CS FOR HOUSE BILL NO. 488(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

"An Act repealing the oil production tax and gas production tax and providing for a production tax on oil and gas; relating to the relationship of that tax to other taxes, to the dates those tax payments and surcharges are due, to interest on overpayments of the tax, and to the treatment of the tax in a producer's settlement with the royalty owners; relating to flared gas, and to oil and gas used in the operation of a lease or property under the production tax; relating to the prevailing value of oil or gas under the production tax; providing for tax credits against the tax for certain expenditures and losses; amending the rates applicable to each of the two tax surcharges imposed on oil under the production tax that are used to support the oil and hazardous substance release prevention and response fund and relating to those surcharges; relating to statements or other information required to be filed with or furnished to the Department of Revenue, and relating to the penalty for failure to file certain reports, for
the tax; relating to the powers of the Department of Revenue, and to the disclosure of
certain information required to be furnished to the Department of Revenue, as
applicable to the administration of the tax; relating to criminal penalties for violating
conditions governing access to and use of confidential information relating to the tax,
and to the deposit of tax money collected by the Department of Revenue; relating to the
calculation of the gross value at the point of production of oil or gas; relating to the
determination of the production tax value of oil and gas for purposes of a tax on the
production tax value of oil and gas; relating to the definitions of 'gas,' 'oil,' and certain
other terms for purposes of the production tax, and as the definition of the term 'gas'
applies in the Alaska Stranded Gas Development Act; making conforming amendments;
making uniform throughout the state the deadline for certain exploration expenditures
used as credits against the production tax on oil and gas produced from a lease or
property in the state by extending to July 1, 2016, the deadline for those expenditures
and limiting use of the resultant credits; and providing for an effective date."

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

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

    INTENT OF SEC. 12 OF THIS ACT. It is the intent of the legislature through sec. 12
of this Act to confirm by clarification the long-standing interpretation of AS 43.55.020(f) by
the Department of Revenue.

* Sec. 2. AS 43.05.230(f) is amended to read:

    (f) A wilful violation of the provisions of this section or of a condition
    imposed under AS 43.55.040(1)(B) is punishable by a fine of not more than $5,000,
or by imprisonment for not more than two years, or by both.

* Sec. 3. AS 43.20.031(c) is amended to read:

    (c) In computing the tax under this chapter, the taxpayer is not entitled to
deduct any taxes based on or measured by net income. The taxpayer may deduct the tax levied and paid under AS 43.55.

*Sec. 4.* AS 43.20.072(b) is amended to read:

(b) A taxpayer's business income to be apportioned under this section to the state shall be the federal taxable income of the taxpayer's consolidated business for the tax period, except that

(1) taxes based on or measured by net income that are deducted in the determination of the federal taxable income shall be added back; the tax levied and paid under AS 43.55 may not be added back;

(2) intangible drilling and development costs that are deducted as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the federal taxable income shall be capitalized and depreciated as if the option to treat them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been exercised;

(3) depletion deducted on the percentage depletion basis under 26 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612 (Internal Revenue Code); and

(4) depreciation shall be computed on the basis of 26 U.S.C. 167 (Internal Revenue Code) as that section read on June 30, 1981.

*Sec. 5.* AS 43.55.011(a) is repealed and reenacted to read:

(a) There is levied on the producer of oil or gas a tax for all oil and gas produced each month 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 lessor's royalty interest under an oil and gas lease. The tax is equal to 20 percent of the production tax value of the taxable oil and gas as calculated under AS 43.55.160.

*Sec. 6.* AS 43.55.011 is amended by adding new subsections to read:

(c) There is levied on the producer of oil or gas a tax for all oil and gas produced each month from each lease or property in the state the ownership or right to which constitutes a lessor's royalty interest under an oil and gas lease, except for oil and gas the ownership or right to which is exempt from taxation. The tax is equal to
five percent of the gross value at the point of production of the oil and gas. However, if the department determines that, for purposes of reducing the producer's tax liability under this subsection, the producer has received or will receive consideration from the lessor offsetting all or a part of the producer's royalty obligation, the tax under this subsection is equal to 20 percent of the gross value at the point of production of the oil and gas.

(f) In addition to the taxes levied under (a) and (e) of this section, for each month for which the oil price index determined under (g) of this section is greater than zero, there is levied upon the producer of oil or gas a tax for oil and gas produced during that month from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation. The tax is equal to .30 percent of the gross value at the point of production of the oil and gas multiplied by the oil price index as determined under (g) of this section.

(g) The oil price index for a month is the number equal to the average United States Gulf Coast price determined under (h) of this section for that month of West Texas Intermediate crude oil in dollars per barrel, less 50, except that, if the average price determined under (h) of this section is

(1) not more than $50 per barrel, the oil price index is zero; and

(2) more than $150 per barrel, the oil price index is 100.

(h) For purposes of (f) and (g) of this section, the department may calculate the average price or may, by regulation, specify the method by which the average price shall be calculated with reference to one or more published sources of price information. If, in the department's judgment, reliable published sources of price information on West Texas Intermediate crude oil cease, or appear likely to soon cease, to be available, or if, in the department's judgment, the price of West Texas Intermediate crude oil ceases, or appears likely to soon cease, to be a reliable indicator of the general price level of crude oils, the department shall, by regulation, specify a substitute formula for computing the oil price index. The substitute formula specified by the department under this subsection must bear, as nearly as is reasonably possible, the same relationship to the general price level of crude oils as did the United States Gulf Coast price of West Texas Intermediate crude oil.
Sec. 7. AS 43.55.017(a) is amended to read:

(a) Except as provided in this chapter, the taxes imposed by this chapter are in place of all taxes now imposed by the state or any of its municipalities, and neither the state nor a municipality may impose a tax on [UPON]

(1) producing oil or gas leases;

(2) oil or gas produced or extracted in the state;

(3) the value of intangible drilling and development costs, as described in 26 U.S.C. 263(c) (Internal Revenue Code), as amended through January 1, 1974 [EXPLORATION EXPENSES].

