

15 AAC 05.250(a) is amended to read:

(a) Department representatives will, in their discretion, disclose confidential information obtained from a taxpayer in an audit or investigation of another taxpayer under [AS 43.21 AND] AS 43.55, if the information is relevant to a sale, exchange, disposition, or netback valuation of oil or gas [THAT RELATES TO A PERIOD AT LEAST ONE YEAR BEFORE THE DEPARTMENT'S RELEASE OF THE INFORMATION]. The information will be disclosed only to the parties, counsel, experts, and consultants involved in the proceeding after notification to the taxpayer whose information is to be disclosed. The information will be disclosed only under an administrative protective order issued by an authorized representative of the department and only after the taxpayer whose information is to be disclosed has had an opportunity to appear and present objections to that representative.

15 AAC 05.250(b) is amended to read:

(b) The notice and hearing requirements set out in (a) of this section do not apply if (1) the information to be used or disclosed, and both the taxpayer whose information is being disclosed and the taxpayer under audit or investigation, are subject to the protective order issued September 11, 1984 in *State v. Amerada Hess*, No. 1JU-77-847 Civil ("Amerada Hess") and, (2) the department issues an administrative protective order that protects the taxpayer whose information is being disclosed to the full extent as is provided in the *Amerada Hess* protective order. (Eff. 9/1/84, Register 91; am 12/20/89, Register 112; am \_\_/\_\_/\_\_, Register \_\_)

**Authority:** AS 40.25.100 AS 43.05.080 AS 43.05.230

**AS 43.55.040**

15 AAC 05 is amended by adding a new section to read:

**15 AAC 05.255. Disclosure of tax credit certificates purchased in 2016.** For tax credit certificates issued under AS 43.55.023 or 43.55.025 purchased by the department on and after January 1, 2016 and before January 1, 2017, the department shall make public by April 30, 2017 the name of each person from which the department purchased a tax credit certificate and the aggregate amount of the tax credit certificates purchased from that person. (Eff. \_\_/\_\_/\_\_, Register \_\_)

**Authority:** AS 43.05.080 AS 43.05.230

15 AAC 05.330(a) is amended to read:

(a) Except as otherwise provided in (e) of this section, AS 43.55.020(g) and (h), and 15 AAC 55.830, the quarterly interest rate applicable to a delinquent tax or overpayment of a tax under AS 43 on or after January 1, 2014 is the interest rate under AS 43.05.225(1)(B) as of the first day of each calendar quarter in a calendar year calculated on an annualized basis by

(1) adding three percentage points to the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of each calendar quarter;

(2) dividing the sum determined under (1) of this subsection by the total number of days in the calendar year; and

(3) multiplying the quotient determined under (2) of this subsection by the total number of days in the quarter in which there is a delinquent tax or overpayment of tax.

15 AAC 05.330(b) is amended to read:

(b) [FOR PURPOSES] **Except as otherwise provided in (e)** of this section, delinquent tax consists only of the balance of unpaid tax on or after December 31, 2013 and does not include any accrued and unpaid interest the taxpayer owes on that date.

15 AAC 05.330(d) is amended to read:

(d) **Except as otherwise provided in (e) of this section,** on or after January 1, 2014, any accrued and unpaid interest owed by or to a taxpayer as of December 31, 2013 does not accrue further interest.

15 AAC 05.330 is amended by adding a new subsection to read:

(e) For a delinquent tax under AS 43.55 before January 1, 2017, the interest rate in AS 43.05.225(1)(C)(i) applies for the first three years after January 1, 2017, notwithstanding any period the tax was delinquent before January 1, 2017. For purposes of this subsection a delinquent tax consists of the balance of unpaid tax on January 1, 2017, including any accrued and unpaid interest the taxpayer owes on that date. (Eff. 2/21/2014, Register 209; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.05.225 AS 43.05.280

The editor's note following 15 AAC 55.141 is changed to read:

**Editor's note:** Moody's Seasoned Baa Corporate Bond Yield - All Industries is published by Moody's Investor Services, Inc., 7 World Trade Center, 250 Greenwich Street, New York, NY

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SDATA.HTM](http://www.federalreserve.gov/econresdata/releases/statistic_sdata.htm)] <https://fred.stlouisfed.org/>

15 AAC 55.151(b) is amended to read:

(b) The gross value at the point of production for a producer's oil or gas must be calculated as follows:

(1) a destination value must be determined for the oil or gas; the destination value is the sales price under 15 AAC 55.161 unless (c) or (d) of this section applies, in which case the destination value is the prevailing value under 15 AAC 55.171 or 15 AAC 55.173, as applicable;

(2) for oil and gas produced

[(A) BEFORE JULY 1, 2007, THE PRODUCER'S  
REASONABLE COSTS OF TRANSPORTATION UNDER 15 AAC 55.180 AND 15  
AAC 55.191 MUST BE SUBTRACTED FROM THE DESTINATION VALUE  
DETERMINED UNDER (1) OF THIS SUBSECTION; REASONABLE COSTS OF  
TRANSPORTATION ARE CALCULATED FROM THE POINT OF PRODUCTION  
OF THE OIL OR GAS TO ITS SALES DELIVERY POINT, OR IF DIFFERENT, TO A

POINT WHERE PREVAILING VALUE IS CALCULATED UNDER 15 AAC 55.171  
OR 15 AAC 55.173;

(B)] after June 30, 2007, the producer's costs of transportation under AS 43.55.150 and 15 AAC 55.193 and, if applicable, the producer's processing cost deduction under 15 AAC 55.140 or 15 AAC 55.141 must be subtracted from the destination value determined under (1) of this subsection; costs of transportation are calculated from the point of production of the oil or gas to its sales delivery point or, if the destination value determined under (1) of this subsection is the prevailing value, to the point where prevailing value is determined under 15 AAC 55.171 or 15 AAC 55.173;

(3) if oils of different qualities are commingled, the value calculated under (2) of this subsection must be adjusted for the cash value of the full consideration paid or received for quality differentials, regardless of whether prescribed by a filed tariff;

(4) if gas of different qualities is commingled, the value calculated under (2) of this subsection must be adjusted for the cash value of the full consideration paid or received for quality differentials, regardless of whether prescribed by a filed tariff, and including the value of any volumetric allocations or adjustments made on the basis of the relative BTU content, NGL content, or any other characteristic of the gas.

(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 5/3/2007, Register 182; am 4/30/2010, Register 194; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.110

AS 43.55.150

AS 43.55.900

15 AAC 55.171(m) is amended to read:

(m) For purposes of this section, the average spot price for ANS at the United States West Coast during a month is the average of the monthly average assessments for the month **as report** by [*PLATT'S OILGRAM PRICE REPORT*, DOW JONES ENERGY SERVICE,] **Platt's** and Reuters online data providing service, calculated to three decimal places using the automatic convention in the rounding command or function in commercially available software. If [*PLATT'S OILGRAM PRICE REPORT*, DOW JONES ENERGY SERVICE,] **Platt's** or Reuters online data providing [SERVICE CEASES] **services cease** to report daily assessments for ANS at the United States West Coast, the average spot price for ANS at the United States West Coast is the average of the monthly average assessments by [ALL] **the** remaining **price** reporting [SERVICES] **service**. In this subsection, a monthly average assessment for a month is the average of the midpoints between a reporting service's high and low closing assessments for ANS at the United States West Coast for all days during the month for which closing assessments are reported.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 11/1/2000, Register 156; 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 4/30/2010, Register 194; am 6/4/2010, Register 194; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.110

**Editor's note:** [PLATT'S OILGRAM PRICE REPORT IS] Platt's prices are published by Platts, a division of The McGraw-Hill Companies, Inc., Two Penn Plaza, 25th floor, New York, New York 10121-2298. [DOW JONES ENERGY SERVICE IS PUBLISHED BY DOW JONES NEWSWIRES, INC., 800 PLAZA II, HARBORSIDE FINANCIAL CENTER, JERSEY CITY, NEW JERSEY 07311.] Reuters online data are provided by Reuters, Three Times Square, New York, New York 12081.

