

**SENATE BILL NO. 49**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/11

Referred: Resources, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the interest rate applicable to certain amounts due for fees, taxes,  
2 and payments made and property delivered to the Department of Revenue; relating to  
3 the oil and gas production tax rate; relating to monthly installment payments of  
4 estimated oil and gas production tax; relating to oil and gas production tax credits for  
5 certain expenditures, including qualified capital credits for exploration, development,  
6 and production; relating to the limitation on assessment of oil and gas production taxes;  
7 relating to the determination of oil and gas production tax values; making conforming  
8 amendments; and providing for an effective date."

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

10 \* **Section 1.** AS 05.15.095(c) is amended to read:

11 (c) A delinquent fee bears interest at the rate set by AS 43.05.225(2)  
12 [AS 43.05.225].

1 \* **Sec. 2.** AS 34.45.470(a) is amended to read:

2 (a) A person who fails to pay or deliver property within the time prescribed by  
3 this chapter may be required to pay to the department interest at the annual rate  
4 calculated under AS 43.05.225(2) [AS 43.05.225] on the property or the value of it  
5 from the date the property should have been paid or delivered.

6 \* **Sec. 3.** AS 43.05.225 is amended to read:

7 **Sec. 43.05.225. Interest.** Unless otherwise provided,

8 (1) when a tax levied in this title becomes delinquent, it bears interest  
9 in a calendar quarter at the rate of three [FIVE] percentage points above the annual  
10 rate charged member banks for advances by the 12th Federal Reserve District as of the  
11 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is  
12 lesser [GREATER], compounded quarterly as of the last day of that quarter;

13 (2) the interest rate is 12 percent a year for

14 (A) delinquent fees payable under AS 05.15.095(c); **and**

15 (B) [REPEALED. AND

16 (C)] unclaimed property that is not timely paid or delivered, as  
17 allowed by AS 34.45.470(a).

18 \* **Sec. 4.** AS 43.20.046(i) is amended to read:

19 (i) The issuance of a refund under this section does not limit the department's  
20 ability to later audit or adjust the claim if the department determines, as a result of the  
21 audit, that the person that claimed the credit was not entitled to the amount of the  
22 credit. The tax liability of the person receiving the credit under this chapter is  
23 increased by the amount of the credit that exceeds that to which the person was  
24 entitled. If the tax liability is increased under this subsection, the increase bears  
25 interest under AS 43.05.225(1) [AS 43.05.225] from the date the refund was issued.

26 \* **Sec. 5.** AS 43.50.570 is amended to read:

27 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the  
28 purchase of stamps within the time required

29 (1) is considered to have failed to pay the cigarette taxes due under this  
30 chapter; and

31 (2) shall pay interest at the rate established under AS 43.05.225(1)

1 [AS 43.05.225] from the date on which the amount became due until the date of  
2 payment.

3 \* **Sec. 6.** AS 43.55.011(e) is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
5 produced each calendar year from each lease or property in the state, less any oil and  
6 gas the ownership or right to which is exempt from taxation or constitutes a  
7 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of  
8 this section, **for**

9 **(1) oil and gas produced from a lease or property containing land**  
10 **that, as of December 31, 2010, was or had previously been within a unit or in**  
11 **commercial production,** the tax is equal to [THE SUM OF

12 (1)] the annual production tax value of the taxable oil and gas as  
13 calculated under AS 43.55.160(a)(1) multiplied by **the tax rate calculated** [25  
14 PERCENT; AND

15 (2) THE SUM, OVER ALL MONTHS OF THE CALENDAR YEAR,  
16 OF THE TAX AMOUNTS DETERMINED] under **(g)(1)** [(g)] of this section;

17 **(2) other oil and gas, the tax is equal to the annual production tax**  
18 **value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied**  
19 **by the tax rate calculated under (g)(2) of this section.**

20 \* **Sec. 7.** AS 43.55.011(f) is amended to read:

21 (f) The levy of tax under this section for oil and gas produced north of 68  
22 degrees North latitude, other than oil and gas production subject to (i) of this section  
23 and gas subject to (o) of this section, may not be less than

24 (1) four percent of the gross value at the point of production when the  
25 average price per barrel for Alaska North Slope crude oil for sale on the United States  
26 West Coast during the calendar year for which the tax is due is more than **\$20** [\$25];

27 (2) three percent of the gross value at the point of production when the  
28 average price per barrel for Alaska North Slope crude oil for sale on the United States  
29 West Coast during the calendar year for which the tax is due is over **\$17.50** [\$20] but  
30 not over **\$20** [\$25];

31 (3) two percent of the gross value at the point of production when the

1 average price per barrel for Alaska North Slope crude oil for sale on the United States  
 2 West Coast during the calendar year for which the tax is due is over \$15 [\$17.50] but  
 3 not over \$17.50 [\$20];

4 (4) one percent of the gross value at the point of production when the  
 5 average price per barrel for Alaska North Slope crude oil for sale on the United States  
 6 West Coast during the calendar year for which the tax is due is over \$12.50 [\$15] but  
 7 not over \$15 [\$17.50]; or

8 (5) zero percent of the gross value at the point of production when the  
 9 average price per barrel for Alaska North Slope crude oil for sale on the United States  
 10 West Coast during the calendar year for which the tax is due is \$12.50 [\$15] or less.

11 \* **Sec. 8.** AS 43.55.011(g) is repealed and reenacted to read:

12 (g) The tax rate for a calendar year for

13 (1) purposes of (e)(1) of this section is equal to the percentage rate  
 14 obtained by performing the following calculations:

15 (A) calculating for the calendar year the producer's average  
 16 annual production tax value under AS 43.55.160(a)(1) per BTU equivalent  
 17 barrel of the taxable oil and gas subject to (e)(1) of this section;

18 (B) calculating the fraction, if any, of that average annual  
 19 production tax value per BTU equivalent barrel that falls within each range of  
 20 incremental production tax value per BTU equivalent barrel in the table set out  
 21 in (D) of this paragraph;

22 (C) multiplying each of those fractions by the corresponding  
 23 incremental rate in the table set out in (D) of this paragraph; and

24 (D) adding together the products calculated under (C) of this  
 25 paragraph; the table of incremental values and incremental rates is as follows:

26 Incremental Production Tax Value per	
27 BTU Equivalent Barrel	Incremental Rate
28 Not more than \$30.00	25.0 percent
29 Above \$30.00 and not more than \$42.50	27.5 percent
30 Above \$42.50 and not more than \$55.00	32.5 percent
31 Above \$55.00 and not more than \$67.50	37.5 percent

1	Above \$67.50 and not more than \$80.00	42.5 percent
2	Above \$80.00 and not more than \$92.50	47.5 percent
3	Above \$92.50	50.0 percent

4 (2) purposes of (e)(2) of this section is equal to the percentage rate  
5 obtained by performing the following calculations:

6 (A) calculating for the calendar year the producer's average  
7 annual production tax value under AS 43.55.160(a)(1) per BTU equivalent  
8 barrel of the taxable oil and gas not subject to (e)(1) of this section;

9 (B) calculating the fraction, if any, of that average annual  
10 production tax value per BTU equivalent barrel that falls within each range of  
11 incremental production tax value per BTU equivalent barrel in the table set out  
12 in (D) of this paragraph;

13 (C) multiplying each of those fractions by the corresponding  
14 incremental rate in the table set out in (D) of this paragraph; and

15 (D) adding together the products calculated under (C) of this  
16 paragraph; the table of incremental values and incremental rates is as follows:

17	Incremental Production Tax Value per	
18	BTU Equivalent Barrel	Incremental Rate
19	Not more than \$30.00	15.0 percent
20	Above \$30.00 and not more than \$42.50	17.5 percent
21	Above \$42.50 and not more than \$55.00	22.5 percent
22	Above \$55.00 and not more than \$67.50	27.5 percent
23	Above \$67.50 and not more than \$80.00	32.5 percent
24	Above \$80.00 and not more than \$92.50	37.5 percent
25	Above \$92.50	40.0 percent

26 \* **Sec. 9.** AS 43.55.020(a) is repealed and reenacted to read:

27 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)  
28 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 in (A) - (D) of this paragraph, less 1/12 of the tax  
3 credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e)  
4 for the calendar year, but the amount of the installment payment may not be less than  
5 zero:

6 (A) the sum of the monthly production tax values for the month  
7 under AS 43.55.160(a)(2) for the categories described in  
8 AS 43.55.160(a)(1)(B) and (F), multiplied by the tax rate calculated for the  
9 calendar year of production under AS 43.55.011(g)(1);

10 (B) the greater of

11 (i) the sum of the product of the monthly production tax  
12 value for the month under AS 43.55.160(a)(2) for the category  
13 described in AS 43.55.160(a)(1)(A) multiplied by the tax rate  
14 calculated for the calendar year of production under  
15 AS 43.55.011(g)(1), and the product of the monthly production tax  
16 value for the month under AS 43.55.160(a)(2) for the category  
17 described in AS 43.55.160(a)(1)(G) multiplied by the tax rate  
18 calculated for the calendar year of production under  
19 AS 43.55.011(g)(2); or

20 (ii) zero percent, one percent, two percent, three  
21 percent, or four percent, as applicable under AS 43.55.011(f), of the  
22 gross value at the point of production of the oil and gas, other than gas  
23 subject to AS 43.55.011(o), produced during the month from all leases  
24 or properties that include land north of 68 degrees North latitude; for  
25 purposes of this sub-subparagraph, the applicable percentage under  
26 AS 43.55.011(f) is determined by substituting in AS 43.55.011(f)(1) -  
27 (5) the phrase "month for which the installment payment is calculated"  
28 in place of the phrase "calendar year for which the tax is due";

29 (C) for oil produced during the month from each lease or  
30 property subject to AS 43.55.011(k), for gas produced during the month from  
31 each lease or property subject to AS 43.55.011(j), and for gas subject to

1 AS 43.55.011(o) produced during the month from each lease or property, the  
 2 monthly production tax value for the month calculated under  
 3 AS 43.55.160(a)(2) for the categories described in AS 43.55.160(a)(1)(C), (D),  
 4 or (E), respectively, multiplied by

5 (i) the tax rate calculated for the calendar year of  
 6 production under AS 43.55.011(g)(1), for a lease or property subject to  
 7 AS 43.55.011(e)(1); or

8 (ii) the tax rate calculated for the calendar year of  
 9 production under AS 43.55.011(g)(2), for a lease or property not  
 10 subject to AS 43.55.011(e)(1); and

11 (D) the sum of the monthly production tax values for the month  
 12 under AS 43.55.160(a)(2) for the categories described in  
 13 AS 43.55.160(a)(1)(H) and (I), multiplied by the tax rate calculated for the  
 14 calendar year of production under AS 43.55.011(g)(2);

15 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
 16 produced from a particular lease or property may not exceed the product obtained by  
 17 carrying out the calculation set out in AS 43.55.011(k)(1) or (2), as applicable, for oil,  
 18 or set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas, but  
 19 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable  
 20 oil produced during the month for the amount of taxable oil produced during the  
 21 calendar year and substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as  
 22 applicable, the amount of taxable gas produced during the month for the amount of  
 23 taxable gas produced during the calendar year;

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

28 (A) the applicable tax rate for oil provided under  
 29 AS 43.55.011(i), multiplied by the gross value at the point of production of the  
 30 oil taxable under AS 43.55.011(i) and produced from the lease or property  
 31 during the month; and

