

**HOUSE BILL NO. 338**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES GARA, Kawasaki, Tarr

Introduced: 2/24/14

Referred: Resources, Labor and Commerce, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the oil and gas production tax; relating to oil and gas production tax  
2 credits; amending the minimum tax on oil and gas production; relating to the  
3 determination of the production tax value of oil and gas; relating to oil and gas leases;  
4 relating to the financing by the Alaska Industrial Development and Export Authority of  
5 oil processing facilities on the North Slope; and providing for an effective date."

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

7 \* **Section 1.** AS 29.60.850(b) is amended to read:

8 (b) Each fiscal year, the legislature may appropriate to the community revenue  
9 sharing fund an amount equal to 20 percent of the money received by the state  
10 during the previous calendar year under AS 43.55.011(g) [AS 43.20.030(c)]. The  
11 amount may not exceed

12 (1) \$60,000,000; or

13 (2) the amount that, when added to the fund balance on June 30 of the

1 previous fiscal year, equals \$180,000,000.

2 \* **Sec. 2.** AS 38.05.180(h) is amended to read:

3 (h) The commissioner **shall** [MAY] include terms in **a** [ANY] lease **that**  
 4 **impose** [IMPOSING] a minimum work commitment on the lessee **to implement the**  
 5 **plan of development submitted by the lessee with a bid for an oil and gas or gas**  
 6 **only lease. The terms of the minimum work commitment must** [. EXCEPT AS  
 7 PROVIDED IN (m) OF THIS SECTION, THESE TERMS MUST BE MADE  
 8 PUBLIC BEFORE THE SALE, AND MAY] include appropriate penalty provisions  
 9 to take effect in the event the lessee does not fulfill the minimum work commitment. If  
 10 it is demonstrated that a lease has been proven unproductive by actions of adjacent  
 11 lease holders, the commissioner may set aside a work commitment. The commissioner  
 12 may waive for a period not to exceed one two-year period any term of a minimum  
 13 work commitment if the commissioner makes a written finding either that conditions  
 14 preventing drilling or exploration were beyond the lessee's reasonable ability to  
 15 foresee or control or that the lessee has demonstrated through good faith efforts an  
 16 intent and ability to drill or develop the lease during the term of the waiver.

17 \* **Sec. 3.** AS 38.05.180(x) is amended to read:

18 (x) A lessee conducting or permitting any exploration for, or development or  
 19 production of, oil or gas on state land shall provide the commissioner access to all  
 20 noninterpretive data obtained from that lease; **shall provide the commissioner access**  
 21 **to all information necessary to perform an economic analysis under (ii)(2) of this**  
 22 **section, including the capital, operating, production, and development costs and**  
 23 **an estimate of total reserves;** and shall provide copies of that data **and information,**  
 24 as the commissioner may request. The confidentiality provisions of AS 38.05.035  
 25 apply to the information obtained under this subsection.

26 \* **Sec. 4.** AS 38.05.180 is amended by adding new subsections to read:

27 (hh) The commissioner shall require each bidder for an oil and gas lease or gas  
 28 only lease and each lessee applying for an extension or renewal of an oil and gas lease  
 29 or gas only lease to submit a plan of development for exploring, developing, and  
 30 producing from the lease within the period of the lease or the extension or renewal of  
 31 the lease. The commissioner shall review each plan of development and determine

1 whether the proposed plan of development is reasonably expected to develop the lease  
2 in the best interest of the state. The plan of development shall be included in a lease  
3 along with penalties for failing to comply with the plan of development and other  
4 terms of the lease. A bidder may not be a qualified bidder for the purposes of (f)(1) of  
5 this section if the commissioner finds that the bidder has not submitted a proposed  
6 plan of development that is in the best interest of the state or that the person that  
7 submitted the plan of development is not reasonably capable of implementing the plan.

8 (ii) The commissioner shall

9 (1) review each oil and gas lease or gas only lease each year for the  
10 purpose of determining whether a lease is being developed in the best interest of the  
11 state, whether the lessee is complying with the plan of development applicable to the  
12 lease, and whether revision of a plan of development, including the planned rate of  
13 development, would provide the maximum benefit to the people of the state;

14 (2) every five years, perform an economic analysis on each  
15 participating area and determine whether the participating area is capable of increased  
16 production in paying quantities over the current rate of production or plan of  
17 development;

18 (3) enforce the terms of each oil and gas lease or gas only lease,  
19 including imposing any applicable penalty or other remedy for noncompliance, within  
20 a reasonable time after finding that a lessee is out of compliance with the terms of the  
21 lease;

22 (4) submit a report to the legislature before the first day of each regular  
23 session that lists each oil and gas or gas only lessee that is found to be out of  
24 compliance and the action by the commissioner to bring the lessee back into  
25 compliance or to terminate the lease.

26 (jj) For the purposes of (hh) and (ii) of this section, a plan of development for  
27 a cooperative or unit under (p) of this section is the plan of development for a lease  
28 within the cooperative or unit, except where a different plan of development is  
29 established for a lease within the cooperative or unit.

30 (kk) For purposes of (ii) of this section,

31 (1) "participating area" means that part of an oil and gas lease unit area

1 to which production is allocated in the manner described in a unit agreement;

2 (2) "production in paying quantities" means production in quantities  
3 sufficient to yield a return in excess of drilling, development, and operating costs.

4 \* **Sec. 5.** AS 43.05.225 is amended to read:

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

6 (1) **when a tax levied in this title becomes delinquent, it** [A  
7 DELINQUENT TAX UNDER THIS TITLE,

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

14 (B) ON AND AFTER JANUARY 1, 2014, BEARS  
15 INTEREST IN EACH CALENDAR QUARTER AT THE RATE OF THREE  
16 PERCENTAGE POINTS ABOVE THE ANNUAL RATE CHARGED  
17 MEMBER BANKS FOR ADVANCES BY THE 12TH FEDERAL RESERVE  
18 DISTRICT AS OF THE FIRST DAY OF THAT CALENDAR QUARTER;]

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

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

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

23 \* **Sec. 6.** AS 43.55.011(e) is amended to read:

24 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
25 produced each calendar year from each lease or property in the state, less any oil and  
26 gas the ownership or right to which is exempt from taxation or constitutes a  
27 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
28 (p) of this section, **the tax is equal to**

29 (1) [BEFORE JANUARY 1, 2014, THE TAX IS EQUAL TO] the  
30 sum of

31 [(A)] the annual production tax value of the taxable oil and gas

1 as calculated under AS 43.55.160(a)(1), as adjusted by AS 43.55.162,  
 2 multiplied by 25 percent; and

3 (2) [(B)] the sum, over all months of the calendar year, of the tax  
 4 amounts determined under (g) of this section [;

5 (2) ON AND AFTER JANUARY 1, 2014, THE TAX IS EQUAL TO  
 6 THE ANNUAL PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS  
 7 AS CALCULATED UNDER AS 43.55.160(a)(1) MULTIPLIED BY 35 PERCENT].

8 \* **Sec. 7.** AS 43.55.011(f) is repealed and reenacted to read:

9 (f) Except for oil and gas subject to (i) of this section and gas subject to (o) of  
 10 this section, the provisions of this subsection apply to oil and gas produced from each  
 11 lease or property within a unit or nonunitized reservoir that has cumulatively produced  
 12 400,000,000 BTU equivalent barrels of oil or gas by the close of the most recent  
 13 calendar year and from which the average daily oil and gas production from the unit or  
 14 nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU  
 15 equivalent barrels. Notwithstanding any contrary provision of law, a producer may not  
 16 apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil  
 17 and gas produced from all leases or properties within the unit or nonunitized reservoir  
 18 below 10 percent of the total gross value at the point of production of that oil and gas.  
 19 If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this  
 20 section by the total production tax value of the oil and gas taxable under (e) and (g) of  
 21 this section produced from all of the producer's leases or properties within the unit or  
 22 nonunitized reservoir is less than 10 percent of the total gross value at the point of  
 23 production of that oil and gas, the tax levied by (e) and (g) of this section for that oil  
 24 and gas is equal to 10 percent of the total gross value at the point of production of that  
 25 oil and gas.

