15 AAC 55.173(a)(1) is repealed:

(1) repealed **_____/_____/_______** [FOR EACH MCF OF GAS PRODUCED BEFORE OCTOBER 1, 2008, 10 PERCENT OF THE PREVAILING VALUE PER BARREL THAT WOULD BE DETERMINED UNDER 15 AAC 55.171(g) FOR OIL THAT IS PRODUCED FROM THE LEASE OR PROPERTY FROM WHICH THE GAS IS PRODUCED AND THAT IS SOLD AT THE ENTRANCE TO THE REGULATED OIL PIPELINE SERVING THAT LEASE OR PROPERTY; IF DURING THE MONTH THAT THE GAS IS DELIVERED OIL IS NOT PRODUCED FROM THAT LEASE OR PROPERTY AND DELIVERED INTO A REGULATED OIL PIPELINE SERVING THAT LEASE OR PROPERTY, THE PREVAILING VALUE CALCULATION MUST BE MADE WITH RESPECT TO THE NEAREST LEASE OR PROPERTY FROM WHICH OIL IS PRODUCED AND DELIVERED THAT MONTH INTO A REGULATED OIL PIPELINE;]

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 10/1/2008, Register 187; am 4/30/2010, Register 194; am 9/20/2020, Register 235; am _____/_____/_____, Register; am _____/_____/_______, Register _______)

Authority: AS 43.05.080 AS 43.55.030 AS 43.55.110

AS 43.55.020 AS 43.55.040

The section heading of 15 AAC 55.206 is changed to read:

15 AAC 55.206. Calculation of production tax values for oil and gas produced after June 30, 2007 <u>and before January 1, 2022, and for oil produced on and after January 1, 2022.</u>

15 AAC 55.206(a) is amended to read:

(a) A producer or, under AS 43.55.160(d), an explorer shall calculate a single production tax value for a calendar year, under AS 43.55.160(a)(1), **or AS 43.55.160(h), as applicable** [AND FOR A MONTH BEFORE JANUARY 2014, UNDER AS 43.55.160(a)(2),] for each segment.

15 AAC 55.206(b) is amended to read:

(b) The provision of AS 43.55.160(b) that a production tax value may not be less than zero applies to each production tax value calculated for each segment. Subject to the provisions [OF AS 43.55.023(b)(2), AS THOSE PROVISIONS READ BEFORE JANUARY 1, 2018, FOR OIL AND GAS PRODUCED BEFORE JANUARY 1, 2018, OR THE PROVISIONS] of AS 43.55.160(e), for oil and gas produced after December 31, 2017, adjusted lease expenditures applicable to a segment that exceed the amount of adjusted lease expenditures that may, under AS 43.55.160(b), be deducted in calculating a production tax value for the segment are considered excess adjusted lease expenditures and, except as otherwise provided under 15 AAC 55.224, may not be reallocated to, or deducted in calculating a production tax value for, a different segment. Excess adjusted lease expenditures relating to the calculation of an annual production tax value, but not a monthly production tax value, may be used to establish a carried-forward annual loss to the extent allowed [UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018, FOR OIL AND GAS PRODUCED BEFORE JANUARY 1, 2018, OR] under AS 43.55.165(a)(3) **and AS 43.55.160(e)**, for oil and gas produced after December 31, 2017[, AND AS 43.55.160(e)].

The introductory language of 15 AAC 55.206(c)(1) is amended to read:

(1) **for oil and gas produced before January 1, 2022, and** except as otherwise provided under (2) of this subsection, each of the following is a segment for a producer:

. . .

The introductory language of 15 AAC 55.206(c)(2) is amended to read:

(2) **For oil and gas produced before January 1, 2022,** if a producer or explorer does not produce any oil or gas from leases or properties in the

. . .

15 AAC 55.206(c) is amended by adding a new paragraph to read:

(3) for oil, or oil and gas produced on and after January 1, 2022, and except as otherwise provided under (4) of this subsection, each of the following is a segment for a producer:

(A) oil, if any, taxable under AS 43.55.011(e) that the producer produces from leases or properties in the state that include land north of 68 degrees North latitude;

(B) oil, if any, taxable under AS 43.55.011(e) other than oil subject to AS 43.55.011(p), that the producer produces from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, for a calendar year before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a);

(C) oil, if any, taxable under AS 43.55.011(e) that the producer produces from each lease or property in the Cook Inlet sedimentary basin; for purposes of this paragraph, oil produced from each lease or property constitutes a separate segment;

(D) oil, if any, taxable under AS 43.55.011(e) and subject to AS 43.55.011(p) that the producer produces;

(E) oil, if any, taxable under AS 43.55.011(e) that the producer produces from leases or properties in the state no part of which is north of 68 degrees North latitude, other than oil described in (B), (C) or (D) of this paragraph.

15 AAC 55.206(c) is amended by adding a new paragraph to read:

(4) For oil and gas produced on and after January 1, 2022, if a producer or explorer does not produce any oil from leases or properties in the

(A) state that include land north of 68 degrees North latitude, the area of the state north of 68 degrees North latitude is a segment for the producer or explorer;

(B) state no part of which is north of 68 degrees North latitude, the area of the state no part of which is north of 68 degrees North latitude is a segment for the producer or explorer;

(Eff. 10/21/2009, Register 192; am 12/25/2103, Register 208; am 3/1/2017, Register 221; am 12/6/2018, Register 228; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.160
	AS 43.55.011	AS 43.55.110	AS 43.55.165

15 AAC 55.213(b)(1) is amended to read:

(1) continuous metering of the oil and of the gas, before commingling with produced fluids from other wells, by one or more multiphase flow metering systems that are demonstrated with a 90 percent or higher level of confidence to be accurate within plus or minus five percent and that meet standards and requirements relating to operation, procedures, equipment and materials, software, installation, performance, calibration, testing, field verification, monitoring, maintenance, sampling, correction to standard conditions, and reporting that the department determines are appropriate for the purposes of AS 43.55.160(f)(3); in determining what standards and requirements are appropriate, the department will consider the relevant portions of the first edition of chapter 20.3 of the American Petroleum Institute *Manual of Petroleum Measurement Standards* (January 2013), which is adopted by reference for that purpose; the accuracy standard of plus or minus five percent in this paragraph applies to oil, except that the accuracy standard applies to gas rather than oil during a time period during which the gross value at the point of production of the gas produced from the acreage added to the existing participating area, other than gas produced before 2022 that is used in the state **and gas produced on or after January 1, 2022**, exceeds the gross value at the point of production of the oil produced from that acreage;

15 AAC 55.213(e) is amended to read:

(e) A methodology must provide for excluding any gas produced before 2022 that is used in the state **and any gas produced after 2021**. The amount excluded may not be less than the pro rata amount of the gas recovered from the entire participating area that is produced before 2022 and used in the state **and any gas produced after 2021**.

(Eff. 12/25/2013, Register 208; am _____/_____/______, Register _______)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

15 AAC 55.215(a)(1) is amended to read:

(1) exploring for, developing, or producing oil or gas deposits located within a lease or property is considered a lease expenditure applicable to

(A) oil or gas produced from that lease or property during that calendar year **for a calendar year before 2022**, irrespective of whether any oil or gas is actually produced from that lease or property during that calendar year;

(B) oil produced from that lease or property during that calendar year for a calendar year after 2021, irrespective of whether any oil or gas is actually produced from that lease or property during that calendar year;

15 AAC 55.215(a)(2)(B) is amended to read:

(B) after the latest of 2021, the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), **or** [AND] the last calendar year for which AS 43.55.011(p) could limit the levy of tax under AS 43.55.011(e) for any of the producer's oil or gas, an area of the state is either

(i) land north of 68 degrees North latitude; or

(ii) land south of 68 degrees North latitude.

15 AAC 55.215(b) is amended to read:

(b) A producer's lease expenditure

(1) incurred before 2022 that is a cost of exploring for, developing, or producing oil or gas deposits located within a lease or property in the Cook Inlet sedimentary basin from which both oil and gas are produced by the producer during the calendar year that the lease expenditure is incurred, is allocated between the oil and gas proportionally to the respective amounts of oil and gas in BTU equivalent barrels produced by the producer from the lease or property during the calendar year and taxable under AS 43.55.011(e). A producer's lease expenditure incurred before 2022 that is a cost of exploring for oil or gas deposits located within land in the Cook Inlet sedimentary basin that is not a lease or property is allocated among leases or properties in the Cook Inlet sedimentary basin and between oil and gas produced from each of those leases or properties proportionally to the respective amounts, if any, of oil and gas in BTU equivalent barrels produced by the producer from those leases or properties during the calendar year the lease expenditure is incurred and taxable under AS 43.55.011(e)**;**[.]

(2) incurred after 2021 that is a cost of exploring for, developing, or producing oil or gas deposits is applicable to the calculation of production tax value for oil produced by the producer in that area of the state described in (a)(2)(B)(i) or (a)(2)(B)(ii) of this section, as applicable, during the calendar year that the lease expenditure is incurred or as provided in AS 43.55.160(e) or 43.55.165.

15 AAC 55.215(d) is amended to read:

(d) A producer's lease expenditure that is a cost of exploring for, developing, or producing oil or gas deposits located within a lease or property, other than a lease or property subject to AS 43.55.011(p), outside the Cook Inlet sedimentary basin

(1) incurred before January 1, 2022, from which both **(A)** [(1)] gas used in the state; and **<u>(B)</u>** [(2) oil or other gas are produced by the producer during the calendar year after June 30, 2007 in which the lease expenditure is incurred, is allocated between **<u>(A)</u>** [(1)] gas used in the state and **<u>(B)</u>** [(2)] oil or other gas proportionally to the respective amounts of each, in BTU equivalent barrels, produced by the producer from the lease or property during the calendar year and taxable under AS 43.55.011(e)**<u>;</u>**[.]

<u>(2) incurred on and after January 1, 2022, or as provided in AS 43.55.160(e) for a carried-forward annual loss under AS 43.55.165(a)(3), is attributable to the production tax value of oil for leases or properties outside the Cook Inlet sedimentary basin, other than leases or leases or properties subject to AS 43.55.011(p).</u>

15 AAC 55.215(e) is amended to read:

(e) A producer's lease expenditure that is a cost of exploring for oil or gas deposits located within land that is not a lease or property and is in an area of the state described in

<u>(1)</u> (a)(2)(A)(i) or (ii) of this section is allocated among **<u>(A)</u>** [(1)] gas used in the state produced from each lease or property in that area, other than gas subject to AS 43.55.011(p); and **<u>(B)</u>** [(2)] oil and other gas produced from leases or properties in that area, proportionally to the respective amounts, if any, of gas used in the state and of oil or other gas, in BTU equivalent barrels, produced by the producer from the leases or properties during the calendar year after June 30, 2007 **<u>and before 2022</u>** in which the lease expenditure is incurred and taxable under AS 43.55.011(e)**<u>;</u>**

<u>(2) (a)(2)(B) of this section on and after January 1, 2022 is included in calculating the production tax value of oil applicable to the area of the state described in</u>

<u>(a)(2)(B)(i) or (ii) of this section and as provided in AS 43.55.160(h)</u>.

15 AAC 55.215(f) is repealed:

(f) Repealed **_____/_____/_______**. [FOR A UNIT SUBJECT TO AS 43.55.165(j) THAT IS NOT TREATED AS A SINGLE LEASE OR PROPERTY UNDER 15 AAC 55.206(f), THE TOTAL LEASE EXPENDITURES, OTHER THAN QUALIFIED CAPITAL EXPENDITURES, DETERMINED FOR ALL LEASES AND PROPERTIES WITHIN THE UNIT UNDER AS 43.55.165(j) AND (k) FOR A CALENDAR YEAR ARE ALLOCATED, FOR PURPOSES OF 15 AAC 55.206(c)(1)(E), AMONG THE PARTICIPATING AREAS IN THE UNIT PROPORTIONALLY TO THE AMOUNTS OF OPERATING EXPENSES FOR THAT CALENDAR YEAR THAT ARE ACTUALLY ATTRIBUTED BY THE UNIT OPERATOR TO THE RESPECTIVE PARTICIPATING AREAS IN BILLINGS TO THE PRODUCERS THAT OWN INTERESTS IN THE UNIT. FOR PURPOSES OF THIS SUBSECTION, "OPERATING EXPENSES" MEANS COSTS THAT ARE TREATED AS OTHER THAN CAPITAL COSTS UNDER THE APPLICABLE UNIT OPERATING AGREEMENT.

