AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488(RES), Draft Version "Y"

Page 21, lines 3 - 4:
Delete "any payment or credit"
Insert "certain payments or credits received by the producer, as provided in this subsection. If, during a month or, under (f) of this section, during a calendar year, a producer receives one or more payments or credits subject to this subsection and if either the total amount of the payments or credits exceeds the amount of the producer's lease expenditures or the producer does not have any lease expenditures, the producer shall nevertheless subtract the payments or credits from the lease expenditures or from zero, respectively, and the producer's adjusted lease expenditures for that month or calendar year are a negative number. The producer shall apply that negative number to the calculation made under (a) of this section. The payments or credits that a producer must subtract from the producer's lease expenditures, or from zero, under this subsection are payments or credits that"
AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488(REs), Draft Version "Y"

1 Page 24, lines 3 - 4:
   Delete "may apply a tax credit against that liability under this section."
   Insert "and, during the calendar year, has incurred a qualified capital expenditure, as
   that term is defined in AS 43.55.024, may apply a tax credit, in an amount that does not
   exceed the amount of that expenditure, against that liability under this section. An unused
   portion of a tax credit may be applied to the extent otherwise allowed under this section for
   one or more months during the same calendar year."

2 Page 24, lines 6 - 7:
   Delete "before applications for any credits under this chapter"
   Insert "for any month"

3 Page 24, line 23, following "qualified":
   Insert "capital"
AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488(RES), Draft Version "Y"

Page 29, line 31, following "REGULATIONS":

Delete ".".

Insert "AND RETROACTIVITY OF REGULATIONS. (a)"

Page 30, following line 3:

Insert a new subsection to read:

"(b) Notwithstanding any contrary provision of AS 44.62.240, a regulation adopted by the Department of Revenue to implement, interpret, make specific, or otherwise carry out the provisions of secs. 5, 6, 8 - 11, 13 - 15, 17 - 20, 22, and 25 - 41 of this Act may apply retroactively as of April 1, 2006, if the Department of Revenue expressly designates in the regulation that the regulation applies retroactively to that date."
AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488(RES), Draft Version "Y"

1 Page 29, lines 5 - 6:
2 Delete "the sections of this Act that are not effective April 1, 2006"
3 Insert "secs. 8 and 13 of this Act"

4

5 Page 29, lines 14 - 15:
6 Delete "the sections of this Act that are not effective April 1, 2006"
7 Insert "secs. 5 and 6 of this Act"

8

9 Page 29, line 17, following "Act,":
10 Insert "or AS 43.55.030(e), added by sec. 22 of this Act,"
11

12 Page 29, lines 18 - 19:
13 Delete "the sections of this Act that are not effective April 1, 2006"
14 Insert "secs. 20 and 22 of this Act"
AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488(RES), Draft Version "Y"

1 Page 4, line 9, following "for":
   Insert "all"

2

3

4 Page 5, line 31:
5 Delete "AS 43.55.011"
6 Insert "AS 43.55.011(a)"

7

8 Page 30, line 22:
9 Delete "24,"

-1-
AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 488 (RES)

BY REPRESENTATIVE OLSON

3-16-06

Page 4, line 9:
delete "or gas" "and gas"

Page 4, line 10
delete "and gas"

Page 4, line 12
delete "and gas"
AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 488(RES)

BY REPRESENTATIVE KAPSNER

1  Page 9, line 24:
2    Delete "April 1, 2006"
3    Insert "January 1, 2006"

5  Page 16, lines 2 - 3:
6    Delete "April 1, 2006"
7    Insert "January 1, 2006"

9  Page 18, line 15:
10   Delete "April 1, 2006"
11   Insert "January 1, 2006"

13  Page 18, lines 26 - 27:
14    Delete "April 1, 2006"
15    Insert "January 1, 2006"

17  Page 18, line 28:
18    Delete "April 1, 2006"
19    Insert "January 1, 2006"

21  Page 18, line 29:
22    Delete "April 1, 2006"
23    Insert "January 1, 2006"
Page 19, line 1:
Delete "April 1, 2006"
Insert "January 1, 2006"