15 AAC 55.173(a) is amended to read:

(a) For gas delivered in the Alaska North Slope area, the prevailing value is,

(1) 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;

(2) for gas produced on or after October 1, 2008 and before the commencement of commercial operation of a regulated pipeline facility that delivers gas outside of the Alaska North Slope area, the weighted average sales price of sales from producers of gas to regulated gas or electric utilities in the Alaska North Slope area for the three-month period ending one month before the end of the previous calendar quarter; in the absence of sales from producers to

regulated utilities in the Alaska North Slope area, the department will determine the prevailing value on another reasonable basis under AS 43.55.020(f); the department will publish on the 15th day of each calendar quarter the prevailing value for that quarter;

(3) for gas produced after the commencement of commercial operation of a regulated pipeline facility that delivers gas outside of the Alaska North Slope area, the prevailing value determined under (j) of this section, adjusted for differences, if any, in location, quality, or composition between unprocessed gas delivered into the pipeline facility and gas delivered in the Alaska North Slope area.

15 AAC 55.173(i) is repealed:

(i) Repealed \_\_/\_\_/\_\_. [NOTWITHSTANDING (a)(2) OF THIS SECTION, FOR THE JULY - SEPTEMBER 2008 CALENDAR QUARTER, THE DEPARTMENT WILL PUBLISH WITHIN 15 DAYS AFTER OCTOBER 1, 2008 THE PREVAILING VALUE FOR THAT QUARTER FOR GAS DELIVERED IN THE ALASKA NORTH SLOPE AREA.]

(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 \_\_/\_\_/\_\_,

Register \_\_)

<b>Authority:</b>	AS 43.05.080	AS 43.55.020	AS 43.55.030
	AS 43.55.040	AS 43.55.110	

15 AAC 55.180 is repealed:



**15 AAC 55.180. Choice of methods for determining reasonable cost of transportation for oil and gas produced before July 1, 2007.** Repealed. \_\_/\_\_/\_\_.

[(a) EXCEPT AS PROVIDED IN (b) OF THIS SECTION, THE REASONABLE COST OF TRANSPORTATION IS THE ACTUAL COST OF TRANSPORTATION AS DETERMINED IN 15 AAC 55.191(a) AND (b), IF THE ACTUAL COSTS INCURRED ARE ORDINARY AND NECESSARY TRANSPORTATION EXPENSES.

(b) THE REASONABLE COST OF TRANSPORTATION IS THE FAIR MARKET VALUE AS DEFINED IN 15 AAC 55.191(h) IF ALL OF THE FOLLOWING CONDITIONS EXIST:

(1) THE PARTIES TO THE TRANSPORTATION OF OIL OR GAS ARE AFFILIATED;

(2) THE CONTRACT FOR THE TRANSPORTATION OF OIL OR GAS IS NOT AN ARM'S-LENGTH TRANSACTION OR IS NOT REPRESENTATIVE OF THE MARKET VALUE OF THE TRANSPORTATION; AND

(3) THE METHOD OF TRANSPORTATION OF OIL OR GAS IS NOT REASONABLE IN VIEW OF EXISTING ALTERNATIVE METHODS OF TRANSPORTATION.

(c) THIS SECTION APPLIES TO OIL AND GAS PRODUCED BEFORE JULY 1, 2007.] (Eff. 1/6/80, Register 73; am 1/1/95, Register 132; am 1/1/2000, Register 152; am 4/30/2010, Register 194; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.110  
AS 43.55.150

15 AAC 55.191(b) is amended to read:

(b) Actual costs of transportation allowable [FOR PURPOSES OF 15 AAC 55.180(A)] are

(1) if transportation of oil or gas is by a regulated carrier, the tariff that is on file with the Federal Energy Regulatory Commission or other regulatory agency having jurisdiction, and that is applicable to that transportation of the oil or gas by the carrier, from the point where that oil or gas is tendered into the facilities of the carrier to the point where it is delivered from the facilities of the carrier;

(2) if transportation of oil is by a vessel that is not owned or effectively owned, in whole or in part, by the producer of that oil

(A) for a single voyage charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in (j) of this section if those voyage and port costs are incurred for that transportation during the term of the charter, are not included in the charter fee, and are borne by the producer, plus the positioning costs, if any, borne by the producer for that vessel;

(B) for a consecutive voyage charter or a time charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in (j) of this section if those voyage and port costs are incurred for that transportation during the term of the charter, are not included in the charter fee, and are borne by the producer, plus the positioning cost, if any, borne by the producer for that vessel; the positioning cost must be amortized over the lesser of 36 months or the term of the charter in the case of a time charter, and amortized on the basis of the number of voyages in the case of a consecutive voyage charter; or

(C) for a contract of affreightment, the total costs under the contract, plus any voyage and port costs as provided in (j) of this section if those voyage and port costs are incurred for that transportation during the contract of affreightment, are not included in the charter fee, and are borne by the producer, plus any positioning costs not included in that fee that are incurred with respect to that transportation during the contract of affreightment and that are borne by the producer;

(3) if transportation of oil is by a vessel that is owned or effectively owned, in whole or in part, by the producer of that oil, the producer's actual cost for that transportation, which is the sum of

(A) voyage and port costs incurred with respect to that transportation, as provided in (j) of this section;

(B) the positioning cost, amortized over 36 months, for that vessel;

(C) depreciation of the vessel as calculated by the producer for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or as provided in 15 AAC 55.195(a), (b), (c), (f), or (h) or 15 AAC 55.196, as applicable; and

(D) an amount that, when added to the amount of depreciation allowed under (C) of this paragraph, will provide a reasonable return on the acquisition cost, as provided in 15 AAC 55.195(a), of the vessel over its expected useful life as used for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or on the adjusted shipyard cost or invested capital as provided in 15 AAC 55.195(b), (c), (f), or (h) or 15 AAC 55.196, as applicable;

(4) in the case of transportation of gas as liquefied natural gas (LNG),

(A) if not all of the LNG transportation facilities are subject to tariff regulations of the Federal Energy Regulatory Commission or another federal agency, a state, territory, or possession of the United States, or a foreign nation, and if the producer does not own or effectively own, in whole or in part, the LNG transportation facility, the amount charged to the producer for that LNG transportation;

(B) if the producer owns or effectively owns, in whole or in part, the LNG transportation facility, the producer's actual cost for that transportation, which is the sum of