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208; am 12/6/2018, Register 228; am 9/20/2020, Register 235; am **_____/_____/_______**, Register _______)

Authority:	AS 43.55.080	AS 43.55.024	AS 43.55.160
	AS 43.55.011	AS 43.55.110	AS 43.55.165

15 AAC 55.217(b) is amended to read:

(b) For carried-forward annual losses for a segment under 15 AAC 55.206(c)(1) **<u>and (4)</u>**, the adjusted lease expenditures that establish each carried-forward annual loss are determined using the following procedure, unless no oil or gas is produced during the calendar year from the segment:

(1) for any oil or gas produced during the calendar year for which the gross value at the point of production is reduced under AS 43.55.160(f) or (f) and (g), the reduction is added back to the gross value at the point of production;

(2) the adjusted lease expenditures incurred by the producer during the calendar year that are applicable to the segment under 15 AAC 55.215 are segregated into the following groups:

(A) the adjusted lease expenditures incurred to explore for, develop, or produce oil or gas deposits located within segment leases or properties from which oil or gas is produced during the calendar year, as allocated under 15 AAC 55.215(d) if applicable;

(B) the adjusted lease expenditures incurred to explore for, develop, or produce oil or gas deposits located within segment leases or properties, if any, from which no oil or gas is produced during the calendar year;

(C) the adjusted lease expenditures incurred to explore for oil or gas deposits located within land in the area under 15 AAC 55.215(a)(2) other than the producer's leases or properties, as allocated under 15 AAC 55.215(e) or (g), as applicable;

(3) if the gross value at the point of production of the taxable oil and gas produced by the producer during the calendar year from all leases or properties in the segment

is

(A) less than or equal to the total adjusted lease expenditures described in (2)(A) of this subsection, a quotient Q is calculated as Q = SE ÷∑(PE), where SE = the amount by which the total adjusted lease expenditures described in (2)(A) of this subsection exceed the gross value at the point of production of the taxable oil and gas produced by the producer during the calendar year from all leases or properties subject to (2)(A) of this subsection, and PE = the amount, if greater than zero, by which the adjusted lease expenditures incurred by the producer during the calendar year to explore for, develop, or produce oil or gas deposits located within each of those leases or properties, as allocated to the segment under 15 AAC 55.215(d) if applicable, exceeds the gross value at the point of production of taxable oil and gas produced by the producer during the calendar year from the lease or property; for each of those leases or properties for which PE is calculated, PE is multiplied by the quotient Q; the product of that multiplication is referred to as TE, and for each lease or property for which TE is calculated, a fraction is calculated as F = TE ÷ LE, where LE is the amount of adjusted lease expenditures incurred by the producer during the calendar year to explore for, develop, or produce oil or gas deposits located within the lease or property, as allocated to the segment under 15 AAC 55.215(d) if applicable; carried-forward annual losses for the segment are, subject to 15 AAC 55.224(f) **or (g),** if applicable, established only by

(i) for each lease or property for which F is calculated, a fraction F of the adjusted lease expenditures incurred by the producer during the calendar year to explore for, develop, or produce oil or gas deposits located within the lease or property, as allocated to the segment under 15 AAC 55.215(d) if applicable; for each lease or property this fraction F is applied uniformly to all of those adjusted lease expenditures; and

(ii) the adjusted lease expenditures, if any, described in (2)(B) and (2)(C) of this subsection;

(B) greater than the adjusted lease expenditures described in (2)(A) of this subsection and less than or equal to the sum of the adjusted lease expenditures described in (2)(A) and (2)(B) of this subsection, a fraction G is calculated as G = XE ÷ AE, where XE = the amount, if any, by which the adjusted lease expenditures described in (2)(B) of this subsection exceed the remainder resulting from subtracting the adjusted lease expenditures described in (2)(A) of this subsection from the gross value at the point of production of the taxable oil and gas produced by the producer during the calendar year from all leases or properties in the segment, and AE = the total adjusted lease expenditures described in (2)(B) of this subsection; carried-forward annual losses for the segment are, subject to 15 AAC 55.224(f) **or (g)** if applicable, established only by

(i) for each lease or property subject to (2)(B) of this subsection, a fraction G of the adjusted lease expenditures incurred by the producer during the calendar year to explore for, develop, or produce oil or gas deposits located within the lease or property; for each lease or property this fraction G is applied uniformly to all of those adjusted lease expenditures; and

(ii) the adjusted lease expenditures, if any, described in (2)(C) of this subsection;

(C) greater than the sum of the adjusted lease expenditures described in

(2)(A) of this subsection and (2)(B) of this subsection and less than the sum of the adjusted lease expenditures described in (2)(A), (2)(B), and (2)(C) of this subsection, a fraction H is calculated as H = YE ÷ QE, where YE = the amount, if any, by which the adjusted lease expenditures described in (2)(C) of this subsection exceed the remainder resulting from subtracting the sum of the adjusted lease expenditures described in (2)(A) and (2)(B) of this subsection from the gross value at the point of production of the taxable oil and gas produced by the producer during the calendar year from all leases or properties in the segment, and QE = the total adjusted lease expenditures described in (2)(C) of this subsection; carried-forward annual losses for the segment are, subject to 15 AAC 55.224(f)**, or (g),** if applicable, established only by a fraction H of the adjusted lease expenditures described in (2)(C) of this subsection; this fraction H is applied uniformly to all of those lease expenditures;

(D) equal to or greater than the sum of the adjusted lease expenditures described in (2)(A), (2)(B), and (2)(C) of this subsection, no carried-forward annual loss is established for the segment;

(4) in the case of a segment described in 15 AAC 55.206(c)(1)(E) or (F), the amount initially calculated for each carried-forward annual loss under (3) of this subsection is multiplied by the fraction calculated under 15 AAC 55.224(f)(7) **or (g)(7)**; only the product of that multiplication, if greater than zero, establishes the carried-forward annual loss.

15 AAC 55.217(c) is amended to read:

(c) The following examples illustrate (b) of this section:

Example 1.A. In a given calendar year **before 2022**, a producer has three producing leases or properties on the North Slope and no no-producing leases or properties on the North Slope. The producer also conducts seismic exploration on the North Slope in a location remote from and unrelated to any of the leases or properties.

Ten barrels of taxable oil with a gross value at the point of production of $500, and qualifying for a gross value reduction of 20 percent under AS 43.55.160(f), are produced during the year from Property A. The producer incurs adjusted lease expenditures during the year of $400 to develop and produce oil from Property A.

Twenty barrels of taxable oil with a gross value at the point of production of $1,000, not qualifying for a gross value reduction, and 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $610 are produced during the year from Property B. The producer incurs adjusted lease expenditures during the year of $1,800 to develop and produce oil and gas from Property B.

Thirty barrels of taxable oil with a gross value at the point of production of $1,500, not qualifying for a gross value reduction, are produced during the year from Property C. The producer incurs adjusted lease expenditures during the year of $2,000 to develop and produce oil from Property C.

The producer incurs adjusted lease expenditures during the year of $140 to conduct the off-lease exploration.

An annual production tax value must be calculated for each of two segments in this example: (1) oil and gas, other than gas used in the state, produced from North Slope leases or properties, under 15 AAC 55.206(c)(1)(A); and (2) gas produced from Property B that is used in the state, under 15 AAC 55.206(c)(1)(E).

The gross value at the point of production for the first segment is the sum of $500, less a

20 percent gross value reduction, or $400 from Property A, plus $1,000 from Property B, plus $1,500 from Property C, for a total of $2,900. Adjusted lease expenditures applicable to this segment are the sum of $400 from Property A, plus $1,200 from Property B (because under 15 AAC 55.215(d), the lease expenditures to develop and produce oil and gas from Property B are allocated between the oil and the gas used in the state proportionally to the respective BTU equivalent barrels produced, of which oil accounts for 20/30 = 2/3 of the $1,800 lease expenditures = $1,200), plus $2,000 from Property C, plus $120 from the seismic exploration (because under 15 AAC 55.215(c), those lease expenditures are allocated between the oil produced from both Properties A, B, and C, on one hand, and the gas used in the state produced from Property B, on the other hand, proportionally to the respective BTU equivalent barrels produced, of which oil accounts for 60/70 = 6/7 of the $140 lease expenditures = $120), for a total of $3,720. Since the lease expenditures exceed the gross value at the point of production, the annual production tax value for the segment is zero. Hence, the producer is required to follow the procedure set out in (b) of this section to determine the producer's carried-forward annual losses, if any, for this segment.

The gross value at the point of production for the second segment is $610, for gas used in the state produced from Property B. The lease expenditures applicable to this segment are the sum of $600 from Property B (because under 15 AAC 55.215(d), one-third of the lease expenditures incurred to develop and produce oil and gas from Property Bare allocated to gas used in the state produced from Property B), plus $20 from the seismic exploration (because under 15 AAC 55.215(e), 1/7 of those lease expenditures are allocated to the gas used in the state produced from Property B), for a total of $620. Since the lease expenditures exceed the gross value at the point of production, the annual production tax value for the segment is zero.

Hence, the producer is required to follow the procedure set out in (b) of this section to determine the producer's carried-forward annual losses, if any, for this segment.

For the first segment:

(1) After adding back the gross value reduction for Property A, the gross value at the point of production for Property A is $500.

(2) The applicable adjusted lease expenditures are grouped as follows:

(A) $3,600 incurred to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties from which oil or gas is produced;

(B) zero incurred to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties from which no oil or gas is produced;

(C) $120 incurred to explore for oil or gas deposits located within North Slope land other than the producer's leases or properties.

(3) The gross value at the point of production of the oil and gas produced from Properties A, B, and C, $3,000, is less than the $3,600 in adjusted lease expenditures in group (2)(A), above. Therefore, carried-forward annual losses for the segment are calculated under (3)(A), as follows:

SE = $3,600 - $3,000 = $600

PE for Property B = $200

PE for Property C = $500

Sum of PEs = $700

Q = $600 ÷ $700 = 6/7

TE for Property B = $200 * 6/7 = $171.43

TE for Property C = $500 * 6/7 = $428.57

F for Property B = $171.43 ÷ $1,200 = 14.286%

F or Property C = $428.57 ÷ $2,000 = 21.428%

Therefore, under (b)(3)(A)(i) of this section, the producer has a carried-forward annual loss for the segment in the amount of $171.43, established by 14.286 percent of the producer's $1,200 in adjusted lease expenditures incurred to explore for, develop, or produce oil or gas deposits located within Property B and allocated to oil produced from Property B. (That is to say, 14.3 percent of each of those lease expenditures is carried-forward, rather than the producer's identifying a subset of lease expenditures with a total dollar amount of $171.43 to carry forward.) The producer has a second carried-forward annual loss for the segment in the amount of $428.57, established by 21.428 percent of the producer's $2,000 in adjusted lease expenditures incurred to explore for, develop, or produce oil or gas deposits located within Property C. In addition, as provided by (b)(3)(A)(ii) of this section, the producer has a third carried-forward annual loss for the segment in the amount of $120, established by the producer's $120 in adjusted lease expenditures incurred to explore for oil or gas deposits located in North Slope land other than the producer's leases or properties and allocated to oil and gas other than gas used in the state.

For the second segment:

(1) There is no gross value reduction to add back.

(2) The applicable adjusted lease expenditures are grouped as follows:

(A) $600 incurred to explore for, develop, or produce oil or gas deposits located within the lease or property from which gas is produced (Property B);

(B) zero incurred to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties from which no oil or gas is produced (this is necessarily true for a segment under 15 AAC 55.206(c)(1)(E), since by definition this kind of segment is gas produced from a single lease or property, and that single lease or property is the subject of the preceding subparagraph (2)(A));

(C) $20 incurred to explore for oil or gas deposits located within North Slope land other than the producer's leases or properties.

(3) The gross value at the point of production of gas produced from the segment lease or property, $610, is greater than the sum of the adjusted lease expenditures described in (2)(A) and (2)(B), $600, but is less than the sum of the adjusted lease expenditures described in (2)(A), (2)(B), and (2)(C), $620. Therefore, carried-forward annual losses for the segment are calculated under (3)(C), as follows:

YE = $10

H = $10 ÷ $20 = 50%

Therefore, under (b)(3)(C) of this section, the producer has a carried-forward annual loss for the segment in the amount of $10, established by 50 percent of the producer's $20 in adjusted lease expenditures incurred to explore for oil or gas deposits located within North Slope land other than the producer's leases or properties and allocated to gas used in the state. (It is assumed for purposes of (b)(4) of this section that the production does not have a positive annual production tax value for the segment described in 15 AAC 55.206(c)(1)(F) for the calendar year, so that the fraction calculated under 15 AAC 55.224(f)(7) equals one.)

