

HOUSE BILL NO. 174

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES GARA, Josephson, Kawasaki

Introduced: 4/1/15

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the oil and gas production tax; relating to credits against the oil and
2 gas production tax; relating to monthly installment payments of the oil and gas
3 production tax; relating to the minimum production tax on oil; and providing for an
4 effective date."

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

6 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 SHORT TITLE. This Act may be known as the Protecting Jobs, Education, and
9 Opportunity Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 * **Sec. 3.** AS 43.55.011(f), as amended by sec. 2 of this Act, is amended to read:

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

14 (1) oil and gas produced before January 1, 2022, from leases or
 15 properties that include land north of 68 degrees North latitude, other than gas subject
 16 to (o) of this section [OR OIL SUBJECT TO (q) OF THIS SECTION], may not be
 17 less than

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

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

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

30 (D) one percent of the gross value at the point of production
 31 when the average price per barrel for Alaska North Slope crude oil for sale on

1 the United States West Coast during the calendar year for which the tax is due
2 is over \$15 but not over \$17.50; or

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

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

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

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

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

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

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

29 * **Sec. 4.** AS 43.55.011 is amended by adding a new subsection to read:

30 (q) Except for oil subject to (i) of this section, the provisions of this subsection
31 apply to oil produced from each lease or property within a unit or nonunitized

1 reservoir that has cumulatively produced 400,000,000 BTU equivalent barrels of oil or
 2 gas by the close of the most recent calendar year and from which the average daily
 3 production of oil and gas from the unit or nonunitized reservoir during the most recent
 4 calendar year exceeded 20,000 BTU equivalent barrels. Notwithstanding any contrary
 5 provision of law, a producer may not apply tax credits to reduce its total tax liability
 6 under (e) and (g) of this section for oil produced from all leases or properties within
 7 the unit or nonunitized reservoir below 12.5 percent of the total gross value at the
 8 point of production of that oil. If the amount of tax calculated by multiplying the tax
 9 rates in (e) and (g) of this section by the total production tax value of the oil taxable
 10 under (e) and (g) of this section produced from all of the producer's leases or
 11 properties within the unit or nonunitized reservoir is less than 12.5 percent of the total
 12 gross value at the point of production of that oil, the tax levied by (e) of this section
 13 for that oil is equal to 12.5 percent of the total gross value at the point of production of
 14 that oil.

15 * **Sec. 5.** AS 43.55.020(a) is amended to read:

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

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

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

30 (i) zero; or

31 (ii) the sum of 25 percent and the tax rate calculated for

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

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

10 (i) zero;

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

15 (iii) the sum of 25 percent and the tax rate calculated for
16 the month under AS 43.55.011(g) multiplied by the remainder obtained
17 by 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 those leases
21 or properties during the month for which the installment payment is
22 calculated;

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

25 (i) zero; or

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

1 production of the oil or gas, respectively, produced from the lease or
 2 property during the month for which the installment payment is
 3 calculated;