Sec. 8. AS 43.55.020(a) is repealed and reenacted to read:

(a) The tax levied under AS 43.55.011(a) shall be paid monthly. The tax, net of any credits applied under this chapter, is due on the last day of each calendar month on oil and gas produced from each lease or property during the preceding month. An unpaid amount of tax that is not paid when due in accordance with this subsection becomes delinquent. An overpayment of tax for a month may be applied against the tax due for a later month. Notwithstanding any contrary provision of AS 43.05.280, interest on an overpayment is allowed only from a date that is 90 days after the statement required under AS 43.55.030(e) to be filed on or before March 31 of the year following the calendar year during which the oil and gas were produced is filed. However, interest is not allowed if the overpayment was refunded within the 90-day period.

Sec. 9. AS 43.55.020(b) is amended to read:

(b) The production tax on oil and [OR] gas shall be paid by or on behalf of the producer.

Sec. 10. AS 43.55.020(d) is amended to read:

d) In making settlement with the royalty owner for oil or gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and [OR] 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. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011 on taxable royalty oil and gas for a month other than oil or...
gas the ownership or right to which constitutes a lessor's royalty interest under an oil or gas lease is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the month multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(a) for the month of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(a) produced by the producer from all leases and properties in the state during the month.

* Sec. 11. AS 43.55.020(e) is repealed and reenacted to read:

(e) Gas flared, released, or allowed to escape in excess of the amount authorized by the Alaska Oil and Gas Conservation Commission is considered, for the purpose of AS 43.55.011 - 43.55.170, as gas produced from a lease or property. Oil or gas used in the operation of a lease or property in the state in drilling for or producing oil or gas, or for repressuring, except to the extent determined by the Alaska Oil and Gas Conservation Commission to be waste, is not considered, for the purpose of AS 43.55.011 - 43.55.170, as oil or gas produced from a lease or property.

* Sec. 12. AS 43.55.020(f) is amended to read:

(f) If oil or gas is not sold, or if oil or gas is sold under circumstances where the sale price does not represent the prevailing value for oil or gas of like kind, character, or quality in the field or area from which the product is produced, the department may require the tax to be paid upon the basis of the value of oil or gas of the same kind, quality, and character prevailing during the calendar month of production for that field or area.

* Sec. 13. AS 43.55.020 is amended by adding new subsections to read:

(g) The tax levied under AS 43.55.011(e) and (f) shall be paid monthly and is due on the last day of each calendar month on oil and gas produced from each lease or property during the preceding month, and, if not paid before the end of the month in which it becomes due, the tax becomes delinquent.

(h) If less than 90 percent of the total tax levied under AS 43.55.011(a), (e), and (f) is paid when due under this section, a civil penalty of five percent of the
difference between the amount paid and 90 percent of the tax due shall be added to the
tax. The amount shall be added irrespective of whether the underpayment is also
subject to a penalty under AS 43.05.220. However, a penalty paid under this
subsection may be credited against a penalty or penalties assessed under AS 43.05.220
with respect to the same underpayment, but the credit may not exceed the total amount
of those penalties.

* Sec. 14. AS 43.55 is amended by adding a new section to read:

Sec. 43.55.024. Tax credits for certain losses and expenditures. (a)
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), a producer or explorer that incurs a qualified capital expenditure
may also elect to take a tax credit in the amount of 20 percent of that expenditure,
unless a credit for that expenditure is taken under AS 43.55.025. A credit under this
subsection may be applied only against a tax due under AS 43.55.011(a). For a
calendar year for which the producer makes an election under AS 43.55.160(f), instead
of taking a tax credit of 20 percent of each separate qualified capital expenditure after
it has been incurred, a producer that incurs a qualified capital expenditure during that
year and that wishes to apply a credit based on that expenditure against a tax due
under AS 43.55.011(a) shall calculate and apply every month an annualized tax credit
in an amount equal to one and two-thirds percent of the total qualified capital
expenditures incurred during that year and for which the tax credit is taken for that
year.

(b) A producer or explorer may elect to take a tax credit in the amount of 20
percent of a carried-forward annual loss. A credit under this subsection may be applied
only against a tax due under AS 43.55.011(a). 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 43.55.160 for a previous calendar year that was not deductible
in any month under AS 43.55.160(a) and (b).

(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(a) for any month below zero, and any
unused credit or portion of a credit not used under this subsection may be applied in a
later month.

(d) A person entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or to obtain a refund under (f) of this section may apply to the department for a transferable tax credit certificate. An application under this subsection must be on 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 60 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) if the applicant is required under AS 43.55.030(e) to file a statement on or before March 31 of the year following the calendar year in which the qualified capital expenditures or carried-forward annual loss for which the credit was incurred, the date the statement was filed; 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.

(e) A person to which a transferable tax credit certificate is issued under (d) of this section may transfer the certificate to another person, and a transferee may further transfer the certificate. Subject to the limitations set out in (a) - (c) of this section, and notwithstanding any action the department may take with respect to the applicant under (g) of this section, the owner of a certificate may apply the credit or a portion of the credit shown on the certificate only against a tax due under AS 43.55.011(a). However, a credit shown on a transferable tax credit certificate may not be applied to reduce a transferee's total tax due under AS 43.55.011(a) on oil and gas produced during a calendar year to less than 80 percent of the tax that would otherwise be due without applying that credit, and any portion of a credit not used under this subsection may be applied in a later period.

(f) Under standards established in regulations adopted by the department and subject to appropriations made by law, the department, on the written application of
the person to whom a transferable tax credit has been issued under (d) of this section, shall issue a cash refund, in whole or in part, for the certificate if the department finds

   (1) after investigation and audit of the tax credit claim by the department, the applicant is entitled to the credit to the extent of the refund amount;

   (2) within 24 months after having applied for the transferable tax credit certificate, the applicant incurred a qualified capital expenditure or was the successful bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

   (3) the amount of the refund would not exceed the total of qualified capital expenditures and successful bids described in (2) of this subsection that have not been the subject of a finding made under this paragraph for purposes of a previous refund;

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

   (5) the sum of the amount of the refund applied for and amounts previously refunded to the applicant during the calendar year under this subsection would not exceed $10,000,000.