Example 1.B. In a given calendar year after 2021, a producer has three producing leases or properties on the North Slope and no no-producing leases or properties on the North Slope. The producer also conducts seismic exploration on the North Slope in a location remote from and unrelated to any of the leases or properties.

Ten barrels of taxable oil with a gross value at the point of production of $500, and qualifying for a gross value reduction of 20 percent under AS 43.55.160(f), are produced during the year from Property A. The producer incurs adjusted lease expenditures during the year of $400 to develop and produce oil from Property A.

Twenty barrels of taxable oil with a gross value at the point of production of $1,000, not qualifying for a gross value reduction, and 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $610 are produced during the year from Property B. The producer incurs adjusted lease expenditures during the year of $1,800 to develop and produce oil and gas from Property B.

Thirty barrels of taxable oil with a gross value at the point of production of $1,500, not qualifying for a gross value reduction, are produced during the year from Property C. The producer incurs adjusted lease expenditures during the year of $2,000 to develop and produce oil from Property C.

The producer incurs adjusted lease expenditures during the year of $140 to conduct the off-lease exploration.

An annual production tax value must be calculated for oil, produced from North Slope leases or properties, under 15 AAC 55.206(c)(3)(A). No production tax value is calculated for gas, including gas used in the state, since gas, including gas used in the state, is taxed at 13% of the gross value at the point of production as provided in AS 43.55.011(e)(3)(B), and the levy of tax for gas used in the state is limited as provided in AS 43.55.011(o). Additionally, beginning January 1, 2022, lease expenditures to produce both oil and gas, including gas used in the state, are all attributable to the production tax

value of oil for North Slope leases or properties as provided in AS 43.55.160(h)(1).

The gross value at the point of production for the first segment is the sum of $500, less a 20 percent gross value reduction of $100, for a net GVPP of $400 from Property A, plus $1,000 from Property B, plus $1,500 from Property C, for a total of $2,900. Adjusted lease expenditures applicable to this segment are the sum of $400 from Property A, plus $1,800 from Property B, plus $2,000 from Property C, plus $140 from the seismic exploration. Since the lease expenditures exceed the gross value at the point of production for the oil, the annual production tax value for the segment is zero. Hence, the producer is required to follow the procedure set out in (b) of this section to determine the producer's carried-forward annual losses, if any, for this segment.

The gross value at the point of production for gas used in the state produced from Property B is $610. As provided in AS 43.55.160(h)(1) the lease expenditures to produce gas used in the state are attributable to oil produced from the leases or properties.

For the oil segment:

(1) After adding back the gross value reduction for Property A, the gross value at the point of production for Property A is $500.

(2) The adjusted lease expenditures are grouped as follows:

(A) $4,200 incurred to explore for, develop, or produce oil or gas deposits, including gas used in the state, located within the producer's leases or properties from which oil or gas is produced;

(B) zero incurred to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties from which no oil or gas is produced;

(C) $140 incurred to explore for oil or gas deposits located within North Slope land other than the producer's leases or properties.

(3) The gross value at the point of production of the oil and gas, including gas used in the state, produced from Properties A, B, and C, $3,000, is less than the $4,200 in adjusted lease expenditures from producing properties in (2)(A) - (C), above. Therefore, carried-forward annual losses for the segment are calculated under 15 AAC 55.217(b)(3)(A), as follows:

SE = $4,200 - $3,000 = $1,200

PE for Property B = $800

PE for Property C = $500

Sum of PEs = $1,300

Q = $1,200 ÷ 1,300 = 92.31%

TE for Property B = $800 * 92.31% = $738.46

TE for Property C = $500 * 92.31% = $461.54

F for Property B = $738.46 ÷ $1,800 = 41.03%

F or Property C = $461.55 ÷ $2,000 = 23.08%

Therefore, under (b)(3)(A)(i) of this section, the producer has a carried-forward annual loss for the segment attributable to Properties B and C in the amount of $1,200, established by 41.03 percent of the producer's $1,800 in adjusted lease expenditures incurred to explore for, develop, or produce oil or gas deposits located within Property B and allocated to oil produced from Property B. (That is to say, 41.03 percent of each of those lease expenditures is carried-forward, rather than the producer's identifying a subset of lease expenditures with a total dollar

amount of $738.46 to carry forward.) The producer has a second carried-forward annual loss for the segment in the amount of $461.54, established by 23.08 percent of the producer's $2,000 in adjusted lease expenditures incurred to explore for, develop, or produce oil or gas deposits located within Property C. In addition, as provided by (b)(3)(A)(ii) of this section, the producer has a third carried-forward annual loss for the segment (that is not attributable to any of the producing leases or properties) in the amount of $140, established by the producer's $140 in adjusted lease expenditures incurred to explore for oil or gas deposits located in North Slope land other than the producer's leases or properties and attributable to oil as provided in AS 43.55.160(h)(1) for a total carried-forward annual loss for the segment in the amount of $1,340.

For the gas used in the state there is no carried-forward annual loss because as of January 1, 2022, the lease expenditures to produce gas used in the state are attributable to the production tax value of oil produced from those leases or properties as provided in AS 43.55.160(h).

Example 2. In a given calendar year, a producer has one lease or property on the North Slope, Property D, from which no oil or gas is produced. The producer incurs adjusted lease expenditures of $1,000 to explore for or develop oil and gas deposits located within the lease or property. The producer also incurs adjusted lease expenditures of $200 to conduct seismic exploration on the North Slope in a location remote from and unrelated to the lease or property.

Under 15 AAC 55.206(c)(2)(A), **for a calendar year before 2022, or (c)(3) for a calendar year after 2021,** the relevant segment is the area of the state north of 68 degrees

North latitude. The production tax value for the segment is zero, but since the segment is not a segment under **either** 15 AAC 55.206(c)(1)**, for a calendar year before 2022, or (c)(3) for a calendar year after 2021,** the producer need not use the procedure set out in (b) of this section to determine carried-forward annual losses for the segment. The producer has a carried-forward annual loss for the segment in the amount of $1,000, established by the producer's $1,000 in adjusted lease expenditures incurred to explore for or develop oil or gas deposits located within Property D. The producer also has a carried-forward annual loss for the segment in the amount of $200, established by the producer's $200 in adjusted lease expenditures incurred to explore for oil or gas deposits located within North Slope land other than the producer's leases or properties. **However, neither the carried-forward annual loss of $1,000 for property D, or the $200 of remote seismic, may be applied in determining production tax value until the calendar year in which regular production of oil or gas from the lease or property commences as provided in AS 43.55.160(n)(2).**

15 AAC 55.217(d) is amended to read:

(d) The following **examples** [example] illustrate (b)(3) of this section and**, for calendar years before 2022,** 15 AAC 55.224(f):

(1) In a given calendar year **before 2022**, a producer has two producing leases or properties on the North Slope, both of which have commenced regular production (Property A and Property B). The producer also has two non-producing leases or properties on the North Slope, neither of which has commenced regular production (Property C and Property D). Oil and gas other than gas used in the state produced from the four properties make up the first segment of taxable production for the producer. The producer also has taxable production from a second segment on the North Slope for gas used in the state produced from Property A. For purposes of this example, it has been assumed that if any of the properties are eligible for a gross value reduction under AS 43.55.160(f) or AS 43.55.160(f) and (g), any gross value reduction has been added back to the gross value at the point of production prior to determining the amount of any carried-forward annual loss under this section. Additionally, the producer has no lease expenditures or production outside of the North Slope.

In Year 1, the producing leases or properties, Property A and Property B, respectively, produce 30 and 20 barrels of taxable oil with gross values at the point of production of $1,500 and $1,000, and adjusted lease expenditures of $1,800 and $1,200. Property A also produces six BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $200. The non-producing properties, Property C and Property D incur adjusted lease expenditures of $300 and $500, respectively.

In Year 2, the producing leases or properties, Property A and Property B, respectively, produce 50 and 25 barrels of taxable oil with gross values at the point of production of $2,750 and $1,375, and adjusted lease expenditures of $2,400 and $1,200. Property A also produces 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $500. The non-producing properties, Property C and Property D incur adjusted lease expenditures of $400 and $600, respectively.

In Year 3, the producing leases or properties, Property A and Property B, respectively, produce 50 barrels and 30 barrels of taxable oil with gross values at the point of production of $3,000 and $1,800, and adjusted lease expenditures of $2,400 and $1,200. Property A also produces 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $500. In addition, during Year 3, Property C commences regular production and for the North Slope oil and gas, other than gas used in the state segment, produces 20 barrels of taxable oil with a gross value at the point of production of $1,200 and incurs adjusted lease expenditures of $1,300. In addition, Property C produces six BTU equivalent barrels of gas used in the state, with a gross value at the point of production of $150. Non-producing Property D incurs adjusted lease expenditures of $600.

In Year 1 the producer has a loss for the first segment of $1,000. The $1,800 in adjusted lease expenditures for Property A are allocated to the first segment, North Slope oil and gas other than gas used in the state, in the amount of $1,500 ($1,800*(30/(30 + 6))) and $300 to the second segment, gas used in the state for Property A ($1,800*(6/(30 + 6))). Part or all of the $200 carried-forward annual loss established by lease expenditures incurred on Property B may be deducted in determining the annual production tax value for the first segment in any following year to the extent that the gross value at the point of production for the segment exceeds the adjusted lease expenditures described in AS 43.55.165(a)(1) or (2) for the segment for the calendar year subject to AS 43.55.165(m). The carried-forward annual losses of $300 established by lease expenditures incurred on Property C, and $500 established by lease expenditures incurred on Property D, may not be applied in determining the annual production tax value for the segment until the respective Property has commenced regular production. For the gas used in the state segment for Property A, the producer has a carried-forward annual loss of $100. Since there are no other North Slope properties from which gas used in the state was produced and it was previously stated that the producer does not have any other lease expenditures or production outside of the North Slope that might result in a positive annual production tax value for the segment described in 15 AAC 55.206(c)(1)(F) for the calendar year, the fraction calculated under 15 AAC 55.224(f)(7) equals one.

In Year 2, the producer has a loss for the first segment, in the amount of $75. The lease expenditures establishing the loss are those incurred on the non-producing properties (Property C and Property D) as provided by (b)(3)(B) of this section. The $2,400 in adjusted lease expenditures from Property A is allocated to the North Slope oil or gas, other than gas used in the state segment, in the amount of $2,000 to Property A ($2,400 * (50/(50 + 10))) and $400 to the gas used in the state segment of Property A ($2,400 * (10/(50 + 10))). Since the amount of lease expenditures for the calendar year for the North Slope oil and gas, other than gas used in the state segment, required to exceed the gross value at the point of production includes costs from producing and non-producing properties, the adjusted lease expenditures incurred on the non-producing properties are used to establish any carried-forward annual losses based on the calculations in (b)(3)(B) of this section, where XE = $75 (amount of the loss for the North Slope oil and gas, other than gas used in the state, segment) and AE = $1,000 (the sum of the adjusted lease expenditures from leases or properties from which no oil or gas is produced), resulting in a fraction G, of .075. Applying the fraction G of .075 to the adjusted lease expenditures of $400 incurred on Property C and $600 incurred on Property D results in carried-forward annual losses in the amounts of $30 established by lease expenditures incurred on Property C and $45 established by lease expenditures incurred on Property D. Those carried-forward annual losses may not be applied to the segment until the respective property commences regular production. For the gas used in the state segment for Property A, the GVPP of $500 exceeds the adjusted lease expenditures of $400, so there is no carried-forward annual loss. Additionally, the $100 carried-forward annual loss for gas used in the state from Property A from Year 1 may be applied against the $100 production tax value in Year 2 to reduce production tax value to zero. Since there are no excess lease expenditures for the gas used in the state segment for Property A the calculations under 15 AAC 55.224(f) are not relevant.