Page 19, line 2:
Delete "April 1, 2006"
Insert "January 1, 2006"

Page 19, line 8:
Delete "April 1, 2006"
Insert "January 1, 2006"

Page 21, line 23:
Delete "March 31, 2016"
Insert "December 31, 2015"

Page 25, line 1:
Delete "April 1, 2006"
Insert "January 1, 2006"

Page 25, lines 6 - 24:
Delete all material and insert:

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

(b) Notwithstanding any provision in this Act to the contrary,

(1) a report and payment of production tax on oil and gas due under AS 43.55, as enacted by this Act, for any period before the effective date of this Act is due on the last day of the month following the month in which the effective date of this Act occurs; and
(2) penalty provisions of AS 43.55.020(h), added by sec. 13 of this Act, and of AS 43.55.030(d), amended by sec. 17 of this Act, apply to taxes that are due and unpaid and reports that are not filed by the date described in (1) of this subsection."

Page 26, lines 13 - 20:

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

RETROACTIVITY. Sections 5, 6, 8 - 11, 13, 14, 16 - 18, and 22 - 37 are retroactive to January 1, 2006, and apply to oil and gas produced on and after that date.

* Sec. 43. This Act takes effect immediately under AS 01.10.070(c)."
CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE  BY REPRESENTATIVE KAPSNER

TO: CSHB 488 (RES), Version Y

Delete sections relating to transitional investment expenditures.
AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KAPSNER

TO: CSHB 488 (RES), Version Y

Delete Sec. 27, page 16, line 23 through page 17, line 17.
AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 488 (RES)

1 Page 31, line 1
2 Add the following:
3 "Sec. 49. AS 43.55 is amended to read:
4 
5 Sec.43.55.400. High energy cost offset fund.
6 (a) The high energy cost offset fund is established as a separate fund in the general fund.
7 The fund consists of all money appropriated to it.
8 (b) The high energy cost offset fund shall be invested by the Department of Revenue so
9 as to yield competitive market rates, as provided in AS 37.10.071. Money in the fund may
10 be appropriated to provide cost offsets for high energy costs of consumers.
11 (c) Nothing in this section creates a dedication of funds
CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488 (RES) Draft Version Y

This amendment would prevent a deduction from taxable income for the clean-up of oil spills, as in existing law Sec. 43.55.150 (c)(1) on the severance tax.

The existing language reads "the amount of loss of or damage to, or of expense incurred due to the loss of or damage to, a vessel used to transport oil if the loss, damage, or expense is incurred in connection with a catastrophic oil discharge from the vessel into the marine or inland waters of the state".

In addition, unless prohibited elsewhere in this bill, a provision should be added preventing a taxpayer from deducting the cost of any oil-spill related damage or penalty payments to a governmental or private party.
Sec. 43.55.110. Administration.

Statute text
(a) The department may adopt regulations for the purpose of making and filing reports required by this chapter and otherwise necessary to the enforcement of this chapter.
(b) The department may require a sufficient bond from every person charged with the making and filing of reports and the payment of the tax. The bond shall run to the state and shall be conditioned upon the making and filing of reports as required by law, upon compliance with the regulations of the department, and for the prompt payment, by the principal on the bond, of all taxes due the state by virtue of this chapter.
(c) If reports required have not been filed, or are insufficient to furnish the information required by the department, the department shall institute, in the name of the state upon relation of the department, the necessary action or proceedings to enjoin the person from continuing operations until the reports are filed.
(d) Upon showing that the state is in danger of losing its claims or the property is being mismanaged, dissipated or concealed, a receiver shall be appointed at the suit of the state.

History
(§ 13 ch 7 ESLA 1955)
Annotations
Administrative Code. - For hearing procedures, see 15 AAC 5, art. 1.
For oil and gas properties production tax, see 15 AAC 55.
Sec. 43.55.120 - 43.55.130. Noncompliance and false reports. [Repealed, § 46 ch 113 SLA 1980. For criminal penalties, see AS 43.05.290.].

