CS FOR SENATE BILL NO. 21(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 2/28/13
Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to appropriations from taxes paid under the Alaska Net Income Tax Act; providing a tax credit against the corporation income tax for qualified oil and gas service industry expenditures; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; relating to the determination of annual oil and gas production tax value including adjustments based on a percentage of gross value at the point of production from certain leases or properties; establishing the Oil and Gas Competitive Review Board; making conforming amendments; and providing for an effective date."

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

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

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund [AN AMOUNT EQUAL TO 20 PERCENT OF THE] money received by the state during the previous calendar year under **<u>AS 43.20.030(c)</u>** [AS 43.55.011(g)]. The amount may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

*** Sec. 2.** AS 43.20 is amended by adding a new section to read:

Sec. 43.20.049. Qualified oil and gas industry service expenditure credit. (a) For a tax year ending after the effective date of this section, a taxpayer is entitled to a credit against the tax due under this chapter in the amount of 10 percent of a qualified oil and gas service industry expenditure of the taxpayer incurred in the state. A taxpayer may not, in one tax year, apply more than $10,000,000 in tax credits received under this section. A tax credit under this section may not be used to reduce a tax liability under this chapter below zero.

(b) A tax credit under this section may be transferred to a taxpayer subject to tax under this chapter upon filing notice with the department in a format prescribed by the department. The department shall issue a certificate in the amount of the tax credit received under this section. A taxpayer receiving the transfer of a certificate under this subsection may not apply more than $10,000,000 in tax credits authorized by this section in a single tax year and may not use a tax credit authorized by this section to reduce a tax liability under this chapter below zero. Transfer of a credit does not limit the ability of the department to audit a tax credit claim and adjust the credit if the department determines, as a result of the audit, that the taxpayer that incurred the expenditure that is the basis of the credit was not entitled to the amount of the credit claimed. If, as a result of the audit, the department determines that the amount of the credit exceeds the proper amount, the department may, at the time the credit is used, increase by the amount determined to exceed the proper value of the credit the taxes calculated under this chapter for the taxpayer whose expenditure was the basis of the credit.

(c) A tax credit certificate issued under this section may not be applied against a tax liability more than seven calendar years after the date the credit is claimed.

(d) An expenditure that is the basis of the credit under this section

(1) may not be the basis for a credit or reduction in tax liability claimed under another provision of this title; or

(2) may not be the basis for any federal credit claimed under this title.

(e) Notwithstanding any contrary provision of AS 40.25.100(a) or AS 43.05.230(e), for a year that three or more taxpayers claim a tax credit under this section, the department may publish the total amount of tax credits claimed under this section and a description of the qualified oil and gas service industry expenditures that were the basis for a tax credit under this section.

(f) In this section,

(1) "manufacture" means to perform substantial industrial operations in the state to transform raw material into tangible personal property with a useful life of three years or more for use in the exploration, development, or production of oil and gas;

(2) "modification" means an adjustment, equipping, or other alteration to existing tangible personal property that has a useful life of three years or more and is for use in the exploration, development, or production of oil and gas reserves; "modification" does not include minor product alterations or inventory activities;

(3) "qualified oil and gas service industry expenditure" means an expenditure directly attributable to an in-state manufacture or in-state modification of tangible personal property used in the exploration, development, or production of oil or gas, but does not include components or equipment used for or in the process of that manufacturing or modification.

*** Sec. 3.** AS 43.55.011(e) is amended to read:

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

(p) of this section, the tax is equal to [THE SUM OF

(1)] the annual production tax value of the taxable oil and gas as calculated under <u>**AS 43.55.160(a)**</u> [AS 43.55.160(a)(1)] multiplied by <u>**35**</u> [25] percent [; AND

(2) THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED UNDER (g) OF THIS SECTION].

*** Sec. 4.** AS 43.55.011(o) is amended to read:

(o) Notwithstanding other provisions of this section, for a calendar year before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas produced from a lease or property outside the Cook Inlet sedimentary basin and used in the state<u>**, other than gas subject to (p) of this section,**</u> may not exceed the amount of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section.