In Year 3 the producer has a positive production tax value for the North Slope oil and gas, other than gas used in the state segment, before deducting any available carried-forward annual losses, in the amount of $1,200. For the North Slope oil and gas, other than gas used in the state segment, there is no carried-forward annual loss created in Year 3. The adjusted lease expenditures from Property A are allocated to the North Slope oil and other gas, other than gas used in the state segment, in the amount of $2,000 to Property A ($2,400 * (50/(50 + 10))) and $400 to the gas used in the state segment for Property A (2,400 * (10/50 +10))). The adjusted lease expenditures for Property C of $1,300 are allocated to the North Slope oil and other gas, other than gas used in the state segment, in the amount of $1,000 to Property A ($1,300 * (20/20 + 6))) and $300 to the gas used in the state segment, in the amount of $1,000 to Property C ($1,300 * (6/(20 + 6))). For the North Slope oil and gas, other than gas used in the state segment, the amount of tax levied by AS 43.55.011(e) is $420 if no carried-forward annual losses from prior years are deducted (($6,000 GVPP - $4,800 adjusted lease expenditures) **<u>*</u>** [X] 35%))). Since the minimum tax for the North Slope oil and gas, other than gas used in the state segment, as determined under AS 43.55.011(f) is $240 ($6,000 gross value at the point of production **<u>*</u>** [X] 4%), the producer may use any available carried-forward annual losses from Property B ($200), plus those from Property C ($300) from Year 1, plus an additional $14 from Property C (Year 2) to reduce the producer's production tax liability, before the application of any tax credits, to no less than the $240 minimum tax determined under AS 43.55.011(f).

For the gas used in the state segment for Property A, the amount of production tax calculated under AS 43.55.011(e)(2) is $35 ((($500 GVPP - $400 adjusted lease expenditures) **<u>*</u>**

[X] 35%))). However, this amount is limited under AS 43.55.011(o) to $10 (((10 BTU equivalent barrels X (6 MMBTUs/BTU Eq. Bbl./1,037,000 BTUs/Mcf)) = 58 Mcf. (58 Mcf <u>*</u> [X] $.177 - $10)). For the gas used in the state segment for Property C the producer is determined to have incurred excess lease expenditures under 15 AAC 55.206(b) in the amount of $150 ($150 GVPP - adjusted lease expenditures of $300). As previously noted, the producer does not have any other lease expenditures or production outside of the North Slope that might result in a positive annual production tax value for the segment described in 15 AAC 55.206(c)(1)(F). Therefore, the amount of the carried-forward annual loss would be determined under 15 AAC 55.224(f) as follows:

$150 = 15 AAC 55.224(f)(1) - Total amount of excess lease expenditures gas used in state

$ 53 = 15 AAC 5.224(f)(2) - ((15 AAC 55.224(f)(1) <u>*</u> [X] 35%))

$ 25 = 15 AAC 5.224(f)(3)&(4) - sum of benefit of limitation under AS 43.55.011(o) & (p)

$ 28 = 15 AAC 55.224(f)(5) - Difference ((15 AAC 55.224(f)(2) - 15 AAC 55.224(f)(4))

$ 79 = 15 AAC 55.224(f)(6) - ((15 AAC 55.224(f)(5)/35%))

0.53 = 15 AAC 55.224(f)(7) - ratio to be applied to excess lease expenditures in 15 AAC 55.224(f)(1) ((15 AAC 55.224(f)(6)/15 AAC 55.224(f)(1)))

In accordance with (b)(4) of this section the 53% ratio in l5 AAC 55.224(f)(7) is applied to the $150 excess less expenditures from gas used in the state Property C resulting in a carried-forward annual loss of $79 for the segment.

<u>**(2) In a given calendar year after 2021, a producer has two producing**</u>

leases or properties on the North Slope, both of which have commenced regular production (Property A and Property B). The producer also has two non-producing leases or properties on the North Slope, neither of which has commenced regular production (Property C and Property D). Oil produced from the four properties make up the first segment of taxable oil production for the producer. The producer also has taxable production on the North Slope for gas used in the state produced from Property A. For purposes of this example it has been assumed that if any of the properties are eligible for a gross value reduction under AS 43.55.160(f) or AS 43.55.160(f) and (g), any gross value reduction has been added back to the gross value at the point of production prior to determining the amount of any carried-forward annual loss under this section. Additionally, the producer has no lease expenditures or production outside of the North Slope.

In Year 1, the producing leases or properties, Property A and Property B, respectively, produce 30 and 20 barrels of taxable oil with gross values at the point of production of $1,500 and $1,000, and adjusted lease expenditures of $1,800 and $1,200. Property A also produces six BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $200. The non-producing properties, Property C and Property D incur adjusted lease expenditures of $300 and $500, respectively.

In Year 2, the producing leases or properties, Property A and Property B, respectively, produce 50 and 25 barrels of taxable oil with gross values at the point of production of $2,750 and $1,375, and adjusted lease expenditures of $2,400 and $1,200. Property A also produces 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $500. The non-producing properties,

Property C and Property D incur adjusted lease expenditures of $400 and $600, respectively.

In Year 3, the producing leases or properties, Property A and Property B, respectively, produce 50 barrels and 30 barrels of taxable oil with gross values at the point of production of $3,000 and $1,800, and adjusted lease expenditures of $2,400 and $1,200. Property A also produces 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $500. In addition, during Year 3, Property C commences regular production and for the North Slope oil segment, produces 20 barrels of taxable oil with a gross value at the point of production of $1,200 and incurs adjusted lease expenditures of $1,300. In addition, Property C produces six BTU equivalent barrels of gas used in the state, with a gross value at the point of production of $150. Non-producing Property D incurs adjusted lease expenditures of $600.

In Year 1 the producer has a loss for the oil segment of $1,300. Part or all of the $300 carried forward annual loss established by lease expenditures incurred on Property A, or $200 carried-forward annual loss established by lease expenditures incurred on Property B, may be deducted in determining the annual production tax value for the oil segment in any following year to the extent that the gross value at the point of production for the segment exceeds the adjusted lease expenditures described in AS 43.55.165(a)(1) or (2) for the segment for the calendar year, subject to AS 43.55.165(m). The carried-forward annual losses of $300 established by lease expenditures incurred on Property C, and $500 established by lease expenditures incurred on Property D, may not be applied in determining the annual production tax value for the oil segment until the respective Property has commenced regular production.

For the gas used in the state produced from Property A, there is no carried-forward annual loss as the lease expenditures to produce gas used in the state are attributable to oil produced from the leases or properties, as provided in AS 43.55.160(h)(1). The tax for the gas used in the state is $6 as limited by AS 43.55.011(o) because that is less than the $26 calculated under AS 43.55.011(e)(3)(B).

In Year 2, the producer has a loss for the oil segment, in the amount of $475. The lease expenditures establishing the loss are those incurred on the non-producing properties (Property C and Property D) as provided by (b)(3)(B) of this section. The $2,400 in adjusted lease expenditures from Property A is attributable to the North Slope oil segment. Since the amount of lease expenditures for the calendar year for the North Slope oil segment, required to exceed the gross value at the point of production includes costs from producing and non-producing properties, the adjusted lease expenditures incurred on the non-producing properties are used to establish any carried-forward annual losses based on the calculations in (b)(3)(B) of this section, where XE = $475 (amount of the loss for the North Slope oil segment) and AE = $1,000 (the sum of the adjusted lease expenditures from leases or properties from which no oil or gas is produced), resulting in a fraction G, of .475. Applying the fraction G of .475 to the adjusted lease expenditures of $400 incurred on Property C and $600 incurred on Property D results in carried-forward annual losses in the amounts of $190 established by lease expenditures incurred on Property C and $285 established by lease expenditures incurred on Property D. Those carried-forward annual losses may not be applied to the segment until the respective property commences regular production as provided in AS 43.55.165(n)(2).

For the gas used in the state produced from Property A, the lease expenditures to produce gas used in the state are attributable to the oil segment, so there is no carried-forward annual loss for gas used in the state. The tax for the gas used in the state is $10 as limited by AS 43.55.011(o) because that is less than the $65 calculated under AS 43.55.011(e)(3)(B).

In Year 3 the producer has a positive production tax value for the North Slope oil segment, before deducting any available carried-forward annual losses, in the amount of $500. For the North Slope oil segment, there is no carried-forward annual loss created in Year 3. The adjusted lease expenditures from Property A are attributable to the North Slope oil segment, in the amount of $2,400. The adjusted lease expenditures for Property C of $1,300 are attributable to the North Slope oil segment. For the North Slope oil segment, the amount of tax levied by AS 43.55.011(e) is $175 if no carried-forward annual losses from prior years are deducted (($6,000 GVPP - $5,500 adjusted lease expenditures) * 35%))). Since the minimum tax for the North Slope oil segment, as determined under AS 43.55.011(f) is $240 ($6,000 gross value at the point of production * 4%), is greater than the tax under AS 43.55.011(e), the producer must pay the minimum tax under AS 43.55.011(f) and may not apply any carried-forward annual losses from prior years).

For the gas used in the state produced from Property A, the amount of production tax calculated under AS 43.55.011(e)(3) is $65 ($500 GVPP * 13%). However, this amount is limited under AS 43.55.011(o) to $10 (((10 BTU equivalent barrels X (6 MMBTUs/BTU Eq. Bbl./1,037,000 BTUs/Mcf)) = 58 Mcf. (58 Mcf * $0.177).

For the gas used in the state produced from Property C the amount of production tax calculated under AS 43.55.011(e)(3)(B) is $20 (150 GVPP * 13%). However, this

amount is limited under AS 43.55.011(o) to $6 (((6BTU equivalent barrels X (6 MMBTUs/BTU Eq. Bbl./1037,000 BTUs/Mcf) = 35 Mcf * $.177).

15 AAC 55.217(f) is amended to read:

(f) This subsection implements AS 43.55.165(n)(1). A carried-forward annual loss established

(1) under (b) of this section may be deducted

(A) only in calculating an annual production tax value for the same segment under 15 AAC 55.206(c)(1) **or (3), as applicable,** for which the carried-forward annual loss was established[.]**; or**

(B) in the case of a carried-forward annual loss to produce only gas from leases or properties north of 68 degrees North latitude from the production tax value of oil if oil is subsequently produced from those same leases or properties after 2021;

(2) **before 2022 and** for a segment described in 15 AAC 55.206(c)(2)(A)

(A) may be deducted only in calculating annual production tax values for the following segments, if the lease expenditures establishing the carried-forward annual loss were incurred to explore for or develop oil or gas deposits located within a lease or property that includes land north of 68 degrees North latitude, with the carried-forward annual loss allocated between the segments proportionally to the respective amounts of gas used in the state and of oil and other gas produced by the producer from the lease or property during the calendar year regular production of oil or gas commences from the lease or property:

(i) gas used in the state produced by the producer from the lease or property;

(ii) oil and other gas produced by the producer from leases or properties that include land north of 68 degrees North latitude;

(B) may be deducted only in calculating annual production tax values for the following segments, if the lease expenditures establishing the carried-forward annual loss were incurred to explore for or develop oil or gas deposits located within land that is not the producer's lease or property and is located north of 68 degrees North latitude, with the carried-forward annual loss allocated among the segments proportionally to the respective amounts of gas used in the state and of oil and other gas produced by the producer from the producer's leases or properties that include land north of 68 degrees North latitude during the first calendar year that regular production of oil or gas commences from any of the producer's leases or properties that include land north of 68 degrees North latitude:

(i) gas used in the state produced by the producer from each lease or property that includes land north of 68 degrees North latitude;

(ii) oil and other gas produced by the producer from leases or properties that include land north of 68 degrees North latitude;

(3) for a segment described in 15 AAC 55.206(c)(2)(B) may be deducted only in calculating an annual production tax value for oil and gas produced by the producer from leases or properties outside the Cook Inlet sedimentary basin and no part of which is north of 68 degrees North latitude lease orproperty.

15 AAC 55.217(f) is amended by adding a new paragraph to read:

(4) after 2021 and for a segment described in 15 AAC 55.206(c)(4)(A)

(A) may be deducted only in calculating the annual production tax value for oil produced by the producer from leases or properties that include land north of 68 degrees North latitude;

(B) may be deducted only in calculating annual production tax value of oil, if the lease expenditures establishing the carried-forward annual loss were incurred to explore for or develop oil or gas deposits located within land that is not the producer's lease or property and is located north of 68 degrees North latitude, during the first calendar year that regular production of oil or gas commences from any of the producer's leases or properties that include land north of 68 degrees North latitude:

15 AAC 55.217(f) is amended by adding a new paragraph to read:

(5) for a segment described in 15 AAC 55.206(c)(4)(B) may be deducted only in calculating an annual production tax value for oil produced by the producer from leases or properties no part of which is north of 68 degrees North latitude.