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

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

9 \* **Sec. 10.** AS 43.55.020(g) is amended to read:

10 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid  
 11 amount of an installment payment required under (a)(1) - (3) of this section that is not  
 12 paid when due bears interest (1) at the rate provided for an underpayment under 26  
 13 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date  
 14 the installment payment is due until March 31 following the calendar year of  
 15 production, and (2) as provided for a delinquent tax under AS 43.05.225(1)  
 16 [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that  
 17 remains unpaid after that March 31 is treated as an addition to tax that bears interest  
 18 under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section  
 19 that is not paid when due bears interest as provided for a delinquent tax under  
 20 AS 43.05.225(1) [AS 43.05.225].

21 \* **Sec. 11.** AS 43.55.023(a) is amended to read:

22 (a) A producer or explorer may take a tax credit for a qualified capital  
 23 expenditure as follows:

24 (1) notwithstanding that a qualified capital expenditure may be a  
 25 deductible lease expenditure for purposes of calculating the production tax value of oil  
 26 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
 27 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
 28 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
 29 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
 30 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY  
 31 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

1 (2) a producer or explorer may take a credit for a qualified capital  
 2 expenditure incurred in connection with geological or geophysical exploration or in  
 3 connection with an exploration well only if the producer or explorer

4 (A) agrees, in writing, to the applicable provisions of  
 5 AS 43.55.025(f)(2);

6 (B) submits to the Department of Natural Resources all data  
 7 that would be required to be submitted under AS 43.55.025(f)(2).

8 \* **Sec. 12.** AS 43.55.023(d) is amended to read:

9 (d) Except as limited by (i) of this section, a person that is entitled to take a tax  
 10 credit under this section that wishes to transfer the unused credit to another person or  
 11 obtain a cash payment under AS 43.55.028 may apply to the department for a  
 12 transferable tax credit certificate [CERTIFICATES]. An application under this  
 13 subsection must be in a form prescribed by the department and must include  
 14 supporting information and documentation that the department reasonably requires.  
 15 The department shall grant or deny an application, or grant an application as to a lesser  
 16 amount than that claimed and deny it as to the excess, not later than 120 days after the  
 17 latest of (1) March 31 of the year following the calendar year in which the qualified  
 18 capital expenditure, well lease expenditure, or carried-forward annual loss for which  
 19 the credit is claimed was incurred; (2) the date the statement required under  
 20 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
 21 expenditure, well lease expenditure, or carried-forward annual loss for which the  
 22 credit is claimed was incurred; or (3) the date the application was received by the  
 23 department. If, based on the information then available to it, the department is  
 24 reasonably satisfied that the applicant is entitled to a credit, the department shall issue  
 25 the applicant a [TWO] transferable tax credit certificate for [CERTIFICATES,  
 26 EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE  
 27 OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE  
 28 CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT  
 29 BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN  
 30 THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH  
 31 THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A

1 CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this  
2 subsection does not expire.

3 \* **Sec. 13.** AS 43.55.023(g) is amended to read:

4 (g) The issuance of a transferable tax credit certificate under (d) or (m) of this  
5 section or the purchase of a certificate under AS 43.55.028 does not limit the  
6 department's ability to later audit a tax credit claim to which the certificate relates or to  
7 adjust the claim if the department determines, as a result of the audit, that the applicant  
8 was not entitled to the amount of the credit for which the certificate was issued. The  
9 tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is  
10 increased by the amount of the credit that exceeds that to which the applicant was  
11 entitled, or the applicant's available valid outstanding credits applicable against the tax  
12 levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is  
13 increased under this subsection, the increase bears interest under **AS 43.05.225(1)**  
14 [AS 43.05.225] from the date the transferable tax credit certificate was issued. For  
15 purposes of this subsection, an applicant that is an explorer is considered a producer  
16 subject to the tax levied by AS 43.55.011(e).