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

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

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

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

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

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

1 during the month; and

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

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

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

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

22 (i) zero; or

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

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

- 1 (i) zero;
- 2 (ii) zero percent, one percent, two percent, three percent,
3 or four percent, as applicable, of the gross value at the point of
4 production of the oil and gas produced from the leases or properties
5 during the month for which the installment payment is calculated; or
- 6 (iii) 35 percent multiplied by the remainder obtained by
7 subtracting 1/12 of the producer's adjusted lease expenditures for the
8 calendar year of production under AS 43.55.165 and 43.55.170 that are
9 deductible for the oil and gas under AS 43.55.160 from the gross value
10 at the point of production of the oil and gas produced from those leases
11 or properties during the month for which the installment payment is
12 calculated, except that, for the purposes of this calculation, a reduction
13 from the gross value at the point of production may apply for oil and
14 gas subject to AS 43.55.160(f) [OR (g)];
- 15 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for each
16 lease or property, the greater of
- 17 (i) zero; or
- 18 (ii) 35 percent multiplied by the remainder obtained by
19 subtracting 1/12 of the producer's adjusted lease expenditures for the
20 calendar year of production under AS 43.55.165 and 43.55.170 that are
21 deductible under AS 43.55.160 for the oil or gas, respectively,
22 produced from the lease or property from the gross value at the point of
23 production of the oil or gas, respectively, produced from the lease or
24 property during the month for which the installment payment is
25 calculated;
- 26 (D) for oil and gas subject to AS 43.55.011(p), the lesser of
- 27 (i) 35 percent multiplied by the remainder obtained by
28 subtracting 1/12 of the producer's adjusted lease expenditures for the
29 calendar year of production under AS 43.55.165 and 43.55.170 that are
30 deductible for the oil and gas under AS 43.55.160 from the gross value
31 at the point of production of the oil and gas produced from the leases or

1 properties during the month for which the installment payment is
 2 calculated, but not less than zero; or

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

6 **(E) for oil subject to AS 43.55.011(q), the greater of**

7 **(i) 12.5 percent of the gross value at the point of**
 8 **production of that oil produced from leases or properties during**
 9 **the month for which the installment payment is calculated; and**

10 **(ii) 35 percent multiplied by the remainder obtained**
 11 **by subtracting 1/12 of the producer's adjusted lease expenditures**
 12 **for the calendar year of production under AS 43.55.165 and**
 13 **43.55.170 that are deductible for the oil under AS 43.55.160(h)(3)**
 14 **from the gross value at the point of production of the oil produced**
 15 **from the leases or properties during the month for which the**
 16 **installment payment is calculated;**

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

26 (7) for oil and gas produced on or after January 1, 2022, an installment
 27 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 28 as allowed by law, is due for each month of the calendar year on the last day of the
 29 following month; the amount of the installment payment is the sum of the following
 30 amounts, less 1/12 of the tax credits that are allowed by law to be applied against the
 31 tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment

1 payment may not be less than zero:

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

4 (i) zero;

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

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

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

23 (i) zero; or

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

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

1 sum of

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

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

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

15 (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 under AS 43.55.160(h)(4) from the gross value at
20 the point of production of the oil produced from the leases or properties
21 during the month for which the installment payment is calculated;

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

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

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

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

5 * **Sec. 6.** AS 43.55.024(i) is amended to read:

6 (i) A producer may apply against the producer's tax liability for the calendar
 7 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
 8 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f), **but does**
 9 **not meet the criteria for a credit in (k) of this section,** [OR (g)] and that is produced
 10 during a calendar year after December 31, 2013. A tax credit authorized by this
 11 subsection may not reduce a producer's tax liability for a calendar year under
 12 AS 43.55.011(e) below zero.

13 * **Sec. 7.** AS 43.55.024(i), as amended by sec. 6 of this Act, is amended to read:

14 (i) A producer may apply against the producer's tax liability for the calendar
 15 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under
 16 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) [, BUT
 17 DOES NOT MEET THE CRITERIA FOR A CREDIT IN (k) OF THIS SECTION,]
 18 and that is produced during a calendar year after December 31, 2013. A tax credit
 19 authorized by this subsection may not reduce a producer's tax liability for a calendar
 20 year under AS 43.55.011(e) below zero.