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

(a) For a calendar year, a producer subject to tax under <u>**AS 43.55.011**</u> [AS 43.55.011(e) - (i) OR (p)] shall pay the tax as follows:

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

(A) for oil and gas <u>**not subject to AS 43.55.011(o) or (p)**</u> produced from leases or properties in the state outside the Cook Inlet sedimentary basin [BUT NOT SUBJECT TO AS 43.55.011(o) OR (p)], other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the **oil and gas** [LEASES OR PROPERTIES] under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

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

(i) zero;

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

(iii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for **the oil and gas** [THOSE LEASES OR PROPERTIES] under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil **or** [AND] gas [PRODUCED FROM EACH LEASE OR PROPERTY] subject to AS 43.55.011(j), (k), **or** (o) [, OR (p)], **for each lease or property,** the greater of

(i) zero; or

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

<u>(D) for oil and gas subject to AS 43.55.011(p), the lesser of</u>

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

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

(2) an amount calculated under (1)(C) of this subsection for oil or gas [PRODUCED FROM A LEASE OR PROPERTY

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

[(B) SUBJECT TO AS 43.55.011(p) MAY NOT EXCEED FOUR PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS;]

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year

on the last day of the following month; the amount of the installment payment is the sum of

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

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

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

*** Sec. 6.** AS 43.55.020(a), as amended by sec. 5 of this Act, is amended to read**:**

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

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

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

(i) zero; or

(ii) **35** [THE SUM OF 25] percent **of** [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g)

MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

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

(i) zero;

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

(iii) **35** [THE SUM OF 25] percent **of** [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated**, except that, for the purposes of this calculation, the gross value at the point of production of oil and gas subject to AS 43.55.160(f) is reduced by 30 percent**;

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

(i) zero; or

(ii) **35** [THE SUM OF 25] percent **of** [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for the oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

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

(i) **35** [THE SUM OF 25] percent **of** [AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

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

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

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

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

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

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

*** Sec. 7.** AS 43.55.020(d) is amended to read:

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

(1) the numerator is the producer's total tax liability under **<u>AS 43.55.011(e)</u>** [AS 43.55.011(e) - (g)] for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under **<u>AS 43.55.011(e)</u>** [AS 43.55.011(e) - (g)] produced by the producer from all leases and properties in the state during the calendar year.

*** Sec. 8.** AS 43.55.023(a) is amended to read:

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

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY BE APPLIED FOR A SINGLE CALENDAR YEAR;]

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

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

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2)<u>**;**</u>

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

*** Sec. 9.** AS 43.55.023(a), as amended by sec. 8 of this Act, is amended to read:

(a) <u>**Except as provided in AS 43.55.025(q), a**</u> [A] producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure;

(2) a producer or explorer may take a credit for a qualified capital

expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

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

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

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

*** Sec. 10.** AS 43.55.023(b) is amended to read:

(b) A producer or explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward annual loss **based on lease expenditures incurred to explore for, develop, or produce oil or gas deposits located south of 68 degrees North latitude. Except as provided in AS 43.55.025(q), a producer or explorer subject to the requirements in (p) - (u) of this section may elect to take a tax credit in the amount of 35 percent of a carried-forward annual loss based on lease expenditures incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude**. A credit under this subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year under AS 43.55.160.

*** Sec. 11.** AS 43.55.023(c) is amended to read:

(c) A credit or portion of a credit under this section may not be used to reduce a person's tax liability under AS 43.55.011(e) for any calendar year below zero**. Except as otherwise provided under (p) - (u) of this section**, [AND] any unused credit or portion of a credit not used under this subsection may be applied in a later calendar year.

*** Sec. 12.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for **a** transferable tax credit **certificate** [CERTIFICATES]. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant **a** [TWO] transferable tax credit **certificate for** [CERTIFICATES, EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this subsection does not expire.

