

SENATE CS FOR CS FOR HOUSE BILL NO. 252(RLS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE

Offered: 4/15/12

Referred: First Supplemental Calendar

Sponsor(s): REPRESENTATIVES COSTELLO, Lynn, Keller, Feige, Pruitt, Thomas, Tuck, Holmes, Peggy Wilson, Stoltze, Herron, Foster, Johnson, Gara, Olson, Guttenberg, Petersen, Kawasaki, Kerttula, Millett, Gardner, Johansen, Saddler

SENATORS Ellis, Meyer, McGuire

A BILL

FOR AN ACT ENTITLED

1 "An Act exempting certain small businesses from the corporate income tax; relating to
2 transferable film production tax credits and film production tax credit certificates;
3 relating to the taxes against which a film production tax credit may be applied;
4 transferring the film office to the Department of Revenue and relating to that office;
5 establishing the Alaska Film Incentive Review Commission; establishing a film
6 production promotion program; relating to the amount of credit that may be awarded
7 for compensation to producers, directors, writers, and actors who are not residents;
8 providing for a fee to be paid at the time an application for eligibility for the film
9 production tax credit is filed; providing a one-time credit for the first episodic scripted
10 television production in the state; requiring the legislative audit division to audit the
11 Alaska film production incentive program; relating to the oil and gas production tax;
12 providing for a credit against the oil and gas production tax for costs incurred for

1 **conducting seismic exploration and drilling certain oil or natural gas exploration wells**
 2 **in certain basins; relating to the determination of the production tax value of oil and gas**
 3 **production; providing that the tax rate for new oil or gas production south of 68 degrees**
 4 **North latitude and outside of the Cook Inlet sedimentary basin may not exceed four**
 5 **percent of the gross value at the point of production; providing for an effective date by**
 6 **repealing the effective dates of secs. 3 and 4, ch. 63, SLA 2008; and providing for an**
 7 **effective date."**

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

9 * **Section 1.** AS 24.20.271 is amended to read:

10 **Sec. 24.20.271. Powers and duties.** The legislative audit division shall

11 (1) conduct a performance post-audit of boards and commissions
 12 designated in AS 44.66.010 and of those programs and activities of agencies subject to
 13 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and
 14 make the audit, together with a written report, available to the legislature not later than
 15 the first day of the regular session of the legislature convening in each year set out
 16 with reference to boards, commissions, or agency programs whose activities are
 17 subject to termination as prescribed in AS 44.66; the division shall notify the
 18 legislature that the audit and report are available;

19 (2) audit at least once every three years the books and accounts of all
 20 custodians of public funds and all disbursing officers of the state;

21 (3) at the direction of the Legislative Budget and Audit Committee,
 22 conduct performance post-audits on any agency of state government;

23 (4) cooperate with state agencies by offering advice and assistance as
 24 requested in establishing or improving the accounting systems used by state agencies;

25 (5) require the assistance and cooperation of all state officials and
 26 other state employees in the inspection, examination, and audit of state agency books
 27 and accounts;

28 (6) have access at all times to the books, accounts, reports, or other

1 records, whether confidential or not, of every state agency;

2 (7) ascertain, as necessary for audit verification, the amount of agency
3 funds on deposit in any bank as shown on the books of the bank; no bank may be held
4 liable for making information required under this paragraph available to the legislative
5 audit division;

6 (8) complete studies and prepare reports, memoranda, or other
7 materials as directed by the Legislative Budget and Audit Committee;

8 (9) have direct access to any information related to the management of
9 the University of Alaska and have the same right of access as exists with respect to
10 every other state agency;

11 (10) conduct an audit every two years of information found in the
12 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance
13 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -
14 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),
15 and of other performance measures adopted by the commission;

16 **(11) conduct audits of the Alaska film production incentive**
17 **program (AS 44.25.100 - 44.25.190) and make the audits available to the**
18 **legislature on the first day of the regular session of the legislature in 2015, 2017,**
19 **and 2021.**

20 * **Sec. 2.** AS 43.20.012 is amended to read:

21 **Sec. 43.20.012. Limitation on application of chapter; credits. (a)** The tax
22 imposed by this chapter does not

23 **(1) apply to an individual;**

24 **(2) apply to a fiduciary; or**

25 **(3) for the 10 tax years beginning after December 31, 2012, or for**
26 **the 10 tax years immediately following the first year a corporation has taxable**
27 **income, apply to an Alaska corporation that is a qualified small business and that**
28 **meets the active business requirement in 26 U.S.C. 1202(e) as that subsection**
29 **read on January 1, 2012** [APPLY TO INDIVIDUALS OR TO FIDUCIARIES].

30 **(b) An** [HOWEVER, AN] individual may file a return under this chapter in
31 order to receive a tax credit under AS 43.20.013.

1 * **Sec. 3.** AS 43.20.012 is amended by adding new subsections to read:

2 (c) For the purposes of (a)(3) of this section,

3 (1) whether a corporation qualifies under (a)(3) of this section shall be
4 determined on the first day of the tax year for which the corporation claims it qualifies
5 under (a)(3) of this section;

6 (2) all corporations that are members of the same parent-subsidary
7 controlled group shall be treated as one corporation.

8 (d) In this section,

9 (1) "Alaska corporation" means a corporation that has been
10 incorporated in the state or is authorized to do business in the state;

11 (2) "parent-subsidary controlled group" has the meaning given in 26
12 U.S.C. 1202 as that section read on January 1, 2012;

13 (3) "qualified small business" has the meaning given in 26 U.S.C. 1202
14 as that section read on January 1, 2012, and does not include a construction,
15 transportation, utility, or fisheries business.

16 * **Sec. 4.** AS 43.20.012 is repealed and reenacted to read:

17 **Sec. 43.20.012. Limitation on application of chapter; credits.** The tax
18 imposed by this chapter does not apply to individuals or to fiduciaries. However, an
19 individual may file a return under this chapter to receive a tax credit under
20 AS 43.20.013.

21 * **Sec. 5.** AS 43.55.011(e) is amended to read:

22 (e) There is levied on the producer of oil or gas a tax for all oil and gas
23 produced each calendar year from each lease or property in the state, less any oil and
24 gas the ownership or right to which is exempt from taxation or constitutes a
25 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), [AND]
26 (o), and (p) of this section, the tax is equal to the sum of

27 (1) the annual production tax value of the taxable oil and gas as
28 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

29 (2) the sum, over all months of the calendar year, of the tax amounts
30 determined under (g) of this section.