21 * **Sec. 8.** AS 43.55.024(j) is amended to read:

22 (j) A producer may apply against the producer's tax liability for the calendar
 23 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
 24 each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria
 25 in AS 43.55.160(f) or **the criteria for a credit under (k) of this section,** [(g)] and that
 26 is produced during a calendar year after December 31, 2013, from leases or properties
 27 north of 68 degrees North latitude. A tax credit under this subsection may not reduce a
 28 producer's tax liability for a calendar year under AS 43.55.011(e) below the amount
 29 calculated under AS 43.55.011(f). The amount of the tax credit for a barrel of taxable
 30 oil subject to this subsection produced during a month of the calendar year is

31 (1) \$8 for each barrel of taxable oil if the average gross value at the

1 point of production for the month is less than \$80 a barrel;

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

5 (3) \$6 for each barrel of taxable oil if the average gross value at the
6 point of production for the month is greater than or equal to \$90 a barrel, but less than
7 \$100 a barrel;

8 (4) \$5 for each barrel of taxable oil if the average gross value at the
9 point of production for the month is greater than or equal to \$100 a barrel, but less
10 than \$110 a barrel;

11 (5) \$4 for each barrel of taxable oil if the average gross value at the
12 point of production for the month is greater than or equal to \$110 a barrel, but less
13 than \$120 a barrel;

14 (6) \$3 for each barrel of taxable oil if the average gross value at the
15 point of production for the month is greater than or equal to \$120 a barrel, but less
16 than \$130 a barrel;

17 (7) \$2 for each barrel of taxable oil if the average gross value at the
18 point of production for the month is greater than or equal to \$130 a barrel, but less
19 than \$140 a barrel;

20 (8) \$1 for each barrel of taxable oil if the average gross value at the
21 point of production for the month is greater than or equal to \$140 a barrel, but less
22 than \$150 a barrel;

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

25 * **Sec. 9.** AS 43.55.024(j), as amended by sec. 8 of this Act, is amended to read:

26 (j) A producer may apply against the producer's tax liability for the calendar
27 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
28 each barrel of oil taxable under AS 43.55.011(e) that does not meet any of the criteria
29 in AS 43.55.160(f) [OR THE CRITERIA FOR A CREDIT UNDER (k) OF THIS
30 SECTION,] and that is produced during a calendar year after December 31, 2013,
31 from leases or properties north of 68 degrees North latitude. A tax credit under this

1 subsection may not reduce a producer's tax liability for a calendar year under
2 AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The amount of
3 the tax credit for a barrel of taxable oil subject to this subsection produced during a
4 month of the calendar year is

5 (1) \$8 for each barrel of taxable oil if the average gross value at the
6 point of production for the month is less than \$80 a barrel;

7 (2) \$7 for each barrel of taxable oil if the average gross value at the
8 point of production for the month is greater than or equal to \$80 a barrel, but less than
9 \$90 a barrel;

10 (3) \$6 for each barrel of taxable oil if the average gross value at the
11 point of production for the month is greater than or equal to \$90 a barrel, but less than
12 \$100 a barrel;

13 (4) \$5 for each barrel of taxable oil if the average gross value at the
14 point of production for the month is greater than or equal to \$100 a barrel, but less
15 than \$110 a barrel;

16 (5) \$4 for each barrel of taxable oil if the average gross value at the
17 point of production for the month is greater than or equal to \$110 a barrel, but less
18 than \$120 a barrel;

19 (6) \$3 for each barrel of taxable oil if the average gross value at the
20 point of production for the month is greater than or equal to \$120 a barrel, but less
21 than \$130 a barrel;

22 (7) \$2 for each barrel of taxable oil if the average gross value at the
23 point of production for the month is greater than or equal to \$130 a barrel, but less
24 than \$140 a barrel;

25 (8) \$1 for each barrel of taxable oil if the average gross value at the
26 point of production for the month is greater than or equal to \$140 a barrel, but less
27 than \$150 a barrel;

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

30 * **Sec. 10.** AS 43.55.024 is amended by adding a new subsection to read:

31 (k) A producer may apply against the producer's tax liability for the calendar