Sec. 43.55.135. Measurement.

Statute text
For the purposes of AS 43.55.011 - 43.55.150, oil shall be measured in terms of a "barrel of oil" and gas shall be measured in terms of a "cubic foot of gas."

History
(§ 16 ch 101 SLA 1972)
Annotations
Revisor's notes. A reference to "AS 43.55.011 - 43.55.150" was substituted for "this chapter" in this section in 1989 to reflect the enactment of AS 43.55.200 - 43.55.240.
Sec. 43.55.140. [Renumbered as AS 43.55.900.].

Sec. 43.55.150. Determination of gross value.

Statute text
(a) For the purposes of AS 43.55.011 - 43.55.150, the gross value shall be calculated using the reasonable costs of transportation of the oil or gas. The reasonable costs of transportation shall be the actual costs, except
(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.

(b) If the department finds that the conditions in (a)(1), (2), and (3) of this section are present, the department shall determine the reasonable costs of transportation, using the fair market value of like transportation, the fair market value of equally efficient and available alternative modes of transportation, or other reasonable methods. Transportation costs fixed by tariff rates properly on file with the Regulatory Commission of Alaska or other regulatory agency shall be considered prima facie reasonable.

(c) In determining the gross value of oil under (a) of this section, the department may not allow as reasonable costs of transportation:

(1) the amount of loss of or damage to, or of expense incurred due to the loss of or damage to, a vessel used to transport oil if the loss, damage, or expense is incurred in connection with a catastrophic oil discharge from the vessel into the marine or inland waters of the state;

(2) the incremental costs of transportation of the oil that are attributable to temporary use of or chartered or substituted service provided by another vessel due to the loss of or damage to a vessel regularly used to transport oil and that are incurred in connection with a catastrophic oil discharge into the marine or inland waters of the state; and

(3) the costs incurred to charter, contract, or hire vessels and equipment used to contain or clean up a catastrophic oil discharge.

History

(§ 6 ch 107 SLA 1976; am § 92 ch 59 SLA 1982; am § 1 ch 114 SLA 1989)

Annotations

Revisor's notes. A reference to "AS 43.55.011 - 43.55.150" was substituted for "this chapter" in (a) of this section in 1989 to reflect the enactment of AS 43.55.200 - 43.55.240.

In 1999, the current reference in subsection (b) to "Regulatory Commission of Alaska" was substituted for "Alaska Public Utilities Commission" in accordance with § 30(a), ch. 25, SLA 1999.

Administrative Code. - For oil and gas properties production tax, see 15 AAC 55.

Legislative history reports. For legislative letter of intent in connection with the enactment of (c) of this section by § 1, ch. 114, SLA 1989 (HCS CSSB 299(Res)), see 1989 Senate Journal 1507.
AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 488(RES), Draft Version "Y"

BY REPRESENTATIVE SEATON

1 Page 4, line 16:
2 Delete "50"
3 Insert "45"

4

5 Page 4, line 18:
6 Delete "$50"
7 Insert "$45"

8

9 Page 4, line 19:
10 Delete "$150"
11 Insert "$145"
OFFERED IN THE HOUSE

TO: CSHB 488 (RES), Draft Version "Y"

This amendment would substitute the progressive 20% income tax with a 25% income tax which increases at the same rate and at the same price points as provided in the current version of HB 488.
Consultant Statements On An Appropriate PPT Tax Rate

Daniel Johnston, Legislative Consultant:
(Joint House Resources / House Finance Committee – March 6, 2006)
(Quoted in the Anchorage Daily News – March 7, 2006):

"I am just not happy with 20/20. 25/20 is a starting point, and then it’s got to be progressive from there."

Barry Pulliam, EconOne Consultant
(House Resources Committee – March 13, 2006):

“Our view, we sat down with the administration folks who came up with the PPT, Dr. Van Meurs, and considered those very questions when he was first submitting his recommendations. And in our view certainly the 20/20 was very safe. Very safe. The 25/20 we even thought was safe.”