   (g) The issuance of a transferable tax credit certificate under (d) of this section does not limit the department's ability to later investigate or audit a tax credit claim to which the certificate relates or to adjust or deny the claim if the department determines 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 - 43.55.170 is increased by the amount of the credit that exceeds that to which the applicant was entitled. That amount 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 under AS 43.55.011.

   (h) The department may adopt regulations to carry out the purposes of this section, including prescribing reporting, record keeping, and certification procedures and requirements to verify the accuracy of credits claimed and to ensure that a credit is not used more than once, and otherwise implementing this section.

   (i) A producer or explorer may not elect to take a tax credit under this section for a lease expenditure under AS 43.55.160 that is an expenditure incurred
(1) to acquire an asset \((A)\) the cost of previously acquiring which was a lease expenditure under AS 43.55.160(c) or would have been a lease expenditure under AS 43.55.160(c) if it had been incurred on or after April 1, 2006; or \((B)\) that has previously been placed in service in the state; an expenditure to acquire an asset is not excluded under this paragraph if not more than an immaterial portion of the asset meets a description under \((A)\) or \((B)\) of this paragraph; for purposes of this paragraph, "asset" includes geological, geophysical, and well data and interpretations; or

(2) for an extended period of disuse, dismantlement, removal, surrender, or abandonment of a well, facility, pipeline, platform, or other structure, or for the restoration of a lease, field, unit, area, or body of water in conjunction with an extended period of disuse, dismantlement, removal, surrender, or abandonment of a facility described in this paragraph.

(j) In this section, "qualified capital expenditure" means, except as otherwise provided in \((i)\) of this section, an expenditure that is a lease expenditure under AS 43.55.160 and is

(1) incurred for geological or geophysical exploration; or

(2) treated as a capitalized expenditure under 26 U.S.C. (Internal Revenue Code), as amended, regardless of elections made under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and either is treated as a capitalized expenditure by the person incurring the expenditure or is eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal Revenue Code), as amended.

*Sec. 15.* AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section, on oil and gas produced on or after July 1, 2004, from an oil and gas lease, or on gas produced from a gas only lease, a credit against the production tax due under AS 43.55.011(a) [THIS CHAPTER] is allowed for exploration expenditures that qualify under \((b)\) of this section in an amount equal to one of the following:

(1) 20 percent of the total exploration expenditures that qualify only under \((b)\) and \((c)\) of this section;

(2) 20 percent of the total exploration expenditures for work performed before July 1, 2007, and that qualify only under \((b)\) and \((d)\) of this section;
(3) 40 percent of the total exploration expenditures that qualify under (b), (c), and (d) of this section; or

(4) 40 percent of the total exploration expenditures that qualify only under (b) and (e) of this section.

*Sec. 16. 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 on or after July 1, 2003, and before July 1, 2016 [2007], except that an exploration expenditure for a Cook Inlet prospect must be incurred for work performed on or after July 1, 2005, [AND BEFORE JULY 1, 2010, AND EXCEPT THAT AN EXPLORATION EXPENDITURE, IN WHOLE OR IN PART, SOUTH OF 68 DEGREES, 15 MINUTES, NORTH LATITUDE, AND NOT PART OF A COOK INLET PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2003, AND BEFORE JULY 1, 2010.] and

(1) may be for seismic or 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 an oil or gas discovery well or a dry hole;

and

(C) 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 testing, stimulation, or completion costs; 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; 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 on

* Sec. 17. AS 43.55.025(f) is amended to read:

(f) For a production tax credit under this section,

(1) an explorer shall, in a form prescribed by the department and
within six months of the completion of the exploration activity, claim the credit and
submit information sufficient to demonstrate to the department's satisfaction that the
claimed exploration expenditures qualify under this section;

(2) an explorer shall agree, in writing,

(A) to notify the Department of Natural Resources, within 30
days after completion of seismic or geophysical data processing, completion of
a well, or filing of a claim for credit, whichever is the latest, for which
exploration costs are claimed, of the date of completion and submit a report to
that department describing the processing sequence and providing a list of data
sets available; if, under (c)(2)(B) of this section, an explorer submits a claim
for a credit for expenditures for an exploration well that is located within three
miles of a well already drilled for oil and gas, in addition to the submissions
required under (1) of this subsection, the explorer shall submit the information
necessary for the commissioner of natural resources to evaluate the validity of
the explorer's claim that the well is directed at a distinctly separate exploration
target, and the commissioner of natural resources shall, upon receipt of all
evidence sufficient for the commissioner to evaluate the explorer's claim, make
that determination within 60 days;

(B) to provide to the Department of Natural Resources, within
30 days after the date of a request, specific data sets, ancillary data, and reports
identified in (A) of this paragraph;

(C) that, notwithstanding any provision of AS 38, information
provided under this paragraph will be held confidential by the Department of
Natural Resources for 10 years following the completion date, at which time
that department will release the information after 30 days' public notice;
(3) if more than one explorer holds an interest in a well or seismic exploration, each explorer may claim an amount of credit that is proportional to the explorer's cost incurred;

(4) the department may exercise the full extent of its powers as though the explorer were a taxpayer under this title, in order to verify that the claimed expenditures are qualified exploration expenditures under this section; and

(5) if the department is satisfied that the explorer's claimed expenditures are qualified under this section, the department shall issue to the explorer a production tax credit certificate for the amount of credit to be allowed against production taxes due under AS 43.55.011(a) [THIS CHAPTER]; however, notwithstanding any other provision of this section, the department may not issue to an explorer a production tax credit certificate if the total of production tax credits submitted for Cook Inlet production, based on exploration expenditures for work performed during the period described in (b) of this section for that production, that have been approved by the department exceeds $20,000,000.