17 \* **Sec. 14.** AS 43.55.023(g) is amended to read:

18 (g) The issuance of a transferable tax credit certificate under (d) or **former**  
19 (m) of this section or the purchase of a certificate under AS 43.55.028 does not limit  
20 the department's ability to later audit a tax credit claim to which the certificate relates  
21 or to adjust the claim if the department determines, as a result of the audit, that the  
22 applicant was not entitled to the amount of the credit for which the certificate was  
23 issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 -  
24 43.55.180 is increased by the amount of the credit that exceeds that to which the  
25 applicant was entitled, or the applicant's available valid outstanding credits applicable  
26 against the tax levied by AS 43.55.011(e) are reduced by that amount. If the  
27 applicant's tax liability is increased under this subsection, the increase bears interest  
28 under AS 43.05.225(1) from the date the transferable tax credit certificate was issued.  
29 For purposes of this subsection, an applicant that is an explorer is considered a  
30 producer subject to the tax levied by AS 43.55.011(e).

31 \* **Sec. 15.** AS 43.55.023(l) is amended to read:

1 (l) A producer or explorer may apply for a tax credit for a well lease  
 2 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
 3 LATITUDE] after **December 31, 2011** [JUNE 30, 2010], as follows:

4 (1) notwithstanding that a well lease expenditure [INCURRED IN  
 5 THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible  
 6 lease expenditure for purposes of calculating the production tax value of oil and gas  
 7 under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this  
 8 section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer  
 9 or explorer that incurs a well lease expenditure [IN THE STATE SOUTH OF 68  
 10 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied  
 11 by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT  
 12 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR  
 13 YEAR;]

14 (2) a producer or explorer may take a credit for a well lease  
 15 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH  
 16 LATITUDE] in connection with geological or geophysical exploration or in  
 17 connection with an exploration well only if the producer or explorer

18 (A) agrees, in writing, to the applicable provisions of  
 19 AS 43.55.025(f)(2); and

20 (B) submits to the Department of Natural Resources all data  
 21 that would be required to be submitted under AS 43.55.025(f)(2).

22 \* **Sec. 16.** AS 43.55.023(n) is amended to read:

23 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure  
 24 [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a  
 25 lease expenditure that is

26 (1) directly related to an exploration well, a stratigraphic test well, a  
 27 producing well, or an injection well other than a disposal well, [LOCATED IN THE  
 28 STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a  
 29 qualified capital expenditure and an intangible drilling and development cost  
 30 authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R.  
 31 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an

1 expenditure directly related to a well includes an expenditure for well sidetracking,  
 2 well deepening, well completion or recompletion, or well workover, regardless of  
 3 whether the well is or has been a producing well; or

4 (2) an expense for seismic work conducted within the boundaries of a  
 5 production or exploration unit.

6 \* **Sec. 17.** AS 43.55.028(e) is amended to read:

7 (e) The department, on the written application of a person to whom a  
 8 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**  
 9 (m) or to whom a production tax credit certificate has been issued under  
 10 AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
 11 purchase, in whole or in part, the certificate if the department finds that

12 (1) the calendar year of the purchase is not earlier than the first  
 13 calendar year for which the credit shown on the certificate would otherwise be allowed  
 14 to be applied against a tax;

15 (2) [REPEALED.

16 (3) REPEALED.

17 (4)] the applicant does not have an outstanding liability to the state for  
 18 unpaid delinquent taxes under this title;

19 **(3)** [(5)] the applicant's total tax liability under AS 43.55.011(e), after  
 20 application of all available tax credits, for the calendar year in which the application is  
 21 made is zero;

22 **(4)** [(6)] the applicant's average daily production of oil and gas taxable  
 23 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
 24 the application is made was not more than 50,000 BTU equivalent barrels; and

25 **(5)** [(7)] the purchase is consistent with this section and regulations  
 26 adopted under this section.