15 AAC 55.217(g) is repealed and readopted to read:

(g) The following example illustrates (f) of this section and 15 AAC 55.224(f):

(1) In a given calendar year before 2022, a producer has two producing leases or properties on the North Slope, both of which have commenced regular production (Property E and Property F). The producer also has two non-producing leases or properties on the North Slope, neither of which has commenced regular production (Property G and Property H). Oil

and other gas produced from the two producing properties plus the adjusted lease expenditures for all four properties make up the first segment of taxable production for the producer. The producer also has taxable production for the second segment on the North Slope for gas used in the state produced from Property E. For purposes of this example it has been assumed that if any of the properties are eligible for a gross value reduction under AS 43.55.160(f) or AS 43.55.160(f) and (g), any gross value reduction has been added back to the gross value at the point of production prior to determining the amount of any carried-forward annual loss under this section. Additionally, the producer has no lease expenditures or production outside of the North Slope.

In Year 1, the producing leases or properties, Property E and Property F, respectively, produce 30 and 20 barrels of taxable oil with gross values at the point of production of $1,500 and $1,000, and adjusted lease expenditures of $1,800 and $1,200. Property E also produces six BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $200. The non-producing properties, Property G and Property H incur adjusted lease expenditures of $300 and $500, respectively.

In Year 2, the producing leases or properties, Property E and Property F, respectively, produce 50 and 25 barrels of taxable oil with gross values at the point of production of $2,750 and $1,375, and adjusted lease expenditures of $2,400 and $1,200. Property E also produces 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $500. The non-producing properties, Property G and Property H incur adjusted lease expenditures of $400 and $600, respectively.

In Year 3, the producing leases or properties, Property E and Property F, respectively, produce 50 barrels and 30 barrels of taxable oil with gross values at the point of production of

$3,000 and $1,800, and adjusted lease expenditures of $2,400 and $1,200. Property E also produces 10 BTU equivalent barrels of taxable gas used in the state with a gross value at the point of production of $500. In addition, during Year 3, Property G commences regular production of oil and gas for the North Slope segment, producing 20 barrels of taxable oil with a gross value at the point of production of $1,200 and incurs adjusted lease expenditures of $1,300. In addition, Property G produces six BTU equivalent barrels of gas used in the state, with a gross value at the point of production of $150. Non-producing Property H incurs adjusted lease expenditures of $600. The producer wishes to deduct the carried-forward annual losses to the maximum extent possible in calculating annual production tax values for a later calendar year.

In Year 1 for the first segment, for which adjusted lease expenditures established the $200, $300, and $500 of carried-forward annual losses, for properties F, G, and H, respectively, is oil and gas, other than gas used in the state, produced from leases or properties that include land north of 68 degrees North latitude, under 15 AAC 55.206(c)(1)(A). Since regular production has already commenced from property F, and subject to AS 43.55.165(n)(1), the carried-forward annual losses established by those lease expenditures may be deducted in calculating the annual production tax value for oil and gas, other than gas used in the state, produced from leases or properties that include land north of 68 degrees North latitude in any subsequent calendar year.

Since regular production of oil or gas has not yet commenced from either Properties G or H, the $300 and $500 carried-forward annual losses incurred in year one and established by lease expenditures incurred to explore for or develop oil or gas deposits located within Properties G and H may be deducted only after regular production of oil or gas has commenced from those leases or properties, as provided in AS 43.55.165(n)(2) and (p)(2) of this section. In addition, the amounts of any or all of the carried-forward losses are potentially subject to reduction under AS 43.55.165(o).

The second segment, gas used in the state, for which adjusted lease expenditures established the $100 carried-forward annual loss, is gas used in the state produced from Property E, under 15 AAC 55.206(c)(1)(E). Therefore, subject to AS 43.55.165(o), this carried-forward annual loss may be deducted in calculating the annual production tax value of gas used in the state in any future period prior to 2022.

In year two there is a loss for the first segment, oil and other gas, in the amount of $75. The $2,400 in adjusted lease expenditures for Property E is allocated on a BTU Equivalent basis to oil and other gas ($2,400*(50/50+10)) = $2,000. $2,000 + $1,200 Property F + $400 Property G + $600 Property H = adjusted lease expenditures for the oil and other gas segment of $4,200 subtracted for the GVPP of Properties E, $2,750 and F, $1,375 = a carried-forward annual loss of $75. This carried-forward annual loss is allocated between Properties G and H as in 15 AAC 55.217(d) as XE = $75 an AE = $1,000 for a Factor G of .075 which is applied to the loss in properties G and H as $400*.075 = $30 and $600 * .075 = $45 for a total carried-forward annual loss for the segment of $75. The carried-forward annual loss for gas used in state from Property is calculated as ($2,400*(10/50+10)) = $400 allocated to the segment as adjusted lease expenditures, subtracted from the $500 gross value at the point of production yields a positive production tax value of $100. Applying the carried-forward annual loss from Property E in Year 1 results in a production tax value of zero for gas used in the state produced from Property E in Year 2.

In year three there is a positive production tax value for the first segment, oil and other gas, in the amount of $1,200. The $2,400 in adjusted lease expenditures for Property E is allocated on a BTU Equivalent basis to oil and other gas ($2,400*(50/50+10)) = $2,000. $2,000 + $1,200 Property F + $1,000 Property G + $600 Property H = adjusted lease expenditures for the oil and other gas segment of $4,800 subtracted from the GVPP of Properties E, $3,000, F, $1,800 plus G, $1,200 (total $6000) = a positive production tax value of $1,200. In accordance with AS 43.55.165(m) a carried-forward annual loss may not be used to reduce a tax below the amount calculated under AS 43.55.011(f) ($6,000 * 4% = $240). $240 ÷ .35 (tax rate) = $686 the desired production tax value needed to equal the minimum tax under AS 43.55.011(f). $1,200 - $686 = $514. Therefore, a total carried-forward annual loss from Properties F and G (since regular production has commenced from both of those leases or properties) in the amount of $514 may be applied against the production tax value of $1,200 reducing that to $686. $686 * .35 = $240, equivalent to the amount of production calculated under AS 43.55.011(f) for the oil and other gas segment.

Then, finally for the gas used in the state segment for Property E the tax under AS 43.55.011(o) ($10) is less than the tax under AS 43.55.011(e) of $35. For the gas used in the state produced from Property G, the carried-forward annual loss of $150 ($150 gross value at the point of production minus $300 in allocated adjusted lease expenditures) is limited as determined under 15 AAC 55.224(f) as follows:

$150 in excess lease expenditures * tax rate 35% = $53 (15 AAC 55.224(f)(2)

Less $25 (sum of benefits as determined under 15 AAC 55.224(f)(4))

= $28 (15 AAC 55.224.(f)(5) ÷ 35% = $79 (15 AAC 55.224(f)(6))

$79 ÷ $150 (excess lease expenditures from 15 AAC 55.224(f)(1)

= .53 (15 AAC 55.224(f)(7)) becomes the ratio applied to the carried-forward annual loss from 15 AAC 55.224(f)(1), so that:

$150 * .53 = $79, the amount of the carried-forward annual loss for Property G, gas used in the state.

(g) [THE FOLLOWING EXAMPLE ILLUSTRATES (f) AND (p)(2) OF THIS SECTION:

THE FACTS ARE AS DESCRIBED IN EXAMPLE 1 IN (c) OF THIS SECTION. THE PRODUCER WISHES TO DEDUCT THE CARRIED-FORWARD LOSSES TO THE MAXIMUM EXTENT POSSIBLE IN CALCULATING ANNUAL PRODUCTION TAX VALUES FOR A LATER CALENDAR YEAR.

THE FIRST SEGMENT, FOR WHICH ADJUSTED LEASE EXPENDITURES ESTABLISHED THE $171.43, $428.57, AND $120 CARRIED-FORWARD ANNUAL LOSSES, IS OIL AND GAS, OTHER THAN GAS USED IN THE STATE, PRODUCED FROM LEASES OR PROPERTIES THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE, UNDER 15 AAC 55.206(c)(1)(A). THEREFORE, SUBJECT TO AS 43.55.165(n)(2) AND (o), THE CARRIED-FORWARD ANNUAL LOSSES ESTABLISHED BY THOSE LEASE EXPENDITURES MAY BE DEDUCTED IN CALCULATING THE ANNUAL PRODUCTION TAX VALUE FOR OIL AND GAS, OTHER THAN GAS USED IN THE STATE, PRODUCED FROM LEASES OR PROPERTIES THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE. UNDER AS 43.55.165(n)(2) AND (p)(2) OF THIS SECTION, THE $171.43 CARRIED-FORWARD ANNUAL LOSS ESTABLISHED BY LEASE EXPENDITURES INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED WITHIN PROPERTY B MAY BE DEDUCTED ONLY IF REGULAR PRODUCTION OF OIL OR GAS HAS COMMENCED FROM PROPERTY B, AND THE $428.57 CARRIED-

FORWARD ANNUAL LOSS ESTABLISHED BY LEASE EXPENDITURES INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED WITHIN PROPERTY C MAY BE DEDUCTED ONLY IF REGULAR PRODUCTION OF OIL OR GAS HAS COMMENCED FROM PROPERTY C. SINCE THE $120 CARRIED-FORWARD ANNUAL LOSS WAS ESTABLISHED BY THE PRODUCER'S LEASE EXPENDITURES INCURRED TO EXPLORE FOR OIL OR GAS DEPOSITS LOCATED IN NORTH SLOPE LAND IN A LOCATION REMOTE FROM AND UNRELATED TO ANY OF THE PRODUCER'S EXISTING LEASES OR PROPERTIES, THAT CARRIED-FORWARD ANNUAL LOSS MAY NOT BE DEDUCTED UNTIL AND UNLESS THE ADJUSTED LEASE EXPENDITURES THAT ESTABLISHED THE CARRIED-FORWARD ANNUAL LOSS BECOME REASONABLY RELATED TO A LEASE OR PROPERTY OF THE PRODUCER FROM WHICH REGULAR PRODUCTION HAS COMMENCED. IN ADDITION, THE AMOUNTS OF ANY OR ALL OF THE CARRIED-FORWARD LOSSES ARE POTENTIALLY SUBJECT TO REDUCTION UNDER AS 43.55.165(o).

THE SECOND SEGMENT, FOR WHICH ADJUSTED LEASE EXPENDITURES ESTABLISHED THE $10 CARRIED-FORWARD ANNUAL LOSS, IS GAS PRODUCED FROM PROPERTY B THAT IS USED IN THE STATE, UNDER 15 AAC 55.206(c)(1)(E). THEREFORE, SUBJECT TO AS 43.55.165(n)(2) AND (o), THIS CARRIED-FORWARD ANNUAL LOSS MAY BE DEDUCTED IN CALCULATING THE ANNUAL PRODUCTION TAX VALUE OF GAS USED IN THE STATE THAT IS PRODUCED FROM PROPERTY B. HOWEVER, AS EXPLAINED ABOVE, THE CARRICD-FORWARD ANNUAL LOSS MAY NOT BE DEDUCTED UNTIL AND UNLESS THE ADJUSTED LEASE EXPENDITURES THAT ESTABLISHED THE CARRIED-FORWARD ANNUAL

LOSS BECOME REASONABLY RELATED TO A LEASE OR PROPERTY OF THE PRODUCER FROM WHICH REGULAR PRODUCTION HAS COMMENCED.

15 AAC 55.217 is amended by adding a new subsection to read:

(q) In accordance with AS 43.55.011(e) and 43.55.160(h), lease expenditures incurred on and after January 1, 2022 for both oil and gas are included in the calculation of the carried-forward annual loss for oil, and no carried-forward annual loss calculation shall be made for gas except as provided in (f) of this section. (Eff. 12/6/2018, Register 228; am 9/20/2020, Register 235; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.160	Sec. 35, ch. 3
	AS 43.55.011	AS 43.55.165	SSSLA 2017
	AS 43.55.110		

15 AAC 55.224(a) is amended to read:

(a) For purposes of the calculations required under [(b), (d), (e), OR] (f) of this section, in calculating an annual production tax value for a segment described in 15 AAC 55.206(c)(1)(C), (D), (E), or (F), a producer shall deduct applicable adjusted lease expenditures for the calendar year to the maximum extent that deductibility is allowed under applicable law[, INCLUDING (b), (d), (e), OR (f), AS APPLICABLE OF THIS SECTION].