26 \* **Sec. 8.** AS 43.55.011(g) is amended to read:

27 (g) For each month of a calendar year [BEFORE 2014] for which the  
 28 producer's average monthly production tax value under AS 43.55.160(a)(2) of a BTU  
 29 equivalent barrel of the taxable oil and gas is more than \$30, the amount of tax for  
 30 purposes of (e)(2) [(e)(1)(B)] of this section is determined by multiplying the monthly  
 31 production tax value of the taxable oil and gas produced during the month, as

1 **adjusted by AS 43.55.162**, by the tax rate calculated as follows:

2 (1) if the producer's average monthly production tax value of a BTU  
3 equivalent barrel of the taxable oil and gas for the month is not more than **\$67.50**  
4 [\$92.50], the tax rate is 0.4 percent multiplied by the number that represents the  
5 difference between that average monthly production tax value of a BTU equivalent  
6 barrel and \$30; [OR]

7 (2) **if the producer's average monthly production tax value of a**  
8 **BTU equivalent barrel of the taxable oil and gas for the month is more than**  
9 **\$67.50 and not more than \$87.50, the tax rate is the sum of 15 percent and the**  
10 **product of 0.25 percent multiplied by the number that represents the difference**  
11 **between the average monthly production tax value of a BTU equivalent barrel**  
12 **and \$67.50; or**

13 (3) if the producer's average monthly production tax value of a BTU  
14 equivalent barrel of the taxable oil and gas for the month is more than **\$87.50**  
15 [\$92.50], the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied  
16 by the number that represents the difference between the average monthly production  
17 tax value of a BTU equivalent barrel and **\$87.50** [\$92.50], except that the sum  
18 determined under this paragraph may not exceed **25** [50] percent.

19 \* **Sec. 9.** AS 43.55.011(i) is amended to read:

20 (i) There is levied on the producer of oil or gas a tax for all oil and gas  
21 produced each calendar year from each lease or property in the state the ownership or  
22 right to which constitutes a landowner's royalty interest, except for oil and gas the  
23 ownership or right to which is exempt from taxation. The provisions of this subsection  
24 apply to a landowner's royalty interest as follows:

25 (1) the tax levied for oil is equal to five percent of the gross value at  
26 the point of production of the oil;

27 (2) the tax levied for gas is equal to 1.667 percent of the gross value at  
28 the point of production of the gas;

29 (3) if the department determines that, for purposes of reducing the  
30 producer's tax liability under (1) or (2) of this subsection, the producer has received or  
31 will receive consideration from the royalty owner offsetting all or a part of the

1 producer's royalty obligation, other than a deduction under **AS 43.55.020(m)**  
 2 [AS 43.55.020 RELATED TO A SETTLEMENT WITH A ROYALTY OWNER] of  
 3 the amount of a tax paid, then, notwithstanding (1) and (2) of this subsection, the tax is  
 4 equal to 25 percent of the gross value at the point of production of the oil and gas.

5 \* **Sec. 10.** AS 43.55.011(o) is amended to read:

6 (o) Notwithstanding other provisions of this section, for a calendar year before  
 7 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
 8 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
 9 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not  
 10 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under  
 11 (j)(2) of this section.

12 \* **Sec. 11.** AS 43.55.011(p) is amended to read:

13 (p) For the seven years immediately following the commencement of  
 14 commercial production of oil or gas produced from leases or properties in the state  
 15 that are outside the Cook Inlet sedimentary basin and that do not include land located  
 16 north of 68 degrees North latitude, where that commercial production began after  
 17 December 31, 2012, and before January 1, **2022** [2027], the levy of tax under (e) of  
 18 this section for oil and gas may not exceed four percent of the gross value at the point  
 19 of production.

20 \* **Sec. 12.** AS 43.55.020(a) is amended to read:

21 (a) For a calendar year, a producer subject to tax under **AS 43.55.011(e) - (i)**  
 22 **or (p)** [AS 43.55.011] shall pay the tax as follows:

23 (1) [BEFORE JANUARY 1, 2014,] an installment payment of the  
 24 estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by  
 25 law, is due for each month of the calendar year on the last day of the following month;  
 26 except as otherwise provided under (2) of this subsection, the amount of the  
 27 installment payment is the sum of the following amounts, less 1/12 of the tax credits  
 28 that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the  
 29 calendar year, but the amount of the installment payment may not be less than zero:

30 (A) for oil and gas not subject to AS 43.55.011(o) or (p)  
 31 produced from leases or properties in the state outside the Cook Inlet

1 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),  
2 the greater of

3 (i) zero; or

4 (ii) the sum of 25 percent and the tax rate calculated for  
5 the month under AS 43.55.011(g) multiplied by the remainder obtained  
6 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
7 calendar year of production under AS 43.55.165 and 43.55.170 that are  
8 deductible for the leases or properties [OIL AND GAS] under  
9 AS 43.55.160 and 1/12 of the adjustment to the production tax  
10 value for the calendar year under AS 43.55.162 from the gross value  
11 at the point of production of the oil and gas produced from the leases or  
12 properties during the month for which the installment payment is  
13 calculated;

14 (B) for oil and gas produced from leases or properties subject  
15 to AS 43.55.011(f), 10 percent of the gross value at the point of production  
16 of that oil and gas [THE GREATEST OF

17 (i) ZERO;

18 (ii) ZERO PERCENT, ONE PERCENT, TWO  
19 PERCENT, THREE PERCENT, OR FOUR PERCENT, AS  
20 APPLICABLE, OF THE GROSS VALUE AT THE POINT OF  
21 PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE  
22 LEASES OR PROPERTIES DURING THE MONTH FOR WHICH  
23 THE INSTALLMENT PAYMENT IS CALCULATED; OR

24 (iii) THE SUM OF 25 PERCENT AND THE TAX  
25 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)  
26 MULTIPLIED BY THE REMAINDER OBTAINED BY  
27 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE  
28 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION  
29 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE  
30 FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE  
31 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL



1 AND GAS PRODUCED FROM THOSE LEASES OR PROPERTIES  
 2 DURING THE MONTH FOR WHICH THE INSTALLMENT  
 3 PAYMENT IS CALCULATED];

4 (C) for oil or gas subject to AS 43.55.011(j), (k), [OR] (o), or  
 5 (p), for each lease or property, the greater of

6 (i) zero; or

7 (ii) the sum of 25 percent and the tax rate calculated for  
 8 the month under AS 43.55.011(g) multiplied by the remainder obtained  
 9 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
 10 calendar year of production under AS 43.55.165 and 43.55.170 that are  
 11 deductible under AS 43.55.160 and 1/12 of the adjustment to the  
 12 production tax value for the calendar year under AS 43.55.162 for  
 13 the oil or gas, as applicable [RESPECTIVELY], produced from the  
 14 lease or property from the gross value at the point of production of the  
 15 oil or gas, respectively, produced from the lease or property during the  
 16 month for which the installment payment is calculated;

17 [(D) FOR OIL AND GAS SUBJECT TO AS 43.55.011(p),  
 18 THE LESSER OF

19 (i) THE SUM OF 25 PERCENT AND THE TAX  
 20 RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)  
 21 MULTIPLIED BY THE REMAINDER OBTAINED BY  
 22 SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE  
 23 EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION  
 24 UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE  
 25 FOR THE OIL AND GAS UNDER AS 43.55.160 FROM THE  
 26 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL  
 27 AND GAS PRODUCED FROM THE LEASES OR PROPERTIES  
 28 DURING THE MONTH FOR WHICH THE INSTALLMENT  
 29 PAYMENT IS CALCULATED, BUT NOT LESS THAN ZERO; OR

30 (ii) FOUR PERCENT OF THE GROSS VALUE AT  
 31 THE POINT OF PRODUCTION OF THE OIL AND GAS

1 PRODUCED FROM THE LEASES OR PROPERTIES DURING THE  
2 MONTH, BUT NOT LESS THAN ZERO;]

3 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
4 **produced from a lease or property**

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

14 (B) **subject to AS 43.55.011(p) may not exceed four percent**  
15 **of the gross value at the point of production of the oil or gas;**

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

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

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

28 (4) any amount of tax levied by **AS 43.55.011(e) or (i)**  
29 [AS 43.55.011], net of any credits applied as allowed by law, that exceeds the total of  
30 the amounts due as installment payments of estimated tax is due on March 31 of the  
31 year following the calendar year of production [;