(i) the direct operating costs of the LNG transportation facility incurred with respect to the producer's gas; for an LNG tanker, direct operating costs consist of the tanker's voyage and port costs as provided in (j) of this section;

(ii) the positioning cost, amortized over 36 months, in the case of an LNG tanker;

(iii) depreciation of the LNG transportation facility as calculated by the producer for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or as provided in 15 AAC 55.195(a), (b), (c), or (d), as applicable;

(iv) an amount that, when added to the amount of depreciation allowed under (iii) of this subparagraph, will provide a reasonable return on the acquisition cost, as provided in 15 AAC 55.195(a), (b), (c), or (d), as applicable, of the LNG transportation facility over its expected useful life as used for financial accounting purposes and used for reporting income and expenses to

shareholders and owners, or on the adjusted shipyard cost as provided in 15 AAC 55.195(a), (b), (c), or (d), as applicable;

(5) if transportation of oil or gas is by a nonregulated pipeline facility that is not owned or effectively owned, in whole or in part, by the producer of that oil or gas, the transportation fee specified in the contract plus any other costs not included in the fee with respect to that transportation that are borne by the producer;

(6) repealed 5/3/2007;

(7) repealed 5/3/2007; or

(8) if transportation of oil or gas is by a nonregulated pipeline facility that is owned or effectively owned, in whole or in part, by the producer of that oil or gas, the sum of the following, allocated to that oil or gas in the proportion that the volume of that oil or gas bears to the total volume of fluids transported by the pipeline:

(A) a cost of capital allowance that includes depreciation and a return on investment, as provided in 15 AAC 55.195(d);

(B) the reasonable operating and maintenance costs for the pipeline facility, which are determined by multiplying the projected actual annual amount of direct operating and maintenance costs for the pipeline facility by 112 percent; for purposes of this subparagraph, direct operating and maintenance costs are only those costs necessary to physically operate and maintain the pipeline facility;

(C) ad valorem taxes associated with the pipeline facility.

15 AAC 55.191(h) is amended to read:

(h) Reasonable cost of transportation [UNDER 15 AAC 55.180(B)] is fair market value.

Fair market value of transportation is determined

(1) for shipments of oil, on the basis of third-party charters (that is, time charters in which the producer does not own or effectively own the vessel in whole or in part) of one year or more which are reported to the department for like vessels, plus regulated transportation costs under (b)(1) of this section; two vessels will be considered like vessels if the difference between them in tonnage is less than 10,000 dead-weight tons and if they are both

(A) Jones Act vessels (46 U.S.C. App. 808 and 883);

(B) Construction-Differential Subsidy ("CDS") vessels (46 U.S.C. App. 1151 - 1161);

(C) Operating-Differential Subsidy ("ODS") vessels (46 U.S.C. App. 1171 - 1185);

(D) CDS and ODS vessels; or

(E) vessels that do not meet the qualifications of (A) - (D) of this paragraph; or

(2) for shipments of gas as LNG, on the basis of third party charters or leases (that is, time charters or leases in which the producer does not own or effectively own, in whole or in part, the LNG transportation facility in question) of three years or more that are reported to the department for like LNG transportation facilities, plus regulated transportation costs under (b)(1) of this section.

15 AAC 55.191(j) is amended to read:

(j) For purposes of this section, allowable voyage and port costs for a vessel do not include losses, damages, or expenses incurred in connection with an oil discharge except as provided in this subsection, and do not include taxes or fees on the receipt of oil or LNG at a marine terminal from a vessel. Allowable voyage and port costs for a vessel or LNG tanker are costs actually incurred for the following purposes:

(1) fuel for the vessel or LNG tanker while in port and at sea not to exceed the actual cost if purchased from a third party, or if the fuel is not purchased from a third party, the spot market price of comparable fuel as reported by Platt's [OILGRAM PRICE REPORT] at the time of the fuel purchase for the market nearest the point of refueling, plus related allowable fuel taxes and handling charges;

(2) stores and provisions for the vessel or LNG tanker and its captain and crew;

(3) wages and benefits of the vessel's or LNG tanker's captain and crew;

(4) routine maintenance;

(5) drydocking costs, expensed in the year paid;

(6) port and dock fees;

(7) repealed 1/1/2002;

(8) demurrage;

(9) tug and pilotage fees;

(10) marine agents' fees in port;

(11) lightering;

(12) transshipment charges;

(13) customs fees and duties;

(14) taxes incurred due to the ownership and operation of the vessel or LNG tanker, except for income taxes and other taxes (including certain franchise taxes) measured by income;

(15) regular and customary gratuities that are also legal;

(16) insurance premiums actually paid to third-party insurers;

(17) minor cargo losses or measuring differentials not to exceed .0025 of the oil transported, determined on an annual basis for each vessel;

(18) loading and unloading inspection fees;

(19) Panama Canal transit fees;

(20) a reasonable management fee for operating vessels or LNG tankers; this fee is set at six percent of the allowable costs set out in (1) - (3) of this subsection; this set fee covers all general and administrative costs related to vessel operations, including all costs for accounting services, clerical services, administrative services, secretarial services, data processing services, legal services, corporate and operations management, overhead pass-throughs, facility costs and depreciation, corporate planning, risk management, environmental planning and risk evaluation, public affairs, governmental affairs, political affairs, dues and subscriptions other than dues allowable under (22) of this subsection, long-range scheduling, and long-range planning; additional deductions will not be allowed for these costs;

(21) other costs directly associated with the operation or maintenance of the vessel or LNG tanker, including costs for port services and operations, cargo scheduling and planning, fleet staffing, fleet scheduling, fleet staff training, fleet safety, engineering for repair, engineering for maintenance, engineering for drydocking, quality assurance for vessel operations, communication systems, navigation systems, United States Coast Guard



certifications, and utility services; these costs include costs for personnel performing the functions listed and the first level of supervision of these personnel;

(22) costs incurred in transportation of oil to comply with 33 U.S.C. 2701 - 2761 (Oil Pollution Act of 1990), AS 46.04, and applicable laws of this or any other state or political subdivision requiring equipment and personnel to be in place for spill prevention and response to spills from vessels; those costs must have not been incorporated into a pipeline tariff, but must have been incurred as an actual cost in the transportation of oil produced in the state; and

(23) costs of containing and cleaning up cargo lost in a discharge, unless the discharge is a catastrophic oil discharge under AS 46.04.900.

15 AAC 55.191(v) is amended to read:

(v) Other costs incurred to transport oil or gas from the flange of the vessel to the sales delivery point are allowable [FOR PURPOSES OF 15 AAC 55.180(A)] if the other costs are actual costs of transportation.

(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 5/3/2007, Register 182; am 4/30/2010, Register 194; am \_\_/\_\_/\_\_\_\_,

Register)

**Authority:** AS 43.05.080            AS 43.55.020            AS 43.55.030  
                  AS 43.55.040            AS 43.55.110            AS 43.55.150  
                  AS 43.55.900

The editor's note is changed to read:

Editor's note: Platt's [OILGRAM PRICE REPORT IS] **prices** are published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, New York 10020.