31 * **Sec. 6.** AS 43.55.011(g) is amended to read:

1 (g) For each month of the calendar year for which the producer's average
 2 monthly production tax value under AS 43.55.160(a)(2) of a [PER] BTU equivalent
 3 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of
 4 (e)(2) of this section is determined by multiplying the monthly production tax value of
 5 the taxable oil and gas produced during the month by the tax rate calculated as
 6 follows:

7 (1) if the producer's average monthly production tax value of a [PER]
 8 BTU equivalent barrel of the taxable oil and gas for the month is not more than
 9 \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the
 10 difference between that average monthly production tax value of a [PER] BTU
 11 equivalent barrel and \$30; or

12 (2) if the producer's average monthly production tax value of a [PER]
 13 BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50,
 14 the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the
 15 number that represents the difference between the average monthly production tax
 16 value of a [PER] BTU equivalent barrel and \$92.50, except that the sum determined
 17 under this paragraph may not exceed 50 percent.

18 * **Sec. 7.** AS 43.55.011 is amended by adding a new subsection to read:

19 (p) For the seven years immediately following the commencement of
 20 commercial production of oil or gas produced from leases or properties in the state
 21 that are outside the Cook Inlet sedimentary basin and that do not include land located
 22 north of 68 degrees North latitude, where that commercial production began after
 23 December 31, 2012, and before January 1, 2022, the levy of tax under (e) of this
 24 section for oil and gas may not exceed four percent of the gross value at the point of
 25 production.

26 * **Sec. 8.** AS 43.55.020(a) is amended to read:

27 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
 28 or (p) shall pay the tax as follows:

29 (1) an installment payment of the estimated tax levied by
 30 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 31 month of the calendar year on the last day of the following month; except as otherwise

1 provided under (2) of this subsection, the amount of the installment payment is the
 2 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 3 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 4 of the installment payment may not be less than zero:

5 (A) for oil and gas produced from leases or properties in the
 6 state outside the Cook Inlet sedimentary basin but not subject to
 7 AS 43.55.011(o) or (p), other than leases or properties subject to
 8 AS 43.55.011(f), the greater of

9 (i) zero; or

10 (ii) the sum of 25 percent and the tax rate calculated for
 11 the month under AS 43.55.011(g) multiplied by the remainder obtained
 12 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 13 calendar year of production under AS 43.55.165 and 43.55.170 that are
 14 deductible for the leases or properties under AS 43.55.160 from the
 15 gross value at the point of production of the oil and gas produced from
 16 the leases or properties during the month for which the installment
 17 payment is calculated;

18 (B) for oil and gas produced from leases or properties subject
 19 to AS 43.55.011(f), the greatest of

20 (i) zero;

21 (ii) zero percent, one percent, two percent, three
 22 percent, or four percent, as applicable, of the gross value at the point of
 23 production of the oil and gas produced from all leases or properties
 24 during the month for which the installment payment is calculated; or

25 (iii) the sum of 25 percent and the tax rate calculated for
 26 the month under AS 43.55.011(g) multiplied by the remainder obtained
 27 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 28 calendar year of production under AS 43.55.165 and 43.55.170 that are
 29 deductible for those leases or properties under AS 43.55.160 from the
 30 gross value at the point of production of the oil and gas produced from
 31 those leases or properties during the month for which the installment

1 payment is calculated;

2 (C) for oil and gas produced from each lease or property
3 subject to AS 43.55.011(j), (k), [OR] (o), **or (p)**, the greater of

4 (i) zero; or

5 (ii) the sum of 25 percent and the tax rate calculated for
6 the month under AS 43.55.011(g) multiplied by the remainder obtained
7 by subtracting 1/12 of the producer's adjusted lease expenditures for the
8 calendar year of production under AS 43.55.165 and 43.55.170 that are
9 deductible under AS 43.55.160 for oil or gas, respectively, produced
10 from the lease or property from the gross value at the point of
11 production of the oil or gas, respectively, produced from the lease or
12 property during the month for which the installment payment is
13 calculated;

14 (2) an amount calculated under (1)(C) of this subsection for oil or gas
15 produced from a lease or property

16 **(A)** subject to AS 43.55.011(j), (k), or (o) may not exceed the
17 product obtained by carrying out the calculation set out in AS 43.55.011(j)(1)
18 or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1)
19 or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A)
20 or 43.55.011(o), as applicable, the amount of taxable gas produced during the
21 month for the amount of taxable gas produced during the calendar year and
22 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of
23 taxable oil produced during the month for the amount of taxable oil produced
24 during the calendar year;

25 **(B) subject to AS 43.55.011(p) may not exceed four percent**
26 **of the gross value at the point of production of the oil or gas;**

27 (3) an installment payment of the estimated tax levied by
28 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
29 on the last day of the following month; the amount of the installment payment is the
30 sum of

31 (A) the applicable tax rate for oil provided under

1 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 2 oil taxable under AS 43.55.011(i) and produced from the lease or property
 3 during the month; and

4 (B) the applicable tax rate for gas provided under
 5 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 6 gas taxable under AS 43.55.011(i) and produced from the lease or property
 7 during the month;

8 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
 9 credits applied as allowed by law, that exceeds the total of the amounts due as
 10 installment payments of estimated tax is due on March 31 of the year following the
 11 calendar year of production.

12 * **Sec. 9.** AS 43.55.025(a) is amended to read:

13 (a) Subject to the terms and conditions of this section, a credit against the
 14 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that
 15 qualify under (b) of this section in an amount equal to one of the following:

16 (1) 30 percent of the total exploration expenditures that qualify only
 17 under (b) and (c) of this section;

18 (2) 30 percent of the total exploration expenditures that qualify only
 19 under (b) and (d) of this section;

20 (3) 40 percent of the total exploration expenditures that qualify under
 21 (b), (c), and (d) of this section;

22 (4) 40 percent of the total exploration expenditures that qualify only
 23 under (b) and (e) of this section; [OR]

24 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this
 25 section, of the total exploration expenditures described in (b)(1) and (2) of this section
 26 and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this
 27 section;

28 **(6) the lesser of \$25,000,000 or 80 percent of the total exploration**
 29 **drilling expenditures described in (n) of this section and that qualify under (b)**
 30 **and (c) of this section; or**

31 **(7) the lesser of \$7,500,000 or 75 percent of the total seismic**

1 **exploration expenditures described in (o) of this section and that qualify under**
 2 **(b) of this section.**

3 * **Sec. 10.** AS 43.55.025(c) is amended to read:

4 (c) To be eligible for a [THE 30 PERCENT] production tax credit authorized
 5 by (a)(1), (3), or (6) of this section [OR THE 40 PERCENT PRODUCTION TAX
 6 CREDIT AUTHORIZED BY (a)(3) OF THIS SECTION], exploration expenditures
 7 must

8 (1) qualify under (b) of this section; and

9 (2) be for an exploration well, subject to the following:

10 (A) before the well is spudded,

11 (i) the explorer shall submit to the commissioner of
 12 natural resources the information necessary to determine whether the
 13 geological objective of the well is a potential oil or gas trap that is
 14 distinctly separate from any trap that has been tested by a preexisting
 15 well;