1 (5) ON AND AFTER JANUARY 1, 2014, AN INSTALLMENT  
2 PAYMENT OF THE ESTIMATED TAX LEVIED BY AS 43.55.011(e), NET OF  
3 ANY TAX CREDITS APPLIED AS ALLOWED BY LAW, IS DUE FOR EACH  
4 MONTH OF THE CALENDAR YEAR ON THE LAST DAY OF THE  
5 FOLLOWING MONTH; EXCEPT AS OTHERWISE PROVIDED UNDER (6) OF  
6 THIS SUBSECTION, THE AMOUNT OF THE INSTALLMENT PAYMENT IS  
7 THE SUM OF THE FOLLOWING AMOUNTS, LESS 1/12 OF THE TAX CREDITS  
8 THAT ARE ALLOWED BY LAW TO BE APPLIED AGAINST THE TAX LEVIED  
9 BY AS 43.55.011(e) FOR THE CALENDAR YEAR, BUT THE AMOUNT OF THE  
10 INSTALLMENT PAYMENT MAY NOT BE LESS THAN ZERO:

11 (A) FOR OIL AND GAS NOT SUBJECT TO AS 43.55.011(o)  
12 OR (p) PRODUCED FROM LEASES OR PROPERTIES IN THE STATE  
13 OUTSIDE THE COOK INLET SEDIMENTARY BASIN, OTHER THAN  
14 LEASES OR PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATER  
15 OF

16 (i) ZERO; OR

17 (ii) 35 PERCENT MULTIPLIED BY THE  
18 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE  
19 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE  
20 CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND  
21 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS  
22 UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT  
23 OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM  
24 THE LEASES OR PROPERTIES DURING THE MONTH FOR  
25 WHICH THE INSTALLMENT PAYMENT IS CALCULATED;

26 (B) FOR OIL AND GAS PRODUCED FROM LEASES OR  
27 PROPERTIES SUBJECT TO AS 43.55.011(f), THE GREATEST OF

28 (i) ZERO;

29 (ii) ZERO PERCENT, ONE PERCENT, TWO  
30 PERCENT, THREE PERCENT, OR FOUR PERCENT, AS  
31 APPLICABLE, OF THE GROSS VALUE AT THE POINT OF

1 PRODUCTION OF THE OIL AND GAS PRODUCED FROM THE  
2 LEASES OR PROPERTIES DURING THE MONTH FOR WHICH  
3 THE INSTALLMENT PAYMENT IS CALCULATED; OR

4 (iii) 35 PERCENT MULTIPLIED BY THE  
5 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE  
6 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE  
7 CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND  
8 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS  
9 UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT  
10 OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM  
11 THOSE LEASES OR PROPERTIES DURING THE MONTH FOR  
12 WHICH THE INSTALLMENT PAYMENT IS CALCULATED,  
13 EXCEPT THAT, FOR THE PURPOSES OF THIS CALCULATION,  
14 A REDUCTION FROM THE GROSS VALUE AT THE POINT OF  
15 PRODUCTION MAY APPLY FOR OIL AND GAS SUBJECT TO  
16 AS 43.55.160(f) OR (g);

17 (C) FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k),  
18 OR (o), FOR EACH LEASE OR PROPERTY, THE GREATER OF

19 (i) ZERO; OR

20 (ii) 35 PERCENT MULTIPLIED BY THE  
21 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE  
22 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE  
23 CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND  
24 43.55.170 THAT ARE DEDUCTIBLE UNDER AS 43.55.160 FOR  
25 THE OIL OR GAS, RESPECTIVELY, PRODUCED FROM THE  
26 LEASE OR PROPERTY FROM THE GROSS VALUE AT THE  
27 POINT OF PRODUCTION OF THE OIL OR GAS, RESPECTIVELY,  
28 PRODUCED FROM THE LEASE OR PROPERTY DURING THE  
29 MONTH FOR WHICH THE INSTALLMENT PAYMENT IS  
30 CALCULATED;

31 (D) FOR OIL AND GAS SUBJECT TO AS 43.55.011(p),

1 THE LESSER OF

2 (i) 35 PERCENT MULTIPLIED BY THE  
 3 REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE  
 4 PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE  
 5 CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND  
 6 43.55.170 THAT ARE DEDUCTIBLE FOR THE OIL AND GAS  
 7 UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT  
 8 OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM  
 9 THE LEASES OR PROPERTIES DURING THE MONTH FOR  
 10 WHICH THE INSTALLMENT PAYMENT IS CALCULATED, BUT  
 11 NOT LESS THAN ZERO; OR

12 (ii) FOUR PERCENT OF THE GROSS VALUE AT  
 13 THE POINT OF PRODUCTION OF THE OIL AND GAS  
 14 PRODUCED FROM THE LEASES OR PROPERTIES DURING THE  
 15 MONTH, BUT NOT LESS THAN ZERO;

16 (6) AN AMOUNT CALCULATED UNDER (5)(C) OF THIS  
 17 SUBSECTION FOR OIL OR GAS SUBJECT TO AS 43.55.011(j), (k), OR (o) MAY  
 18 NOT EXCEED THE PRODUCT OBTAINED BY CARRYING OUT THE  
 19 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  
 21 APPLICABLE, FOR OIL, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) OR  
 22 (2)(A) OR 43.55.011(o), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS  
 23 PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS  
 24 PRODUCED DURING THE CALENDAR YEAR AND SUBSTITUTING IN  
 25 AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF  
 26 TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF  
 27 TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR].

28 \* **Sec. 13.** AS 43.55.020(g) is amended to read:

29 (g) Notwithstanding any contrary provision of AS 43.05.225,

30 [(1) BEFORE JANUARY 1, 2014,] an unpaid amount of an  
 31 installment payment required under (a)(1) - (3) of this section that is not paid when

1 due bears interest (1) [(A)] at the rate provided for an underpayment under 26 U.S.C.  
 2 6621 (Internal Revenue Code), as amended, compounded daily, from the date the  
 3 installment payment is due until March 31 following the calendar year of production,  
 4 and (2) [(B)] as provided for a delinquent tax under AS 43.05.225 after that March 31.  
 5 **Interest** [; INTEREST] accrued under (1) [(A)] of this **subsection** [PARAGRAPH]  
 6 that remains unpaid after that March 31 is treated as an addition to tax that bears  
 7 interest under (2) [(B)] of this **subsection. An** [PARAGRAPH; AN] unpaid amount of  
 8 tax due under (a)(4) of this section that is not paid when due bears interest as provided  
 9 for a delinquent tax under AS 43.05.225 [;

10 (2) ON AND AFTER JANUARY 1, 2014, AN UNPAID AMOUNT  
 11 OF AN INSTALLMENT PAYMENT REQUIRED UNDER (a)(3), (5), OR (6) OF  
 12 THIS SECTION THAT IS NOT PAID WHEN DUE BEARS INTEREST (A) AT  
 13 THE RATE PROVIDED FOR AN UNDERPAYMENT UNDER 26 U.S.C. 6621  
 14 (INTERNAL REVENUE CODE), AS AMENDED, COMPOUNDED DAILY,  
 15 FROM THE DATE THE INSTALLMENT PAYMENT IS DUE UNTIL MARCH 31  
 16 FOLLOWING THE CALENDAR YEAR OF PRODUCTION, AND (B) AS  
 17 PROVIDED FOR A DELINQUENT TAX UNDER AS 43.05.225 AFTER THAT  
 18 MARCH 31; INTEREST ACCRUED UNDER (A) OF THIS PARAGRAPH THAT  
 19 REMAINS UNPAID AFTER THAT MARCH 31 IS TREATED AS AN ADDITION  
 20 TO TAX THAT BEARS INTEREST UNDER (B) OF THIS PARAGRAPH; AN  
 21 UNPAID AMOUNT OF TAX DUE UNDER (a)(4) OF THIS SECTION THAT IS  
 22 NOT PAID WHEN DUE BEARS INTEREST AS PROVIDED FOR A  
 23 DELINQUENT TAX UNDER AS 43.05.225].

