

SENATE CS FOR CS FOR HOUSE BILL NO. 155(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 4/6/16

Referred: Finance

Sponsor(s): REPRESENTATIVES THOMPSON, Wilson, Saddler

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing an exploration incentive credit; amending the calculation of adjusted
2 gross income for purposes of the tax on gambling activities aboard large passenger
3 vessels; repealing a provision allowing an investigation expense under the Alaska Small
4 Loans Act to be in place of a fee required under the Alaska Business License Act;
5 repealing the amount that may be deducted from the tobacco excise tax to cover the
6 expense of accounting and filing for the monthly tax return; repealing the discount on
7 cigarette tax stamps provided as compensation for affixing the stamps to packages; and
8 providing for an effective date."

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

10 * **Section 1.** AS 41.09.010(a) is amended to read:

11 (a) **The** [UNDER AN INCENTIVE PROGRAM DISTINCT FROM THE
12 EXPLORATION INCENTIVE CREDIT AUTHORIZED BY AS 38.05.180(i), THE]

1 commissioner may extend to a qualified applicant an exploration incentive credit for
 2 each of the following activities performed on land in the state, regardless of whether
 3 the land is state-owned land:

4 (1) geophysical work [ON LAND THAT IS NOT SUBJECT TO A
 5 CREDIT UNDER AS 38.05.180(i)];

6 (2) drilling a stratigraphic test well; and

7 (3) drilling an exploratory well.

8 * **Sec. 2.** AS 41.09.010(b) is amended to read:

9 (b) An exploration incentive credit extended under (a) of this section may be
 10 applied against

11 (1) [A PAYMENT OR OBLIGATION AGAINST WHICH A
 12 CREDIT AUTHORIZED BY AS 38.05.180(i) MAY BE CLAIMED];

13 (2)] taxes payable under AS 43.20; and

14 (2) [(3)] oil and gas bonus payments due the state under
 15 AS 38.05.180(f).

16 * **Sec. 3.** AS 43.35.210 is amended to read:

17 **Sec. 43.35.210. Tax on gambling activities.** There is imposed on the operator
 18 of gaming or gambling activities aboard large passenger vessels in the state a tax of 33
 19 percent of the adjusted gross income from those activities. "Adjusted gross income"
 20 means gross income less prizes awarded and [FEDERAL AND] municipal taxes paid
 21 or owed on the income. The tax shall be collected and is due and payable to the
 22 Department of Revenue in the manner and at the times required by the Department of
 23 Revenue.

24 * **Sec. 4.** AS 43.50.590(a) is amended to read:

25 (a) The department shall adopt procedures for a refund or credit to a licensee
 26 in the amount of the denominated value [, LESS THE DISCOUNT GIVEN UNDER
 27 AS 43.50.540,] for

28 (1) unused or damaged stamps;

29 (2) stamps affixed to cigarette packages that have become unfit for use
 30 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if
 31 the licensee provides proof acceptable to the department that the cigarettes have not

1 been and will not be consumed in this state; or

2 (3) stamps affixed to cigarette packages that are sold or distributed
3 outside the state if the licensee provides proof acceptable to the department that the
4 cigarettes have not been and will not be consumed in this state and the licensee is
5 properly licensed in the jurisdictions outside the state where the sales or distributions
6 are made.

7 * **Sec. 5.** AS 43.55.011(m) is amended to read:

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

24 * **Sec. 6.** AS 43.55.023(a) is amended to read:

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

27 (1) notwithstanding that a qualified capital expenditure may be a
28 deductible lease expenditure for purposes of calculating the production tax value of oil
29 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
30 [AS 38.05.180(i),] AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
31 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit

1 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
2 expenditure;

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

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

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

10 (3) a credit for a qualified capital expenditure incurred to explore for,
11 develop, or produce oil or gas deposits located north of 68 degrees North latitude may
12 be taken only if the expenditure is incurred before January 1, 2014.

13 * **Sec. 7.** AS 43.55.023(l) is amended to read:

14 (l) A producer or explorer may apply for a tax credit for a well lease
15 expenditure incurred in the state south of 68 degrees North latitude after June 30,
16 2010, as follows:

17 (1) notwithstanding that a well lease expenditure incurred in the state
18 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
19 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
20 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),]
21 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
22 well lease expenditure in the state south of 68 degrees North latitude may elect to
23 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent
24 of that expenditure; a tax credit under this paragraph may be applied for a single
25 calendar year;

26 (2) a producer or explorer may take a credit for a well lease
27 expenditure incurred in the state south of 68 degrees North latitude in connection with
28 geological or geophysical exploration or in connection with an exploration well only if
29 the producer or explorer

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

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

3 * **Sec. 8.** AS 06.20.030(c); AS 38.05.180(i); AS 41.09.030; AS 43.50.330(b), 43.50.540(c),
4 and 43.50.540(h) are repealed.

5 * **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 TRANSITION. The repeal of AS 38.05.180(i) by sec. 8 of this Act does not prohibit
8 the Department of Natural Resources from issuing a credit for an expenditure incurred before
9 the effective date of sec. 8 of this Act. A credit issued under former AS 38.05.180(i) before
10 the effective date of sec. 8 of this Act may, during the period established by the commissioner
11 under former AS 38.05.180(i), be assigned or used to offset taxes imposed under the
12 provisions identified in former AS 38.05.180(i).

13 * **Sec. 10.** Section 3 of this Act takes effect January 1, 2017.

14 * **Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect July 1, 2016.