

ALASKA STATE LEGISLATURE



Official Business

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Representative Kurt Olson, Chair
State Capitol, Room 408
Juneau, AK 99801-1182
Phone 907-465-2693 Fax 907-465-3835

Representative Ralph Samuels
Representative Nancy Dahlstrom
Representative Scott Kawasaki

Representative Jay Ramras
Representative Mark Neuman
Representative Mike Doogan

Sectional for HB2001(O&G)\K

Section 1. Amends AS 38.05.035(a) by adding a new paragraph that requires the director of the Division of Lands to furnish information to the Department of Revenue for the purpose of forecasting state revenue and the administration of AS 43.55 (oil and gas production tax and surcharges). The information to be shared includes confidential information relating to sale, lease, or other disposal of land; geological, geophysical and engineering data; financial information; and other information held by the director. Requires the Department of Revenue to maintain the same confidentiality of the information received under the paragraph as is required of the director of the Division of Lands with regard to that information.

Section 2. Amends AS 38.05.036(b) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because the amendment of AS 38.05.035(a) in Section 1 renumbered some paragraphs in the subsection and added a new paragraph

Section 3. Amends AS 38.05.036(f) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.35(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 4. Amends AS 38.05.036(g) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.35(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 5. Amends AS 38.05.123(f) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.35(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 6. Amends AS 38.05.133(e) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.35(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 7. Amends AS 38.05.180(j)(6)(B) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.35(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 8. Amends AS 38.05.275(c) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.35(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 9. Adds a new paragraph (42) to AS 39.25.110 that makes oil and gas production tax auditors and their immediate supervisors in Department of Revenue and oil and gas royalty auditors, including net profits share auditors, and their immediate supervisors in Department of Natural Resource exempt employees.

Section 10. Amends 41.09.010(d) by changing a cross-reference to a paragraph in AS 38.05.035(a); the change is required because of the amendment of AS 35.05.035(a) in sec. 1 renumbered some paragraphs in the subsection and added a new paragraph.

Section 11. Amends AS 43.05.230(a) to include AS 43.55.890 (added by sec 33 of the bill), that provides disclosure of tax information, as an exception to the prohibition against divulging the amount of income or the particulars set out or disclosed in a report or return made under AS 43.

Section 12. Amends AS 43.05.230(h) by adding tax returns, reports, and documents filed under AS 43.55, and the Department of Revenue's determinations and work papers under AS 43.55 and AS 43.65 to the information that the Department of Revenue is required to furnish to the Department of Natural Revenue.

Section 13. Amends AS 43.55.260 (a) to include AS 43.55.075 (added by sec. 27 of the bill) as an exception to the general three-year statute of limitations on assessment. Details are discussed in sec. 27.

Section 14. Amends AS 43.55.011(j) (relating to Cook Inlet gas) to add AS 43.55.011(o) to delete reference to AS 43.55.011(g), under sec. 42 of the bill, this section takes effect January 1, 2008.

Section 15. Amends AS 43.55.011(k) (relating to Cook Inlet oil) to add AS 43.55.011(o) to delete reference to AS 43.55.011(g), under sec. 42 of the bill, this section takes effect January 1, 2008.

Section 16. Amends AS 43.55.011(m) by adding reference to AS 43.55.011(o) and makes technical changes.

Section 17. Adds new sections to AS 43.55.011

(o) Amends AS 43.55.011 by adding a new subsection (o) that adds a gross element to the progressivity tax, which is triggered when oil reaches \$50 a barrel at the rate of .225% of the gross value at the point of production calculated monthly.

(p) Prior to 2022 (p) providing that gas produced outside of Cook Inlet, after December 31, 2007, and south of 68 degrees North Latitude, be taxed at the similarly to the Cook Inlet Basin.

Section 18. Amends AS 43.55.020(a) by changing a cross-reference to a paragraph in AS 45.55.011; required by the addition of AS 45.55.011(o) in sec. 17. Deletes reference to subsection AS 43.55.011(g).

Section 19. Amends AS 43.55.020(d) by changing a cross-reference to a paragraph in AS 45.55.011; the change is required because of the addition of AS 45.55.011(o) in sec. 17.

Section 20. Amends AS 43.55.020(g) Clarifies the period during which interest accrues under 26 U.S.C. 6621 on the underpayment of an installment.

Section 21. Amends AS 43.55.020(h) Clarifies the period during which the interest accrues under 26 U.S.C. 6621 on the overpayment of an installment.

Section 22. Amends AS 43.55.023(d). Applying current statutory language to the use of tax credits for losses and expenditures and makes conforming amendments to AS 43.55.030(a) or (e).

Section 23. Amends AS 43.55.023(i) by reducing the TIE credits to expenditures incurred after March 31, 2003 (previously 2001).