*** Sec. 13.** AS 43.55.023(d), as amended by sec. 12 of this Act, is amended to read:

(d) Except **for a tax credit based on a lease expenditure incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude** [AS LIMITED BY (i) OF THIS SECTION], a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for a transferable tax credit certificate. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant a transferable tax credit certificate for the amount of the credit. A certificate issued under this subsection does not expire.

*** Sec. 14.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) **<u>of this section</u>** or **<u>former</u>** (m) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 15.** AS 43.55.023(n) is amended to read:

(n) For the purposes of (*l*) [AND (m)] of this section, a well lease expenditure incurred in the state south of 68 degrees North latitude is a lease expenditure that is

(1) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, located in the state

south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure and an intangible drilling and development cost authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well includes an expenditure for well sidetracking, well deepening, well completion or recompletion, or well workover, regardless of whether the well is or has been a producing well; or

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

*** Sec. 16.** AS 43.55.023 is amended by adding new subsections to read:

(p) A tax credit under (b) of this section that is based on a lease expenditure incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude may not be applied against a tax liability for a calendar year that is

(1) two or more calendar years later than the calendar year during which the lease expenditure was incurred, unless the producer has complied with the requirements of AS 43.55.030(g);

(2) more than 10 calendar years later than the calendar year during which the lease expenditure was incurred.

(q) A person may not apply a tax credit under (b) of this section that is based on a lease expenditure incurred after December 31, 2014, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude against a person's tax liability unless the person has applied against the person's tax liability the entire amount of all available tax credits under (b) of this section that are based on lease expenditures incurred after December 31, 2013, and before the calendar year in which the person seeks to apply the credit to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude.

(r) Except as otherwise provided under (s) of this section, a tax credit or a portion of a tax credit subject to (p)(1) of this section that is carried forward in compliance with AS 43.55.030(g) increases at a rate of 15 percent, compounded annually, as provided in this subsection. A tax credit or a portion of a tax credit begins to increase under this subsection on January 1 of the second calendar year immediately following the calendar year during which the lease expenditure on which the credit is based was incurred, unless that second calendar year is the calendar year for which the credit or portion of a credit is applied against the person's tax liability. A tax credit or a portion of a tax credit stops increasing under this subsection on December 31 of the calendar year immediately preceding the calendar year for which the credit or a portion of the credit is applied against the person's tax liability. An increase in the amount of a tax credit under this subsection has no value except as applied against the person's tax liability within the time period described in (p)(2) of this section.

(s) A tax credit or a portion of a tax credit subject to (p)(1) of this section does not increase under (r) of this section for a period during or after a calendar year for which the credit or portion of the credit could have been applied against a person's tax liability. For purposes of this subsection, the portion of a tax credit subject to (p)(1) of this section that could have been applied against a person's tax liability for a calendar year is determined by performing the following calculation, as applicable:

(1) subtract the amount, if any, of the person's tax credits under AS 43.55.019 and 43.55.024 that has been applied against the person's tax liability for the calendar year under AS 43.55.011(e) from the amount, if any, of that tax; if the remainder is less than zero, the portion of the tax credit subject to (p)(1) of this section that could have been applied against a person's tax liability for the calendar year is zero;

(2) if the remainder obtained under (1) of this subsection is greater than zero, subtract that remainder from the total amount of the person's tax credits under (b) of this section that are based on lease expenditures incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude that was available, without regard to the limitation under (q) of this section, to be applied against the person's tax liability for the calendar year under AS 43.55.011(e), including any increase in the amount of the tax credits under (r) of this section through December 31 of the previous calendar year; if the remainder is less than zero, the portion of the tax credit is considered to be equal to zero for purposes of this paragraph;

(3) subtract the remainder obtained under (2) of this subsection from the amount, if any, of the person's tax credits under (b) of this section that are based on lease expenditures incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude that was available, without regard to the limitation under (q) of this section, to be applied against the tax levied on the person for the calendar year under AS 43.55.011(e), including any increase in the amount of the tax credits under (r) of this section through December 31 of the previous calendar year, but that was not applied against that tax; the remainder is the portion of a tax credit subject to (p)(1) of this section that could have been applied against the person's tax liability for the calendar year.