“But you don’t want to lose a lot of interest and as, as economists who have worked with forecasting, and looking at decision-making, I think our view would also be you don’t want to be in a position where you’re... you’ve calculated that you’ve taken every last penny of what’s available. You want to leave something... you want to make it attractive. You want to leave enough to make it attractive. Keep people real interested. We don’t think the 25/20 goes beyond that at all, and then with some increment above that, we think it still stays real attractive. Now, in thinking about the sliding scale. What would you do? I think our view in general would be if you’re thinking about starting it lower, have a lower increment. If you’re thinking about starting it higher, have a higher increment. I think that’s probably... just as a general thing. Otherwise, if you start real low and have a real high increment, you go pretty steep. So, that would be our...


....

Rep. Seaton: Thank you. And, so just to be clear, within these scenarios, are there any of them that you’ve projected here that you think are, from your standpoint, in your analysis, that would be detrimental to investment in the industry here in Alaska?

Barry Pulliam: No. Looking at these, I don’t see any that would be, that would fall into the detrimental area. I put, as I look at this, I try to put these into a historical context – look at what the rates have been at given price levels. And as you look at those, even as you look at the highest one of these that you’d have, which would be the 35 threshold with a .35% increment, you see as you... you know, when you’re at 40 dollar prices there your tax rate is only 11.4%. That’s at a higher price level, that’s a lower percentage than your historical average. You start to ratchet up beyond there, but you have some pretty high prices that those are associated with. So, there might be a little bit of stuff around the margin that would look at that and say that’s not of interest. I don’t think for the majority of what you have that would be the case. But, I can see reasons why you wouldn’t do that either. You might have a more cautious approach.”
Dr. Tony Finizza, EconOne Consultant  
(House Resources Committee March 13, 2006):

“And, to illustrate this question that was raised earlier about is 25/20, could it look better for a producer, and in a funny kind of way it does. I’m saying... lets... no one’s going to drill a one well program, but just say you did, and it was 20 million dollars - and that’s the number I’m actually going to use for a well, 20 million – it’s pretty expensive, but this is an expensive state and they’re low product wells, etc. and eventually we have the high cost assumptions to make. If you did this well exploration – 20 million dollars – with a pattern I put in here under a status quo your negative cash flow would be roughly 20 million dollars. There’s inflation in there that makes it higher, and then there’s some tax sheltering that goes on. In the other cases, the PPT, you get to deduct capital as a credit, etc. and sell it and all that stuff. So naturally in actuality the producer or the explorer has less cash flow. Negative cash flow. And by this calculation, marginally better off with 25/20 than 20/20.”

Rep. Gara: Just a follow up so I’m clearer in your answer to Representative Berkowitz. He asked you, you said at 25/20, you might be, that might be the point where you start maximizing revenues before you start hitting diminishing returns. Is that, did I understand that fairly?

Dr. Finizza: I said that I had a gut reaction that that was a point of diminishing returns, and that’s... for an exploration, yup. I wouldn’t think that you would have to go further than that to encourage or, you wouldn’t, and then take a greater risk yourself.

Rep. Gara: Am I wrong in assuming... If I’m looking for the point where’s you’ve started to maximize your long term state revenue but before you start losing money because you’re taxing too much – that’s your gut reaction on 25/20 or am I missing...?

Dr. Finizza: That’s my gut reaction, yeah.

Dr. Pedro Van Meurs, Consultant  
(House Resources Committee – February 23, 2006):

“The 25/20 and the 20/20 both are very competitive systems, that you could see from the investment. If I say competitive, it means that both systems would be considered quite attractive by investors.”

“Whether you start the tax on January 1 or July 1 really has no impact on the competitiveness of the system. Because new investors would look at new investments and would not even have to pay tax for now, for awhile. So consequently whether you have a July or January start day, that would not have impact on new investors. So would be equally, say, attractive either way. The only difference between the January 1 and the July 1 start date is that of course it has enormous impact on existing production. So as far as existing production, you would have 6 months more of revenues if you moved the date back to January 1st of this year.”