24 \* **Sec. 14.** AS 43.55.020(h) is amended to read:

25 (h) Notwithstanding any contrary provision of AS 43.05.280,

26 (1) an overpayment of an installment payment required under (a)(1) -  
 27 (3) [, (5) OR (6)] of this section bears interest at the rate provided for an overpayment  
 28 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from  
 29 the later of the date the installment payment is due or the date the overpayment is  
 30 made, until the earlier of

31 (A) the date it is refunded or is applied to an underpayment; or

1 (B) March 31 following the calendar year of production;

2 (2) except as provided under (1) of this subsection, interest with  
3 respect to an overpayment is allowed only on any net overpayment of the payments  
4 required under (a) of this section that remains after the later of March 31 following the  
5 calendar year of production or the date that the statement required under  
6 AS 43.55.030(a) is filed;

7 (3) interest is allowed under (2) of this subsection only from a date that  
8 is 90 days after the later of March 31 following the calendar year of production or the  
9 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed  
10 if the overpayment was refunded within the 90-day period;

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

13 \* **Sec. 15.** AS 43.55.020 is amended by adding a new subsection to read:

14 (m) In making settlement with the royalty owner for oil and gas that is taxable  
15 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable  
16 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the  
17 time the tax becomes due to the amount of the tax paid. If the total deductions of  
18 installment payments of estimated tax for a calendar year exceed the actual tax for that  
19 calendar year, the producer shall, before April 1 of the following year, refund the  
20 excess to the royalty owner. Unless otherwise agreed between the producer and the  
21 royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) on taxable  
22 royalty oil and gas for a calendar year, other than oil and gas the ownership or right to  
23 which constitutes a landowner's royalty interest, is considered to be the gross value at  
24 the point of production of the taxable royalty oil and gas produced during the calendar  
25 year multiplied by a figure that is a quotient, in which

26 (1) the numerator is the producer's total tax liability under  
27 AS 43.55.011(e) - (g) for the calendar year of production; and

28 (2) the denominator is the total gross value at the point of production  
29 of the oil and gas taxable under AS 43.55.011(e) - (g) produced by the producer from  
30 all leases and properties in the state during the calendar year.

31 \* **Sec. 16.** AS 43.55.023(a) is amended to read:

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

3 (1) notwithstanding that a qualified capital expenditure may be a  
4 deductible lease expenditure for purposes of calculating the production tax value of oil  
5 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
6 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
7 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
8 against a tax levied by AS 43.55.011(e) in the amount of 10 [20] percent of that  
9 expenditure; **however, not more than half of the tax credit may be applied for a**  
10 **single calendar year;**

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

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

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

18 (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE  
19 INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
20 DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE  
21 TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,  
22 2014].

23 \* **Sec. 17.** AS 43.55.023(b) is amended to read:

24 (b) A [BEFORE JANUARY 1, 2014, A] producer or explorer may elect to  
25 take a tax credit in the amount of 25 percent of a carried-forward annual loss. [FOR  
26 LEASE EXPENDITURES INCURRED ON AND AFTER JANUARY 1, 2014, AND  
27 BEFORE JANUARY 1, 2016, TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL  
28 OR GAS DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE,  
29 A PRODUCER OR EXPLORER MAY ELECT TO TAKE A TAX CREDIT IN THE  
30 AMOUNT OF 45 PERCENT OF A CARRIED-FORWARD ANNUAL LOSS. FOR  
31 LEASE EXPENDITURES INCURRED ON AND AFTER JANUARY 1, 2016, TO



1 EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED  
 2 NORTH OF 68 DEGREES NORTH LATITUDE, A PRODUCER OR EXPLORER  
 3 MAY ELECT TO TAKE A TAX CREDIT IN THE AMOUNT OF 35 PERCENT OF  
 4 A CARRIED-FORWARD ANNUAL LOSS. FOR LEASE EXPENDITURES  
 5 INCURRED ON OR AFTER JANUARY 1, 2014, TO EXPLORE FOR, DEVELOP,  
 6 OR PRODUCE OIL OR GAS DEPOSITS LOCATED SOUTH OF 68 DEGREES  
 7 NORTH LATITUDE, A PRODUCER OR EXPLORER MAY ELECT TO TAKE A  
 8 TAX CREDIT IN THE AMOUNT OF 25 PERCENT OF A CARRIED-FORWARD  
 9 ANNUAL LOSS.] A credit under this subsection may be applied against a tax levied  
 10 by AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is  
 11 the amount of a producer's or explorer's adjusted lease expenditures under  
 12 AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in  
 13 calculating production tax values for that calendar year under AS 43.55.160.

14 \* **Sec. 18.** AS 43.55.023(d) is amended to read:

15 (d) A person that is entitled to take a tax credit under this section that wishes  
 16 to transfer the unused credit to another person or obtain a cash payment under  
 17 AS 43.55.028 may apply to the department for [A] transferable tax credit **certificates**  
 18 [CERTIFICATE]. An application under this subsection must be in a form prescribed  
 19 by the department and must include supporting information and documentation that  
 20 the department reasonably requires. The department shall grant or deny an application,  
 21 or grant an application as to a lesser amount than that claimed and deny it as to the  
 22 excess, not later than 120 days after the latest of (1) March 31 of the year following  
 23 the calendar year in which the qualified capital expenditure or carried-forward annual  
 24 loss for which the credit is claimed was incurred; (2) the date the statement required  
 25 under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified  
 26 capital expenditure or carried-forward annual loss for which the credit is claimed was  
 27 incurred; or (3) the date the application was received by the department. If, based on  
 28 the information then available to it, the department is reasonably satisfied that the  
 29 applicant is entitled to a credit, the department shall issue the applicant **two** [A]  
 30 transferable tax credit **certificates, each for half of** [CERTIFICATE FOR] the  
 31 amount of the credit. **The credit shown on one of the two certificates is available**

1 **for immediate use. The credit shown on the second of the two certificates may not**  
 2 **be applied against a tax for a calendar year earlier than the calendar year**  
 3 **following the calendar year in which the certificate is issued, and the certificate**  
 4 **must contain a conspicuous statement to that effect.** A certificate issued under this  
 5 subsection does not expire.

6 \* **Sec. 19.** AS 43.55.023(g) is amended to read:

7 (g) The issuance of a transferable tax credit certificate under (d) [OF THIS  
 8 SECTION] or **(q)** [FORMER (m)] of this section or the purchase of a certificate under  
 9 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
 10 which the certificate relates or to adjust the claim if the department determines, as a  
 11 result of the audit, that the applicant was not entitled to the amount of the credit for  
 12 which the certificate was issued. The tax liability of the applicant under  
 13 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
 14 that exceeds that to which the applicant was entitled, or the applicant's available valid  
 15 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
 16 by that amount. If the applicant's tax liability is increased under this subsection, the  
 17 increase bears interest under AS 43.05.225 from the date the transferable tax credit  
 18 certificate was issued. For purposes of this subsection, an applicant that is an explorer  
 19 is considered a producer subject to the tax levied by AS 43.55.011(e).

20 \* **Sec. 20.** AS 43.55.023(n) is amended to read:

21 (n) For the purposes of (l) **and (q)** of this section, a well lease expenditure  
 22 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

23 (1) directly related to an exploration well, a stratigraphic test well, a  
 24 producing well, or an injection well other than a disposal well, located in the state  
 25 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure  
 26 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal  
 27 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made  
 28 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well  
 29 includes an expenditure for well sidetracking, well deepening, well completion or  
 30 recompletion, or well workover, regardless of whether the well is or has been a  
 31 producing well; or

1 (2) an expense for seismic work conducted within the boundaries of a  
2 production or exploration unit.

3 \* **Sec. 21.** AS 43.55.023(o) is amended to read:

4 (o) In this section, "qualified capital expenditure"

5 (1) means, except as otherwise provided in (2) of this subsection, an  
6 expenditure that is a lease expenditure under AS 43.55.165 **that is directly**  
7 **attributable to a well, well pad, processing facility, pump station, or other capital**  
8 **construction project directly attributable to oil production;** and is

9 (A) incurred for geological or geophysical exploration; or

10 (B) treated as a capitalized expenditure under 26 U.S.C.  
11 (Internal Revenue Code), as amended, regardless of elections made under 26  
12 U.S.C. 263(c) (Internal Revenue Code), as amended, and is

13 (i) treated as a capitalized expenditure for federal  
14 income tax reporting purposes by the person incurring the expenditure;  
15 or

16 (ii) eligible to be deducted as an expense under 26  
17 U.S.C. 263(c) (Internal Revenue Code), as amended;

18 (2) does not include an expenditure incurred to acquire an asset (A) the  
19 cost of previously acquiring which was a lease expenditure under AS 43.55.165 or  
20 would have been a lease expenditure under AS 43.55.165 if it had been incurred after  
21 March 31, 2006; for purposes of this subparagraph, "asset" includes geological,  
22 geophysical, and well data and interpretations; [OR] (B) that has previously been  
23 placed in service in the state; **or (C) an expenditure that is not directly attributable**  
24 **to oil production, such as an expenditure for the construction or maintenance of a**  
25 **road, airstrip, or employee housing;** an expenditure to acquire an asset is not  
26 excluded under this paragraph if not more than an immaterial portion of the asset  
27 meets a description under this paragraph.