16 (ii) at the time of the submittal of information under (i)
 17 of this subparagraph, the commissioner of natural resources may
 18 request from the explorer that specific data sets, ancillary data, and
 19 reports including all results, and copies of well data collected and data
 20 analyses for the well be provided to the Department of Natural
 21 Resources upon completion of the drilling; in this sub-subparagraph,
 22 well data include all analyses conducted on physical material, and well
 23 logs collected from the well and sample analyses; testing geophysical
 24 and velocity data including vertical seismic profiles and check shot
 25 surveys; testing data and analyses; age data; geochemical analyses; and
 26 access to tangible material; and

27 (iii) the commissioner of natural resources must make
 28 an affirmative determination as to whether the geological objective of
 29 the well is a potential oil or gas trap that is distinctly separate from any
 30 trap that has been tested by a preexisting well and what information
 31 under (ii) of this subparagraph must be submitted by the explorer after

1 completion, abandonment, or suspension under AS 31.05.030; the
2 commissioner of natural resources shall make that determination within
3 60 days after receiving all the necessary information from the explorer
4 based on the information received and on other information the
5 commissioner of natural resources considers relevant;

6 (B) for an exploration well other than a well to explore a Cook
7 Inlet prospect, the well must be located and drilled in such a manner that the
8 bottom hole is located not less than three miles away from the bottom hole of a
9 preexisting well drilled for oil or gas, irrespective of whether the preexisting
10 well has been completed, suspended, or abandoned;

11 (C) after completion, suspension, or abandonment under
12 AS 31.05.030 of the exploration well, the commissioner of natural resources
13 must determine that the well was consistent with achieving the explorer's
14 stated geological objective.

15 * **Sec. 11.** AS 43.55.025 is amended by adding new subsections to read:

16 (n) The persons that drill the first four exploration wells in the state and within
17 the areas described in (p) of this section on state lands, private lands, or federal
18 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a
19 prospect in a basin described in (p) of this section are eligible for a credit under (a)(6)
20 of this section. A credit under this subsection may not be taken for more than two
21 exploration wells in a single area described in (p)(1) - (6) of this section. Exploration
22 expenditures eligible for the credit in this subsection must be incurred for work
23 performed after June 1, 2012, and before July 1, 2016. A person planning to drill an
24 exploration well on private land and to apply for a credit under this subsection shall
25 obtain written consent from the owner of the oil and gas interest for the full public
26 release of all well data after the expiration of the confidentiality period applicable to
27 information collected under (f) of this section. The written consent of the owner of the
28 oil and gas interest must be submitted to the commissioner of natural resources before
29 approval of the proposed exploration well. In addition to the requirements in (c) of this
30 section and submission of the written consent of the owner of the oil and gas interest, a
31 person planning to drill an exploration well shall obtain approval from the

1 commissioner of natural resources before the well is spudded. The commissioner of
2 natural resources shall make a written determination approving or rejecting an
3 exploration well within 60 days after receiving the request for approval or as soon as is
4 practicable thereafter. Before approving the exploration well, the commissioner of
5 natural resources shall consider the following: the location of the well; the proximity
6 to a community in need of a local energy source; the proximity of existing
7 infrastructure; the experience and safety record of the explorer in conducting
8 operations in remote or roadless areas; the projected cost schedule; whether seismic
9 mapping and seismic data sufficiently identify a particular trap for exploration;
10 whether the targeted and planned depth and range are designed to penetrate and fully
11 evaluate the hydrocarbon potential of the proposed prospect and reach the level below
12 which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or
13 more true vertical depth; and whether the exploration plan provides for a full
14 evaluation of the wellbore below surface casing to the depth of the well. Whether the
15 exploration well for which a credit is requested under this subsection is located within
16 an area and a basin described under (p) of this section shall be determined by the
17 commissioner of natural resources and reported to the commissioner. A taxpayer that
18 obtains a credit under this subsection may not claim a tax credit under AS 43.55.023
19 or another provision in this section for the same exploration expenditure.

20 (o) The persons that conduct the first four seismic exploration projects in the
21 state and within the areas described in (p) of this section for the purpose of discovering
22 oil or gas in a basin are eligible for the credit under (a)(7) of this section. A credit
23 under this subsection may not be taken for more than one seismic exploration project
24 in a single area described in (p)(1) - (6) of this section. Exploration expenditures
25 eligible for the credit in this subsection must be incurred for work performed after
26 June 1, 2012, and before July 1, 2016. A person planning to conduct a seismic
27 exploration project on private land and to apply for a credit under this subsection shall
28 obtain written consent from the owner of the oil and gas interest for the full public
29 release of all geophysical data and compliance with the data submission requirements
30 in (f)(2) of this section. Notwithstanding (f)(2)(C)(ii) of this section, to qualify for a
31 credit under this subsection, a person shall submit the written consent of the owner of

1 the oil and gas interest for the release of data if applicable, and all data required under
 2 (f)(2) of this section to the Department of Natural Resources and shall agree in writing
 3 that all seismic data requirements submitted under the requirements of (f)(2) of this
 4 section may be made public two years after receiving a credit under this subsection. A
 5 person intending to qualify for the tax credit under this subsection shall obtain
 6 approval from the commissioner of natural resources before the commencement of the
 7 seismic exploration activities. The commissioner of natural resources shall make a
 8 written determination approving or rejecting a seismic project within 60 days after
 9 receiving the request for approval or as soon as is practicable thereafter. Before
 10 approving a seismic exploration project, the commissioner shall consider the
 11 following: the location of the project; the projected cost schedule; the data acquisition
 12 and data processing plan; the reasons for choosing the particular area for seismic
 13 exploration; and the experience and safety record of the person in conducting seismic
 14 exploration operations in remote or roadless areas. Whether the seismic exploration
 15 project for which a credit is requested under this subsection is located in a basin
 16 described in (p) of this section shall be determined by the commissioner of natural
 17 resources and reported to the commissioner. A taxpayer that obtains a credit under this
 18 subsection may not claim a tax credit under AS 43.55.023 or another provision in this
 19 section for the same exploration expenditure.

20 (p) The activity that is the basis for a credit claimed under (a)(6) and (n) of
 21 this section or (a)(7) and (o) of this section must be for the exploration of a basin and
 22 within the following areas whose central points are determined using the World
 23 Geographic System of 1984 datum,

24 (1) 100 miles from 66.896128 degrees North, -162.598187 degrees
 25 West;

26 (2) 150 miles from 64.839474 degrees North, -147.72094 degrees
 27 West;

28 (3) 50 miles from 62.776428 degrees North, -164.495201 degrees
 29 West;

30 (4) 50 miles from 62.110357 degrees North, -145.530551 degrees
 31 West;

1 (5) 100 miles from 58.189868 degrees North, -157.371104 degrees
2 West;

3 (6) 100 miles from 56.005988 degrees North, -160.56083 degrees
4 West.