15 AAC 55.224(b) is repealed:

(b) Repealed _____/_____/_______. [FOR A CALENDAR YEAR BEFORE 2014 FOR WHICH A LIMITATION UNDER AS 43.55.011(j), (k), (o), OR (p) ON THE TAX LEVIED BY AS 43.55.011(e) HAS THE EFFECT OF REDUCING THE PRODUCER'S TAX ON OIL OR GAS PRODUCED FROM ONE OR MORE LEASES OR PROPERTIES BELOW THE AMOUNT OF THE TAX THAT WOULD BE LEVIED IN THE ABSENCE OF THAT LIMITATION, THE PRODUCER SHALL ACCOUNT UNDER THIS SUBSECTION FOR ADJUSTED LEASE EXPENDITURES THAT ARE EXCESS ADJUSTED LEASE EXPENDITURES, IF ANY, UNDER 15 AAC 55.206(b) IN THE CALCULATION OF ANNUAL PRODUCTION TAX VALUES FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(C), (D), (E), OR (F). ONLY THE AMOUNT, IF ANY, OF THOSE EXCESS ADJUSTED LEASE EXPENDITURES THAT IS CALCULATED UNDER (6) OF THIS SUBSECTION MAY BE USED TO ESTABLISH A CARRIED-FORWARD ANNUAL LOSS UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018. THE CALCULATIONS TO BE PERFORMED FOR THE ACCOUNTING UNDER THIS SUBSECTION ARE AS FOLLOWS:

(1) CALCULATE THE TOTAL AMOUNT OF EXCESS ADJUSTED LEASE EXPENDITURES SUBJECT TO THIS SUBSECTION;

(2) MULTIPLY THAT TOTAL AMOUNT BY 25 PERCENT;

(3) CALCULATE FOR EACH SEGMENT THE AMOUNT BY WHICH A LIMITATION UNDER AS 43.55.011(j), (k), (o), OR (p) REDUCES THE AMOUNT OF THE PRODUCER'S TAX OTHERWISE LEVIED BY AS 43.55.011(e);

(4) SUM THE TOTAL OF THE REDUCTIONS CALCULATED UNDER (3) OF THIS SUBSECTION FOR ALL AFFECTED SEGMENTS;

(5) IF THE AMOUNT CALCULATED UNDER (2) OF THIS SUBSECTION IS

(A) GREATER THAN THE AMOUNT CALCULATED UNDER (4) OF THIS SUBSECTION, SUBTRACT THE LATTER AMOUNT FROM THE FORMER AMOUNT;

(B) EQUAL TO OR LESS THAN THE AMOUNT CALCULATED UNDER (4) OF THIS SUBSECTION, CONSIDER THE AMOUNT CALCULATED UNDER THIS PARAGRAPH TO BE ZERO;

(6) MULTIPLY THE AMOUNT CALCULATED UNDER (5) OF THIS SUBSECTION BY FOUR.]

15 AAC 55.224(d) is repealed:

(d) Repealed _____/_____/_______. [FOR A CALENDAR YEAR AFTER 2013 AND BEFORE 2017 FOR WHICH A LIMITATION UNDER AS 43.55.011(j), (k), (o), OR (p) ON THE TAX LEVIED BY AS 43.55.011(e) HAS THE EFFECT OF REDUCING THE PRODUCER'S TAX ON OIL OR GAS PRODUCED FROM ONE OR MORE LEASES OR PROPERTIES BELOW THE AMOUNT OF THE TAX THAT WOULD BE LEVIED IN THE ABSENCE OF THAT LIMITATION, THE PRODUCER SHALL ACCOUNT UNDER THIS SUBSECTION FOR ADJUSTED LEASE EXPENDITURES THAT ARE EXCESS ADJUSTED LEASE EXPENDITURES, IF ANY, UNDER 15 AAC 55.206(b) IN THE CALCULATION OF ANNUAL PRODUCTION TAX VALUES FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(C), (D), (E), OR (F). ONLY THE AMOUNT, IF ANY, OF THOSE EXCESS ADJUSTED LEASE EXPENDITURES THAT IS CALCULATED UNDER (7) OF THIS SUBSECTION MAY BE USED TO ESTABLISH A CARRIED-

FORWARD ANNUAL LOSS UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018. THE FRACTION OF THE AMOUNT CALCULATED UNDER (7) OF THIS SUBSECTION THAT IS SUBJECT TO A 25 PERCENT TAX CREDIT UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018, IS EQUAL TO THE AMOUNT CALCULATED UNDER (1) OF THIS SUBSECTION DIVIDED BY THE SUM OF THE AMOUNTS CALCULATED UNDER (1) AND (2) OF THIS SUBSECTION. THE FRACTION OF THE AMOUNT CALCULATED UNDER (7) OF THIS SUBSECTION THAT IS SUBJECT TO A 45 PERCENT TAX CREDIT UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018, IN THE CASE OF LEASE EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, AND BEFORE JANUARY 1, 2016, OR A 35 PERCENT TAX CREDIT UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018, IN THE CASE OF LEASE EXPENDITURES INCURRED AFTER DECEMBER 31, 2015 AND BEFORE JANUARY 1, 2017, IS EQUAL TO THE AMOUNT CALCULATED UNDER (2) OF THIS SUBSECTION DIVIDED BY THE SUM OF THE AMOUNTS CALCULATED UNDER (1) AND (2) OF THIS SUBSECTION. THE CALCULATIONS TO BE PERFORMED FOR THE ACCOUNTING UNDER THIS SUBSECTION ARE AS FOLLOWS:

(1) CALCULATE THE TOTAL AMOUNT OF EXCESS ADJUSTED LEASE EXPENDITURES SUBJECT TO THIS SUBSECTION FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(C), (D), AND (F) AND FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(E) FOR GAS PRODUCED FROM LEASES OR PROPERTIES NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE;

(2) CALCULATE THE TOTAL AMOUNT OF EXCESS ADJUSTED LEASE EXPENDITURES SUBJECT TO THIS SUBSECTION FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(E) FOR GAS PRODUCED FROM LEASES OR PROPERTIES THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE;

(3) SUM THE AMOUNTS CALCULATED UNDER (1) AND (2) OF THIS SUBSECTION AND MULTIPLY THAT SUM BY 35 PERCENT;

(4) CALCULATE FOR EACH SEGMENT THE AMOUNT BY WHICH A LIMITATION UNDER AS 43.55.011(j), (k), (o), OR (p) REDUCES THE AMOUNT OF THE PRODUCER'S TAX OTHERWISE LEVIED BY AS 43.55.011(e);

(5) SUM THE TOTAL OF THE REDUCTIONS CALCULATED UNDER (4) OF THIS SUBSECTION FOR ALL AFFECTED SEGMENTS;

(6) IF THE AMOUNT CALCULATED UNDER (3) OF THIS SUBSECTION IS

(A) GREATER THAN THE AMOUNT CALCULATED UNDER (5) OF THIS SUBSECTION, SUBTRACT THE LATTER AMOUNT FROM THE FORMER AMOUNT;

(B) EQUAL TO OR LESS THAN THE AMOUNT CALCULATED UNDER (5) OF THIS SUBSECTION, CONSIDER THE AMOUNT CALCULATED UNDER THIS PARAGRAPH TO BE ZERO;

(7) DIVIDE THE AMOUNT CALCULATED UNDER (6) OF THIS SUBSECTION BY 0.35.

15 AAC 55.224(e) is repealed:

(e) Repealed **_____/_____/_______**. [FOR CALENDAR YEAR 2017 FOR WHICH A

LIMITATION UNDER AS 43.55.011(j), (k), (o), OR (p) ON THE TAX LEVIED BY AS 43.55.011(e) HAS THE EFFECT OF REDUCING THE PRODUCER'S TAX ON OIL OR GAS PRODUCED FROM ONE OR MORE LEASES OR PROPERTIES BELOW THE AMOUNT OF THE TAX THAT WOULD BE LEVIED IN THE ABSENCE OF THAT LIMITATION, THE PRODUCER SHALL ACCOUNT UNDER THIS SUBSECTION FOR ADJUSTED LEASE EXPENDITURES THAT ARE EXCESS ADJUSTED LEASE EXPENDITURES, IF ANY, UNDER 15 AAC 55.206(b) IN THE CALCULATION OF ANNUAL PRODUCTION TAX VALUES FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(C), (D), (E), OR (F). ONLY THE AMOUNT, IF ANY, OF THOSE EXCESS ADJUSTED LEASE EXPENDITURES THAT IS CALCULATED UNDER (7) OF THIS SUBSECTION MAY BE USED TO ESTABLISH A CARRIED-FORWARD ANNUAL LOSS UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018. THE FRACTION OF THE AMOUNT CALCULATED UNDER (7) OF THIS SUBSECTION THAT IS SUBJECT TO A 15 PERCENT TAX CREDIT UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018, IS EQUAL TO THE AMOUNT CALCULATED UNDER (1) OF THIS SUBSECTION DIVIDED BY THE SUM OF THE AMOUNTS CALCULATED UNDER (1) AND (2) OF THIS SUBSECTION. THE FRACTION OF THE AMOUNT CALCULATED UNDER (7) OF THIS SUBSECTION THAT IS SUBJECT TO A 35 PERCENT TAX CREDIT UNDER AS 43.55.023(b), AS THE PROVISIONS OF THAT SUBSECTION READ BEFORE JANUARY 1, 2018, IS EQUAL TO THE AMOUNT CALCULATED UNDER (2) OF THIS SUBSECTION DIVIDED BY THE SUM OF THE AMOUNTS CALCULATED UNDER (1) AND (2) OF THIS SUBSECTION. THE CALCULATIONS TO BE PERFORMED FOR THE

ACCOUNTING UNDER THIS SUBSECTION ARE AS FOLLOWS:

(1) CALCULATE THE TOTAL AMOUNT OF EXCESS ADJUSTED LEASE EXPENDITURES SUBJECT TO THIS SUBSECTION FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(C), (D), AND (F) FOR OIL AND GAS PRODUCED FROM LEASES OR PROPERTIES NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE;

(2) CALCULATE THE TOTAL AMOUNT OF EXCESS ADJUSTED LEASE EXPENDITURES SUBJECT TO THIS SUBSECTION FOR SEGMENTS DESCRIBED IN 15 AAC 55.206(c)(1)(E) FOR GAS PRODUCED FROM LEASES OR PROPERTIES THAT INCLUDE LAND NORTH OF 68 DEGREES NORTH LATITUDE;

(3) SUM THE AMOUNTS CALCULATED UNDER (1) AND (2) OF THIS SUBSECTION AND MULTIPLY THAT SUM BY 35 PERCENT;

(4) CALCULATE FOR EACH SEGMENT THE AMOUNT BY WHICH A LIMITATION UNDER AS 43.55.011(j), (k), (o), OR (p) REDUCES THE AMOUNT OF THE PRODUCER'S TAX OTHERWISE LEVIED BY AS 43.55.011(e);

(5) SUM THE TOTAL OF THE REDUCTIONS CALCULATED UNDER (4) OF THIS SUBSECTION FOR ALL AFFECTED SEGMENTS;

(6) IF THE AMOUNT CALCULATED UNDER (3) OF THIS SUBSECTION IS

(A) GREATER THAN THE AMOUNT CALCULATED UNDER (5) OF THIS SUBSECTION, SUBTRACT THE AMOUNT CALCULATED UNDER (5) OF THIS SUBSECTION FROM THE AMOUNT CALCULATED UNDER (3) OF THIS SUBSECTION;

(B) EQUAL TO OR LESS THAN THE AMOUNT CALCULATED

UNDER (5) OF THIS SUBSECTION, CONSIDER THE AMOUNT CALCULATED UNDER THIS PARAGRAPH TO BE ZERO;

(7) DIVIDE THE AMOUNT CALCULATED UNDER (6) OF THIS SUBSECTION BY 0.35.

The introductory language of 15 AAC 55.224(f) is amended to read:

(f) For a calendar year after 2017 **and before 2022** for which a limitation under AS 43.55.011(o) or (p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil or gas produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(b) in the calculation of annual production tax values for segments described in 15 AAC 55.206(c)(1)(E) or (F).