28 \* **Sec. 22.** AS 43.55.023 is amended by adding a new subsection to read:

29 (q) For a lease expenditure incurred in the state south of 68 degrees North  
30 latitude after June 30, 2010, that qualifies for tax credits under (a) and (b) of this  
31 section, and for a well lease expenditure incurred in the state south of 68 degrees

1 North latitude that qualifies for a tax credit under (l) of this section, the department  
2 shall issue a transferable tax credit certificate to the person entitled to the credit for the  
3 full amount of the credit. The transferable tax credit certificate does not expire.

4 \* **Sec. 23.** AS 43.55.024(d) is amended to read:

5 (d) A producer may not take a tax credit under (c) of this section for any  
6 calendar year after the later of

7 (1) 2022 [2016]; or

8 (2) if the producer did not have commercial oil or gas production from  
9 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
10 calendar year during which the producer first has commercial oil or gas production  
11 before May 1, 2022 [2016], from at least one lease or property in the state.

12 \* **Sec. 24.** AS 43.55.024(e) is amended to read:

13 (e) On written application by a producer that includes any information the  
14 department may require, the department shall determine whether the producer  
15 qualifies for a calendar year under [(a) AND (c) OF] this section. To qualify under [(a)  
16 AND (c) OF] this section, a producer must demonstrate that its operation in the state  
17 or its ownership of an interest in a lease or property in the state as a distinct producer  
18 would not result in the division among multiple producer entities of any production tax  
19 liability under AS 43.55.011(e) that reasonably would be expected to be attributed to a  
20 single producer if the tax credit provisions of (a) or (c) of this section did not exist.

21 \* **Sec. 25.** AS 43.55.025(a) is amended to read:

22 (a) Subject to the terms and conditions of this section, a credit against the  
23 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that  
24 qualify under (b) of this section in an amount equal to one of the following:

25 (1) 30 percent of the total exploration expenditures that qualify only  
26 under (b) and (c) of this section;

27 (2) 30 percent of the total exploration expenditures that qualify only  
28 under (b) and (d) of this section;

29 (3) 40 percent of the total exploration expenditures that qualify under  
30 (b), (c), and (d) of this section;

31 (4) 40 percent of the total exploration expenditures that qualify only

1 under (b) and (e) of this section;

2 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this  
3 section, of the total exploration expenditures described in (b)(1) and (2) of this section  
4 and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this  
5 section;

6 (6) the lesser of \$25,000,000 or 80 percent of the total exploration  
7 drilling expenditures described in (m) of this section and that qualify under (b) and (c)  
8 [(c)(1), (c)(2)(A), AND (c)(2)(C)] of this section; or

9 (7) the lesser of \$7,500,000 or 75 percent of the total seismic  
10 exploration expenditures described in (n) of this section and that qualify under (b) of  
11 this section.

12 \* **Sec. 26.** AS 43.55.025(b) is amended to read:

13 (b) To qualify for the production tax credit under (a) of this section, an  
14 exploration expenditure must be incurred for work performed after June 30, 2008, and  
15 before July 1, 2022 [2016], [EXCEPT THAT TO QUALIFY FOR THE  
16 PRODUCTION TAX CREDIT UNDER (a)(1), (2), (3), OR (4) OF THIS SECTION  
17 FOR EXPLORATION CONDUCTED OUTSIDE OF THE COOK INLET  
18 SEDIMENTARY BASIN AND SOUTH OF 68 DEGREES NORTH LATITUDE, AN  
19 EXPLORATION EXPENDITURE MUST BE INCURRED FOR WORK  
20 PERFORMED AFTER JUNE 30, 2008, AND BEFORE JANUARY 1, 2022,] and

21 (1) may be for seismic or other geophysical exploration costs not  
22 connected with a specific well;

23 (2) if for an exploration well,

24 (A) must be incurred by an explorer that holds an interest in the  
25 exploration well for which the production tax credit is claimed;

26 (B) may be for either a well that encounters an oil or gas  
27 deposit or a dry hole;

28 (C) must be for a well that has been completed, suspended, or  
29 abandoned at the time the explorer claims the tax credit under (f) of this  
30 section; and

31 (D) must be for goods, services, or rentals of personal property

1 reasonably required for the surface preparation, drilling, casing, cementing,  
2 and logging of an exploration well, and, in the case of a dry hole, for the  
3 expenses required for abandonment if the well is abandoned within 18 months  
4 after the date the well was spudded;

5 (3) may not be for administration, supervision, engineering, or lease  
6 operating costs; geological or management costs; community relations or  
7 environmental costs; bonuses, taxes, or other payments to governments related to the  
8 well; costs, including repairs and replacements, arising from or associated with fraud,  
9 wilful misconduct, gross negligence, criminal negligence, or violation of law,  
10 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or  
11 other costs that are generally recognized as indirect costs or financing costs; and

12 (4) may not be incurred for an exploration well or seismic exploration  
13 that is included in a plan of exploration or a plan of development for any unit before  
14 May 14, 2003.

15 \* **Sec. 27.** AS 43.55.025(m) is amended to read:

16 (m) The persons that drill the first four exploration wells in the state and  
17 within the areas described in (o) of this section on state lands, private lands, or federal  
18 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a  
19 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)  
20 of this section. A credit under this subsection may not be taken for more than two  
21 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration  
22 expenditures eligible for the credit in this subsection must be incurred for work  
23 performed after June 1, 2012, and before July 1, 2016. A person planning to drill an  
24 exploration well on private land and to apply for a credit under this subsection shall  
25 obtain written consent from the owner of the oil and gas interest for the full public  
26 release of all well data after the expiration of the confidentiality period applicable to  
27 information collected under (f) of this section. The written consent of the owner of the  
28 oil and gas interest must be submitted to the commissioner of natural resources before  
29 approval of the proposed exploration well. In addition to the requirements in (c)  
30 [(c)(1), (c)(2)(A), AND (c)(2)(C)] of this section and submission of the written  
31 consent of the owner of the oil and gas interest, a person planning to drill an

1 exploration well shall obtain approval from the commissioner of natural resources  
 2 before the well is spudded. The commissioner of natural resources shall make a  
 3 written determination approving or rejecting an exploration well within 60 days after  
 4 receiving the request for approval or as soon as is practicable thereafter. Before  
 5 approving the exploration well, the commissioner of natural resources shall consider  
 6 the following: the location of the well; the proximity to a community in need of a local  
 7 energy source; the proximity of existing infrastructure; the experience and safety  
 8 record of the explorer in conducting operations in remote or roadless areas; the  
 9 projected cost schedule; whether seismic mapping and seismic data sufficiently  
 10 identify a particular trap for exploration; whether the targeted and planned depth and  
 11 range are designed to penetrate and fully evaluate the hydrocarbon potential of the  
 12 proposed prospect and reach the level below which economic hydrocarbon reservoirs  
 13 are likely to be found, or reach 12,000 feet or more true vertical depth; and whether  
 14 the exploration plan provides for a full evaluation of the wellbore below surface casing  
 15 to the depth of the well. Whether the exploration well for which a credit is requested  
 16 under this subsection is located within an area and a basin described under (o) of this  
 17 section shall be determined by the commissioner of natural resources and reported to  
 18 the commissioner. A taxpayer that obtains a credit under this subsection may not claim  
 19 a tax credit under AS 43.55.023 or another provision in this section for the same  
 20 exploration expenditure.

21 \* **Sec. 28.** AS 43.55 is amended by adding a new section to read:

22 **Sec. 43.55.026. Heavy oil research and development tax credit.** (a) A  
 23 taxpayer may apply 20 percent of the taxpayer's expenditure attributable to this state  
 24 for research and development related to improving methods of producing heavy oil in  
 25 the state for the taxable year that exceeds the base amount, but not to exceed  
 26 \$10,000,000, as a credit against the state tax liability imposed on the taxpayer under  
 27 this chapter.