Section 24. Amends AS 43.55.030(a) to make the statement filing requirement apply to all producers rather than only those producers with a tax liability. Adds additional information requirements to those already in current law. Under sec. 39 of the bill, this section applies to statements and reports required to be filed after December 31, 2007. Under sec. 42 of the bill, this section takes effect January 1, 2008.

Section 25. Amends AS 43.55.030 by adding subsections (e) and (f). Requires explorers or producers to file an annual statement on expenditures (or adjustments) even if no oil or gas is produced during the year. Makes clear that the Department may also require monthly reports from producers, explorers, and operators.

Section 26. Amends AS 43.55.040 by adding paragraph (5) that authorizes the Department of Revenue to require a producer, explorer, or operator to file reports and records that the department considers necessary to forecast state revenue under AS 43.55.

Section 27. Adds a new section AS 43.55.075. This section recognizes that historically most production tax audits take longer than 3 years. The proposal requires the amount of tax imposed by this chapter to be assessed within 6 years after the latest return is filed. The section also details various filing time period obligations.

Section 28. Adds new subsections to AS 43.55.110

(e) Allows the department to require that returns, statements, reports, notifications, and applications be filed electronically in a form required by the department.

(f) Allows the department to require electronic payments.

(g) Allows the department to issue advisory bulletins.

Section 29. Amends 43.55.160(a) makes conforming amendments.

Section 30. Amends AS 43.55.165(a) Conforming statutory language to reflect prohibited lease expenditures under AS 43.55.165(e).

Section 31. Amends AS 43.55.165(e) (relating to excluded lease expenditures) by deleting language in AS 43.55.165(e)(15) that relates to dismantlement, removal, surrender, or abandonment costs attributable to production before April 1, 2006, and adding additional categories of excluded costs. AS 43.55.165(e)(6) is amended to exclude costs that arise from a violation of law or the failure to comply with an obligation under the lease, permit, or license issued by the state or federal government.

AS 43.55.165(e)(19) is added to exclude costs for repair, replacement, or deferred maintenance undertaken in response to an unscheduled interruption or reduction in the rate of production or undertaken in response to an unpermitted release of gas or other hazardous substances.

(AS 43.55.165(e)(19) appears to address concerns similar to those addressed in HB 128 and

SB 80, but uses different criteria than those in the existing legislation for determining excluded costs.) AS 43.55.165(e)(20) is added to exclude costs related to a refinery or crude oil topping plant, but allows the value of certain products produced from such a facility to be lease expenditures. Under sec. 39 of the bill, this section applies to oil and gas produced after March 31, 2006. Under sec.41 of the bill, this section is retroactive to April 1, 2006.

Section 32. Amends AS 43.55.170(a) by delineating an exception relating to the subtraction of a payment or credit in calculating billable or billed costs. Under sec 39 of the bill, this section applies to oil and gas produced after March 31, 2006. Under sec.41 of the bill, this section is retroactive to April 1, 2006.

Section 33. Adds a new section to AS 43.55 – AS 43.55.890. The new section provides for the publication of information, if aggregated among three or more producers or explorers, that includes the amount of oil or gas production, the amount of taxes levied and paid under AS 43.55, and other information related to credits, expenditures, and the value of oil and gas produced.

Section 34. AS 43.55.900 Definitions.
Adds definitions for producer, and unit.

Section 35. Repeals AS 43.55.165(c) and 43.55.165(d)

Section 36. Repeals AS 43.55.011(g), AS 43.55.011(h), AS 43.55. 011(l) and AS 43.55.160(c).

Section 37. APPLICABILITY Makes identified bill sections applicable to oil and gas produced after March 31, 2006, and before December 31, 2007, to expenditures incurred after December 31, 2007, to tax credit certificates that have not been refunded, and statement and reports required to be filed after December 31, 2007.

Section 38. Provides for the assignment of current oil and gas auditors in the department of Revenue and the Department of Natural Resources and their immediate supervisors to the exempt service, but allows those individuals hired before the effective date of sec. 9 of the bill (adding these position classifications to the exempt service) to choose to continue in the classified service.

Section 39. Allows regulations adopted by the Department of Revenue and the Department of Natural Resources to be retroactively applied to April 1, 2006.

Section 40. Transitional language. Permits the Department of Natural Resources and the Department of Revenue to adopt regulations under the Administrative Procedure Act to implement the Act but provides that adopted regulations may not take effect before the effective date of the law being implemented.

Section 41. Provides for the retroactivity of certain provisions of the Act to April 1, 2006.

Section 42. Makes certain provisions in the Act effective January 1, 2008.

Section 43. Accept as provided in sec. 42, makes the Act take effect immediately.