. . .

15 AAC 55.224 is amended by adding a new subsection to read:

(g) For a calendar year after 2021 for which a limitation under AS 43.55.011(p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(c)(3) in the calculation of annual production tax values for segment described in 15 AAC

55.206(c)(3)(D). Only the fraction calculated under (7) of this subsection of those excess adjusted lease expenditures, if greater than zero, may be used to establish carried-forward annual losses under AS 43.55.160(e) and 43.55.165(a)(3) and (*l*) - (s)(1). The calculations to be performed for the accounting under this subsection are as follows:

(1) calculate the total amount of excess adjusted lease expenditures subject to this subsection;

(2) multiply that total amount by 35 percent;

(3) calculate for each segment the amount by which a limitation under AS 43.55.011(p) reduces the amount of the producer's tax otherwise levied by AS 43.55.011(e);

(4) sum the total of the reductions calculated under (3) of this subsection for all affected segments;

(5) if the amount calculated under (2) of this subsection is

(A) greater than the amount calculated under (4) of this subsection, subtract the amount calculated under (4) of this subsection from the amount calculated under (2) of this subsection;

(B) equal to or less than the amount calculated under (4) of this subsection, consider the amount calculated under this paragraph to be zero;

(6) divide the amount calculated under (5) of this subsection by 0.35;

(7) divide the amount calculated under (6) of this subsection by the amount calculated under (1) of this subsection. (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; am 3/1/2017, Register 221; am 12/6/2018, Register 228; am _____/_____/_______, Register ________).

Authority: AS 43.05.080 AS 43.55.024 AS 43.55.160

AS 43.55.011 AS 43.55.110 AS 43.55.165

15 AAC 55.275(c) is amended to read:

(c) For purposes of AS 43.55.165(e)(18) and**,** (a) **and (d)** of this section, taxable oil or gas is all oil or gas produced from a lease or property in the state except oil and gas the ownership or right to which is exempt from taxation.

15 AAC 55.275 is amended by adding a new subsection to read:

(d) The portion of a producer's expenditures incurred during a calendar year after 2021 that is excluded under AS 43.55.165(e)(18) is calculated separately for each segment under 15 AAC55.206. Subject to prorating for only a portion of a calendar year as provided under AS 43.55.165(e)(18), the excluded portion for each segment is $1 less than the product of $.30 multiplied by the total amount of taxable oil and gas, in BTU equivalent barrels, produced by the producer from leases or properties corresponding to each segment described in 15 AAC 55.206(c)(3) for that segment;

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/20/2020, Register 235; am _____/_____/_______, Register _______)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.165

AS 43.55.023

15 AAC 55.335(a) is repealed:

(a) Repealed. **_____/_____/_______.** [FOR THE LAST NINE MONTHS OF CALENDAR YEAR 2006,

(1) THE MAXIMUM TAX CREDIT THAT A PRODUCER MAY TAKE UNDER AS 43.55.024(a) IS $4,500,000;

(2) FOR PURPOSES OF AS 43.55.024(c), THE AVERAGE AMOUNT OF OIL AND GAS PRODUCED A DAY BY A PRODUCER IS CALCULATED ONLY FOR THE LAST NINE MONTHS OF THE CALENDAR YEAR;

(3) THE MAXIMUM TAX CREDIT THAT A PRODUCER MAY TAKE UNDER

(A) AS 43.55.024(c)(1) IS $9,000,000;

(B) AS 43.55.024(c)(2) IS $9,000,000 MULTIPLIED BY THE FRACTION SET OUT IN AS 43.55.024(c)(2).]

15 AAC 55.335(b) is amended to read:

(b) For a calendar year during which two or more producers that qualify under AS 43.55.024(e) are succeeded through merger, acquisition, or a similar transaction by a single producer that qualifies under AS 43.55.024(e),

(1) each of the predecessor producers may take that percentage of an entire credit to which it is otherwise entitled under AS 43.55.024(a) or (c) that equals the percentage of days in the calendar year during which those producers are separate entities [OR, FOR A TRANSACTION OCCURRING IN 2006, THE PERCENTAGE OF DAYS IN THE LAST NINE MONTHS OF 2006, DURING WHICH THOSE PRODUCERS ARE SEPARATE ENTITIES];

(2) the successor producer may take that percentage of a single entire credit to which it is otherwise entitled under AS 43.55.024(a) or (c) that equals the percentage of days in

the calendar year during which that producer is the successor to the predecessor producers [OR, FOR A TRANSACTION OCCURRING IN 2006, THE PERCENTAGE OF DAYS IN THE LAST NINE MONTHS OF 2006 DURING WHICH THAT PRODUCER IS THE SUCCESSOR TO THE PREDECESSOR PRODUCERS].

15 AAC 55.335(c)(1) is amended to read:

(1) the producer's certification that the producer's operation in the state or its ownership of an interest in a lease or property in the state as a distinct producer is not for the purpose of dividing among multiple producer entities any production tax liability under AS 43.55.011(e) [OR, FOR A PERIOD BEFORE JULY 1, 2007, UNDER AS 43.55.011(f), AS THAT SUBSECTION READ ON JUNE 30, 2007,] that would otherwise be attributed to a single producer;

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208; am 3/1/2017, Register 221; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.110
	AS 43.55.011	AS 43.55.030	AS 43.55.160

15 AAC 55.381(a)(1) is amended to read:

(1) calculation required under <u>**AS 43.55.020(a)(5) or (7)**</u> [AS 43.55.020(a)(1) OR (5)], the amount of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for a calendar year does not include any amount of a tax credit that the producer transfers to another person;

15 AAC 55.381(b) is amended to read:

(b) The provisions of **<u>AS 43.55.020(a)(5) and (7)</u>** [[AS 43.55.020(a)(1) AND (5)] prescribing a limit of 1/12 of certain tax credits do not apply to a tax credit shown on a transferable tax credit certificate that has been issued under AS 43.55.023(d) or a tax credit for which a production tax credit certificate has been issued under AS 43.55.025(f). Subject to the provisions of **<u>AS 43.55.020(a)(5) and (7)</u>** [AS 43.55.020(a)(1) AND (5)] that the amount of an installment payment may not be less than zero and subject to the 80 percent limitation provided under AS 43.55.023(e), in calculating the amount of an installment payment **<u>AS 43.55.020(a)(5) or (7)</u>** [AS 43.55.020(a)(1) OR (5)] for a month, a producer that owns a transferable tax credit certificate or production tax credit certificate may subtract any percentage, irrespective of whether it is equal to or greater than 1/12, of the credit that was not previously subtracted, to the extent that the credit is allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year.

15 AAC 55.381(c) is amended to read:

(c) If in calculating the amount of an installment payment for a month required under **<u>AS 43.55.020(a)(5) or (7)</u>** [[AS 43.55.020(a)(1) OR (5)], a producer is unable to subtract the full amount of tax credits described in **<u>AS 43.55.020(a)(5) or (7)</u>** [AS 43.55.020(a)(1) OR (5)], the unused amount of tax credits is not considered an overpayment, does not accrue interest, and except as provided under (b) of this section may not be carried forward to or used in calculating an installment payment for a future month. The amount of tax credits subtracted in calculating the amount of an installment payment does not affect the availability of tax credits to be applied as allowed by law against an annual tax liability under AS 43.55.011 in calculating the amount due under AS 43.55.020(a)(4).

15 AAC 55. 381(e) is amended to read:

(e) Subject to the provision of AS 43.55.020(a)(5) **and (7)** that the amount of an installment payment may not be less than zero, and subject to the provision of AS 43.55.024(i) that a tax credit authorized by that subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below zero, in calculating the amount of an installment payment under AS 43.55.020(a)(5) **or (7)** for each month of a calendar year, a producer may substitute the following amount for 1/12 of the tax credits under AS 43.55.024(i) that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year: the product of $5 and the number of barrels of oil produced by the producer during the month that qualify for a tax credit under AS 43.55.024(i). A producer may not make a substitution under this subsection for a month of a calendar year unless the producer does so for every month of the calendar year.

15 AAC 55.381(f) is amended to read

(f) Subject to the provision of AS 43.55.020(a)(5) **or (7)** that the amount of an installment payment may not be less than zero, and subject to the provision of AS 43.55.024(j), as implemented by 15 AAC 55.335(g), that a tax credit authorized by that subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f), in calculating the amount of an installment payment under AS 43.55.020(a)(5) **or (7)** for each month of a calendar year, a producer may substitute the amount calculated for the month under 15 AAC 55.335(e)(2) for 1/12 of the tax credits under AS 43.55.024(j) that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year. A producer may not make a substitution under this subsection for a month of a calendar year unless the producer does so for every month of the calendar year. (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; am ____/_____/_______, Register _______)

Authority: AS 43.05.080 AS 43.55.020 AS 43.55.110

AS 43.55.011 AS 43.55.024

The section heading of 15 AAC 55.410 is changed to read:

15 AAC 55.410. <u>Tax levied for</u> [TAX ON] production [TAX VALUE] of oil and gas.

15 AAC 55.410(c) is amended to read:

(c) AS 43.55.011(e)(1) applies to oil and gas produced before January 1, 2014. AS 43.55.011(e)(2) applies to oil and gas produced after December 31, 2013, and before January 1, 2022. **<u>AS 43.55.011(e)(3) applies to oil and gas produced on and after January 1, 2022.</u>** (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; am _____/_____/_______, Register _______)

Authority: AS 43.05.080 AS 43.55.020 AS 43.55.110

AS 43.55.011 AS 43.55.024

15 AAC 55.421(a) is amended to read:

(a) For purposes of AS 43.55.011(e), a producer's minimum tax for a calendar year determined under AS 43.55.011(f) on

<u>(1)</u> oil and gas produced after June 30, 2007 **<u>and before January 1, 2022</u>**, from leases or properties in the state north of 68 degrees North latitude is the amount calculated by multiplying the applicable percentage under AS 43.55.011(f)**(1)** by the gross value at the point of production of all oil and gas produced by the producer during the calendar year from leases or properties in the state north of 68 degrees North latitude, excluding

(A) [(1)] oil and gas the ownership or right to which is exempt from taxation;

(B) [(2)] oil and gas for which tax is calculated under AS 43.55.011(i); and

(C) [3] gas subject to AS 43.55.011(o).

(2) oil produced on and after January 1, 2022 from leases or properties in the state north of 68 degrees North latitude is the amount calculated by multiplying the applicable percentage under AS 43.55.011(f)(2) by the gross value at the point of production of all oil produced by the producer during the calendar year from leases or properties in the state north of 68 degrees North latitude, excluding

(A) oil the ownership or right to which is exempt from taxation;

(B) oil for which the tax is calculated under AS 43.55.011(i).

(Eff. 10/21/2009, Register 192; am _____/_____/_______, Register _______)

Authority: AS 43.05.080 AS 43.55.011 AS 43.55.110

15 AAC 55.431 is repealed:

15 AAC 55.431. Monthly tax amounts under AS 43.55.011(e) for oil and gas produced after June 30, 2007 and before January 1, 2014. Repealed. [(a) THE AMOUNT OF TAX DETERMINED UNDER AS 43.55.011(g) FOR PURPOSES OF AS 43.55.011(e) IS

CALCULATED SEPARATELY FOR EACH SEGMENT UNDER 15 AAC 55.206(c) FOR EACH MONTH IN A CALENDAR YEAR. THE AMOUNT OF TAX FOR A SEGMENT FOR A MONTH IS EQUAL TO THE MONTHLY PRODUCTION TAX VALUE FOR THE SEGMENT UNDER AS 43.55.160(a)(2) AND 15 AAC 55.206, MULTIPLIED BY THE TAX RATE FOR THE MONTH CALCULATED UNDER AS 43.55.011(g).

(b) FOR PURPOSES OF AS 43.55.011(g), A PRODUCER'S AVERAGE MONTHLY PRODUCTION TAX VALUE UNDER AS 43.55.160(a)(2) PER BTU EQUIVALENT BARREL OF THE TAXABLE OIL AND GAS IS THE BTU EQUIVALENT BARREL-WEIGHTED ARITHMETIC MEAN OF THE MONTHLY PRODUCTION TAX VALUES PER BTU EQUIVALENT BARREL OF ALL OF THE PRODUCER'S SEGMENTS.