28 (b) Research and development expenditures in this section are attributable to  
 29 this state if the research and development is being conducted in this state or the payroll  
 30 of employees conducting the research and development is in this state. In this  
 31 subsection, payroll of an employee is in this state if compensation is paid to an

1 employee in this state and reported as paid in this state in the quarterly contribution  
2 report under AS 23.20 to the Department of Labor and Workforce Development.

3 (c) If the tax credit under this section exceeds the taxpayer's tax liability after  
4 other tax credits are taken under this chapter for the year in which the expenditure is  
5 incurred, the excess of the tax credit over the liability may be carried forward for up to  
6 seven years. If an unused credit is carried forward to a tax year from an earlier year,  
7 the credit arising in the earliest year is applied first against the tax liability for the year.

8 (d) A person may not claim a credit under this section for research and  
9 development expenditures that were deducted in the calculation of tax liability under  
10 AS 43.55.011(e).

11 (e) Each year, if three or more taxpayers claim the credit authorized under this  
12 section during the immediately preceding year, the department shall report to the  
13 legislature the number of taxpayers who claimed credits under this section in the prior  
14 year, the total cumulative amount of credits granted to all taxpayers under this section  
15 for the prior tax year, a description of the research and development projects for which  
16 the credit was granted, and the total cumulative number of employees conducting the  
17 research and development for which all taxpayers claim the credit.

18 (f) The commissioner shall establish in regulation a method for apportioning  
19 research expenditures of a producer related to heavy oil production in and outside of  
20 the state. When developing the regulations, the commissioner may consider the  
21 relative amounts of heavy oil the producer is seeking to produce in areas in and  
22 outside of the state or consider another reasonable basis on which fairly to apportion  
23 costs for research related to in-state oil production and oil produced outside of the  
24 state.

25 (g) In this section, "base amount" means the average of research and  
26 development expenditures related to improving methods of producing heavy oil and  
27 attributable to this state for the three tax years immediately preceding the taxable year  
28 for which the credit is being claimed.

29 \* **Sec. 29.** AS 43.55.028(e) is amended to read:

30 (e) The department, on the written application of a person to whom a  
31 transferable tax credit certificate has been issued under AS 43.55.023(d) or (q)



1 [FORMER AS 43.55.023(m)] or to whom a production tax credit certificate has been  
 2 issued under AS 43.55.025(f), may use available money in the oil and gas tax credit  
 3 fund to purchase, in whole or in part, the certificate if the department finds that

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

7 (2) the applicant does not have an outstanding liability to the state for  
 8 unpaid delinquent taxes under this title;

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

12 (4) the applicant's average daily production of oil and gas taxable  
 13 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
 14 the application is made was not more than 50,000 BTU equivalent barrels; and

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

17 \* **Sec. 30.** AS 43.55.028(g) is amended to read:

18 (g) The department may adopt regulations to carry out the purposes of this  
 19 section, including standards and procedures to allocate available money among  
 20 applications for purchases under this chapter and claims for refunds and payments  
 21 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
 22 purchase and claims for refund exceed the amount of available money in the fund. The  
 23 regulations adopted by the department may not, when allocating available money in  
 24 the fund under this section, distinguish an application for the purchase of a credit  
 25 certificate issued under AS 43.55.023(q) [FORMER AS 43.55.023(m)] or a claim for  
 26 a refund or payment under AS 43.20.046 or 43.20.047.

27 \* **Sec. 31.** AS 43.55.030(a) is amended to read:

28 (a) A producer that produces oil or gas from a lease or property in the state  
 29 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)  
 30 for that oil or gas, shall file with the department on March 31 of the following year a  
 31 statement, under oath, in a form prescribed by the department, giving, with other

1 information required **by the department under a regulation adopted by the**  
2 **department**, the following:

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

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

8 (3) the gross amount of oil and the gross amount of gas produced from  
9 each lease or property, and the percentage of the gross amount of oil and gas owned by  
10 the producer;

11 (4) the gross value at the point of production of the oil and of the gas  
12 produced from each lease or property owned by the producer and the costs of  
13 transportation of the oil and gas;

14 (5) the name of the first purchaser and the price received for the oil and  
15 for the gas, unless relieved from this requirement in whole or in part by the  
16 department;

17 (6) the producer's qualified capital expenditures, as defined in  
18 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other  
19 payments or credits under AS 43.55.170;

20 (7) the production tax values of the oil and gas under AS 43.55.160;

21 (8) any claims for tax credits to be applied; [AND]

22 (9) calculations showing the amounts, if any, that were or are due  
23 under AS 43.55.020(a) and interest on any underpayment or overpayment; **and**

24 **(10) for each expenditure that is the basis for a credit claimed**  
25 **under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed**  
26 **description of the purpose of the expenditure, and a description of the lease or**  
27 **property for which the expenditure was incurred; notwithstanding**  
28 **AS 40.25.100(a) and AS 43.05.230(a), information submitted under this**  
29 **paragraph may be disclosed to the public and shall be disclosed to the legislature**  
30 **in a report submitted within 10 days after the convening of the next regular**  
31 **legislative session following the date a statement is filed under this section.**

1 \* **Sec. 32.** AS 43.55.030(e) is amended to read:

2 (e) An explorer or producer that incurs a lease expenditure under  
3 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar  
4 year but does not produce oil or gas from a lease or property in the state during the  
5 calendar year shall file with the department, on March 31 of the following year, a  
6 statement, under oath, in a form prescribed by the department, giving, with other  
7 information required **by the department under a regulation adopted by the**  
8 **department**, the following:

9 (1) the explorer's or producer's qualified capital expenditures, as  
10 defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
11 adjustments or other payments or credits under AS 43.55.170; and

12 (2) if the explorer or producer receives a payment or credit under  
13 AS 43.55.170, calculations showing whether the explorer or producer is liable for a  
14 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount; **and**

15 **(3) for each expenditure that is the basis for a credit claimed under**  
16 **this chapter, a description of the expenditure, a detailed description of the**  
17 **purpose of the expenditure, and a description of the lease or property for which**  
18 **the expenditure was incurred; notwithstanding AS 40.25.100(a) and**  
19 **AS 43.05.230(a), information submitted under this paragraph may be disclosed to**  
20 **the public and shall be disclosed to the legislature in a report submitted within 10**  
21 **days after the convening of the next regular legislative session following the date**  
22 **a statement is filed under this section.**

23 \* **Sec. 33.** AS 43.55.160(a) is amended to read:

24 (a) Except as provided in (b) [, (f), AND (g)] of this section, **and subject to**  
25 **adjustment under AS 43.55.162**, for the purposes of

26 (1) AS 43.55.011(e), the annual production tax value of taxable oil,  
27 gas, or oil and gas produced during a calendar year in a category for which a separate  
28 annual production tax value is required to be calculated under this paragraph is the  
29 gross value at the point of production of that oil, gas, or oil and gas taxable under  
30 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
31 calendar year applicable to the oil, gas, or oil and gas in that category produced by the

1 producer during the calendar year, as adjusted under AS 43.55.170; a separate annual  
2 production tax value shall be calculated for

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

6 (B) oil and gas produced from leases or properties in the state  
7 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
8 degrees North latitude [AND THAT QUALIFIES FOR A TAX CREDIT  
9 UNDER AS 43.55.024(a) AND (b)]; this subparagraph does not apply to

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

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

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

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

16 (E) gas produced before 2022 from each lease or property in  
17 the state outside the Cook Inlet sedimentary basin and used in the state [,  
18 OTHER THAN GAS SUBJECT TO AS 43.55.011(p)];

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

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

24 (2) AS 43.55.011(g), [FOR OIL AND GAS PRODUCED BEFORE  
25 JANUARY 1, 2014,] the monthly production tax value of the taxable

26 (A) oil and gas produced during a month from leases or  
27 properties in the state that include land north of 68 degrees North latitude is the  
28 gross value at the point of production of the oil and gas taxable under  
29 AS 43.55.011(e) and produced by the producer from those leases or properties,  
30 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
31 calendar year applicable to the oil and gas produced by the producer from