* Sec. 18. AS 43.55.025(h) is amended to read:

  (h) A producer that purchases a production tax credit certificate may apply the credits against its production tax liability under AS 43.55.011(a) [THIS CHAPTER]. Regardless of the price the producer paid for the certificate, the producer may receive a credit against its production tax liability for the full amount of the credit, but for not more than the amount for which the certificate is issued. A production tax credit allowed under this section may not be applied more than once.

* Sec. 19. AS 43.55.025(i) is amended to read:

  (i) For a production tax credit under this section,

      (1) the amount of the credit that may be applied against the production tax for each tax month may not exceed the total production tax liability under AS 43.55.011(a) of the taxpayer applying the credit for the same month; and

      (2) an amount of the production tax credit that is greater than the total tax liability under AS 43.55.011(a) of the taxpayer applying the credit for a tax month may be carried forward and applied against the taxpayer's production tax liability under AS 43.55.011(a) in one or more immediately following months.
* Sec. 20. AS 43.55.030(a) is amended to read:

(a) The tax shall be paid to the department and the person paying the tax shall file with the department at the time the tax is required to be paid a statement, under oath, on forms prescribed by or acceptable to the department, giving, with other information required, the following:

(1) a description of each [THE] lease or property from which the oil and [OR] gas were [WAS] produced, by name, legal description, lease number, or [BY] accounting codes [CODE NUMBERS] assigned by the department;

(2) the names of the producer and the person paying the tax;

(3) the gross amount of oil and the gross amount of [OR] gas produced from each [THE] lease or property, and the percentage of the gross amount of oil and gas owned by each producer for whom the tax is paid;

(4) the gross [TOTAL] value at the point of production of the oil and of the [OR] gas produced from each [THE] lease or property owned by each producer for whom the tax is paid; [AND]

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

(6) the producer's lease expenditures and adjustments as calculated under AS 43.55.160 [IF SOLD IN THE STATE].

* Sec. 21. AS 43.55.030(d) is amended to read:

(d) Reports by or on behalf of the producer are delinquent the first day following the day the tax is due. [EACH PRODUCER IS SUBJECT TO A PENALTY OF $25 A DAY FOR EACH LEASE OR PROPERTY UPON WHICH THE REPORT IS NOT FILED. THE PENALTY FOR FAILURE TO FILE A REPORT IS IN ADDITION TO THE PENALTY FOR DELINQUENT TAXES, AND IS A LIEN AGAINST THE ASSETS OF THE PRODUCER.]

* Sec. 22. AS 43.55.030 is amended by adding a new subsection to read:

(e) The person paying the tax under AS 43.55.011(a) shall file a statement on or before March 31 of a year showing any adjustments or corrections to the statements that were required under (a) of this section to be filed for the months of the preceding
calendar year during which the oil or gas was produced.

* Sec. 23. AS 43.55.040 is amended to read:

Sec. 43.55.040. Powers of Department of Revenue. Except as provided in AS 43.05.405 - 43.05.499, the department may

(1) require a person engaged in production and the agent or employee of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil or gas to furnish, whether by the filing of regular statements or reports or otherwise, additional information that is considered by the department as necessary to compute the amount of the tax; notwithstanding any contrary provision of law, the disclosure of additional information under this paragraph to the producer obligated to pay the tax does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information under this paragraph that is otherwise required to be held confidential under AS 40.25.100(a) or AS 43.05.230(a), the department shall

(A) provide the person that furnished the information a reasonable opportunity to be heard regarding the proposed disclosure and the conditions to be imposed under (B) of this paragraph; and

(B) impose appropriate conditions limiting

(i) access to the information to those legal counsel, consultants, employees, officers, and agents of the producer who have a need to know that information for the purpose of determining or contesting the producer's tax obligation; and

(ii) the use of the information to use for the purpose of determining or contesting the producer's tax obligation;

(2) examine the books, records, and files of such a person;

(3) conduct hearings and compel the attendance of witnesses and the production of books, records, and papers of any person; and

(4) make an investigation or hold an inquiry that is considered necessary to a disclosure of the facts as to

(A) the amount of production from any oil or gas location, or of a company or other producer of oil or gas; and
(B) the rendition of the oil and gas for taxing purposes.

* Sec. 24. AS 43.55.080 is amended to read:

Sec. 43.55.080. Collection and deposit of revenue. Except as otherwise provided under art. IX, sec. 17, Constitution of the State of Alaska, the [THE] department shall deposit in the general fund the money collected by it under AS 43.55.011 - 43.55.170 [AS 43.55.011 - 43.55.150].

* Sec. 25. AS 43.55.135 is amended to read:

Sec. 43.55.135. Measurement. For the purposes of AS 43.55.011 - 43.55.170 [AS 43.55.011 - 43.55.150], oil is [SHALL BE] measured in terms of a "barrel of oil" and gas is [SHALL BE] measured in terms of a "cubic foot of gas."

* Sec. 26. AS 43.55.150(a) is amended to read:

(a) For the purposes of AS 43.55.011 - 43.55.170 [AS 43.55.011 - 43.55.150], the gross value at the point of production is [SHALL BE] calculated using the reasonable costs of transportation of the oil or gas. The reasonable costs of transportation are [SHALL BE] the actual costs, except when the

(1) [WHEN THE] parties to the transportation of oil or gas are affiliated;

(2) [WHEN THE] contract for the transportation of oil or gas is not an arm's length transaction or is not representative of the market value of that transportation;

(3) [WHEN THE] method of transportation of oil or gas is not reasonable in view of existing alternative methods of transportation.