(c) FOR PURPOSES OF DETERMINING A TAX RATE UNDER AS 43.55.011(g), THE AUTOMATIC CONVENTION IN THE ROUNDING COMMAND OR FUNCTION IN COMMERCIALLY AVAILABLE SOFTWARE MUST BE FOLLOWED TO ROUND

(1) THE PRODUCER'S AVERAGE MONTHLY PRODUCTION TAX VALUE PER BTU EQUIVALENT BARREL TO THE NEAREST 1/10 OF A CENT; AND

(2) THE TAX RATE, EXPRESSED AS A PERCENTAGE, TO THREE DECIMAL PLACES.

(d) THIS SECTION APPLIES TO OIL AND GAS PRODUCED AFTER JUNE 30, 2007, AND BEFORE JANUARY 1, 2014.] (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; repealed _____/_____/_______, Register _______)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160
AS 43.55.011

The section heading for 15 AAC 55.511 is changed to read:

15 AAC 55.511. Installment payments of estimated tax for oil and gas produced after June 30, 2007 <u>and before January 1, 2022</u>

15 AAC 55.511(c)(2) is amended to read:

(2) described in AS 43.55.020(a)(5)(B)(iii) for oil and gas produced after December 31, 2013, if the gross value at the point of production of the oil and gas produced during the month for which the installment payment is calculated is reduced under AS 43.55.160(f) or under AS 43.55.160(f) and (g) in the calculation of an annual production tax value under AS 43.55.160(a)(1)(A) [OR (h)], the gross value at the point of production is also reduced in the calculation of the installment payment.

15 AAC 55.511(g) is amended to read:

(g) The provisions of AS 43.55.020(a)(1) and (2) apply to oil and gas produced before January 1, 2014. The provisions of AS 43.55.020(a)(5) and (6) apply to oil and gas produced after December 31, 2013 **<u>and before January 1, 2022</u>**.

(Eff. 10/21/2009, Register 192; am 4/30/2010, Register 194; am 12/25/2013, Register 208; am 3/1/2017, Register 221; am 12/6/2018, Register 228; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.110	AS 43.55.165
	AS 43.55.011	AS 43.55.160	AS 43.55.895
	AS 43.55.020		

Title 15, Chapter 55 is amended by adding a new section to read:

15 AAC 55.514. Installment payments of estimated tax for oil and gas produced on

and after January 1, 2022. (a) For purposes of the calculations described in AS 43.55.020(a)(7)(A)(ii) for oil produced on and after January 1, 2022,

(1) the gross value at the point of production of the oil produced is calculated only for oil taxable under AS 43.55.011(e) and subject to AS 43.55.011(f)(2).

(2) the applicable percentage of the gross value at the point of production is determined under AS 43.55.011(f)(2) but substituting the phrase "the month for which the installment payment is calculated" for the phrase "the calendar year for which the tax is due";

(b) For purposes of the calculations described in AS 43.55.020(a)(7)(A)(iii) for oil produced on and after January 1, 2022, if the gross value at the point of production of the oil produced during the month for which the installment payment is calculated is reduced under AS 43.55.160(f) or under AS 43.55.160(f) and (g) in the calculation of an annual production tax value under AS 43.55.160(h), the gross value at the point of production is also reduced in the calculation of the installment payment.

(c) For purposes of the calculations described in AS 43.55.020(a)(7)(B) for oil produced on and after January 1, 2022, the gross value at the point of production of the oil and the deductible adjusted lease expenditures for determining production tax value as provided in AS 43.55.160(h)(2) are calculated only for oil taxable under AS 43.55.011(e) other than leases or properties subject to AS 43.55.011(p).

(d) For purposes of the calculations described in AS 43.55.020(a)(7)(C) for leases or properties subject to AS 43.55.011(p), and as limited by AS 43.55.020(a)(8), for oil and gas produced on and after January 1, 2022, the amount of the monthly installment payment is equal to the lesser of

(1) 35 percent of the production tax value of oil for the month plus 13 percent of

the gross value at the point of production for gas produced during the month; or

(2) four percent of the gross value at the point of production of oil and gas produced during the month.

(e) For purposes of the calculations described in AS 43.55.020(a)(7)(D) for oil produced from leases or properties no part of which is north of 68 degrees North latitude on and after January 1, 2022, the gross value at the point of production of the oil produced and the deductible adjusted lease expenditures as provided in AS 43.55.160(h)(4)(B) are calculated only for oil taxable under AS 43.55.011(e)(3) and not subject to AS 43.55.011(k) or (p).

(f) For purposes of the calculations described in AS 43.55.020(a)(7)(E) for gas produced from leases or properties outside the Cook Inlet sedimentary basin, other than a lease or property subject to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of production of the gas produced from each lease or property.

(g) For purposes of the calculations described in AS 43.55.020(a)(7)(F) for oil produced from leases or properties in the Cook Inlet sedimentary basin subject to AS 43.55.011(k), and as limited by AS 43.55.020(a)(10), on and after January 1, 2022, the gross value at the point of production of the oil produced and the deductible adjusted lease expenditures as provided in AS 43.55.160(h)(4)(A) are calculated only for oil taxable under AS 43.55.011(e)(3).

(h) For purposes of the calculations describe in AS 43.55.020(a)(7)(G) for gas produced from leases or properties in the Cook Inlet sedimentary basin subject to AS 43.55.011(j), and gas subject to AS 43.55.011(o), as limited by AS 43.55.020(a)(10), on and after January 1, 2022, the gross value at the point of production of the gas produced only for gas taxable under AS 43.55.011(e)(3).

(i) Where the calculation of an installment payment of estimated tax under

AS 43.55.020(a) calls for subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and AS 43.55.170 that are deductible for specified oil or gas, those lease expenditures include lease expenditures that are described in AS 43.55.165(a)(3), but only the following portion of those lease expenditures described in AS 43.55.165(a)(3) is subtracted: 1/12 of the adjusted lease expenditures described in AS 43.55.165(a)(3) that are actually deducted in calculating the annual production tax value for the calendar year for the oil under AS 43.55.160(h).

(j) For the purposes of calculating the installment payment required under AS 43.55.020(a)(3), the amount under

(1) AS 43.55.020(a)(3)(A) is calculated separately for each lease or property and may not be less than zero;

(2) AS 43.55.020(a)(3)(B) is calculated separately for each lease or property and may not be less than zero.

(k) For oil or gas produced by a municipal entity,

(1) an installment payment under AS 43.55.020(a) is calculated only for oil or gas that the municipal entity sells to another party;

(2) where the calculation of an installment payment under AS 43.55.020(a) calls for deducting 1/12 of the producer's adjusted lease expenditures for a calendar year that are deductible under AS 43.55.160, the amount of deductible adjusted lease expenditures for the calendar year is subject to 15 AAC 55.208(b). (Eff. _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.110	AS 43.55.165
	AS 43.55.011	AS 43.55.160	AS 43.55.895
	AS 43.55.020		

15 AAC 55.520(a) is amended to read:

(a) For each month for which a producer is required to make an installment payment of estimated tax under **<u>AS 43.55.020(a)(3), (5), or (7),</u>** [AS 43.55.020(a)(1), (3), OR (5),] a surcharge under AS 43.55.201, or a surcharge under AS 43.55.300, the producer or the person paying on behalf of the producer shall provide to the department with the payment a remittance advice identifying the producer, the amount and type of the payment, and the month and calendar year of production for which the payment is made. If a single payment combining amounts due under two or more of the provisions referenced in this subsection is made for a month, the remittance advice must state the respective amount paid under each provision. In the absence of the pertinent information required by this subsection, the department will treat a payment received as an installment payment of estimated tax due under **<u>AS 43.55.020(a)(5) or (7),</u>** [AS 43.55.020(a)(1) OR (5),] as applicable, and AS 43.55.020(a)(3) on the last day of the month before the month in which the payment is made.

15 AAC 55.520(f)(4) is amended to read:

(4) lease expenditures incurred, separately setting out

(A) qualified capital expenditures and other lease expenditures;

(B) exploration, development, and production expenditures;

(C) expenditures for which a tax credit may be claimed under AS 43.55.025 and the anticipated amount of the tax credit;

(D) overhead allowance;

(E) property taxes;

(F) net profit share payments; **and**

(G) exclusions under AS 43.55.165(e)(18) and (19); [AND]

(H) repealed _____/_____/_______. [APPLICABLE LEASE EXPENDITURES UNDER AS 43.55.165(j) AND (k);]

(Eff. 5/3/2007, Register 182; am 5/17/2008, Register 186; am 12/25/2013, Register 208; am 12/6/2018, Register 228; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.040	AS 43.55.165
	AS 43.55.020	AS 43.55.110	AS 43.55.180
	AS 43.55.030	AS 43.55.160	

15 AAC 55.800(a)(3) is amended to read:

(3) 15 AAC 55.215, except changes to 15 AAC 55.215(d) and (e), effective December 6, 2018 apply retroactively to January 1, 2013 **<u>and except for the amendments effective January 1, 2022</u>**;

15 AAC 55.800(a)(7) is amended to read:

(7) 15 AAC 55.275**<u>, except for the amendments effective January 1, 2022</u>**;

15 AAC 55.800(a)(13) is amended to read:

(13) 15 AAC 55.410, except 15 AAC 55.410(c), as amended effective March 1, 2017

<u>**and except as amended effective January 1, 2022**</u>;

15 AAC 55.800(f)(4) is amended to read:

(4) 15 AAC 55.206<u>**, except as amended effective January 1, 2022**</u>;

15 AAC 55.800(f)(5) is amended to read:

(5) 15 AAC 55.224<u>**, except as amended effective January 1, 2022**</u>;

15 AAC 55.800(f)(7) is amended to read:

(7) 15 AAC 55.381<u>**, except as amended effective January 1, 2022**</u>;

15 AAC 55.800(f)(8) is amended to read:

(8) 15 AAC 55.421<u>**, except as amended effective January 1, 2022**</u>;

15 AAC 55.800(f)(9) is repealed.

(9) repealed **___/___/____** [15 AAC 55.431];

15 AAC 55.800(f)(10) is amended to read:

(10) 15 AAC 55.511(a) - (d)<u>**, except for the amendments effective January 1, 2022**</u>;

15 AAC 55.800(k) is amended to read:

(k) The provisions of 15 AAC 55.206(b) as amended effective March 1, 2017[, AND 15 AAC 55.224(d) AS AMENDED EFFECTIVE MARCH 1, 2017 AND DECEMBER 6, 2018], apply retroactively to January 1, 2017, and otherwise apply retroactively to July 1, 2007 **<u>except for the amendments to 15 AAC 55.206(b) effective January 1, 2022</u>**.

15 AAC 55.800(m)(6) is amended to read:

(6) **<u>15 AAC 55.224(f), except as amended effective January 1, 2022</u>** [15 AAC 55.224(e) - (f)];

15 AAC 55.800(p)(6) is amended to read:

(6) 15 AAC 55.217**<u>, except for the amendments effective January 1, 2022</u>**;

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2/27/2010, Register 193; am 4/30/2010, Register 194; am 12/4/2010, Register 196; am 3/1/2017, Register 221; am 1/1/2018, Register 224; am 12/6/2018, Register 228; am 1/1/2020, Register 232; am 9/20/2020, Register 235; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	Sec. 72, ch. 1, SSSLA 2007	Sec. 41, ch. 3, SSSLA 2017
	AS 43.55.110	Sec. 38, ch. 4, 4SSLA 2016	Sec. 42, ch. 3, SSSLA 2017
	Sec. 37, ch2, TSSLA 2006		

15 AAC 55.900(b)(23) is repealed:

(23) repealed. _____/_____/_______. "taxable under AS 43.55.011(g)" has the meaning given "taxable under AS 43.55.011(e)" in this subsection;

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2/27/2010, Register 193; am 4/30/2010, Register 194; am 12/4/2010, Register 196; am

9/14/2012, Register 203; am 12/25/2013, Register 208; am 3/1/2017, Register 221; am 12/6/2018, Register 228; am _____/_____/_______, Register _______)

Authority:	AS 43.05.080	AS 43.55.025	AS 43.55.165
	AS 43.55.011	AS 43.55.028	AS 43.55.170
	AS 43.55.020	AS 43.55.110	AS 43.55.895
	AS 43.55.023	AS 43.55.150	AS 43.55.900
	AS 43.55.024	AS 43.55.160	