(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 5/3/2007, Register 182; am 4/30/2010, Register 194; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.030  
AS 43.55.040 AS 43.55.110 AS 43.55.150  
AS 43.55.900

15 AAC 55.193(d)(1) is amended to read:

(1) fuel for the vessel or LNG tanker while in port and at sea not to exceed the actual cost if purchased from a third party, or if the fuel is not purchased from a third party, the spot market price of comparable fuel as reported [IN *PLATT'S OILGRAM PRICE REPORT*] **by Platt's reporting service** at the time of the fuel purchase for the market nearest the point of refueling, plus related allowable fuel taxes and handling charges;

(Eff. 4/30/2010, Register 194; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.030  
AS 43.55.040 AS 43.55.110 AS 43.55.150  
AS 43.55.900

**Editor's note:** [PLATT'S OILGRAM PRICE REPORT IS] **Platt's reported prices are** published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, New York 10020.

15 AAC 55.195(d)(18)(B)(i) is amended to read:

(i) except as provided in (ii) of this subparagraph, is the cost of capital, as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, Standard Industrial Classification Manual, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this sub-subparagraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in [MORNINGSTAR INC., *THE COST OF CAPITAL YEARBOOK*] **Duff & Phelps, Valuation Handbook, Industry Cost of Capital**, published during the previous calendar year, plus, for LNG transportation facilities, 0.2 percent after December 31, 2001; and

15 AAC 55.195(f)(17)(A) is amended to read:

(A) except as provided in (B) of this paragraph, is the cost of capital as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual*, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this paragraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in [IBBOTSON ASSOCIATES *THE COST OF CAPITAL YEARBOOK*] **Duff & Phelps, Valuation Handbook, Industry Cost of Capital**, published during the previous calendar year, plus 0.4 percent; and

15 AAC 55.195(h)(16)(A) is amended to read:

(A) except as provided in (B) of this paragraph, is the cost of capital as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual*, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this paragraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial

composite for SIC code number 4924, as reported in [IBBOTSON ASSOCIATES *THE COST OF CAPITAL YEARBOOK*] Duff & Phelps, Valuation Handbook, Industry Cost of Capital published during the previous calendar year, plus 0.4 percent; and (Eff. 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 4/30/2010, Register 194; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.030  
AS 43.55.040 AS 43.55.110 AS 43.55.150

**Editor's note:** The material adopted by reference in 15 AAC 55.195(d), (f), and (h) from the *Standard Industrial Classification Manual* may be viewed at or obtained from the Department of Revenue, Tax Division, 550 W. 7th Avenue, Suite 500, Anchorage, AK 99501. [THE COST OF CAPITAL YEARBOOK IS PUBLISHED BY MORNINGSTAR INC., 225 NORTH MICHIGAN AVENUE, SUITE 700, CHICAGO, ILLINOIS 60601] Valuation Handbook, Industry Cost of Capital, is published by Duff & Phelps, LLC, 311 South Wacker Drive, Suite 4200, Chicago, IL 60606, or [www.duffandphelps.com](http://www.duffandphelps.com).

Before 1/1/2000, Register 152, the substance of 15 AAC 55.195(a), (b), and (c) was in 15 AAC 55.191(d), (f), and (g). The history note for 15 AAC 55.195 does not reflect the earlier history of the provisions currently set out at 15 AAC 55.195(a), (b), and (c).

15 AAC 55.196(a) is amended to read:

(a) Except if 15 AAC 55.195(a) applies, for oil or gas produced on or after January 1, 2003, a cost of capital allowance that consists of depreciation and a return on invested capital will be allowed under this section, as provided in [15 AAC 55.191 OR] 15 AAC 55.193, as applicable, for a (1) vessel, or an improvement completed on or after January 1, 2002 to a vessel, owned or effectively owned by the producer; or (2) LNG transportation facility owned or effectively owned by the producer and placed in service after December 31, 2010, or an improvement to that facility. However, a producer may elect to expense the first \$1,000,000 in costs incurred with respect to improvements during a calendar year.

(Eff. 1/1/2003, Register 164; am 1/1/2004, Register 168; am 4/30/2010, Register 194)

**Authority:** AS 43.05.080 AS 43.55.030 AS 43.55.110

AS 43.55.020 AS 43.55.040 AS 43.55.150

15 AAC 55.205 is repealed:

**15 AAC 55.205. Calculation of production tax values for oil and gas produced before July 1, 2007.** Repealed. \_\_\_/\_\_\_/\_\_. [(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), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, AND FOR A MONTH, UNDER AS 43.55.160(a)(2), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, FOR EACH SEGMENT.

(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. 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 55.223, 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) and 43.55.160(e).

(c) FOR PURPOSES OF THIS SECTION,

(1) EXCEPT AS OTHERWISE PROVIDED UNDER (2) OF THIS SUBSECTION, EACH OF THE FOLLOWING IS A SEGMENT FOR A PRODUCER:

(A) ALL OIL AND GAS, 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) ALL OIL AND GAS, IF ANY, TAXABLE UNDER AS 43.55.011(e) 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;

(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) GAS, 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, GAS PRODUCED FROM EACH LEASE OR PROPERTY CONSTITUTES A SEPARATE SEGMENT;

(2) IF A PRODUCER OR EXPLORER DOES NOT PRODUCE ANY OIL OR GAS 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 OUTSIDE THE COOK INLET SEDIMENTARY BASIN NO PART OF WHICH IS NORTH OF 68 DEGREES NORTH LATITUDE, THE AREA OF THE STATE OUTSIDE THE COOK INLET SEDIMENTARY BASIN AND NOT INCLUDING ANY LAND NORTH OF 68 DEGREES NORTH LATITUDE IS A SEGMENT FOR THE PRODUCER OR EXPLORER;

(C) COOK INLET SEDIMENTARY BASIN, THE COOK INLET SEDIMENTARY BASIN IS A SEGMENT FOR THE PRODUCER OR EXPLORER.



(d) FOR LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN THAT FIRST COMMENCED COMMERCIAL PRODUCTION OF OIL OR GAS BEFORE APRIL 1, 2006, UNLESS OTHERWISE APPROVED OR REQUIRED BY THE DEPARTMENT, THE PRODUCER SHALL CONTINUE TO TREAT AS A SINGLE LEASE OR PROPERTY EACH TRACT, GROUP OF TRACTS, PARTICIPATING AREA, OR UNIT THAT THE PRODUCER CONSISTENTLY TREATED, SUBJECT TO FINAL AUDIT RESOLUTION, AS A SINGLE LEASE OR PROPERTY FOR PURPOSES OF CALCULATING AN ECONOMIC LIMIT FACTOR UNDER FORMER AS 43.55.013. PRODUCTION OF OIL OR GAS FROM A LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN THAT FIRST COMMENCES COMMERCIAL PRODUCTION OF OIL OR GAS ON OR AFTER APRIL 1, 2006, AND THAT CORRESPONDS TO A PARTICIPATING AREA OR UNIT APPROVED BY THE DEPARTMENT OF NATURAL RESOURCES UNDER AS 38.05.180, OTHER THAN A LEASE OR PROPERTY FOR WHICH THE PRODUCER CALCULATED AN ECONOMIC LIMIT FACTOR UNDER FORMER AS 43.55.013, MUST BE TREATED AS PRODUCTION FROM A DISTINCT LEASE OR PROPERTY.