* Sec. 27. AS 43.55.150 is amended by adding a new subsection to read:

(d) Under regulations adopted by the department, the department may allow a producer, subject to limitations prescribed by the department as to the frequency of making elections, to elect prospectively to calculate the gross value at the point of production of oil or gas based in whole or part on

(1) a royalty value determined under a royalty settlement agreement between the producer and the state, with adjustments if appropriate;

(2) a formula prescribed by the department that uses, with adjustments if appropriate, a royalty value or valuation methodology accepted by the
(A) Department of Natural Resources under AS 38.05, in the
case of oil and gas produced from a lease issued by the Department of Natural
Resources or produced from a lease or property that is part of a unit approved
by the Department of Natural Resources; or

(B) United States Department of the Interior under applicable
federal oil and gas leasing statutes, in the case of oil and gas produced from a
lease issued by the United States Department of the Interior that is not part of a
unit approved by the Department of Natural Resources, or produced from a
lease or property that is part of a unit approved by the United States
Department of the Interior but not approved by the Department of Natural
Resources; or

(3) another formula prescribed by the Department of Revenue that
reasonably estimates a value for the oil or gas at a specific geographical location, such
as the point of tender or delivery into a common carrier pipeline; the formula may use
factors such as published price indices for oil or gas in or outside the state, quality
differentials for oil or gas, transportation costs between markets, and inflation
adjustments.

*Sec. 28.* AS 43.55 is amended by adding new sections to article 1 to read:

**Sec. 43.55.160. Determination of production tax value of oil and gas. (a)**
Except as provided in (f) of this section, for purposes of AS 43.55.011(a), the
production tax value of the taxable oil and gas produced during a month is the total of
the gross value at the point of production of the oil and gas taxable under
AS 43.55.011(a) and produced by the producer from all leases or properties in the
state, (1) less the producer's tax paid for the month under AS 43.55.011(f); (2) less the
producer's lease expenditures for the month as adjusted under (e) of this section, and
(3) to the extent allowed under (g) of this section and until the total amount of the
producer's transitional investment expenditures has been deducted, less an amount
equal to 1/84 of the producer's transitional investment expenditures. However, the
production tax value calculated under this subsection may not be less than zero. If a
producer does not produce taxable oil or gas during a month, the producer is
considered to have generated a positive production tax value if the calculation
described in this subsection yields a positive number because the producer's adjusted
lease expenditures for a month are less than zero as a result of the producer's receiving
a payment or credit under (e) of this section or otherwise.

(b) For purposes of administration of (a) of this section,

(1) any adjusted lease expenditures that would otherwise be deductible
in a month but the deduction of which would cause the production tax value calculated
under (a) of this section of the taxable oil and gas produced during the month to be
less than zero may be added to the producer's adjusted lease expenditures for one or
more other months in the same calendar year; the total of any adjusted lease
expenditures that are not deductible in any month during a calendar year because their
deduction would cause the production tax value calculated under (a) of this section of
the taxable oil and gas produced during one or more months to be less than zero may
be used to establish a carried-forward annual loss under AS 43.55.024(b);

(2) an amount of transitional investment expenditures that would
otherwise be deductible in a month but the deduction of which would cause the
production tax value calculated under (a) of this section of the taxable oil and gas
produced during the month to be less than zero

(A) may be deducted in a later month during any calendar year
to the extent allowed under (g) of this section, but not more than 1/84 of a
producer's transitional investment expenditures may be deducted in any month;

(B) may not be used to establish a carried-forward annual loss
under AS 43.55.024(b);

(3) an explorer that has taken a tax credit under AS 43.55.024(b) or
that has obtained a transferable tax credit certificate under AS 43.55.024(d) for the
amount of a tax credit under AS 43.55.024(b) is considered a producer, subject to the
tax levied under AS 43.55.011(a), to the extent that the explorer generates a positive
production tax value as the result of the explorer's receiving a payment or credit
described in (e) of this section.

(c) For purposes of this section,

(1) a producer's lease expenditures for a period are the total costs
upstream of the point of production of oil and gas that are incurred on or after April 1,
2006, by the producer during the period and that are direct, ordinary, and necessary costs of exploring for, developing, or producing oil or gas deposits located within the producer's leases or properties in the state or, in the case of land in which the producer does not own a working interest, direct, ordinary, and necessary costs of exploring for oil or gas deposits located within other land in the state; however, lease expenditures do not include the costs incurred to satisfy a work commitment under an exploration license under AS 38.05.132; in determining whether costs are direct, ordinary, and necessary costs of exploring for, developing, or producing an oil or gas deposit located within a lease or property or other land in the state, the department shall give substantial weight to

(A) the typical industry practices and standards in the state and in the United States as to costs that an operator is allowed to bill a working interest owner that is not the operator, under unit operating agreements or similar operating agreements that were in effect on or before December 1, 2005, and were subject to negotiation with working interest owners, not the operator, with substantial bargaining power; and

(B) the standards adopted by the Department of Natural Resources as to the costs, other than interest, that a lessee is allowed to deduct from revenue in calculating net profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E);

(2) the Department of Revenue may authorize a producer, including a producer that is the operator, to treat as its lease expenditures under this section the costs paid by the producer that are billed to the producer by an operator in accordance with the terms of a unit operating agreement or similar operating agreement if the Department of Revenue finds that

(A) the pertinent provisions of the operating agreement are substantially consistent with the Department of Revenue's determinations and standards otherwise applicable under this subsection; and

(B) at least one working interest owner party to the agreement, other than the operator, has substantial incentive and ability to effectively audit billings under the agreement.
(d) For purposes of (c) of this section, "direct costs"

   (1) includes

   (A) an expenditure, when incurred, to acquire an item if the
   acquisition cost is otherwise a direct cost, notwithstanding that the expenditure
   may be required to be capitalized rather than treated as an expense for financial
   accounting or federal income tax purposes;

   (B) payments of property taxes, sales and use taxes, motor fuel
   taxes, and excise taxes;

   (C) a reasonable allowance, as determined under regulations
   adopted by the department, for overhead expenses directly related to exploring
   for, developing, and producing oil or gas deposits located within leases or
   properties or other land in the state;