1 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for
2 each barrel of oil taxable under AS 43.55.011(e) produced from a lease or property
3 north of 68 degrees North latitude, within a unit that had first commercial production
4 within 20 years after establishment under AS 38.05.180(p), and within a unit or
5 nonunitized reservoir that has cumulatively produced 400,000,000 BTU equivalent
6 barrels of oil or gas by the close of the most recent calendar year and from which the
7 average daily production of oil and gas from the unit or nonunitized reservoir during
8 the most recent calendar year exceeded 20,000 BTU equivalent barrels. A tax credit
9 under this subsection may not reduce a producer's tax liability for a calendar year
10 under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f). The
11 amount of the tax credit for a barrel of taxable oil subject to this subsection produced
12 during a month of the calendar year is

13 (1) \$4 for each barrel of taxable oil if the average gross value at the
14 point of production for the month is less than \$80 a barrel;

15 (2) \$3.50 for each barrel of taxable oil if the average gross value at the
16 point of production for the month is greater than or equal to \$80 a barrel, but less than
17 \$90 a barrel;

18 (3) \$3 for each barrel of taxable oil if the average gross value at the
19 point of production for the month is greater than or equal to \$90 a barrel, but less than
20 \$100 a barrel;

21 (4) \$2.50 for each barrel of taxable oil if the average gross value at the
22 point of production for the month is greater than or equal to \$100 a barrel, but less
23 than \$110 a barrel;

24 (5) \$2 for each barrel of taxable oil if the average gross value at the
25 point of production for the month is greater than or equal to \$110 a barrel, but less
26 than \$120 a barrel;

27 (6) \$1.50 for each barrel of taxable oil if the average gross value at the
28 point of production for the month is greater than or equal to \$120 a barrel, but less
29 than \$130 a barrel;

30 (7) \$1 for each barrel of taxable oil if the average gross value at the
31 point of production for the month is greater than or equal to \$130 a barrel, but less

1 than \$140 a barrel;

2 (8) \$.50 for each barrel of taxable oil if the average gross value at the
3 point of production for the month is greater than or equal to \$140 a barrel, but less
4 than \$150 a barrel;

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

7 * **Sec. 11.** AS 43.55.160(a) is amended to read:

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

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

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

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

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

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

27 (C) oil produced before 2022 from each lease or property in the
28 Cook Inlet sedimentary basin;

29 (D) gas produced before 2022 from each lease or property in the
30 Cook Inlet sedimentary basin;

31 (E) gas produced before 2022 from each lease or property in the

1 state outside the Cook Inlet sedimentary basin and used in the state, other than
2 gas subject to AS 43.55.011(p);

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

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

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

10 (A) oil and gas produced during a month from leases or
11 properties in the state that include land north of 68 degrees North latitude is the
12 gross value at the point of production of the oil and gas taxable under
13 AS 43.55.011(e) and produced by the producer from those leases or properties,
14 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
15 calendar year applicable to the oil and gas produced by the producer from
16 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
17 does not apply to gas subject to AS 43.55.011(o);

18 (B) oil and gas produced during a month from leases or
19 properties in the state outside the Cook Inlet sedimentary basin, no part of
20 which is north of 68 degrees North latitude, is the gross value at the point of
21 production of the oil and gas taxable under AS 43.55.011(e) and produced by
22 the producer from those leases or properties, less 1/12 of the producer's lease
23 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
24 gas produced by the producer from those leases or properties, as adjusted under
25 AS 43.55.170; this subparagraph does not apply to gas subject to
26 AS 43.55.011(o);

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

1 producer from that lease or property, as adjusted under AS 43.55.170;

2 (D) gas 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 gas 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 gas produced by the
7 producer from that lease or property, as adjusted under AS 43.55.170;

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

15 * **Sec. 12.** AS 43.55.160(f) is amended to read:

16 (f) On and after January 1, 2014, in the calculation of an annual production tax
17 value of a producer under (a)(1)(A) or (h)(1) of this section, the gross value at the
18 point of production of oil or gas produced from a lease or property north of 68 degrees
19 North latitude [MEETING ONE OR MORE OF THE FOLLOWING CRITERIA] is
20 reduced by 10 [20] percent **for the first portion of a calendar year after the**
21 **commencement of commercial production and the three immediately following**
22 **calendar years, if** [: (1)] the oil or gas is produced from a lease or property that **is not**
23 **located within a unit established under AS 38.05.180(p) for more than 20 years**
24 **before the first commercial production on that lease or property, as that unit**
25 **existed on the effective date of this section, and is** [DOES NOT CONTAIN A
26 LEASE THAT WAS] within a unit **that did not have commercial production**
27 **before January 1, 2014** [ON JANUARY 1, 2003; (2) THE OIL OR GAS IS
28 PRODUCED FROM A PARTICIPATING AREA ESTABLISHED AFTER
29 DECEMBER 31, 2011, THAT IS WITHIN A UNIT FORMED UNDER
30 AS 38.05.180(p) BEFORE JANUARY 1, 2003, IF THE PARTICIPATING AREA
31 DOES NOT CONTAIN A RESERVOIR THAT HAD PREVIOUSLY BEEN IN A

1 PARTICIPATING AREA ESTABLISHED BEFORE DECEMBER 31, 2011; (3)
 2 THE OIL OR GAS IS PRODUCED FROM ACREAGE THAT WAS ADDED TO
 3 AN EXISTING PARTICIPATING AREA BY THE DEPARTMENT OF NATURAL
 4 RESOURCES ON AND AFTER JANUARY 1, 2014, AND THE PRODUCER
 5 DEMONSTRATES TO THE DEPARTMENT THAT THE VOLUME OF OIL OR
 6 GAS PRODUCED IS FROM ACREAGE ADDED TO AN EXISTING
 7 PARTICIPATING AREA]. This subsection does not apply to gas produced before
 8 2022 that is used in the state or to gas produced on and after January 1, 2022. A
 9 reduction under this subsection may not reduce the gross value at the point of
 10 production below zero. [IN THIS SUBSECTION, "PARTICIPATING AREA"
 11 MEANS A RESERVOIR OR PORTION OF A RESERVOIR PRODUCING OR
 12 CONTRIBUTING TO PRODUCTION AS APPROVED BY THE DEPARTMENT
 13 OF NATURAL RESOURCES.]

14 * **Sec. 13.** AS 43.55.160(h) is amended to read:

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

19 (1) from leases or properties in the state that include land north of 68
 20 degrees North latitude is the gross value at the point of production of that oil, less the
 21 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
 22 explore for, develop, or produce oil and gas deposits located in the state north of 68
 23 degrees North latitude or located in leases or properties in the state that include land
 24 north of 68 degrees North latitude, as adjusted under AS 43.55.170;

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

1 Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil
 2 and gas deposits located in a lease or property that includes land north of 68 degrees
 3 North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from
 4 which commercial production has not begun, as adjusted under AS 43.55.170;

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

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

22 * **Sec. 14.** AS 43.98.050 is amended to read:

23 **Sec. 43.98.050. Duties.** The duties of the board include the following:

24 (1) establish and maintain a salient collection of information related to
 25 oil and gas exploration, development, and production in the state and related to tax
 26 structures, rates, and credits in other regions with oil and gas resources;

27 (2) review historical, current, and potential levels of investment in the
 28 state's oil and gas sector;

29 (3) identify factors that affect investment in oil and gas exploration,
 30 development, and production in the state, including tax structure, rates, and credits;
 31 royalty requirements; infrastructure; workforce availability; and regulatory

1 requirements;

2 (4) review the competitive position of the state to attract and maintain
3 investment in the oil and gas sector in the state as compared to the competitive
4 position of other regions with oil and gas resources;

5 (5) in order to facilitate the work of the board, establish procedures to
6 accept and keep confidential information that is beneficial to the work of the board,
7 including the creation of a secure data room and confidentiality agreements to be
8 signed by individuals having access to confidential information;

9 (6) make written findings and recommendations to the Alaska State
10 Legislature before