5 * **Sec. 12.** AS 43.55.160(a) is amended to read:

6 (a) Except as provided in (b) of this section, for the purposes of

7 (1) AS 43.55.011(e), the annual production tax value of the taxable **oil,**
8 **gas, or** [(A)] oil and gas **subject to this paragraph** produced during a calendar year
9 [FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE LAND
10 NORTH OF 68 DEGREES NORTH LATITUDE] is the gross value at the point of
11 production of the **oil, gas, or** oil and gas taxable under AS 43.55.011(e) [AND
12 PRODUCED BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES],
13 less the producer's lease expenditures under AS 43.55.165 for the calendar year
14 applicable to the **oil, gas, or** oil and gas, **as applicable,** produced by the producer from
15 [THOSE] leases or properties, as adjusted under AS 43.55.170; **this paragraph**
16 **applies to**

17 **(A) oil and gas produced from leases or properties in the**
18 **state that include land north of 68 degrees North latitude, other than gas**
19 **produced before 2022 and used in the state;** [THIS SUBPARAGRAPH
20 DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

21 (B) oil and gas produced [DURING A CALENDAR YEAR]
22 from leases or properties in the state outside the Cook Inlet sedimentary basin,
23 no part of which is north of 68 degrees North latitude [, IS THE GROSS
24 VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS
25 TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE
26 PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS THE
27 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
28 CALENDAR YEAR APPLICABLE TO THE OIL AND GAS PRODUCED
29 BY THE PRODUCER FROM THOSE LEASES OR PROPERTIES, AS
30 ADJUSTED UNDER AS 43.55.170]; this subparagraph does not apply to gas

31 **(i) produced before 2022 and used in the state; or**

1 **(ii) oil and gas subject to AS 43.55.011(p)** [SUBJECT
2 TO AS 43.55.011(o)];

3 (C) oil produced **before 2022** [DURING A CALENDAR
4 YEAR] from a lease or property in the Cook Inlet sedimentary basin [IS THE
5 GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL
6 TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE
7 PRODUCER FROM THAT LEASE OR PROPERTY, LESS THE
8 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
9 CALENDAR YEAR APPLICABLE TO THE OIL PRODUCED BY THE
10 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
11 UNDER AS 43.55.170];

12 (D) gas produced **before 2022** [DURING A CALENDAR
13 YEAR] from a lease or property in the Cook Inlet sedimentary basin [IS THE
14 GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS
15 TAXABLE UNDER AS 43.55.011(e) AND PRODUCED BY THE
16 PRODUCER FROM THAT LEASE OR PROPERTY, LESS THE
17 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
18 CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE
19 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
20 UNDER AS 43.55.170];

21 (E) gas produced **before 2022** [DURING A CALENDAR
22 YEAR] from a lease or property **in the state** outside the Cook Inlet
23 sedimentary basin and used in the state [IS THE GROSS VALUE AT THE
24 POINT OF PRODUCTION OF THAT GAS TAXABLE UNDER
25 AS 43.55.011(e) AND PRODUCED BY THE PRODUCER FROM THAT
26 LEASE OR PROPERTY, LESS THE PRODUCER'S LEASE
27 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
28 APPLICABLE TO THAT GAS PRODUCED BY THE PRODUCER FROM
29 THAT LEASE OR PROPERTY, AS ADJUSTED UNDER AS 43.55.170];

30 **(F) oil and gas subject to AS 43.55.011(p) produced from**
31 **leases or properties in the state;**

1 **(G) oil and gas produced from a lease or property no part**
2 **of which is north of 68 degrees North latitude, other than oil or gas**
3 **described in (B), (C), (D), (E), or (F) of this paragraph;**

4 (2) AS 43.55.011(g), the monthly production tax value of the taxable

5 (A) oil and gas produced during a month from leases or
6 properties in the state that include land north of 68 degrees North latitude is the
7 gross value at the point of production of the oil and gas taxable under
8 AS 43.55.011(e) and produced by the producer from those leases or properties,
9 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
10 calendar year applicable to the oil and gas produced by the producer from
11 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
12 does not apply to gas subject to AS 43.55.011(o);

13 (B) oil and gas produced during a month from leases or
14 properties in the state outside the Cook Inlet sedimentary basin, no part of
15 which is north of 68 degrees North latitude, is the gross value at the point of
16 production of the oil and gas taxable under AS 43.55.011(e) and produced by
17 the producer from those leases or properties, less 1/12 of the producer's lease
18 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
19 gas produced by the producer from those leases or properties, as adjusted under
20 AS 43.55.170; this subparagraph does not apply to gas subject to
21 AS 43.55.011(o);

22 (C) oil produced during a month from a lease or property in the
23 Cook Inlet sedimentary basin is the gross value at the point of production of
24 the oil taxable under AS 43.55.011(e) and produced by the producer from that
25 lease or property, less 1/12 of the producer's lease expenditures under
26 AS 43.55.165 for the calendar year applicable to the oil produced by the
27 producer from that lease or property, as adjusted under AS 43.55.170;

28 (D) gas produced during a month from a lease or property in
29 the Cook Inlet sedimentary basin is the gross value at the point of production
30 of the gas taxable under AS 43.55.011(e) and produced by the producer from
31 that lease or property, less 1/12 of the producer's lease expenditures under

1 AS 43.55.165 for the calendar year applicable to the gas produced by the
2 producer from that lease or property, as adjusted under AS 43.55.170;

3 (E) gas produced during a month from a lease or property
4 outside the Cook Inlet sedimentary basin and used in the state is the gross
5 value at the point of production of that gas taxable under AS 43.55.011(e) and
6 produced by the producer from that lease or property, less 1/12 of the
7 producer's lease expenditures under AS 43.55.165 for the calendar year
8 applicable to that gas produced by the producer from that lease or property, as
9 adjusted under AS 43.55.170.

10 * **Sec. 13.** AS 43.55.160(e) is amended to read:

11 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
12 would otherwise be deductible by a producer in a calendar year but whose deduction
13 would cause an annual production tax value calculated under (a)(1) of this section of
14 taxable oil or gas produced during the calendar year to be less than zero may be used
15 to establish a carried-forward annual loss under AS 43.55.023(b). However, the
16 department shall provide by regulation a method to ensure that, for a period for which
17 a producer's tax liability is limited by AS 43.55.011(j), (k), [OR] (o), or (p), any
18 adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise
19 be deductible by a producer for that period but whose deduction would cause a
20 production tax value calculated under (a)(1)(C), (D), [OR] (E), or (F) of this section to
21 be less than zero are accounted for as though the adjusted lease expenditures had first
22 been used as deductions in calculating the production tax values of oil or gas subject to
23 any of the limitations under AS 43.55.011(j), (k), [OR] (o), or (p) that have positive
24 production tax values so as to reduce the tax liability calculated without regard to the
25 limitation to the maximum amount provided for under the applicable provision of
26 AS 43.55.011(j), (k), [OR] (o), or (p). Only the amount of those adjusted lease
27 expenditures remaining after the accounting provided for under this subsection may be
28 used to establish a carried-forward annual loss under AS 43.55.023(b). In this
29 subsection, "producer" includes "explorer."