   (2) does not include

   (A) depreciation or amortization;

   (B) royalty payments for oil and gas;

   (C) taxes based on or measured by net income;

   (D) interest or other financing charges or costs of raising equity
   or debt capital;

   (E) acquisition costs for a lease or property or exploration
   license;

   (F) costs arising from fraud, wilful misconduct, or negligence;

   (G) fines or penalties imposed by law;

   (H) costs of arbitration, litigation, or other dispute resolution
   activities that involve the state or concern the rights or obligations among
   owners of interests in, or rights to production from, one or more leases or
   properties or a unit;

   (I) donations;

   (J) costs incurred in organizing a partnership, joint venture, or
   other business entity or arrangement;

   (K) amounts paid to indemnify the state; the exclusion
   provided by this paragraph does not apply to the costs of obtaining insurance
or a surety bond from a third-party insurer or surety;

(L) surcharges levied under AS 43.55.201 or 43.55.300.

(e) A producer's lease expenditures must be adjusted by subtracting any
payment or credit the producer receives for

(1) the use by another person of a production facility in which the
producer has an ownership interest;

(2) a reimbursement or similar payment that offsets the producer's
lease expenditures, including a payment from the state or federal government for
reimbursement of the producer's upstream costs, including costs for gathering,
separating, cleaning, dehydration, compressing, or other field handling associated with
the production of oil or gas upstream of the point of production;

(3) the sale or other transfer of

(A) an asset, including geological, geophysical, or well data or
interpretations, acquired by the producer as a result of a lease expenditure or an
expenditure that would be a lease expenditure if it were incurred on or after
April 1, 2006; and

(B) oil or gas

(i) that is not considered produced from a lease or
property under AS 43.55.020(c); and

(ii) the cost of acquiring which is a lease expenditure
incurred by the person that acquires the oil or gas.

(f) In place of the adjusted lease expenditures for a month under (a) of this
section, a producer may, at any time, elect to substitute, for every month of a calendar
year, one-twelfth of the producer's adjusted lease expenditures for the calendar year.

(g) For purposes of this section,

(1) a producer's transitional investment expenditures are the sum of the
expenditures the producer incurred on or after January 1, 2003, and before April 1,
2006, that would be qualified capital expenditures, as defined in AS 43.55.024, if they
were incurred on or after April 1, 2006, less the sum of the payments or credits the
producer received before April 1, 2006, for the sale or other transfer of assets,
including geological, geophysical, or well data or interpretations, acquired by the
producer as a result of expenditures the producer incurred before April 1, 2006, that would be qualified capital expenditures, as defined in AS 43.55.024, if they were incurred on or after April 1, 2006, multiplied by

(A) 25 percent for expenditures incurred on or after January 1, 2003, and before January 1, 2004;

(B) 50 percent for expenditures incurred on or after January 1, 2004, and before January 1, 2005; and

(C) 75 percent for expenditures incurred on or after January 1, 2005, and before April 1, 2006;

(2) notwithstanding (1) of this subsection, an amount of transitional investment expenditures may not be deducted under (a) of this section for a month for which the average price of Alaska North Slope oil delivered on the United States West Coast, as determined under (h) of this section, is equal to or less than $40 a barrel, as adjusted for inflation under (h) of this section.

(h) The average price described in (g) of this section shall be an average, as calculated using a formula prescribed by the department by regulation, of published daily spot price assessments during the month for Alaska North Slope oil delivered on the United States West Coast. However, if the department determines that the daily assessments cease to be published throughout the calendar year or appear likely to soon cease to be published throughout the calendar year or that they cease to be reliable evidence of market conditions or appear likely to soon cease to be reliable evidence of market conditions, the department shall by regulation provide that the average price described in (g) of this section is the prevailing value of Alaska North Slope oil delivered on the United States West Coast as determined under regulations of the department implementing AS 43.55.020(f). For each year after 2006, the department shall adjust the reference price of $40 a barrel set out in (g) of this section for inflation. The dollar amount in (g) of this section changes according to and to the extent of changes in the Consumer Price Index for all urban consumers for the Anchorage Metropolitan Area compiled by the Bureau of Labor Statistics, United States Department of Labor (the index). The index for January of 2006 is the reference base index. If the index is revised, the percentage of change is calculated based on the
revised index. If a revision of the index changes the reference base index, a revised
reference base index is determined by multiplying the reference base index applicable
by the rebasing factor furnished by the United States Bureau of Labor Statistics. If the
index is superseded, the index referred to in this section is the one represented by the
United States Bureau of Labor Statistics as reflecting most accurately changes in the
purchasing power of the dollar for Alaska consumers.

(i) The department shall specify or approve a reasonable allocation method for
determining the portion of a cost that is appropriately treated as a lease expenditure
under (c) of this section if a cost that would otherwise constitute a lease expenditure
under (c) of this section is incurred to explore for, develop, or produce

(1) both an oil or gas deposit located within land outside the state and
an oil or gas deposit located within a lease or property, or other land, in the state; or

(2) an oil or gas deposit located partly within land outside the state and
partly within a lease or property, or other land, in the state.

(j) The department may adopt regulations that establish additional standards
necessary to carrying out the purposes of this section.

(k) For purposes of AS 43.55.024(a) and (b) and only as to expenditures
incurred to explore for an oil or gas deposit located within land in which an explorer
does not own a working interest, the term "producer" in (b), (c), and (e) of this section
includes "explorer."