27 \* **Sec. 18.** AS 43.55.028(g) is amended to read:

28 (g) The department may adopt regulations to carry out the purposes of this  
 29 section, including standards and procedures to allocate available money among  
 30 applications for purchases under this chapter and claims for refunds under  
 31 AS 43.20.046 when the total amount of the applications for purchase and claims for

1 refund exceed the amount of available money in the fund. The regulations adopted by  
 2 the department may not, when allocating available money in the fund under this  
 3 section, distinguish an application for the purchase of a credit certificate issued under  
 4 **former** AS 43.55.023(m) or a claim for refund under AS 43.20.046.

5 \* **Sec. 19.** AS 43.55.075(a) is amended to read:

6 (a) Except as provided in AS 43.05.260(c), the amount of a tax imposed by  
 7 this chapter must be assessed within **four** [SIX] years after the return was filed.

8 \* **Sec. 20.** AS 43.55.160(a) is repealed and reenacted to read:

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

10 (1) AS 43.55.011(e), the annual production tax value of taxable oil,  
 11 gas, or oil and gas produced by a producer during a calendar year, in a given category  
 12 for which a separate production tax value is required to be calculated under this  
 13 paragraph, is equal to the gross value at the point of production of that oil, gas, or oil  
 14 and gas, respectively, taxable under AS 43.55.011(e), less the producer's lease  
 15 expenditures under AS 43.55.165 for the calendar year that are applicable to the oil,  
 16 gas, or oil and gas, respectively, in that category produced by the producer during the  
 17 calendar year, as adjusted under AS 43.55.170; a separate annual production tax value  
 18 must be calculated for

19 (A) oil and gas, other than gas produced before 2022 and used  
 20 in the state, produced in aggregate from all leases or properties in the state that  
 21 include land north of 68 degrees North latitude and are subject to  
 22 AS 43.55.011(e)(1);

23 (B) oil and gas, other than gas produced before 2022 and used  
 24 in the state, produced in aggregate from all leases or properties in the state that  
 25 are subject to AS 43.55.011(e)(1) and are described in AS 43.55.024(a), during  
 26 a calendar year before or during the last calendar year under AS 43.55.024(b)  
 27 for which the producer could take a tax credit under AS 43.55.024(a);

28 (C) oil produced before 2022 from each lease or property in the  
 29 Cook Inlet sedimentary basin;

30 (D) gas produced before 2022 from each lease or property in  
 31 the Cook Inlet sedimentary basin;

1 (E) gas produced before 2022 from each lease or property in  
2 the state outside the Cook Inlet sedimentary basin and used in the state;

3 (F) oil and gas produced in aggregate from all leases or  
4 properties in the state that do not include land north of 68 degrees North  
5 latitude and are subject to AS 43.55.011(e)(1); this subparagraph does not  
6 apply to

7 (i) gas that is produced before 2022 and used in the  
8 state;

9 (ii) oil or gas that is produced before 2022 from a lease  
10 or property in the Cook Inlet sedimentary basin;

11 (iii) oil or gas that is produced from a lease or property  
12 described in AS 43.55.024(a) during a calendar year before or during  
13 the last calendar year under AS 43.55.024(b) for which the producer  
14 could take a tax credit under AS 43.55.024(a);

15 (G) oil and gas, other than gas produced before 2022 and used  
16 in the state, produced in aggregate from all leases or properties in the state that  
17 include land north of 68 degrees North latitude and are not subject to  
18 AS 43.55.011(e)(1);

19 (H) oil and gas, other than gas produced before 2022 and used  
20 in the state, produced in aggregate from all leases or properties in the state that  
21 are not subject to AS 43.55.011(e)(1) and are described in AS 43.55.024(a),  
22 during a calendar year before or during the last calendar year under  
23 AS 43.55.024(b) for which the producer could take a tax credit under  
24 AS 43.55.024(a);