(e) THIS SECTION APPLIES TO OIL AND GAS PRODUCED BEFORE JULY 1, 2007.] (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register \_\_)

**Authority:** AS 43.05.080      AS 43.55.110      AS 43.55.160  
AS 43.55.165

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), adjusted** [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) and 43.55.160(e).

15 AAC 55.206(d) is amended to read:

(d) For leases or properties in the Cook Inlet sedimentary basin that first commenced commercial production of oil or gas before April 1, 2006, unless otherwise approved or required by the department, [BEFORE 2022] the producer shall continue to treat as a single lease or property each tract, group of tracts, participating area, or unit that the producer consistently treated, subject to final audit resolution, as a single lease or property for purposes of calculating an economic limit factor under former AS 43.55.013. Production of oil or gas from a lease or property in the Cook Inlet sedimentary basin that first commences commercial production of oil or gas on or after April 1, 2006, and that corresponds to a participating area or unit approved by the Department of Natural Resources under AS 38.05.180, other than a lease or property for

which the producer calculated an economic limit factor under former AS 43.55.013, must be treated [BEFORE 2022] as production from a distinct lease or property.

15 AAC 55.206(e) is amended to read:

(e) Except as otherwise provided under (f) of this section,

(1) for gas used in the state and produced from leases or properties outside the Cook Inlet sedimentary basin that first commenced commercial gas production before April 1, 2006, unless otherwise approved or required by the department, [BEFORE 2022] the producer shall continue to treat as a single lease or property each tract, group of tracts, participating area, or unit that the producer consistently treated, subject to final audit resolution, as a single lease or property for purposes of calculating an economic limit factor under former AS 43.55.013;

(2) production of gas used in the state from a lease or property outside the Cook Inlet sedimentary basin that first commences commercial production on or after April 1, 2006, and that corresponds to a participating area or unit approved by the Department of Natural Resources under AS 38.05.180, other than a lease or property for which the producer calculated an economic limit factor under former AS 43.55.013, must be treated [BEFORE 2022] as production from a distinct lease or property.

15 AAC 55.206(f) is amended to read:

(f) For purposes of this section and 15 AAC 55.215, a unit, other than a unit within the Cook Inlet sedimentary basin [BEFORE 2022], may be treated as a single lease or property even if it contains multiple participating areas, unless any producer's ownership interests differ by 10 percentage points or more between two or more of the participating areas.

(Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_)

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

Article 2 of 15 AAC 55 is amended by adding a new section to read:

**15 AAC 55.208. Calculation of adjusted lease expenditures and production tax value for a municipal entity.** (a) An annual production tax value is not calculated under AS 43.55.160(a)(1) or (h) for oil or gas produced by a municipal entity that it does not sell to another party. The calculation of an annual production tax value under AS 43.55.160(a)(1) or (h) for oil or gas produced by a municipal entity that it sells to another party is subject to the provisions of this section.

(b) For each category of oil, gas, or oil and gas for which the calculation of an annual production tax value is specified under AS 43.55.160(a)(1)(A) – (G) and for each category of oil for which the calculation of an annual production tax value is specified under AS 43.55.160(h)(1) – (4), a municipal entity that produces oil or gas within that category during a calendar year that it sells to another party shall calculate a fraction, the numerator of which is equal to the amount of oil, gas, or oil and gas produced in that category during the calendar year, in BTU equivalent barrels, that it sells to another party, and the denominator of which is equal to the total amount of oil, gas, or oil and gas produced in that category during the calendar year, in BTU equivalent barrels, other than oil or gas the ownership or right to which belongs to the federal or state government or constitutes a landowner’s royalty interest. Subject to AS 43.55.160(b), the amount of adjusted lease expenditures that is deductible from the gross value at the point of production of the oil, gas, or oil and gas in that category that the municipal

entity sells to another party equals the product of the amount of adjusted lease expenditures that are described in the applicable provision of AS 43.55.160(a) or (h) for that category, multiplied by the fraction calculated under this subsection for that calendar year for that category.

(c) The only adjusted lease expenditures incurred by a municipal entity that may be used to establish a carried-forward annual loss under AS 43.55.023(b)(1), subject to the provisions of AS 43.55.023(b)(2), are the portion, if any, of the amount of adjusted lease expenditures calculated under (b) of this section that would otherwise be deductible in calculating an annual production tax value but whose deduction would cause the annual production tax value to be less than zero. (Eff. \_\_\_/\_\_\_/\_\_\_, Register \_\_\_\_\_)

**Authority:** AS 43.05.080 AS 43.55.023 AS 43.55.110  
AS 43.55.160 AS 43.55.895

15 AAC 55.211(h) is amended to read:

(h) The gross value at the point of production of oil or gas is reduced under AS 43.55.160(f) or (g) only for the purpose of calculating an annual production tax value under AS 43.55.160(a)(1)(A) **or (h)(1), subject to the provisions of AS 43.55.023(b)(2).** The gross value at the point of production of oil is not reduced under AS 43.55.160(f) or (g) for the purpose of calculating an average gross value at the point of production of oil for a month under AS 43.55.024(j), **or for the purpose of calculating a gross value at the point of production under AS 43.55.011(f) or AS 43.55.020(a)(1)(B)(ii), (5)(B)(ii), or (7)(A)(ii) .**

15 AAC 55.211 is amended by adding a new subsection to read:

(i) Except as provided under 15 AAC 55.212(l), a reduction in the gross value at the point of production provided by AS 43.55.160(f) or (g) is not optional. (Eff. 12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_\_\_)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.160

15 AAC 55.212(j) is amended to read:

(j) A determination by the department under (e)(1) of this section is not required in order for a producer of oil or gas that otherwise meets the criteria in AS 43.55.160(f)(1), the criteria in AS 43.55.160(f)(2), or the criteria in AS 43.55.160(f)(1) and (g) to reduce the gross value at the point of production of the oil or gas in the calculation of an annual production tax value to the extent allowed under AS 43.55.160(f) and (g). Oil that meets the criteria in AS 43.55.160(f)(1), the criteria in AS 43.55.160(f)(2), or the criteria in AS 43.55.160(f)(1) and (g) **and that is produced, if on or after January 1, 2017, during a period for which a gross value reduction is allowed under 15 AAC 55.214,** does not qualify for a tax credit under AS 43.55.024(j) regardless of whether the department has issued a determination under (e)(1) of this section and regardless of whether the producer reduces the gross value at the point of production of the oil under AS 43.55.160(f) or under AS 43.55.160(f)(1) and (g) in the calculation of an annual production tax value.