1 those leases or properties, as adjusted under AS 43.55.170; this subparagraph  
2 does not apply to gas subject to AS 43.55.011(o);

3 (B) oil and gas produced during a month from leases or  
4 properties in the state outside the Cook Inlet sedimentary basin, no part of  
5 which is north of 68 degrees North latitude, is the gross value at the point of  
6 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
7 the producer from those leases or properties, less 1/12 of the producer's lease  
8 expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
9 gas produced by the producer from those leases or properties, as adjusted under  
10 AS 43.55.170; this subparagraph does not apply to gas subject to  
11 AS 43.55.011(o);

12 (C) oil produced during a month from a lease or property in the  
13 Cook Inlet sedimentary basin is the gross value at the point of production of  
14 the oil taxable under AS 43.55.011(e) and produced by the producer from that  
15 lease or property, less 1/12 of the producer's lease expenditures under  
16 AS 43.55.165 for the calendar year applicable to the oil produced by the  
17 producer from that lease or property, as adjusted under AS 43.55.170;

18 (D) gas produced during a month from a lease or property in  
19 the Cook Inlet sedimentary basin is the gross value at the point of production  
20 of the gas taxable under AS 43.55.011(e) and produced by the producer from  
21 that lease or property, less 1/12 of the producer's lease expenditures under  
22 AS 43.55.165 for the calendar year applicable to the gas produced by the  
23 producer from that lease or property, as adjusted under AS 43.55.170;

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

31 \* **Sec. 34.** AS 43.55 is amended by adding a new section to read:

1           **Sec. 43.55.162. Reductions to production tax value.** (a) The annual  
2 production tax value of oil produced from a lease or property north of 68 degrees  
3 North latitude by the producer is reduced, during the first seven consecutive years  
4 after the start of commercial production by 20 percent of the gross value at the point of  
5 production of oil produced during the calendar year. This subsection does not apply to  
6 a lease or property that

7                           (1) was in commercial production before January 1, 2007;

8                           (2) is located within a unit area that has never had commercial  
9 production; or

10                          (3) is located within a unit for more than 20 years before the first  
11 commercial production on the lease or property.

12           (b) The annual production tax value of oil or gas produced by a producer is  
13 reduced during the first five consecutive years after the start of commercial production  
14 by 10 percent if the oil or gas is produced from a participating area established after  
15 December 31, 2012, that is within a unit formed under AS 38.05.180(p) before  
16 January 1, 2003, if the participating area does not contain a reservoir that had  
17 previously been in a participating area established before January 1, 2012. This  
18 subsection does not apply to production from a lease or property located within a unit  
19 for more than 20 years before the first commercial production on the lease or property.

20           (c) The annual production tax value of heavy oil produced by a producer is  
21 reduced by 10 percent of the gross value at the point of production of heavy oil  
22 produced, for the calendar year, from a lease or property that is located within a unit  
23 area existing on January 1, 2014.

24           (d) For a calendar year after 2012, the annual production tax value of oil  
25 produced by a producer that produced oil in 2012 is reduced by 10 percent of the gross  
26 value at the point of production of the volume of oil produced during the calendar year  
27 in excess of the total volume produced by the producer in 2012. The volume of oil  
28 produced by a producer in 2012 is the average daily statewide production of the  
29 producer, excluding from the calculation the days on which production is significantly  
30 reduced, multiplied by the number of days in the calendar year. For the purposes of  
31 this subsection, production is significantly reduced when the production volume of oil

1 for the day is less than one-half of the quotient of the total volume of oil production  
 2 that is produced by the producer for the year and the number of days in the calendar  
 3 year. A producer that increases its volume of production through the purchase, merger,  
 4 or other acquisition of another producer is the sum of the producer's total target  
 5 volume and the total target volume for the producer that is purchased, merged with, or  
 6 otherwise acquired; however, if the producer that is purchased, merged with, or  
 7 otherwise acquired did not have a target volume determined under this section, the  
 8 volume of the increased production that is attributable to the purchase, merger, or  
 9 other acquisition may not be considered for the purpose of determining whether the  
 10 producer that acquired the additional production has increased the volume of  
 11 production above its target volume.

12 (e) A reduction in production tax value provided by this section may not be  
 13 combined with any other reduction in production tax value provided by this section in  
 14 the same year. Oil or gas from a lease or property that produces oil or gas that results  
 15 in a production tax reduction under (a) of this section is ineligible for a production tax  
 16 reduction under (b) and (c) of this section and may not be used in the calculation of  
 17 production volume under (d) of this section.

18 (f) A reduction in production tax value provided by this section may not  
 19 reduce the

20 (1) production tax value of a producer below zero; or

21 (2) total tax liability of a producer below the amount specified in  
 22 AS 43.55.011(f).

23 (g) The rate of tax under AS 43.55.011(g) shall be determined before the  
 24 application of the adjustment provided by this section.

25 (h) In this section,

26 (1) "commercial production" means the production of oil for the  
 27 purpose of sale or other beneficial use, except when the sale or beneficial use is  
 28 incidental to the testing of an unproved well or unproved completion interval;

29 (2) "participating area" means that part of an oil and gas lease unit to  
 30 which production is allocated in the manner described in a unit agreement.

31 \* **Sec. 35.** AS 43.55.990 is amended by adding a new paragraph to read:

1 (14) "heavy oil" means oil with an American Petroleum Institute  
2 gravity of less than 18 degrees.

3 \* **Sec. 36.** AS 43.56.160 is amended to read:

4 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
5 becomes delinquent, a penalty of 10 percent shall be added. **Interest** [BEFORE  
6 JANUARY 1, 2014, INTEREST] on the delinquent taxes, exclusive of penalty, shall  
7 be assessed at a rate of eight percent a year. [ON AND AFTER JANUARY 1, 2014,  
8 INTEREST ON THE DELINQUENT TAXES, EXCLUSIVE OF PENALTY,  
9 SHALL BE ASSESSED AT THE RATE SPECIFIED IN AS 43.05.225.]

10 \* **Sec. 37.** AS 44.88.080 is amended to read:

11 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate  
12 purposes, the authority has the following powers in addition to its other powers:

- 13 (1) to sue and be sued;
- 14 (2) to have a seal and alter it at pleasure;
- 15 (3) to make and alter bylaws for its organization and internal  
16 management;
- 17 (4) to adopt regulations governing the exercise of its corporate powers;
- 18 (5) to acquire an interest in a project as necessary or appropriate to  
19 provide financing for the project, whether by purchase, gift, or lease;
- 20 (6) to lease to others a project acquired by it for the rentals and upon  
21 the terms and conditions the authority may consider advisable, including, without  
22 limitation, provisions for options to purchase or renew;
- 23 (7) to issue bonds and otherwise to incur indebtedness, in accordance  
24 with AS 44.88.090, in order to pay the cost of a project or development projects or in  
25 order to provide money for the authority's purposes under this chapter; the authority  
26 may also secure payment of the bonds or other indebtedness as provided in this  
27 chapter;
- 28 (8) to sell, by installment sale or otherwise, exchange, donate, convey,  
29 or encumber, in any manner by mortgage or by creation of any other security interest,  
30 real or personal property owned by it, or in which it has an interest, including a  
31 project, when, in the judgment of the authority, the action is in furtherance of its



1 corporate purposes;

2 (9) to accept gifts, grants, or loans from, and enter into contracts or  
3 other transactions regarding them with, a federal agency, an agency or instrumentality  
4 of the state, a municipality, a private organization, or other source;

5 (10) to deposit or invest its funds, subject to agreements with  
6 bondholders;

7 (11) to enter into contracts or agreements with respect to the exercise  
8 of any of its powers, and do all things necessary or convenient to carry out its  
9 corporate purposes and exercise the powers granted in this chapter;

10 (12) to purchase or insure loans to finance the costs of manufacturing,  
11 industrial, and business enterprise projects;

12 (13) to enter into loan agreements with respect to one or more projects  
13 upon the terms and conditions the authority considers advisable;

14 (14) to acquire, manage, and operate projects as the authority considers  
15 necessary or appropriate to serve a public purpose;

16 (15) to assist private lenders to make loans to finance the costs of  
17 projects through loan commitments, short-term financing, or otherwise;

18 (16) to accept gifts, grants, or loans from a federal agency, from an  
19 agency or instrumentality of the state or of a municipality, or from any other source;