(l) For purposes of this section,

(1) "explore" includes conducting geological or geophysical
exploration, including drilling a stratigraphic test well, but the drilling of a
stratigraphic test well qualifies under this paragraph only if the well's target zones are
located in the state;

(2) "ordinary and necessary" has the meaning given "ordinary and
necessary" in 26 U.S.C. 162 (Internal Revenue Code) and regulations adopted under
that section;

(3) "stratigraphic test well" means a well drilled for the sole purpose of
obtaining geological information to aid in exploring for an oil or gas deposit and the
target zones of which are located in the state.
Sec. 43.55.170. Additional nontransferable credit. (a) For a month for which a producer’s tax liability under AS 43.55.011(a) exceeds zero before application of any credits under this chapter, a producer that is qualified under (b) of this section may apply a tax credit against that liability under this section. The tax credit authorized by this subsection may be calculated and applied so that

(1) the producer’s tax liability under AS 43.55.011(a) before applications of any credits under this chapter is not reduced below zero; and

(2) the total of the tax credits applied under this subsection during a calendar year does not exceed $10,000,000, except that the total of the tax credits applied under this subsection during calendar year 2016 does not exceed $2,500,000.

(b) On written application by a producer, including any information the department may require, the department shall determine whether the producer qualifies under this section for a calendar year. To qualify under 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 entity would not result in the division among multiple producer entities of any production tax liability under AS 43.55.011(a) that would be reasonably expected to be attributed to a single producer entity if the tax credit provision of (a) of this section did not exist.

(c) An unused tax credit or portion of a tax credit under this section is not transferable under AS 43.55.024(d) or refundable under AS 43.55.024(f), and may not be carried forward to or used in a later calendar year.

(d) The use of a tax credit under this section does not prevent a producer from taking a tax credit under AS 43.55.024(a) or 43.55.025 for the same qualified expenditure.

(e) A producer may not claim a credit under this section for a qualified capital expenditure incurred after March 31, 2016.

* Sec. 29. AS 43.55.201(a) is amended to read:

(a) Every producer of oil shall pay a surcharge of $0.01 [$0.02] per barrel of oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation.

* Sec. 30. AS 43.55.201(b) is amended to read:
(b) The surcharge imposed by (a) of this section is in addition to and shall be paid in the same manner as the tax imposed by AS 43.55.011 - 43.55.170, [AS 43.55.011 - 43.55.150;] and is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310.

* Sec. 31. AS 43.55.201(c) is amended to read:

(c) A producer of oil shall make reports of production in the same manner and under the same penalties as required under AS 43.55.011 - 43.55.170 [AS 43.55.011 - 43.55.150].

* Sec. 32. AS 43.55.201 is amended by adding a new subsection to read:

(d) Oil not considered under AS 43.55.020(e) to be produced from a lease or property is not considered to be produced from a lease or property for purposes of this section.

* Sec. 33. AS 43.55.300(a) is amended to read:

(a) Every producer of oil shall pay a surcharge of $0.04 [$.03] per barrel of oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation.

* Sec. 34. AS 43.55.300(b) is amended to read:

(b) The surcharge imposed by (a) of this section is in addition to and shall be paid in the same manner as the tax imposed by AS 43.55.011 - 43.55.170, [AS 43.55.011 - 43.55.150;] and is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231.

* Sec. 35. AS 43.55.300(c) is amended to read:

(c) A producer of oil shall make reports of production in the same manner and under the same penalties as required under AS 43.55.011 - 43.55.170 [AS 43.55.011 - 43.55.150].

* Sec. 36. AS 43.55.300 is amended by adding a new subsection to read:

(d) Oil not considered under AS 43.55.020(e) to be produced from a lease or property is not considered to be produced from a lease or property for purposes of this section.

* Sec. 37. AS 43.55.900(6) is repealed and reenacted to read:

(6) "gas" means
(A) all natural, associated, or casinghead gas;
(B) all hydrocarbons that
(i) are recovered by mechanical separation of well fluids or by gas processing; and
(ii) exist in a gaseous phase at the completion of mechanical separation and any gas processing; and
(C) all other hydrocarbons produced from a well not defined as oil;

* Sec. 38. AS 43.55.900(7) is repealed and reenacted to read:

(7) "gross value at the point of production" means
(A) for oil, the value of the oil at the automatic custody transfer meter or device through which the oil enters into the facilities of a carrier pipeline or other transportation carrier in a condition of pipeline quality; in the absence of an automatic custody transfer meter or device, "gross value at the point of production" means the value of the oil at the mechanism or device to measure the quantity of oil that has been approved by the department for that purpose, through which the oil is tendered and accepted in a condition of pipeline quality into the facilities of a carrier pipeline or other transportation carrier or into a field topping plant;
(B) for gas, other than gas described in (C) of this paragraph, that is
(i) not subjected to or recovered by mechanical separation or gas processing, the value of the gas at the first point where the gas is accurately metered;
(ii) subjected to or recovered by mechanical separation but not gas processing, the value of the gas at the first point where the gas is accurately metered after completion of mechanical separation;
(iii) subjected to or recovered by gas processing, the value of the gas at the first point where the gas is accurately metered after completion of gas processing;
(C) for gas run through an integrated gas processing and gas
treatment facility that does not accurately meter the gas after the gas processing and before the gas treatment, the value of the gas at the first point where gas processing is completed or where gas treatment begins, whichever is further upstream;

* Sec. 39. AS 43.55.900(10) is repealed and reenacted to read:

(10) "oil" means

(A) crude petroleum oil; and

(B) all liquid hydrocarbons that are recovered by mechanical separation of well fluids or by gas processing;

* Sec. 40. AS 43.55.900 is amended by adding new paragraphs to read:

(17) "explorer" means a person who, in exploring for new oil or gas reserves, incurs expenditures;

(18) "gas processing"

(A) means processing a gaseous mixture of hydrocarbons

(ii) by means of absorption, adsorption, externally applied refrigeration, artificial compression followed by adiabatic expansion using the Joule-Thomson effect, or another physical process that is not mechanical separation;

(ii) for the purpose of extracting and recovering liquid hydrocarbons; and

(iii) upstream of any gas treatment and upstream of the inlet of any gas pipeline system transporting gas to a market;

(B) does not include gas treatment;

(19) "gas treatment"

(A) means conditioning gas and removing from gas nonhydrocarbon substances for the purpose of rendering the gas acceptable for tender and acceptance into a gas pipeline system; and

(B) includes incidentally removing liquid hydrocarbons from the gas.