30 * **Sec. 14.** AS 43.75.130(f) is amended to read:

31 (f) For purposes of this section, tax revenue collected under AS 43.75.015

1 from a person entitled to a credit under AS 43.75.035, [OR] 43.75.036, or
 2 AS 43.98.030 shall be calculated as if the person's tax were collected without applying
 3 the credit; tax revenue collected does not include the amount of a tax credit recaptured
 4 under AS 43.75.035(g) or 43.75.036(g).

5 * **Sec. 15.** AS 43.77.060(e) is amended to read:

6 (e) For purposes of this section, tax revenue collected under AS 43.77.010
 7 from a person entitled to a credit under AS 43.77.035, [OR] 43.77.045, or
 8 AS 43.98.030 shall be calculated as if the person's tax had been collected without
 9 applying the credits.

10 * **Sec. 16.** AS 43.98.030(a) is amended to read:

11 (a) **The** [IN COOPERATION WITH THE FILM OFFICE IN THE
 12 DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC
 13 DEVELOPMENT, THE] department shall provide a transferable film production tax
 14 credit **certificate** to a producer, as defined in AS 44.25.190 [AS 44.33.239], for
 15 qualified production expenditures under AS 44.25.100 - 44.25.190. The department
 16 shall publish the name and contact information for each person provided a
 17 transferable tax credit certificate under this subsection [AS 44.33.231 -
 18 44.33.239].

19 * **Sec. 17.** AS 43.98.030(b) is amended to read:

20 (b) A tax credit **certificate** provided under (a) of this section may be sold,
 21 assigned, exchanged, conveyed, or otherwise transferred in whole or in part.

22 * **Sec. 18.** AS 43.98.030(c) is amended to read:

23 (c) A taxpayer acquiring a transferable **tax** credit **certificate** may use the
 24 credit or a portion of the credit to offset taxes imposed under AS 21.09.210,
 25 AS 21.66.110, AS 43.20, AS 43.55, AS 43.56, AS 43.65, AS 43.75, and AS 43.77.
 26 Except as provided in (e) of this section, any [AS 43.20 (ALASKA NET INCOME
 27 TAX ACT). ANY] portion of the credit not used may be used at a later period or
 28 transferred under (b) of this section.

29 * **Sec. 19.** AS 43.98.030(e) is amended to read:

30 (e) A transferable film production tax credit **certificate** provided under (a)
 31 of this section, whether sold, assigned, exchanged, conveyed, or otherwise transferred,

1 in whole or in part, must be used within six [THREE] years after being provided by
2 the department.

3 * **Sec. 20.** AS 43.98.030(f) is amended to read:

4 (f) The **total amount** [NUMBER] of tax credits provided in the aggregate
5 under this section may not exceed

6 **(1) \$100,000,000 for productions qualified under AS 44.25.120**
7 **before July 1, 2013; and**

8 **(2) \$200,000,000 for productions qualified under AS 44.25.120**
9 **after June 30, 2013, and before July 1, 2023.**

10 * **Sec. 21.** AS 43.98.030 is amended by adding new subsections to read:

11 (g) A person acquiring two or more film production tax credit certificates
12 provided under (a) of this section may combine the unused amounts of the credits for
13 sale, assignment, exchange, conveyance, or other transfer. At the request of a person
14 holding a film production tax credit, the department shall replace a certificate that
15 represents the full amount of tax credit available with multiple certificates that each
16 represent a portion of the total tax credit available for the purpose of sale, assignment,
17 exchange, conveyance, or other transfer under this subsection, or, on request, shall
18 provide one tax credit certificate that represents the combined value of multiple tax
19 credit certificates. A tax credit certificate provided by the department under this
20 subsection must state the expiration date and the amount of each credit that is included
21 in the certificate. Combining or splitting unused amounts of credits under this
22 subsection does not change or extend the time period in which each credit that is
23 included in the combination or split must be used.

24 (h) Subject to appropriation, the department may purchase a transferable film
25 production tax credit certificate for 75 percent of the amount of each credit that is
26 included in the certificate.

27 * **Sec. 22.** AS 44.25 is amended by adding new sections to read:

28 **Article 3. Film Office.**

29 **Sec. 44.25.100. Film office.** The film office is created in the Department of
30 Revenue. The film office shall administer the Alaska film production incentive
31 program.

1 **Sec. 44.25.105. Duties.** (a) The film office shall make available to the
 2 legislature, within 30 days after the start of each regular session, a report of the
 3 activities conducted by the film office under AS 44.25.100 - 44.25.190. The report
 4 must include

5 (1) the number of applications received under AS 44.25.120;

6 (2) the number of applications approved by the film office;

7 (3) the number of, and amount of, tax credits disbursed under
 8 AS 44.25.110;

9 (4) the total amount of expenditures that were paid by productions
 10 qualifying for the film production tax credit that were not qualified expenditures;

11 (5) the total amount of qualified expenditures that were paid by
 12 productions qualifying for the film production tax credit to Alaska businesses;

13 (6) the total amount of qualified expenditures that were paid by
 14 productions qualifying for the film production tax credit to Alaska residents as wages;

15 (7) the total amount of qualified expenditures that were paid by
 16 productions qualifying for the film production tax credit for wages paid to individuals
 17 who were not residents;

18 (8) the total number of residents employed by productions qualifying
 19 for the film production tax credit;

20 (9) the total number of individuals employed by productions qualifying
 21 for the film production tax credit who were not residents;

22 (10) the number of productions qualifying for the film production tax
 23 credit that used a third party to sell, assign, exchange, convey, or otherwise transfer, in
 24 whole or in part, a tax credit certificate received by the production; in this paragraph,
 25 "third party" means a person other than the producer or an employee of the producer
 26 of the production qualifying for the film production tax credit; and

27 (11) the number of purchases of transferable film production tax credit
 28 certificates purchased under AS 43.98.030(h) and the total amount of film production
 29 tax credits shown on the certificates purchased by the Department of Revenue.

30 (b) The film office shall design a logo that represents the film office and must
 31 be included in a film qualifying for a film production tax credit under AS 44.25.100 -

1 44.25.190.

2 (c) The film office shall provide an on-site liaison to a film production that is
3 subject to the maximum application fee under AS 44.25.120(d). The liaison shall assist
4 the producer in meeting the requirements of AS 44.25.100 - 44.25.190 and ensure that
5 the production is in the best interests of the state as described in the application filed
6 under AS 44.25.120 and approved under AS 44.25.150.

7 **Sec. 44.25.110. Alaska film production incentive program.** Subject to
8 appropriations for the purpose, the film office shall administer the Alaska film
9 production incentive program to provide a tax credit under AS 43.98.030 for certain
10 film production expenditures incurred in the state.