20 (17) to enter into contracts or other transactions with a federal agency,  
21 with an agency or instrumentality of the state or of a municipality, or with a private  
22 organization or other entity consistent with the exercise of any power under this  
23 chapter;

24 (18) to facilitate the expansion of a secondary market for the resale of  
25 federally or commercially insured loans made to finance the costs of projects in the  
26 state held by federal and state chartered financial institutions or by the Alaska  
27 Commercial Fishing and Agriculture Bank;

28 (19) to charge fees or other forms of remuneration for the use or  
29 possession of the projects described in (14) of this section in accordance with the  
30 agreements described in (11) and (17) of this section, other agreements pertaining to  
31 the projects, covenants, or representations made in bond documents pertaining to the

1 projects, or regulations of the authority pertaining to the projects;

2 (20) to participate with government or private industry in programs for  
3 technical assistance, loans, technology, transfer, or other programs related to the  
4 exportation of goods, services, or raw materials of the state with respect to its  
5 financing activities;

6 (21) to provide export finance training for office staff and other  
7 individuals involved in export finance assistance, including the training sessions that  
8 may be provided by the United States Export-Import Bank or other organizations;

9 (22) to coordinate to the maximum extent possible its efforts to  
10 promote the export of goods, services, and raw materials of the state with programs  
11 and goals of the United States Export-Import Bank, the International Trade  
12 Administration of the United States Department of Commerce, the Foreign Credit  
13 Insurance Association, and other private and public programs designed to provide  
14 export assistance and export-related financing;

15 (23) to guarantee loans related to qualified export transactions under  
16 regulations adopted by the authority;

17 (24) to provide financing assistance, in cooperation with federal, state,  
18 and private institutions, as provided in this chapter for small business enterprises;

19 (25) to make cooperative agreements with the Department of  
20 Transportation and Public Facilities, acting on behalf of the international airports  
21 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,  
22 construct, or install facilities that will enhance the competitiveness of the international  
23 airports, including a cooperative agreement to lend amounts from the international  
24 airports revenue fund to finance the development or improvement of utilities serving  
25 the airports;

26 (26) to screen potential applicants for a new business incentive grant  
27 and recommend the award of the grants under AS 45.81.020;

28 (27) to oversee the administration of outstanding grants awarded by the  
29 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

30 (28) to oversee the administration of outstanding BIDCO assistance  
31 grants and loans made by the Alaska Science and Technology Foundation under

1 former AS 37.17.200 - 37.17.390;

2 (29) to guarantee loans made to the Alaska Insurance Guaranty  
3 Association (AS 21.80.040), with these guarantees limited to loans necessary to make  
4 the association financially able to meet cash flow needs up to a maximum outstanding  
5 principal balance at any time of \$30,000,000;

6 (30) with legislative approval and notwithstanding AS 44.88.060, to  
7 purchase from the Alaska Energy Authority as an investment of the revolving fund,  
8 loans of the power project fund established under AS 42.45.010;

9 (31) to consider, when exercising the powers listed in this section, the  
10 interests of local governments affected by the authority's activities to share in the  
11 benefits of these activities, with appropriate consideration of the authority's ability to  
12 meet debt obligations, issue new debt, and fulfill the authority's purposes;

13 (32) to provide development project financing for all or a portion of  
14 the cost of a development project as provided in AS 44.88.172;

15 **(33) to acquire an interest in a project as necessary or appropriate**  
16 **to provide working or venture capital for an oil or natural gas development**  
17 **project under AS 44.88.800 and 44.88.810, whether by purchase, gift, or lease.**

18 \* **Sec. 38.** AS 44.88 is amended by adding a new section to read:

19 **Sec. 44.88.089. Legislative approval of loan for North Slope oil processing**  
20 **facility.** (a) The Alaska Industrial Development and Export Authority may issue a loan  
21 to a producer of oil or gas to finance the construction and improvement of an oil  
22 processing facility on the Alaska North Slope and flow lines and other surface  
23 infrastructure for the facility. A loan under this section shall

24 (1) be issued to a producer that produces less than 100,000 barrels of  
25 oil a day;

26 (2) be issued for the purpose of financing a facility to facilitate  
27 production from a unit established after January 1, 2015; and

28 (3) have an interest rate that does not exceed the prime rate of interest  
29 plus one percent.

30 (b) In this section, "prime rate" means the lowest United States money center  
31 prime rate of interest that is published in the Wall Street Journal.

1 \* **Sec. 39.** AS 44.88 is amended by adding new sections to read:

2 **Article 9A. Interest in Oil and Gas Resources.**

3 **Sec. 44.88.800. Acquisition of interest in businesses.** (a) The authority may  
4 acquire, through purchase or other means, an interest in a lease held by a corporation  
5 or other business entity in an oil or natural gas field in the state that has been explored,  
6 but only if the authority determines the leaseholder has made reasonable efforts to  
7 obtain financing from the private sector to develop the lease and those efforts have, in  
8 whole or part, been unsuccessful. The authority shall exercise due diligence in  
9 acquiring a leasehold interest under this section.

10 (b) If the authority acquires a leasehold interest under this section, the  
11 authority may use the authority's assets, as appropriate, to aid in the development of  
12 the oil or natural gas field in which the business entity has a leasehold interest.

13 **Sec. 44.88.810. Alaska resource development fund.** (a) The Alaska resource  
14 development fund is established in the authority for the purpose of developing oil and  
15 gas resources, and consists of appropriations to the fund. The authority shall manage  
16 the fund and may create separate accounts within it. Income of the fund or of  
17 enterprises of the authority shall be separately accounted for and may be appropriated  
18 to the fund.

19 (b) The authority may use money from the fund to carry out the purpose of the  
20 fund set out in (a) of this section.

21 \* **Sec. 40.** AS 44.88.900(11) is amended to read:

22 (11) "project" means

23 (A) a plant or facility used or intended for use in connection  
24 with making, processing, preparing, transporting, or producing in any manner,  
25 goods, products, or substances of any kind or nature or in connection with  
26 developing or utilizing a natural resource, or extracting, smelting, transporting,  
27 converting, assembling, or producing in any manner, minerals, raw materials,  
28 chemicals, compounds, alloys, fibers, commodities and materials, products, or  
29 substances of any kind or nature;

30 (B) a plant or facility used or intended for use in connection  
31 with a business enterprise;

1 (C) commercial activity by a business enterprise;

2 (D) a plant or facility demonstrating technological advances of  
3 new methods and procedures and prototype commercial applications for the  
4 exploration, development, production, transportation, conversion, and use of  
5 energy resources;

6 (E) infrastructure for a new tourism destination facility or for  
7 the expansion of a tourism destination facility; in this subparagraph, "tourism  
8 destination facility" does not include a hotel or other overnight lodging facility;

9 (F) a plant or facility, other than a plant or facility described in  
10 (D) of this paragraph, for the generation, transmission, development,  
11 transportation, conversion, or use of energy resources;

12 (G) a plant or facility that enhances, provides for, or promotes  
13 economic development with respect to transportation, communications,  
14 community public purposes, technical innovations, prototype commercial  
15 applications of intellectual property, or research;

16 (H) a plant or facility used or intended for use as a federal  
17 facility, including a United States military, national guard, or coast guard  
18 facility;

19 (I) infrastructure for an area that is designated as a military  
20 facility zone under AS 26.30;

21 **(J) development of an oil and gas field by providing**  
22 **working or venture capital in exchange for an equity interest;**

23 \* **Sec. 41.** AS 43.20.049; AS 43.55.020(l), 43.55.024(i), 43.55.024(j), 43.55.160(f),  
24 43.55.160(g); AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed.

25 \* **Sec. 42.** Sections 34 - 38, ch. 10, SLA 2013, are repealed.

26 \* **Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 APPLICABILITY. (a) Section 2 of this Act and AS 38.05.180(hh), enacted by sec. 4  
29 of this Act, apply to a proposed lease sale and the renewal or extension of a lease on or after  
30 the effective date of this Act.

31 (b) The reductions in production tax value under AS 43.55.162, enacted by sec. 34 of

1 this Act, apply to oil or gas produced after December 31, 2014.

2 \* **Sec. 44.** AS 44.88.089 is repealed June 30, 2018.

3 \* **Sec. 45.** This Act takes effect January 1, 2015.