transfer meter or device
31	through which the oil enters into the facilities of a carrier pipeline or other

1	transportation carrier in a condition of pipeline quality; in the absence of an
2	automatic custody transfer meter or device, "point of production" means the
3	mechanism or device to measure the quantity of oil that has been approved by
4	the department for that purpose, through which the oil is tendered and accepted
5	in a condition of pipeline quality into the facilities of a carrier pipeline or other
6	transportation carrier or into a field topping plant;
7	(B) for gas [, OTHER THAN GAS DESCRIBED IN (C) OF
8	THIS PARAGRAPH,] that is
9	(i) not subjected to or recovered by mechanical
10	separation or run through a gas processing plant, the <b>furthest</b>
11	upstream of the first point where the gas is accurately metered, the
12	inlet of any pipeline transporting the gas to a gas treatment plant,
13	or the inlet of any gas pipeline system transporting gas to a market;
14	(ii) subjected to or recovered by mechanical separation
15	but not run through a gas processing plant, the <b>furthest upstream of</b>
16	the first point where the gas is accurately metered after completion of
17	mechanical separation, the inlet of any pipeline transporting the gas
18	to a gas treatment plant, or the inlet of any gas pipeline system
19	transporting gas to a market;
20	(iii) run through a gas processing plant, the <b><u>furthest</u></b>
21	upstream of the first point where the gas is accurately metered
22	downstream of the plant, the inlet of any pipeline transporting the
23	gas to a gas treatment plant, or the inlet of any gas pipeline system
24	transporting gas to a market;
25	[(C) FOR GAS RUN THROUGH AN INTEGRATED GAS
26	PROCESSING PLANT AND GAS TREATMENT FACILITY THAT DOES
27	NOT ACCURATELY METER THE GAS AFTER THE GAS PROCESSING
28	AND BEFORE THE GAS TREATMENT, THE FIRST POINT WHERE GAS
29	PROCESSING IS COMPLETED OR WHERE GAS TREATMENT BEGINS,
30	WHICHEVER IS FURTHER UPSTREAM;]
31	* Sec. 46. AS 43.55.900 is amended by adding a new paragraph to read:

1	(25) "gas treatment plant" means a facility that performs gas treatment,
2	regardless of whether the facility also performs gas processing.
3	* Sec. 47. AS 43.98.030(c) is amended to read:
4	(c) A taxpayer acquiring a transferable tax credit certificate may use the credit
5	or a portion of the credit to offset taxes imposed under AS 21.09.210, AS 21.66.110,
6	AS 43.20, <u>AS 43.55.011</u> [AS 43.55], AS 43.56, AS 43.65, AS 43.75, and AS 43.77.
7	Except as provided in (e) of this section, any portion of the credit not used may be
8	used at a later period or transferred under (b) of this section.
9	* Sec. 48. The uncodified law of the State of Alaska is amended by adding a new section to
10	read:
11	TRANSITION: REGULATIONS. The Department of Revenue and the Department of
12	Natural Resources may adopt regulations to implement this Act. The regulations take effect
13	under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
14	provisions of this Act being implemented.
15	* Sec. 49. The uncodified law of the State of Alaska is amended by adding a new section to
16	read:
17	REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the catch
18	line of AS 38.05.183 from "Sale of royalty" to "Sale of royalty and of gas delivered to the
19	state under AS 43.55.014(b)."
20	* Sec. 50. Sections 1 - 10, 12, 13, 19, 20, 22, 23, 30, 31, 47, and 48 of this Act take effect
21	immediately under AS 01.10.070(c).
22	* Sec. 51. Except as provided in sec. 50 of this Act, this Act takes effect January 1, 2015.