11 (A) January 31, 2015, or as soon thereafter as practicable,
12 regarding

13 (i) changes to the state's regulatory environment and
14 permitting structure that would be conducive to encouraging increased
15 investment while protecting the interests of the people of the state and
16 the environment;

17 (ii) the status of the oil and gas industry labor pool in the
18 state and the effectiveness of workforce development efforts by the
19 state;

20 (iii) the status of the oil-and-gas-related infrastructure of
21 the state, including a description of infrastructure deficiencies; and

22 (iv) the competitiveness of the state's fiscal oil and gas
23 tax regime when compared to other regions of the world;

24 (B) January 15, 2017, regarding

25 (i) the state's tax structure and rates on oil and gas
26 produced south of 68 degrees North latitude;

27 (ii) a tax structure that takes into account the unique
28 economic circumstances for each oil and gas producing area south of
29 68 degrees North latitude;

30 (iii) a reduction in the gross value at the point of
31 production for oil and gas produced south of 68 degrees North latitude

1 that is similar to the reduction in gross value at the point of production
2 in AS 43.55.160(f) [AND (g)];

3 (iv) other incentives for oil and gas production south of
4 68 degrees North latitude;

5 (C) January 31, 2021, or as soon thereafter as practicable,
6 regarding

7 (i) changes to the state's fiscal regime that would be
8 conducive to increased and ongoing long-term investment in and
9 development of the state's oil and gas resources;

10 (ii) alternative means for increasing the state's ability to
11 attract and maintain investment in and development of the state's oil
12 and gas resources; and

13 (iii) a review of the current effectiveness and future
14 value of any provisions of the state's oil and gas tax laws that are
15 expiring in the next five years.

16 * **Sec. 15.** AS 43.55.160(g) is repealed.

17 * **Sec. 16.** AS 43.55.011(q), 43.55.020(a)(5)(B), and 43.55.024(k) are repealed.

18 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 TRANSITION: PAYMENT OF TAX. A person that was required to make one or
21 more installment payments of estimated tax or other payment of tax under AS 43.55.020(a)
22 during the period after December 31, 2014, and before the effective date of secs. 2, 4 - 6, 8,
23 and 10 - 15 of this Act, but failed to pay the full amount of the installment payments or other
24 payment because of the retroactive application of AS 43.55.011(f), as amended by sec. 2 of
25 this Act, AS 43.55.011(q), added by sec. 4 of this Act, AS 43.55.020(a), as amended by sec. 5
26 of this Act, AS 43.55.024(i), as amended by sec. 6 of this Act, AS 43.55.024(j), as amended
27 by sec. 8 of this Act, AS 43.55.024(k), added by sec. 10 of this Act, AS 43.55.160(a), as
28 amended by sec. 11 of this Act, AS 43.55.160(f), as amended by sec. 12 of this Act, or former
29 AS 43.55.160(g), as repealed by sec. 15 of this Act, which are retroactive to January 1, 2015,
30 under sec. 19 of this Act, shall pay, before September 1, 2015, the balance of any tax due for
31 the period after December 31, 2014, and before the effective date of this section.

1 * **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any
4 contrary provision of AS 44.62.240, if the Department of Revenue expressly designates in the
5 regulation that the regulation applies retroactively to January 1, 2015, a regulation adopted by
6 the Department of Revenue to implement, interpret, make specific, or otherwise carry out
7 secs. 2, 4 - 6, 8, and 10 - 15 of this Act may apply retroactively to January 1, 2015.

8 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. Sections 2, 4 - 6, 8,
11 and 10 - 15 of this Act are retroactive to January 1, 2015.

12 * **Sec. 20.** Sections 3, 7, 9, and 16 of this Act take effect December 31, 2016.

13 * **Sec. 21.** Except as provided in sec. 20 of this Act, this Act takes effect immediately under
14 AS 01.10.070(c).