15 AAC 55.212(l) is amended to read:

(l) Regardless of whether the department has accepted under (f)(1) of this section a methodology applicable to acreage that was added after December 31, 2013 to an existing participating area north of 68 degrees North latitude, a producer's oil taxable under AS 43.55.011(e) that does not meet the criteria in AS 43.55.160(f)(1) or (2) and that is produced during a month after December 31, 2013 from the participating area qualifies for a tax credit under AS 43.55.024(j) if the producer has not elected to reduce under AS 43.55.160(f)(3) the gross value at the point of production of any of the oil or gas produced from the participating area. However, if a producer elects for any month **allowed under 15 AAC 55.214** to reduce under AS 43.55.160(f)(3) the gross value at the point of production of any oil or gas produced during the month from the participating area, the producer shall use the methodology accepted by the department under (f)(1) of this section to determine the volumes of oil and gas produced during that month and every succeeding month from the participating area that qualify for a reduction in gross value at the point of production under AS 43.55.160(f)(3), **until the period for which a gross value reduction is allowed under 15 AAC 55.214 ends**. That volume of oil does not qualify for a tax credit under AS 43.55.024(j). In this subsection, "the participating area" means the existing participating area after expansion to include the acreage added after December 31, 2013. (Eff. 12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.160

Article 2 of 15 AAC 55 is amended by adding a new section to read:

**15 AAC 55.214. Duration of gross value reductions.** (a) This section implements the time limits established by AS 43.55.0160(f) and (g) for reductions under those provisions in the gross value at the point of production of oil and gas produced on or after January 1, 2017.

(b) This subsection applies to oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(1) or under AS 43.55.160(f)(1) and (g). If any oil or gas was produced from a qualifying lease or property before January 1, 2017, the period for which oil or gas produced from the qualifying lease or property may receive a gross value reduction ends on the earlier of the following dates: January 1, 2023, or January 1 following the alternate expiration date determined under (e) of this section. Otherwise, the period for which oil or gas produced from a qualifying lease or property may receive a gross value reduction begins on the first day that regular production of oil or gas commences from a well producing from the lease or property and ends on the earlier of the following dates: the seventh anniversary of that first day, or the day after the alternate expiration date determined under (e) of this section.

(c) This subsection applies to oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(2). If any oil or gas was produced from a qualifying participating area before January 1, 2017, the period for which oil or gas produced from the qualifying participating area may receive a gross value reduction ends on the earlier of the following dates: January 1, 2023, or January 1 following the alternate expiration date determined under (e) of this section. Otherwise, the period for which oil or gas produced from a qualifying participating area may receive a gross value reduction begins on the first day that regular production of oil or gas commences from a well producing from the participating area and ends on the earlier of the following dates: the seventh anniversary of that first day, or the day after the alternate expiration date determined under (e) of this section. However, if before establishment of the qualifying participating area, regular production of oil or gas commenced from a well producing from a tract to be included in the participating area, the period begins on the date the participating area is established and ends on the earlier of the following dates: the seventh anniversary of the date



the participating area was established, or the day after the alternate expiration date determined under (e) of this section.

(d) This subsection applies to oil and gas that meet the criteria for a gross value reduction under AS 43.55.160(f)(3). The period for which oil or gas produced from qualifying acreage added to a participating area may receive a gross value reduction begins on the first day that regular production of oil or gas commences from a well producing from that acreage, if all of the producing intervals of the well are within that acreage, and ends on the earlier of the following dates: the seventh anniversary of that first day, or the day after alternate expiration date determined under (e) of this section. However,

(1) if that regular production commences before the first production occurs of oil or gas that the producer determines under 15 AAC 55.212(k) qualifies for a gross value reduction, the period begins on the day that first qualifying production occurs and ends on the earlier of the following dates: the seventh anniversary of the day that first qualifying production occurs, or the day after the alternate expiration date determined under (e) of this section;

(2) if before the date described in 15 AAC 55.211(d)(2) for expansion of the participating area to include the qualifying acreage, regular production of oil or gas commenced from a well producing from the acreage to be included and all of the producing intervals of the well are within that acreage, the period begins on the day the first production occurs of oil or gas that the producer determines under 15 AAC 55.212(k) qualifies for a gross value reduction and ends on the earlier of the following dates: the seventh anniversary of the day that first qualifying production occurs, or the day after the alternate expiration date determined under (e) of this section.

(e) An alternate expiration date for a period under (b) – (d) of this section for which oil and gas may receive a gross value reduction is determined by (1) identifying the first sequence, if any, of 12 consecutive months over which the average price per barrel of ANS for sale on the United States West Coast exceeds \$70, that begins on or after the later of January 1, 2017, or the first day of the period in question; (2) identifying the next sequence, if any, of 12 consecutive months over which the average price per barrel of ANS for sale on the United States West Coast exceeds \$70, that begins after the first sequence; and (3) identifying the next sequence, if any, of 12 consecutive months over which the average price per barrel of ANS for sale on the United States West Coast exceeds \$70, that begins after the second sequence. The alternate expiration date is the last day of the third sequence. For purposes of this subsection, the average price per barrel of ANS for sale on the United States West Coast over 12 consecutive months is equal to the simple average of the average spot prices for ANS at the United States West Coast during the 12 months as calculated under 15 AAC 55.171(m).

(f) If a period during which a gross value reduction is allowed under this section has been commenced for oil or gas produced from certain land that is later combined with other land and the combined land is treated as a lease or property qualifying for a gross value reduction under AS 43.55.160(f)(1), as a participating area qualifying for a gross value reduction under AS 43.55.160(f)(2), or as acreage added to an existing participating area and qualifying for a gross value reduction under AS 43.55.160(f)(3), neither the expiration of the period for oil or gas produced from the former land, nor the expiration of the period, if any, for oil or gas produced from the latter land, is extended beyond what it would be if the combination had not occurred.

(g) A gross value reduction is not allowed for oil or gas produced on the day that a period specified under (b) - (d) of this section ends.

(h) The date that regular production of oil or gas commences from a well will be determined by the Alaska Oil and Gas Conservation Commission. (Eff. \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.160

15 AAC 55.223 is repealed:

**15 AAC 55.223. Cook Inlet lease expenditures incurred before July 1, 2007.**

Repealed. \_\_/\_\_/\_\_. [(a) IN CALCULATING AN ANNUAL PRODUCTION TAX VALUE FOR A SEGMENT DESCRIBED IN 15 AAC 55.205(c)(1)(C) OR (D), 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) OF THIS SECTION.

(b) FOR A CALENDAR YEAR FOR WHICH A LIMITATION UNDER AS 43.55.011(j) OR (k), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2007, ON THE TAX LEVIED BY AS 43.55.011(e) AND (g), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2007, WOULD HAVE THE EFFECT, BEFORE REALLOCATION OF ADJUSTED LEASE EXPENDITURES UNDER THIS SECTION, 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 REALLOCATE UNDER THIS SUBSECTION ADJUSTED LEASE EXPENDITURES THAT ARE EXCESS ADJUSTED LEASE EXPENDITURES, IF ANY, UNDER 15 AAC 55.205(b) IN THE CALCULATION OF ANNUAL PRODUCTION TAX VALUES