(t) A tax credit under (b) of this section based on a lease expenditure incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude is not transferable except as provided in this subsection. A person that is entitled to take a tax credit under (b) of this section based on a lease expenditure incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude may transfer the tax credit to another person that acquires from the transferor an operating right, operating interest, or working interest in a lease or property in the state that includes land north of 68 degrees North latitude in which the transferor owned an operating right, operating interest, or working interest at the time the lease expenditure was incurred. A transferee may transfer the tax credit to another person that acquires from the transferee an operating right, operating interest, or working interest in that lease or property. A transferee's use of a tax credit is subject to the provisions of (u) of this section. A transfer is conditioned on the filing with the department by the transferor and transferee of notices or a joint notice in a form and manner prescribed by the department and the providing of information and certifications required by the department by regulation. A transferee's application of a tax credit against the transferee's production tax liability is subject to audit by the department to the same extent as a tax credit that has not been transferred.

(u) The provisions of this subsection apply to a tax credit under (b) of this section based on a lease expenditure incurred after December 31, 2013, to explore for, develop, or produce oil or gas deposits located north of 68 degrees North latitude when the tax credit is used by a producer to which the tax credit has been transferred under (t) of this section, by a producer or the successor of a producer that has acquired the person that incurred the lease expenditure on which the tax credit is based, or by a producer or the successor of a producer created by the merger of the person that incurred the lease expenditures on which the tax credit is based with another person. The total amount of a producer's tax credits subject to this subsection that may be applied against the producer's tax liability under AS 43.55.011(e) for a calendar year may not exceed 20 percent of the sum of the amounts calculated by applying the following formula for each lease or property in the state that includes land north of 68 degrees North latitude from which the producer produces oil or gas during the calendar year and in which the person that incurred the lease expenditure on which the tax credit is based had owned an operating right, operating interest, or working interest when the lease expenditure was incurred:

GV X OS

where GV = the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) produced by the producer during the calendar year from the lease or property; and OS = the percentage operating right, operating interest, or working interest in the lease or property that had been owned by the person that incurred the lease expenditure on which the tax credit is based when the lease expenditure was incurred.

*** Sec. 17.** AS 43.55.024(d) is amended to read:

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

(1) **<u>2022</u>** [2016]; or

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

*** Sec. 18.** AS 43.55.024(e) is amended to read:

(e) On written application by a producer that includes any information the department may require, the department shall determine whether the producer qualifies for a calendar year under **<u>(a) and (c) of</u>** this section. To qualify under **<u>(a) and (c) of</u>** this section, a producer must demonstrate that its operation in the state or its ownership of an interest in a lease or property in the state as a distinct producer would not result in the division among multiple producer entities of any production tax liability under AS 43.55.011(e) that reasonably would be expected to be attributed to a single producer if the tax credit provisions of (a) or (c) of this section did not exist.

*** Sec. 19.** AS 43.55.024 is amended by adding a new subsection to read:

(i) A producer may apply a tax credit of $5 for each barrel of oil taxable under AS 43.55.011(e) produced during a calendar year against the producer's tax liability for the calendar year under AS 43.55.011(e). A tax credit authorized by this subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) to below zero.