* Sec. 41. AS 43.55.011(b), 43.55.011(c), 43.55.012(b), 43.55.013, 43.55.016, 43.55.025(k)(3), 43.55.900(1), 43.55.900(8), 43.55.900(11), 43.55.900(12), and
43.55.900(16) are repealed.

* Sec. 42. The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) Sections 5, 6, 8 - 11, 13, 14, 15, 17 - 20, 22, and 26 - 41 of this Act apply to oil and gas produced on or after April 1, 2006.

(b) Section 12 of this Act applies to oil and gas produced before, on, or after the effective date of sec. 12 of this Act.

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

TRANSITIONAL PROVISIONS. (a) Notwithstanding any contrary provision of AS 43.55.024(a), enacted by sec. 14 of this Act, for oil and gas produced on or after April 1, 2006, and before January 1, 2007, the phrase "every month an annualized tax credit in an amount equal to one and two-thirds percent" in AS 43.55.024(a), enacted by sec. 14 of this Act, shall be replaced by the phrase "every month during the period April 1, 2006, through December 31, 2006, an annualized tax credit in an amount equal to 2.222 percent."

(b) Notwithstanding any contrary provision of AS 43.55.024(e), enacted by sec. 14 of this Act, for oil and gas produced on or after April 1, 2006, and before January 1, 2007, the phrase "a calendar year" in AS 43.55.024(e), enacted by sec. 14 of this Act, shall be replaced by the phrase "the last nine months of the calendar year."

(c) Notwithstanding any contrary provision of AS 43.55.160(f), enacted by sec. 28 of this Act, for oil and gas produced on or after April 1, 2006, and before January 1, 2007, the phrase "for every month of a calendar year, one-twelfth of the producer's adjusted lease expenditures for the calendar year" in AS 43.55.160(f), enacted by sec. 28 of this Act, shall be replaced by the phrase "for each of the last nine months of 2006, one-ninth of the producer's adjusted lease expenditures for that nine-month period."

(d) Notwithstanding any contrary provision of AS 43.55.170(a), enacted by sec. 28 of this Act, for oil and gas produced on or after April 1, 2006, and before January 1, 2007, the amount of "$10,000,000" in AS 43.55.170(a)(2), enacted by sec. 28 of this Act, shall be replaced by the amount "$7,500,000."

(e) For oil and gas produced before April 1, 2006, the provisions of AS 43.55, and regulations adopted under AS 43.55, that were in effect before April 1, 2006, and that were
applicable to the oil and gas continue to apply to that oil and gas.

(f) Notwithstanding any contrary provision of AS 43.55.020(a), as repealed and
reenacted by sec. 8 of this Act, or of AS 43.55.020(g), as enacted by sec. 13 of this Act, for oil
and gas produced on or after April 1, 2006, and before the first day of the first month that
begins at least 180 days after the effective date of the sections of this Act that are not effective
April 1, 2006,

(1) the amount of the taxes that would have been levied upon the producer
under AS 43.55, as the provisions of that chapter read on March 31, 2006, is due on the last
day of each calendar month on the oil and gas that was produced from each lease or property
during the preceding month;

(2) the portion, if any, of the taxes levied under AS 43.55.011(a), as repealed
and reenacted by sec. 5 of this Act, and under AS 43.55.011(e) and (f), as enacted by sec. 6 of
this Act, that remains unpaid, net of any credits applied as allowed by law, is due on the last
day of the second month that begins at least 180 days after the effective date of the sections of
this Act that are not effective April 1, 2006.

(g) Notwithstanding any contrary provision of AS 43.55.030(a), as amended by sec.
20 of this Act, for oil and gas produced on or after April 1, 2006, and before the first day of
the first month that begins at least 180 days after the effective date of the sections of this Act
that are not effective April 1, 2006, the person paying the tax shall file with the Department of
Revenue, at the time an amount of tax is due

(1) under (f)(1) of this section, the statement required under former
AS 43.55.030(a), as that subsection read on March 31, 2006; and

(2) under (f)(2) of this section, the statement required under AS 43.55.030(e),
enacted by sec. 22 of this Act.

(h) For purposes of taxes to be calculated and due under (f)(1) of this section and
statements to be filed under (g)(1) of this section, regulations that were adopted by the
Department of Revenue under AS 43.55, as the provisions of that chapter read on March 31,
2006, and that were in effect on that date apply to those taxes and statements.

* Sec. 44. The uncodified law of the State of Alaska is amended by adding a new section to
read:

TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
regulations to implement the changes made by this Act. The regulations take effect under
AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
implemented by the regulation.

* Sec. 45. The uncodified law of the State of Alaska is amended by adding a new section to
read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the
heading of

(1) AS 43.55 from "Oil and Gas Production Taxes and Oil Surcharge" to "Oil
and Gas Production Tax and Oil Surcharge";

(2) article 1 of AS 43.55 from "Oil and Gas Properties Production Taxes" to
"Oil and Gas Production Tax";

(3) AS 43.55.011 from "Oil production tax" to "Oil and gas production tax";

(4) AS 43.55.025 from "Tax credit for oil and gas exploration or gas only
exploration" to "Alternative tax credit for oil and gas exploration or gas only exploration";

(5) AS 43.55.150 from "Determination of gross value" to "Determination of
gross value at the point of production."

* Sec. 46. The uncodified law of the State of Alaska is amended by adding a new section to
read:

CONDITIONAL RETROACTIVITY. If the sections of this Act that, under sec. 48 of
this Act, are scheduled to take effect April 1, 2006, take effect on or after April 1, 2006, those
sections of this Act are retroactive to April 1, 2006.

* Sec. 47. Sections 1 - 4, 7, 12, 16, 21, 23, 24, and 42 - 46 of this Act take effect
immediately under AS 01.10.070(c).

* Sec. 48. Except as provided in sec. 47 of this Act, this Act takes effect April 1, 2006.