11 **Sec. 44.25.115. Eligibility.** (a) A film production is eligible for a tax credit
12 under AS 43.98.030, if the

13 (1) producer has \$75,000 or more in qualified expenditures in a
14 consecutive 36-month period under AS 44.25.130;

15 (2) Alaska Film Incentive Review Commission determines that the
16 production is not contrary to the best interests of the state; and

17 (3) production is approved by the film office.

18 (b) In determining under (a) of this section whether a production is not
19 contrary to the best interests of the state, the Alaska Film Incentive Review
20 Commission shall consider the effect of the production on

21 (1) both the immediate and long-term prospects for the film industry in
22 the state;

23 (2) both the immediate and long-term prospects for the employment of
24 Alaska residents;

25 (3) both the immediate and long-term prospects for the economy of the
26 state;

27 (4) the public perception of state policy on the utilization and
28 development of the natural resources of the state; and

29 (5) the immediate and long-term prospects for the fiscal health of the
30 state.

31 **Sec. 44.25.120. Qualification for film production tax credit.** (a) A film

1 producer may apply for the film production tax credit under AS 43.98.030 by
 2 submitting an application to the film office on a form provided by the film office. The
 3 application must include

4 (1) a script or synopsis of the production;
 5 (2) the names of the producer, director, and proposed cast;
 6 (3) estimated start, completion, and filming dates; and
 7 (4) other information the film office may require to determine the
 8 producer's qualification for a credit and the estimated amount of the credit.

9 (b) If the Alaska Film Incentive Review Commission approves an application
 10 submitted under (a) of this section, the film office shall issue a notice of qualification
 11 to the producer. The notice of qualification must include a determination by the film
 12 office of the estimated film production tax credit for which the production qualifies.

13 (c) Information submitted in an application under (a) of this section is
 14 confidential and is not subject to inspection or copying under AS 40.25.110 -
 15 40.25.125.

16 (d) At the time an application is submitted under (a) of this section, a film
 17 producer shall submit an application fee equal to 0.2 percent of the estimated total
 18 qualified expenditures to be incurred in the state, except that the application fee may
 19 not be less than \$200 or more than \$5,000. The application fee is not subject to refund.

20 **Sec. 44.25.125. Award of film production tax credit.** (a) Subject to
 21 AS 43.98.030(f) and to (i) of this section, the film office shall determine the amount of
 22 the tax credit under AS 43.98.030 available to a producer who has obtained a notice of
 23 qualification under AS 44.25.120(b), based on the qualified expenditures of the
 24 production under AS 44.25.130. After the film office determines the amount of the tax
 25 credit, the tax credit shall be submitted to the Alaska Film Incentive Review
 26 Commission for approval.

27 (b) Except as provided in (k) of this section, the base amount of a tax credit
 28 awarded under this section is equal to 30 percent of the qualified expenditures of a
 29 production.

30 (c) In determining the amount of the tax credit and subject to approval by the
 31 Alaska Film Incentive Review Commission, the applicable percentage provided by (b)

1 of this section shall be increased by the film office based on the following criteria:

2 (1) an additional 20 percent of qualified expenditures that are wages
3 paid to Alaska residents;

4 (2) an additional six percent of qualified expenditures made in a rural
5 area; and

6 (3) an additional two percent of qualified expenditures made in the
7 state between October 1 and March 30.

8 (d) After completion of the production, the producer shall provide the film
9 office with a production cost report detailing the qualified expenditures of the
10 production, with verification by an independent certified public accountant, licensed in
11 the state and approved by the film office, that the costs claimed in the report are
12 qualified expenditures under AS 44.25.130 and that there is no outstanding balance for
13 a qualified expenditure that is due to a person in the state. The independent certified
14 public accountant providing verification under this subsection may not engage in the
15 sale, assignment, exchange, conveyance, or other transfer of a tax credit certificate that
16 includes a credit based on the qualified expenditures that are verified by that
17 independent certified public accountant. If the independent certified public accountant
18 providing verification under this subsection subsequently engages in the sale,
19 assignment, exchange, conveyance, or other transfer of a credit for which a qualified
20 expenditure was verified by that independent certified public accountant, the film
21 office may require the producer providing the production cost report to have the
22 qualified expenditures verified by an independent certified public accountant licensed
23 in the state that is not engaged in the sale, assignment, exchange, conveyance, or other
24 transfer related to a credit for the qualified expenditures.

25 (e) Subject to (g) of this section, the film office, in cooperation with the
26 Department of Revenue, shall determine the amount of the tax credit based on the
27 information provided by the producer under (d) of this section and, after approval by
28 the Alaska Film Incentive Review Commission, shall award a tax credit in cooperation
29 with the Department of Revenue under AS 43.98.030 if the producer has satisfied all
30 requirements under AS 44.25.100 - 44.25.190.

31 (f) The award of a tax credit under this section is conditioned on the

1 producer's and the production's full compliance with all applicable state laws and
2 regulations. At the request of the film office, a producer shall provide any information
3 necessary for the film office to determine the producer's and production's compliance
4 with this subsection.

5 (g) In determining the amount of a tax credit awarded under this section, the
6 film office shall reduce the amount of the tax credit by any amount the film office
7 considers necessary to allow the state, or a political subdivision of the state, to recover
8 the cost of any damages caused by any act or omission of the producer or production.

9 (h) The film office may withhold the award of a tax credit under this section if
10 the office determines that there are filed, but unresolved, legal actions in the state
11 involving the producer or production.

12 (i) To qualify for the tax credit under AS 43.98.030, a producer shall include,

13 (1) in the end credits of each qualified film, the film office logo
14 designed under AS 44.25.105(b) and the words, "Filmed in Alaska with the Support of
15 the State of Alaska"; or

16 (2) on each DVD or other media produced for distribution, a short
17 Alaska promotional video or advertisement approved by the Alaska Film Incentive
18 Review Commission.

19 (j) The Department of Revenue may not provide a tax credit certificate under
20 AS 43.98.030 to a producer that fails to meet the requirements in (i) of this section.

21 (k) In place of the 30 percent credit applicable to qualified expenditures under
22 (a) of this section, the tax credit for expenditures for services performed in the state,
23 including all salaries, wages, compensation, and related benefits, by producers,
24 directors, writers, and principal actors that fail to meet the eligibility requirements for
25 a permanent fund dividend in AS 43.23.005(a)(2) - (7), and all entities representing
26 producers, directors, writers, and principal actors that fail to meet the eligibility
27 requirements for a permanent fund dividend in AS 43.23.005(a)(2) - (7), is five
28 percent. The amount of the five percent credit may be increased by adding an amount
29 equal to 50 percent of the qualified expenditures paid to residents of the state under
30 AS 44.25.130(a)(10) and 50 percent of the qualified expenditures paid under
31 AS 44.25.130(a)(11) - (13) and (15). In this subsection, "principal actors" means the

1 five highest compensated actors or entities representing the five highest compensated
2 actors in the production.