*** Sec. 20.** AS 43.55.025(b) is amended to read:

(b) To qualify for the production tax credit under (a) of this section, an exploration expenditure must be incurred for work performed after June 30, 2008, and before July 1, **<u>2022</u>** [2016], and

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

(2) if for an exploration well,

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

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

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

(D) must be for goods, services, or rentals of personal property reasonably required for the surface preparation, drilling, casing, cementing, and logging of an exploration well, and, in the case of a dry hole, for the expenses required for abandonment if the well is abandoned within 18 months after the date the well was spudded;

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

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

*** Sec. 21.** AS 43.55.025(c) is amended to read:

(c) To be eligible for a production tax credit authorized by (a)(1), (3), or (6) of this section, exploration expenditures must

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

(2) be for an exploration well, subject to the following:

(A) before the well is spudded,

(i) the explorer shall submit to the commissioner of natural resources the information necessary to determine whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well;

(ii) at the time of the submittal of information under (i) of this subparagraph, the commissioner of natural resources may request from the explorer that specific data sets, ancillary data, and reports including all results, and copies of well data collected and data analyses for the well be provided to the Department of Natural Resources upon completion of the drilling; in this sub-subparagraph, well data include all analyses conducted on physical material, and well logs collected from the well and sample analyses; testing geophysical and velocity data including vertical seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and access to tangible material; and

(iii) the commissioner of natural resources must make an affirmative determination as to whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well and what information under (ii) of this subparagraph must be submitted by the explorer after completion, abandonment, or suspension under AS 31.05.030; the commissioner of natural resources shall make that determination within 60 days after receiving all the necessary information from the explorer based on the information received and on other information the commissioner of natural resources considers relevant;

(B) [FOR AN EXPLORATION WELL OTHER THAN A WELL TO EXPLORE A COOK INLET PROSPECT, THE WELL MUST BE LOCATED AND DRILLED IN SUCH A MANNER THAT THE BOTTOM HOLE IS LOCATED NOT LESS THAN THREE MILES AWAY FROM THE BOTTOM HOLE OF A PREEXISTING WELL DRILLED FOR OIL OR GAS, IRRESPECTIVE OF WHETHER THE PREEXISTING WELL HAS BEEN COMPLETED, SUSPENDED, OR ABANDONED;

(C)] after completion, suspension, or abandonment under AS 31.05.030 of the exploration well, the commissioner of natural resources must determine that the well was consistent with achieving the explorer's stated geological objective.

*** Sec. 22.** AS 43.55.025 is amended by adding a new subsection to read:

(q) An exploration expenditure incurred after December 31, 2013, to explore for oil or gas located north of 68 degrees North latitude that is the basis for a credit under (a)(1), (2), or (3) of this section may not also be the basis for a credit claimed under AS 43.55.023 or this section.

*** Sec. 23.** AS 43.55.028(e) is amended to read:

(e) The department, on the written application of a person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) or <u>**former AS 43.55.023(m)**</u> [(m)] or to whom a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate if the department finds that

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

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

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

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

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

*** Sec. 24.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds and payments under AS 43.20.046 or 43.20.047 when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under **<u>former</u>** AS 43.55.023(m) or a claim for a refund or payment under AS 43.20.046 or **<u>43.20.047</u>** [AS 43.20.047].

*** Sec. 25.** AS 43.55.030(e) is amended to read:

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

(1) the **<u>explorer's or</u>** producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170; and

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

*** Sec. 26.** AS 43.55.030 is amended by adding a new subsection to read:

(g) A person that intends to carry forward a tax credit subject to AS 43.55.023(p)(1) so that the credit will be available to be applied against the person's tax liability for a calendar year that is two or more calendar years later than the calendar year during which the lease expenditure on which the credit is based was incurred, subject to the limitation of AS 43.55.023(p)(2), shall file with the department a statement, under oath, in a form prescribed by the department, on March 31 of the year immediately following the calendar year during which the lease expenditure on which the credit is based was incurred, and on March 31 of each subsequent year, including the last calendar year for which the credit or a portion of the credit is applied against the person's tax liability. The statement must include

(1) documentation of the nature and amount of adjusted lease expenditures for which a credit is claimed and intended to be carried forward, unless provided in a previously filed statement under this subsection;

(2) calculation of the amount of the claimed credit, unless provided in a previously filed statement under this subsection, and of any increase in an amount of credit under AS 43.55.023(r) and documentation of compliance with the limitations provided in AS 43.55.023(s);

(3) identification of the portion of the credit that was applied against the person's tax liability for the calendar year preceding the year for which the statement is due and of the amount of the credit that continues to be carried forward;

(4) other information required by the department.

