

Title: changes to reflect “net value” to “production tax value”, amending to apply to Cook Inlet, relating to surcharges, definition of “gas” in ASGDA.

“net value” requested by AOGA

Cook Inlet language for Sec. 5

Surcharges for Sec. 27-30

Gas definition for cross reference to Sec. 31

FINAL

1. No changes.
2. No changes, was old section 4.
3. No changes, was old section 2.
4. No changes, was old section 3.
5. New section to amend existing oil tax to accommodate the Cook Inlet basin.
6. New section “gross value at the point of production” for the Cook Inlet basin.
7. Old Sec. 5. e. New language establishing tax of 25% of production tax value of oil and gas, exception for (a) is to apply to Cook Inlet basin
Pg. 5, line 7, (A) need to insert “gas” in front of “from the Cook Inlet basin”
f. (1-3) New language regarding private royalty (AOGA & ASRC)
(4) new language regarding royalty on ANWR and NPRA –
needs correction to reflect tax on royalty, not just royalty

- g. New language for progressivity, determined monthly based on WTI beginning at \$40.00 a barrel, tax rate of .20 percent for each \$10 increment.
- h. New language providing for department calculations on the rate in (g).

NOTE: Revisions expected for this progressivity concept.

- 8. Certain ELF provisions maintained for Cook Inlet Basin
- 9. Old Sec. 6 Change “upon” to “on” (line 31), otherwise no changes.
- 10. Old Sec. 7: Changed ... was 90% of tax due, now is 95% of tax due and now paid quarterly – “true-up”.
- 11. No changes, old Sec. 8
- 12. Old Sec. 9 – AOGA changes –
- 13. No changes – old Sec. 10.
- 14. Old Sec. 11: inserted “produced but” needs to apply to both .
- 15. New language, references taxes due for Cook Inlet basin.

NOTE: Section 16 & 17 pertain to \$73 million standard deduction and a new approach is being considered which would replace these two sections.

- 16. Old Sec. 12. This is new language to replace the \$73 million standard deduction, offering instead a tax credit of 20 percent for development or production or 30 percent for exploration. Subsection (b) percentage needs to match the tax percent (page 10 line 11)
Page 12, line 11, April 1, 2006 date
Page 12, line 21, subsection (3) new
Pg. 12, line 24 ... “or similar regulatory body” needs to be clarified that is specific to entities that have pipeline authority, etc.

17. New section ... deletes “testing stimulation, or completion costs” from existing statute for production tax credits. Effect is to allow testing, stimulation, or completion costs as authorized exploration tax credits.
18. Old Sec. 13, No changes
19. Old Sec. 14, No changes
20. Old Sec. 15, No changes
21. Old Sec. 16. Slight language changes (ii) ???
22. No changes, old Sec. 17.
23. No changes, old Sec. 18.
24. Old Sec. 19. Revision to add “or” on line 26: note, this “or” may be deleted.
25. Old Sec. 20. Language changes regarding valuation, eliminating royalty settlement agreements as a method of valuation.
26. Old Sec. 21. pg. 17 line 29 adds 43.55.011(e), other slight changes in (a)
Pg. 18, line 5, slight formatting changes in (b) “for purposes of administration”
Pg. 18, line 2 and 18 line 20: 1/48 reflects 4 years instead of 6 years
Pg 18, line 26 April 1, 2006
pg. 19 line 4 “from a” ... typo?
pg. 19, line 16-17: “including the operator or a working interest owner” – needs to read: “include a producer that is the operator”
AOGA changes
pg. 19, line 29 “capital assets” need better define for this
pg. 20 line 6, need to delete “capital assets”
pg. 20 line 7, adds “for oil and gas” AOGA changes

- pg. 20, line 22: (K) indemnification language requested by AOGA
- pg. 20, line 25: (L) surcharges for 470 funds are not “direct costs”
- pg. 20, line 26 (M) costs of abandonment are not “direct costs” under i and ii
- Page 21, line 8, (N) new language for clarification on costs
- Page 21, line 12 (O) new language for clarification on costs
- Pg. 21, line 16 (e) drafting formatting revisions “costs” line 25
- Pg. 21, line 20, new subsection (B)
- Pg. 22, line 1, April 1, 2006
- pg. 22, line 11 – subsection (g) – new transitional expenditures, limiting to 3 year note effective date of April 1, 2006 : look back at 25% in 2003-2004; then 50% in 2004-2005, then 75% in 2005-2006 (Jan 05 – July 06).
- Pg. 22, line 27 (2) sets out in subsection formation language same as previous
- Pg. 23, line 4, changes “such” to “the” other slight drafting changes in rest of section.
- Deletes old subsection (i) which was the \$73 million standard
- New (i) is old (k) with some drafting revisions; new (j) is old (l); new (k) is old (m);
- Pg. 23, line 29: inserted new subsection (l) and (m) and (n)
- new (o) is old (n) with some AOGA revisions
27. New language establishing new surcharge rate from 0.02 to 0.01 (old Sec. 22 & 23)
 28. Old Sec. 24. If not produced for purposes of production tax than not produced for purposes of surcharge tax.

29. New language establish new surcharge rate from 0.03 to 0.05. (partial old 25, 26 & 27)
30. Old Section 28 – If not produced for purposes of production tax than not produced for purposes of surcharge tax

NOTE: Old Section 29 deleted – was tax credit for surcharge

31. Old Sec. 30: no changes.
32. Old Sec. 31 no changes
33. Old. Sec. 32 no changes
34. Old. Sec. 33 no changes
35. Old Sec. 34 – repealer section: original bill eliminated AS
43.55.011(b) for CI; 43.55.011(c) for CI; 43.55.012(b) for CI;
43.55.013(b) (d) (j) and (k) ELF for CI; (new bill does NOT repeal this sections – they are referenced to Cook Inlet basin under ELF) also does not repeal: 43.55.900(1), 43.55.900(12) and 43.55.900(16)
36. Old Sec. 35 applicability: Change date to April 1, 2006.
 - a. Same but references new section numbers
 - b. Same but references new section numbers.
37. Old Sec. 36 – Transitional provisions. (a)(b)(c) changes to reflect date April 1, 2006 and from “six months” to nine months”.
(d) ???
38. Old. Sec. 37 – Transition : Regulations. No change.
39. Old Sec. 38 Revisions Instruction – changes to reflect revisions in new bill.
40. Old Sec. 39. Effective dates of specific sections.
41. General bill effective date April 1, 2006.