FOR SEGMENTS DESCRIBED IN 15 AAC 55.205(c)(1)(C) OR (D). THE PRODUCER SHALL (1) CALCULATE THE TOTAL AMOUNT OF THOSE EXCESS ADJUSTED LEASE EXPENDITURES; (2) MULTIPLY THAT TOTAL AMOUNT BY 20 PERCENT; (3) CALCULATE FOR EACH LEASE OR PROPERTY THE AMOUNT BY WHICH A LIMITATION UNDER AS 43.55.011(j) OR (k), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2007, WOULD REDUCE, BEFORE REALLOCATION OF ADJUSTED LEASE EXPENDITURES UNDER THIS SECTION, THE AMOUNT OF THE PRODUCER'S TAX LEVIED BY AS 43.55.011(e) AND (g), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2007; (4) CALCULATE THE TOTAL OF THE REDUCTIONS CALCULATED UNDER (3) OF THIS SUBSECTION FOR ALL AFFECTED LEASES OR PROPERTIES; (5) IF THE AMOUNT CALCULATED UNDER (2) OF THIS SUBSECTION IS GREATER THAN THE AMOUNT CALCULATED UNDER (4) OF THIS SUBSECTION, SUBTRACT THE LATTER FROM THE FORMER; AND (6) MULTIPLY THE AMOUNT, IF ANY, CALCULATED UNDER (5) OF THIS SUBSECTION BY FIVE. THE AMOUNT, IF ANY, CALCULATED UNDER (6) OF THIS SUBSECTION IS THE ONLY AMOUNT OF THE EXCESS ADJUSTED LEASE EXPENDITURES APPLICABLE TO SEGMENTS DESCRIBED IN 15 AAC 55.205(c)(1)(C) OR (D) THAT MAY BE USED TO ESTABLISH A CARRIED-FORWARD ANNUAL LOSS, TO THE EXTENT ALLOWED UNDER AS 43.55.023(b) AND 43.55.160(e). THE OTHER EXCESS ADJUSTED LEASE EXPENDITURES APPLICABLE TO SEGMENTS DESCRIBED IN 15 AAC 55.205(c)(1)(C) OR (D) ARE CONSIDERED TO BE REALLOCATED TO, AND DEDUCTED IN CALCULATING PRODUCTION TAX VALUES FOR, OTHER SEGMENTS DESCRIBED IN 15 AAC 55.205(c)(1)(C) OR (D).

(c) THIS SECTION APPLIES TO LEASE EXPENDITURES INCURRED BEFORE July 1, 2007.] (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

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

15 AAC 55.224(d) is amended to read:

(d) For a calendar year after 2013 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). 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) 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) 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) 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 is amended by adding new subsections to read:

(e) 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 (6) of this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). 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(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) divide the amount calculated under (5) of this subsection by 0.35.

(f) For a calendar year after 2017 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). 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). 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(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) divide the amount calculated under (5) of this subsection by 0.35. (Eff.

10/21/2009, Register 192; am 12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_)

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

15 AAC 55.275(a) is amended to read:

(a) The portion of a producer's expenditures incurred during a calendar year before 2022 that is excluded under AS 43.55.165(e)(18) is calculated separately for each segment under [15 AAC 55.205 OR] 15 AAC 55.206[, AS APPLICABLE]. Subject to prorating for only a portion of a calendar year as provided under AS 43.55.165(e)(18), the excluded portion for a segment is \$1 less than the product of \$.30 multiplied by the total amount of taxable

(1) oil and gas, in BTU equivalent barrels, produced by the producer from leases or properties corresponding to the segment described in [15 AAC 55.205(c)(1)(A) OR] 15 AAC 55.206(c)(1)(A)[, AS APPLICABLE,] for that segment;

(2) oil and gas, in BTU equivalent barrels, produced by the producer from leases or properties corresponding to the segment described in [15 AAC 55.205(c)(1)(B) OR] 15 AAC 55.206(c)(1)(B)[, AS APPLICABLE,] for that segment;

(3) oil, in BTU equivalent barrels, produced by the producer from a lease or property corresponding to a segment described in [15 AAC 55.205(c)(1)(C) OR] 15 AAC 55.206(c)(1)(C)[, AS APPLICABLE,] for that segment;

(4) gas, in BTU equivalent barrels, produced by the producer from a lease or property corresponding to a segment described in [15 AAC 55.205(c)(1)(D) OR] 15 AAC 55.206(c)(1)(D)[, AS APPLICABLE,] for that segment;

(5) gas, in BTU equivalent barrels, produced by the producer after June 30, 2007, from a lease or property corresponding to a segment described in 15 AAC 55.206(c)(1)(E), for that segment.

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_\_\_)

15 AAC 55.280 is amended to read:

(a) In adjusting a producer's or explorer's lease expenditures for the receipt of a payment or credit for the sale or other transfer of an asset under AS 43.55.170(a)(3)(A), if the acquisition cost of the asset was incurred during a calendar year for which a portion of the producer's or explorer's expenditures was excluded under AS 43.55.165(e)(18) and 15 AAC 55.275, the amount required to be subtracted from the producer's or explorer's lease expenditures under AS 43.55.170(a) is reduced by a fraction of the payment or credit received for the sale or transfer of the asset as provided in this section. That fraction is equal to the quotient of (1) the total of the excluded portions of the producer's or explorer's expenditures described in this section for all segments in the state under [15 AAC 55.205 OR] 15 AAC 55.206[, AS APPLICABLE,] divided

by (2) the sum of the (A) producer's or explorer's qualified capital expenditures incurred with respect to all segments in the state during the calendar year or portion of the calendar year for which that excluded portion was excluded, plus (B) the amount described in (1) of this subsection.

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/4/2010, Register 196; am \_\_/\_\_/\_\_\_\_)

15 AAC 55.315 is amended to read:

**(a)** A carried-forward annual loss tax credit under AS 43.55.023(b) may not be applied against a tax liability for the calendar year in which the adjusted lease expenditures on which the credit is based are incurred.

15 AAC 55.315 is amended to by adding new subsections to read:

(b) A determination of a carried-forward annual loss subject to AS 43.55.023(b)(2) may be performed by subtracting the reduction under AS 43.55.160(f) or (g) from the amount of excess adjusted lease expenditures otherwise calculated under 15 AAC 55.207(b) for the segment described in 15 AAC 55.207(c)(1)(A). Only the remainder, if positive, constitutes excess adjusted lease expenditures that may establish a carried-forward annual loss under AS 43.55.023(b). If the remainder is zero or less, there is no carried-forward annual loss.

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

Example 1. Producer A produces only oil in a calendar year after 2016 that qualifies for a 20 percent reduction in the gross value at the point of production under

AS 43.55.160(f) but not a reduction under AS 43.55.160(g). The gross value at the point of production, before reduction, is \$10 million. After reduction under AS 43.55.160(f), the gross value at the point of production is \$8 million. The producer's adjusted lease expenditures for the calendar year applicable to the oil are \$9 million. The annual production tax value of the oil would be calculated by deducting \$9 million from \$8 million, except that an annual production tax value may not be less than zero. Therefore, the annual production tax value of the oil is zero, and the \$1 million in adjusted lease expenditures that are not deductible are considered excess adjusted lease expenditures. However, for the purpose of determining a carried-forward annual loss and a potential tax credit under AS 43.55.023(b)(2), the \$2 million reduction in the gross value at the point of production is subtracted from that \$1 million in excess adjusted lease expenditures. This results in a negative value. Therefore, there is no carried-forward annual loss under AS 43.55.023(b)(2) and no tax credit.