*** Sec. 27.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable oil, gas, or oil and gas subject to this paragraph produced during a calendar year is the gross value at the point of production of the oil, gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the producer from leases or properties, as adjusted under AS 43.55.170; this paragraph applies to

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

(B) oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude; this subparagraph does not apply to [GAS]

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

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

(C) oil produced before 2022 from **each** [A] lease or property in the Cook Inlet sedimentary basin;

(D) gas produced before 2022 from **each** [A] lease or property in the Cook Inlet sedimentary basin;

(E) gas produced before 2022 from **each** [A] lease or property in the state outside the Cook Inlet sedimentary basin and used in the state**, other than gas subject to AS 43.55.011(p)**;

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

(G) oil and gas produced from a lease or property **in the state** no part of which is north of 68 degrees North latitude, other than oil or gas described in (B), (C), (D), (E), or (F) of this paragraph;

(2) AS 43.55.011(g), the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under

AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

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

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

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

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

*** Sec. 28.** AS 43.55.160(a) is repealed and reenacted to read:

(a) Except as provided in (b) and (f) of this section, for the purposes of AS 43.55.011(e), the annual production tax value of taxable oil, gas, or oil and gas produced by a producer during a calendar year in a specific category for which a separate production tax value is required to be calculated under this subsection is equal to the gross value at the point of production of that oil, gas, or oil and gas, respectively, taxable under AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the calendar year that are applicable to the oil, gas, or oil and gas, respectively, in that category produced by the producer during the calendar year, as adjusted under AS 43.55.170. A separate annual production tax value must be calculated for

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

(2) oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, during a calendar year before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a); this paragraph does not apply to

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

(B) oil and gas subject to AS 43.55.011(p);

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

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

(5) gas produced before 2022 from each lease or property in the state outside the Cook Inlet sedimentary basin and used in the state, other than gas subject to AS 43.55.011(p);

(6) oil and gas subject to AS 43.55.011(p) produced from leases or

properties in the state;

(7) oil and gas produced from a lease or property in the state no part of which is north of 68 degrees North latitude, other than oil or gas described in (2), (3), (4), (5), or (6) of this subsection.

*** Sec. 29.** AS 43.55.160(e) is amended to read:

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value calculated under **<u>(a)</u>** [(a)(1)] of this section of taxable oil or gas produced during the calendar year to be less than zero may be used to establish a carried-forward annual loss under AS 43.55.023(b). However, the department shall provide by regulation a method to ensure that, for a period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under **<u>(a)(3), (4), (5), or (6)</u>** [(a)(1)(C), (D), (E), OR (F)] of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

*** Sec. 30.** AS 43.55.160 is amended by adding a new subsection to read:

(f) In the calculation of an annual production tax value of a producer under (a)(1) of this section, the gross value at the point of production of oil or gas meeting one or more of the following criteria is reduced by 30 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before

January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acerage that was not in a participating area before December 31, 2011, but was added to an existing participating area by the Department of Natural Resources after December 31, 2011, and the producer demonstrates to the department that the volume of oil and gas produced is from acerage added to an existing participating area. A reduction in gross value at the point of production under this subsection may not reduce the production tax value of a producer below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir contributing to production approved by the Department of Natural Resources.

*** Sec. 31.** AS 43.98 is amended by adding new sections to read:

Article 2. Oil and Gas Competitiveness Review Board.

Sec. 43.98.040. Oil and Gas Competitiveness Review Board. (a) The Oil and Gas Competitiveness Review Board is established in the department.

(b) The board shall consist of nine members as follows:

(1) two members appointed by the governor and nominated by the two leading nonprofit trade associations representing the oil and gas industry in the state, as identified by the governor, with one member nominated by each association;

(2) the chair of the Alaska Oil and Gas Conservation Commission;

(3) three members of the public appointed by the governor, including at least one member who is a petroleum engineer, one member who is a geologist, and one member who is an economist, each of whom has at least three years of experience in the member's field;

(4) the commissioner of environmental conservation or the commissioner's designee;

(5) the commissioner of natural resources or the commissioner's designee; and

(6) the commissioner of revenue or the commissioner's designee.