3 **Sec. 44.25.130. Determination of qualified expenditures.** (a) Expenditures
4 made by a production company licensed to do business in the state in connection with
5 a film production approved by the film office that shall be considered qualified
6 expenditures must be directly related to the production and be incurred in the state.
7 Only expenditures that are ordinary, reasonable, and not in excess of fair market value
8 and that are for real or tangible property, fees, services, or state or municipal taxes
9 shall be considered. Expenditures may include

- 10 (1) costs of set construction and operation;
- 11 (2) costs of wardrobes, make-up, accessories, and related services;
- 12 (3) costs associated with photography and sound synchronization;
- 13 (4) costs of lighting and related services and materials;
- 14 (5) costs of editing and related services;
- 15 (6) rental of facilities and equipment;
- 16 (7) leasing of vehicles;
- 17 (8) costs of food and lodging;
- 18 (9) costs of digital or tape editing, film processing, transfer of film to
19 tape or digital format, transfer of digital media to film or tape, sound mixing, and
20 special and visual effects;
- 21 (10) the total aggregate expenditures for services performed in the
22 state, including all salaries, wages, compensation, and related benefits provided to
23 producers, directors, writers, actors, and other personnel that are directly attributable
24 to services performed in the state;
- 25 (11) the costs of the use of an Alaska business for processing qualified
26 payroll and related expenditures;
- 27 (12) costs of music, if performed, composed, or recorded by an Alaska
28 musician, or released or published by an Alaska business;
- 29 (13) costs of intrastate travel, if provided by an Alaska business;
- 30 (14) costs relating to the design, construction, improvement, or repair
31 of a film, video, television, or digital production or postproduction facility or related

1 property, infrastructure, or equipment, except commercial exhibition facilities, as
2 determined by the film office;

3 (15) costs of state or municipal taxes levied in Alaska on the lease or
4 rental of passenger or recreational vehicles or the rental of rooms or other lodging; or

5 (16) other similar production expenditures as determined by the film
6 office in cooperation with the Department of Revenue.

7 (b) Production costs that may not be considered qualified expenditures include

8 (1) costs related to the acquisition, determination, transfer, or use of a
9 film production tax credit under AS 43.98.030;

10 (2) postproduction expenditures for marketing and distribution;

11 (3) production financing, depreciation, and amortization costs, and
12 other costs that are not cash or cash equivalent expenditures directly attributable to
13 production costs incurred in the state;

14 (4) amounts that are later reimbursed or reasonably anticipated to be
15 reimbursed, resulting in a reduction in production costs;

16 (5) amounts that are reasonably anticipated to be recovered through
17 subsequent sale or other realization of value by disposal of an asset that has been
18 claimed as a qualified expenditure;

19 (6) amounts that are paid to a person or entity as a result of
20 participation in profits from the exploitation of the production;

21 (7) costs incurred in the purchase of real or tangible property for which
22 a qualified expenditure has, at any time, been claimed.

23 **Sec. 44.25.135. Recovery of film production tax credit.** (a) The film office
24 may review, audit, and bring legal proceedings to recover any amount of a tax credit
25 awarded under AS 44.25.125 from a producer or production to which a credit was
26 awarded if the film office determines that the film producer or production is liable for
27 damages to the state, or any political subdivision of the state.

28 (b) Legal proceedings may not be brought under (a) of this section more than
29 six years after the date the tax credit was awarded under AS 44.25.125.

30 **Sec. 44.25.140. Regulations.** The film office may adopt procedures and
31 regulations to carry out its functions under AS 44.25.100 - 44.25.190.

1 **Sec. 44.25.145. Alaska Film Incentive Review Commission.** (a) The Alaska
2 Film Incentive Review Commission is created in the Department of Revenue.

3 (b) The membership of the commission consists of the

4 (1) commissioner of commerce, community, and economic
5 development;

6 (2) commissioner of natural resources;

7 (3) commissioner of revenue;

8 (4) commissioner of labor and workforce development.

9 (c) A majority of the commission constitutes a quorum. Approval of an
10 application for qualification under AS 44.25.120 and 44.25.150 and the award of film
11 production tax credits under AS 44.25.120 and 44.25.150 require an affirmative vote
12 by three members of the commission.

13 (d) The commission shall employ an executive director and additional staff to
14 support the work of the commission, oversee the film office, and carry out the duties
15 of the film office under AS 44.25.100 - 44.25.190. The commission shall provide
16 general direction to the executive director and staff for the operation of the film office.

17 (e) The commission may consult with individuals knowledgeable about film
18 production and accounting as necessary to perform the duties of the commission.

19 **Sec. 44.25.150. Review of qualifications and award of film production tax**
20 **credits.** (a) The executive director shall review each application submitted to the film
21 office under AS 44.25.120 and each production cost report submitted to the film office
22 under AS 44.25.125.

23 (b) After finding that an application submitted under AS 44.25.120 is
24 complete, the executive director shall review the application and submit the
25 application for approval to the commission along with a recommendation to approve
26 or reject the application. After reviewing the application, the recommendation of the
27 executive director, and additional information an applicant may provide or the
28 commission may request, the commission shall make a decision as to whether the
29 production proposed in the application and the estimated amount of the film
30 production tax credit is in the best interest of the state. The commission may not
31 approve an application for a film production that the commission finds is contrary to

1 the natural resource development policy of the state. The commission shall issue a
 2 decision either approving or rejecting the application and qualification of the
 3 applicant. A decision of the commission on the qualification of an applicant is in the
 4 discretion of the commission and is not subject to appeal except on the issue of
 5 whether the decision of the commission is arbitrary or capricious. If appealed, the
 6 appeal is subject to AS 44.62 (Administrative Procedure Act).

7 (c) After reviewing the production cost report submitted by a producer under
 8 AS 44.25.125, the executive director shall review and verify the information included
 9 on the production cost report. The executive director shall determine the amount of the
 10 credit for which the producer may qualify and make a recommendation to the
 11 commission as to the amount of the credit to be awarded. The commission may
 12 approve the credit amount recommended by the executive director, adjust the amount
 13 of the credit, deny all or part of the credit, or return the production cost report to the
 14 executive director for additional review. The denial of a film production tax credit
 15 under this section is subject to appeal under AS 44.62 (Administrative Procedure Act).