25 (I) oil and gas produced in aggregate from all leases or  
26 properties in the state that do not include land north of 68 degrees North  
27 latitude and are not subject to AS 43.55.011(e)(1); this subparagraph does not  
28 apply to

29 (i) gas that is produced before 2022 and used in the  
30 state;

31 (ii) oil or gas that is produced before 2022 from a lease

1 or property in the Cook Inlet sedimentary basin;

2 (iii) oil or gas that is produced from a lease or property  
3 described in AS 43.55.024(a) during a calendar year before or during  
4 the last calendar year under AS 43.55.024(b) for which the producer  
5 could take a tax credit under AS 43.55.024(a);

6 (2) AS 43.55.020(a), the monthly production tax value of taxable oil,  
7 gas, or oil and gas produced by a producer during a month, in a given category for  
8 which a separate production tax value is required to be calculated under this  
9 paragraph, is equal to the gross value at the point of production of that oil, gas, or oil  
10 and gas, respectively, taxable under AS 43.55.011(e), less 1/12 of the producer's lease  
11 expenditures under AS 43.55.165 for the calendar year that are applicable to the oil,  
12 gas, or oil and gas, respectively, in that category produced by the producer during the  
13 calendar year, as adjusted under AS 43.55.170; a separate monthly production tax  
14 value must be calculated for each of the categories for which a separate annual  
15 production tax value is required to be calculated under (1) of this subsection.

16 \* **Sec. 21.** AS 43.56.160 is amended to read:

17 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
18 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent  
19 taxes, exclusive of penalty, shall be assessed at **the rate specified in AS 43.05.225(1)**  
20 [A RATE OF EIGHT PERCENT A YEAR].

21 \* **Sec. 22.** AS 43.77.020(d) is amended to read:

22 (d) A person subject to the tax under this chapter shall make quarterly  
23 payments of the tax estimated to be due for the year, as required under regulations  
24 adopted by the department. A taxpayer will be subject to an estimated tax penalty,  
25 determined by applying the interest rate specified in **AS 43.05.225(1)** [AS 43.05.225]  
26 to the underpayment for each quarter, unless the taxpayer makes estimated tax  
27 payments in equal installments that total either

28 (1) at least 90 percent of the taxpayer's tax liability under this chapter  
29 for the tax year; or

30 (2) at least 100 percent of the taxpayer's tax liability under this chapter  
31 for the prior tax year.

1 \* **Sec. 23.** AS 43.90.430 is amended to read:

2           **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter  
3 becomes delinquent, the payment bears interest at the rate applicable to a delinquent  
4 tax under AS 43.05.225(1) [AS 43.05.225].

5 \* **Sec. 24.** AS 43.55.023(m) is repealed.

6 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8           **APPLICABILITY.** (a) Sections 11, 12, 15, and 16 of this Act apply to expenditures  
9 incurred after December 31, 2011.

10           (b) Sections 6 - 9 and 20 of this Act apply to oil and gas produced after December 31,  
11 2012.

12           (c) Section 19 of this Act applies to any tax liability for the production of oil and gas  
13 after December 31, 2013.

14 \* **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16           **TRANSITION: REGULATIONS.** The Department of Revenue may proceed to adopt  
17 regulations to implement this Act. The regulations take effect under AS 44.62 (Administrative  
18 Procedure Act), but not before the effective date of the provision of this Act implemented by  
19 the regulation.

20 \* **Sec. 27.** Sections 11, 12, 14 - 18, 24, and 25(a) of this Act take effect January 1, 2012.

21 \* **Sec. 28.** Sections 6 - 9, 20, and 25(b) of this Act take effect January 1, 2013.

22 \* **Sec. 29.** Sections 19 and 25(c) of this Act take effect January 1, 2014.

23 \* **Sec. 30.** Except as provided in secs. 27 - 29 of this Act, this Act takes effect July 1, 2011.