(c) The governor shall, every two years, designate one of the members as chair.

(d) Members of the board appointed under (b)(1) and (b)(3) of this section serve for six years. An individual who has served on the board may be reappointed.

(e) A vacancy on the board shall be filled in the manner of the original appointment.

(f) A member of the board may be removed and replaced at the discretion of the governor.

(g) The members of the board appointed under (b)(1) and (b)(3) of this section serve without compensation but shall receive per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(h) The board may enter into contracts for professional services and may employ staff for administrative support for the board.

(i) The board shall meet at least four times each calendar year.

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

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

(2) evaluate and suggest changes to state laws and regulations governing the oil and gas industry;

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

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

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

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

(7) make written findings and recommendations, together with

suggested legislation, to the Alaska State Legislature before December 1 of each year, or as soon thereafter as practicable, regarding

(A) changes to the state's regulatory environment that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

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

(C) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources.

Sec. 43.98.060. Information to be provided to board. (a) The commissioner of natural resources, the commissioner of revenue, the commissioner of environmental conservation, and other commissioners and state agencies that have responsibility for and maintain information related to oil and gas investment and activity in the state shall, at the request of the board, provide information required by the board to carry out the duties described in AS 43.98.050.

(b) At the request of the board, and except for information that is confidential under AS 40.25.100(a) or AS 43.05.230, a commissioner may disclose to the board information that is otherwise confidential after each member of the board and each staff member for the board with access to the information signs a confidentiality agreement prepared by the commissioner making the disclosure. Information that is confidential under AS 43.05.230 may not be disclosed to the board.

Sec. 43.98.070. Definition. In AS 43.98.040 - 43.98.070, "board" means the Oil and Gas Competitiveness Review Board.

*** Sec. 32.** AS 43.55.023(m) is repealed.

*** Sec. 33.** AS 43.55.011(g), 43.55.023(i), and 43.55.160(c) are repealed January 1, 2014.

*** Sec. 34.** AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed December 31, 2022.

*** Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) Sections 3, 6, 7, and 28 - 30 of this Act apply to oil and gas produced after December 31, 2013.

(b) Sections 4 and 27 of this Act apply to oil and gas produced after December 31, 2012.

(c) Sections 8, 12, 13, 14, and 15 of this Act and AS 43.55.023(a)(1), as amended by sec. 8 of this Act, apply to expenditures incurred after December 31, 2012.

(d) Sections 9 - 11, 13, 16, 21 - 23, and 26 of this Act apply to expenditures incurred after December 31, 2013.

*** Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: OIL AND GAS COMPETITIVENESS REVIEW BOARD. The governor shall appoint the initial members of the Oil and Gas Competitive Review Board, established in sec. 31 of this Act, before January 1, 2014, or as soon thereafter as is practicable. The initial terms of the members of the board appointed under AS 43.98.040(b)(1) and (b)(3) shall be set by the governor and staggered so that one member serves one year, two members serve four years, and two members serve six years. The first written findings and recommendations, together with suggested legislation, shall be delivered to the Alaska State Legislature on December 1, 2015, or as soon thereafter as is practicable.

*** Sec. 37.** The uncodified law of the State of Alaska is amending by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the respective provision of this Act.

*** Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 4, 12, 14, 15, 23, 27, and 32 of this Act and AS 43.55.023(a)(1), as amended by sec. 8 of this Act, are retroactive to January 1, 2013.

*** Sec. 39.** Sections 1, 3, 6, 7, 9 - 11, 13, 16, 18, 19, 21, 22, 26, and 28 - 30 of this Act take effect January 1, 2014.

*** Sec. 40.** Except as provided in sec. 39 of this Act, this Act takes effect immediately under AS 01.10.070(c).