



## Sectional Analysis ACES

- Section 1:** Expresses legislative intent regarding application of the statute of limitations.
- Section 2:** Provides for the Department of Natural Resources to share with the Department of Revenue confidential information for use in administering the production tax or forecasting tax revenue, and maintains confidentiality.
- Sections 3-9:** No substantive change. Amends references to altered statutes.
- Section 10:** Provides for an exempt class of oil and gas auditors and supervisors.
- Section 11:** See sections 3-9.
- Section 12:** Makes conforming amendment regarding disclosure of certain taxpayer information.  
[See Sec. 61]
- Section 13:** Provides for the Department of Revenue to share production tax information with the Department of Natural Resources, and maintains taxpayer confidentiality.
- Section 14:** Makes conforming amendments regarding statute of limitations for production tax.  
[See Sec. 50]
- Section 15:** Repeals tax levy under PPT and establishes new oil and gas tax as calculated in following sections.
- Section 16:** Replaces current North Slope tax floor with new 10% gross tax floor on certain very large fields.
- Section 17:** Establishes net tax rate of 25% plus a progressivity factor of 0.2%.
- Section 18:** Lowers progressivity trigger from \$40 per barrel to \$30 per barrel (net) and provides for annual calculation instead of monthly.
- Sections 19-20:** Conforming amendments.
- Section 21:** Makes conforming change consistent with section 55, to the existing provision preventing Cook Inlet producers from utilizing Cook Inlet tax ceiling to export tax credits to other areas of the state.
- Section 22:** Changes the monthly installment tax calculations to conform to changes made by sections 15-18 and to take account of the existing Cook Inlet tax ceilings.
- Sections 23-25:** Conforming amendments.
- Section 26:** Limits to 50% the amount of a capital credit that may be claimed for a single calendar year; conforms data submission requirements for exploration capital credits to the data submission requirements for AS 43.55.025 exploration credits

[See Sec. 39]; Limits use of capital credits generated in fields subject to the 10% gross tax floor to taxes on oil and gas from those fields.

- Section 27:** Conforms the tax credit rate for carried-forward annual loss to the new basic net tax rate enacted by section 17, and provides that fields subject to the 10% gross tax floor may not carry forward losses.
- Section 28:** Conforming amendments for transferable tax credit certificates, increases from 60 to 120 days a time limit for Department of Revenue approval of certificates, and applies the 50% annual limitation in section 26 to certificates.
- Sections 29-30:** Conforming amendments..
- Section 31:** Clarifies that tax-exempt entities may not apply for transferable credit certificates.
- Sections 32-36:** Conforming amendments.
- Section 37:** Updates provisions for exploration credits, provides that a suspended well does not qualify for credits until completed or abandoned, and excludes costs arising from gross negligence or environmental or health and safety violations.
- Section 38:** Modifies eligibility provisions for exploration wells credits to better define and enforce the requirement to test a previously unexplored prospect while allowing for several exploration wells within a limited period of time.
- Section 39:** Clarifies the data submission requirements for exploration credits, reduces the confidentiality period for certain data, applies the 50 percent annual limitation in section 26 to exploration credits, and provides for public disclosure of basic information relating to credits.
- Section 40:** Clarifies that tax-exempt entities may not transfer exploration tax credits.
- Sections 41-42:** Conforming and clarifying amendments.
- Section 43:** Changes the definition of “preexisting well” for purposes of exploration credits to exclude wells drilled within 540 days rather than 150 days.
- Section 44:** Establishes 5% credit which may be claimed against seismic exploration expenses incurred before July 1, 2003, in exchange for seismic data, the acquisition of which is determined by the Commissioner of DNR to be in the best interest of the state.
- Section 45:** Creates Oil and Gas Tax Credit Fund for the purposes of purchasing certain tax credits from explorers and producers; Establishes procedure and standards for appropriation into and management of fund. (Replaces existing credit buy-back provisions [See Sec. 63])
- Section 46:** Requires producers to file annual report with the Department of Revenue annually, even if no tax is due that year, and expands examples of required information.
- Section 47:** Assesses penalty for late filing of reports required under sections 46 and 48.
- Section 48:** Requires producers and explorers to report certain expenditures and adjustments annually to the Department of Revenue and allows the Department of Revenue to require monthly reporting of information considered necessary for administering of taxes.
- Section 49:** Authorizes the Department of Revenue to require reporting of information needed for revenue forecasting purposes and to assess penalties for failure to timely file reports.

- Section 50:** Extends statute of limitations for production tax to six years, subject to extension due to changes in federal income tax, and provides for tax effects of retroactive changes in items that affect a producer's tax.
- Section 51:** Allows the Department of Revenue to establish and require electronic filing and payment.
- Section 52:** Clarifies how production tax values (i.e., taxable values) of oil and gas are calculated, consistent with changes enacted by sections 15-18.
- Section 53:** Makes conforming amendments required under section 52.
- Sections 54-55:** Further implements the changes enacted by section 52, providing for allocation of lease expenditures among leases or properties, and specifies an "anti double-dipping" provision with respect to Cook Inlet tax ceilings.
- Section 56:** Amends the description of deductible lease expenditures, provides that only expenditures allowed by regulation may be deducted, and makes terminology for overhead expenses consistent with ordinary usage.
- Section 57:** Conforms with section 56; existing language is moved to a different subsection.
- Section 58:** Makes non-deductible all expenditures for dismantlement, removal, or restoration; for repair, replacement, or repair associated with interruption of or reduction in oil or gas production or releases of oil, gas, or other substances; and for refineries or topping plants; allows for deduction of added value of refinery or topping plant products used in lease operations.
- Section 59:** Clarifies language of existing provision on cost allocation.
- Section 60:** Conforming change regarding repeal of certain provisions (see section 63).
- Section 61:** Authorizes Department of Revenue to publish production tax information if aggregated among at least three producers or explorers.
- Section 62:** Adds definitions needed for other provisions of Act.
- Section 63:** Repeals transitional investment expenditure (TIE) tax credit; repeals provisions for using unit operating agreements to determine deductible lease expenditures; Repeals existing provisions for state refund of certain tax credit certificates and makes conforming repeals.
- Section 64:** Applicability provisions: most substantive tax changes apply starting January 1, 2008; several apply back to April 1, 2006.
- Sections 65-68:** Transition provisions.
- Section 69:** Makes certain provisions of the act retroactive consistent with section 64; Makes section 40 retroactive to beginning of exploration tax credit program (July 1, 2003).
- Section 70:** Provides for January 1, 2008, effective date for most substantive changes to production tax.
- Section 71:** Establishes immediate effective date for Act other than as provided by section 70.