16 **Sec. 44.25.190. Definitions.** In AS 44.25.100 - 44.25.190,

17 (1) "Alaska business" means

18 (A) a person who holds a current Alaska business license;

19 (B) a person who provides goods or services under the name as
 20 appearing on the person's current Alaska business license;

21 (C) a person who has maintained a place of business within the
 22 state staffed by the person or an employee of the person for a period of six
 23 months immediately preceding the date the goods or services were provided;

24 (D) a person who is

25 (i) incorporated or qualified to do business under the
 26 laws of the state;

27 (ii) a sole proprietorship, and the proprietor is a resident
 28 of the state;

29 (iii) a limited liability company organized under
 30 AS 10.50, and all members are residents of the state; or

31 (iv) a partnership under former AS 32.05, AS 32.06, or

1 AS 32.11, and all partners are residents of the state; and

2 (E) if the business is a joint venture, a joint venture composed
3 entirely of ventures that qualify under (A) - (D) of this paragraph;

4 (2) "film" includes television, commercials, and videos;

5 (3) "film office" means the film office created under AS 44.25.100;

6 (4) "producer" means a person who arranges financing for or
7 supervises the production of a film, video, commercial, or television production or
8 pilot;

9 (5) "rural area" means a community in the state with a population of
10 1,500 or less or a community with a population of 10,000 or less that is not connected
11 by road or rail to Anchorage or Fairbanks.

12 * **Sec. 23.** AS 44.33.231 is repealed and reenacted to read:

13 **Sec. 44.33.231. Film production promotion program.** (a) The film
14 production promotion program is established in the Department of Commerce,
15 Community, and Economic Development.

16 (b) The purpose of the film production promotion program is to

17 (1) work with organizations in the private sector for the expansion and
18 development of film production industries in the state;

19 (2) promote Alaska as an appropriate location for film production;

20 (3) provide production assistance through connecting film directors,
21 makers, and producers with Alaska location scouts and contractors, including
22 contractors providing assistance with permit applications; and

23 (4) certify Alaska film production internship training programs and
24 promote the employment of program interns by eligible productions.

25 (c) On request, the Department of Commerce, Community, and Economic
26 Development, through the film production promotion program, shall assist the
27 Department of Revenue in the administration of the Alaska film production incentive
28 program (AS 44.25.110).

29 * **Sec. 24.** AS 44.33.232, 44.33.233, 44.33.234, 44.33.235, 44.33.236, 44.33.237, 44.33.238,
30 and 44.33.239 are repealed.

31 * **Sec. 25.** AS 43.98.030; AS 44.25.100, 44.25.105, 44.25.110, 44.25.115, 44.25.120,

1 44.25.125, 44.25.130, 44.25.140, 44.25.145, 44.25.150, 44.25.190; and AS 44.33.231(c) are
2 repealed.

3 * **Sec. 26.** AS 44.25.135 is repealed.

4 * **Sec. 27.** AS 24.20.271(11) is repealed.

5 * **Sec. 28.** Sections 3, 4, 5, and 6, ch. 63, SLA 2008, are repealed.

6 * **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 INCENTIVE CREDIT FOR FIRST EPISODIC SCRIPTED TELEVISION
9 PRODUCTION IN THE STATE. (a) Subject to appropriation, the first episodic scripted
10 television production produced after the effective date of this section is entitled to an
11 additional film production tax credit of six percent of the total qualified expenditures incurred
12 in the state. The production is eligible for the film production tax credit in this section after 16
13 episodes have been completed and are ready for television broadcast.

14 (b) The credit in this section shall be administered in the same manner as the film
15 production tax credit under AS 44.25.100 - 44.25.190.

16 (c) In this section, "episodic scripted television production" means a production for
17 television broadcast that is based on a script written before production; "episodic scripted
18 television production" does not include what is commonly referred to as reality television, for
19 which actors in the production do not perform using previously scripted dialogue or actions.

20 * **Sec. 30.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 TRANSITION. (a) The employee or employees in the film office in the Department of
23 Commerce, Community, and Economic Development shall be transferred to the Department
24 of Revenue on the effective date of this section and shall be the staff authorized for the Alaska
25 Film Incentive Review Commission established by AS 44.25.145, enacted by sec. 22 of this
26 Act. The Alaska Film Incentive Review Commission shall designate an executive director as
27 soon as practicable after the effective date of this section.

28 (b) Subject to AS 43.98.030(f), as amended by sec. 20 of this Act, secs. 25 and 26 of
29 this Act do not prohibit the film office from determining a film production's qualified
30 expenditures, awarding a tax credit, or reviewing a tax credit under the provisions repealed by
31 secs. 25 and 26 of this Act that has received a notice of qualification under AS 44.25.120(b),

1 enacted by sec. 22 of this Act, before July 1, 2023.

2 (c) A film production tax credit may be used to offset taxes imposed under the
3 provisions identified in AS 43.98.030(c), as amended by sec. 18 of this Act, or sold or
4 exchanged for a transferable tax credit certificate under AS 43.98.030(a), as amended by sec.
5 16 of this Act, within three years after being provided by the Department of Revenue,
6 notwithstanding the repeal of AS 43.98.030 in sec. 25 of this Act.

7 (d) A film production tax credit that is being withheld under AS 44.25.125(h), enacted
8 by sec. 22 of this Act, may continue to be withheld by the film office, notwithstanding the
9 repeal of AS 44.25.125 in sec. 25 of this Act.

10 * **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 NOTIFICATION. When the amount of tax credits provided under AS 43.98.030(f), as
13 amended by sec. 20 of this Act, in the aggregate and the estimated amount of tax credits that
14 could be claimed based on notices of qualification issued by the film office under
15 AS 44.25.120(b), enacted by sec. 22 of this Act, together equal \$100,000,000 before July 1,
16 2013, or \$200,000,000 after June 30, 2013, and before July 1, 2023, the commissioner of
17 revenue shall notify the presiding officers of each house of the legislature and the revisor of
18 statutes in writing.

19 * **Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 NONSEVERABILITY. Notwithstanding AS 01.10.030, the provisions of secs. 1 and
22 14 - 31 of this Act are not severable.

23 * **Sec. 33.** Sections 7 and 8, ch. 63, SLA 2008, are repealed.

24 * **Sec. 34.** Sections 2 and 3 of this Act take effect July 1, 2012.

25 * **Sec. 35.** Section 4 of this Act takes effect July 1, 2023.

26 * **Sec. 36.** Sections 5 - 13 of this Act take effect January 1, 2013.

27 * **Sec. 37.** Section 25 of this Act takes effect on the earlier of the following:

28 (1) July 1, 2023; or

29 (2) the date the commissioner of revenue notifies the presiding officers of each
30 house of the legislature and the revisor of statutes in writing of the \$200,000,000 amount after
31 June 30, 2013, and before July 1, 2023, under sec. 31 of this Act.

1 * **Sec. 38.** Section 26 of this Act takes effect on the earlier of the following:

2 (1) July 1, 2029; or

3 (2) six years after the date the commissioner of revenue notifies the presiding
4 officers of each house of the legislature and the revisor of statutes in writing of the
5 \$200,000,000 amount after June 30, 2013, and before July 1, 2023, under sec. 31 of this Act.

6 * **Sec. 39.** Section 27 of this Act takes effect January 1, 2022.

7 * **Sec. 40.** Sections 1, 14 - 24, and 28 - 33 of this Act take effect July 1, 2013.