Example 2. The facts are the same as in Example 1 except that the producer's adjusted lease expenditures for the calendar year applicable to the oil are \$11 million instead of \$9 million. In this situation, the annual production tax value of the oil again is zero, but the amount of excess adjusted lease expenditures is \$3 million. After the \$2 million reduction in the gross value at the point of production is subtracted from the 3 million figure, the resulting excess adjusted lease expenditures are \$1 million. Therefore, there is a \$1 million carried-forward annual loss under AS 43.55.023(b)(2). (Eff. 5/3/2007, Register 182; am\_\_/\_/\_/\_\_\_\_, Register \_\_\_\_)

**Authority:** AS 43.05.080                      AS 43.55.023                      AS 43.55.110  
AS 43.55.160

15 AAC 55.320 is amended by adding new subsections to read:

(c) In addition to the information and documentation required under (b) of this section for cost data related to the application for a transferable tax credit certificate under AS 43.55.023(d) a producer or explorer will also be required to provide the department with certain information and documentation related to any outstanding liabilities which may be due from the applicant to the department or another department to include

(1) the applicant's certification, under oath, of the amount of any outstanding liabilities with the department or another department of the state regardless of whether or not those outstanding liabilities are the subject of any litigation;

(2) any unresolved notices of assessment or liens filed against the applicant by the department or any other department of the state;

(3) any unresolved notices of violations, or assessment of or liability for tax, interest, penalty, fee, rental, royalty or other charge of any kind issued to the applicant by the department or any other department of the state;

(4) disclosure of any litigation between the applicant and the department or any other department of the state, including administrative appeals or proceedings, and indicate the amount in controversy; and

(5) copies of the applicant's audited financial statements, including the auditor's Opinion, Notes to the audited financial statements, and information related to any contingent liabilities that may be owed by the applicant to another party.

(d) If an applicant for a transferable tax credit certificate under AS 43.55.023(d) has an outstanding liability to the department or another department the department may reduce the amount of the transferable tax credit certificate by the amount of the outstanding liability. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.023 AS 43.55.110

15 AAC 55.325 is repealed and will be readopted in Article 500 under a new section 15 AAC 55.525.

**15 AAC 55.325. CASH PURCHASES OF TAX CREDIT CERTIFICATES.** Repealed \_\_/\_\_/\_\_\_\_. [(a) REPEALED 10/21/2009.

(b) REPEALED 10/21/2009.

(c) FOR PURPOSES OF AS 43.55.028(e)(2), AN UNPAID DELINQUENT TAX IS AN AMOUNT OF TAX FOR WHICH THE DEPARTMENT HAS ISSUED AN ASSESSMENT THAT HAS NOT BEEN PAID AND, IF CONTESTED, HAS NOT BEEN FINALLY RESOLVED IN THE PRODUCER'S FAVOR.

(d) IF THE TOTAL AMOUNT OF PURCHASES OF TAX CREDIT CERTIFICATES FOR WHICH APPLICANTS QUALIFY AT ANY TIME UNDER AS 43.55.028(e) EXCEEDS THE AMOUNT OF AVAILABLE MONEY IN THE OIL AND GAS TAX CREDIT FUND, THE DEPARTMENT WILL GIVE PRIORITY TO EARLIER-RECEIVED APPLICATIONS FOR PURCHASES. HOWEVER, ON THE FIRST BUSINESS DAY OF EACH CALENDAR YEAR, PREVIOUSLY RECEIVED OUTSTANDING APPLICATIONS WILL BE CONSIDERED, FOR PURPOSES OF THAT PRIORITY ONLY, TO HAVE BEEN

RECEIVED ON THAT FIRST BUSINESS DAY. AMONG APPLICATIONS FOR PURCHASES RECEIVED ON A GIVEN DAY, THE DEPARTMENT IF NECESSARY WILL ALLOCATE AVAILABLE MONEY PRO RATA.

(e) INTEREST DOES NOT ACCRUE WITH RESPECT TO ANY PURCHASE OF A TAX CREDIT CERTIFICATE UNDER AS 43.55.028(e).] (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; repealed \_\_/\_\_/\_\_, Register \_\_)

**Authority:** AS 43.05.080 AS 43.55.028 AS 43.55.110

**Editor's note:** In 2012 the revisor of statutes, acting under AS 01.05.031 and in the course of renumbering paragraphs in AS 43.55.028(e), renumbered former AS 43.55.028(e)(4) as AS 43.55.028(e)(2). As of Register 204 (January 2013), the regulations attorney made a conforming technical revision under AS 44.62.125(b)(6), to 15 AAC 55.325(c), so that the cross-reference to former AS 43.55.028(e)(4) now refers to the renumbered provision, AS 43.55.028(e)(2). **The subject matter of 15 AAC 55.325, has been relocated to 15 AAC 55.525**

15 AAC 55.330 is repealed:

**15 AAC 55.330. Transitional investment expenditure credits.** Repealed \_\_/\_\_/\_\_.

[(a) EXCEPT AS PROVIDED UNDER (b) OF THIS SECTION, A TAX CREDIT UNDER AS 43.55.023(i)(2) MAY NOT BE TAKEN FOR A CALENDAR YEAR AFTER 2006 BASED ON A TRANSITIONAL INVESTMENT EXPENDITURE THAT IS NOT INCLUDED IN THE

STATEMENT DESCRIBED IN 15 AAC 55.345(g), EXCEPT FOR AN EXPENDITURE THAT

(1) WOULD HAVE BEEN RECOGNIZED AS A TRANSITIONAL INVESTMENT EXPENDITURE BUT FOR THE FACT THAT THE PRODUCER OR EXPLORER TREATED IT AS AN EXPENSE FOR FEDERAL INCOME TAX PURPOSES BEFORE APRIL 1, 2008; AND

(2) THE UNITED STATES INTERNAL REVENUE SERVICE SUBSEQUENTLY REQUIRED TO BE CAPITALIZED UNDER 26 U.S.C. (INTERNAL REVENUE CODE), AS AMENDED.

(b) A PERSON THAT DID NOT HAVE COMMERCIAL PRODUCTION OF OIL OR GAS FROM A LEASE OR PROPERTY IN THE STATE BEFORE JANUARY 1, 2008, AND THAT WISHES TO TAKE A TAX CREDIT UNDER AS 43.55.023(i)(2) MAY NOT TAKE A TAX CREDIT UNDER AS 43.55.023(i)(2) BASED ON A TRANSITIONAL INVESTMENT EXPENDITURE THAT IS NOT INCLUDED IN THE STATEMENT DESCRIBED IN 15 AAC 55.345(g), EXCEPT FOR AN EXPENDITURE THAT

(1) WOULD HAVE BEEN RECOGNIZED AS A TRANSITIONAL INVESTMENT EXPENDITURE BUT FOR THE FACT THAT THE PRODUCER OR EXPLORER TREATED IT AS AN EXPENSE FOR FEDERAL INCOME TAX PURPOSES BEFORE THE STATEMENT WAS FILED WITH THE DEPARTMENT; AND

(2) THE UNITED STATES INTERNAL REVENUE SERVICE SUBSEQUENTLY REQUIRED TO BE CAPITALIZED UNDER 26 U.S.C. (INTERNAL REVENUE CODE), AS AMENDED.



(c) THE EXCLUSION OF CERTAIN EXPENDITURES AS PROVIDED UNDER AS 43.55.165(e)(18) AND 15 AAC 55.275 APPLIES TO THE CALCULATION OF A PRODUCER'S TRANSITIONAL INVESTMENT EXPENDITURES INCURRED DURING A CALENDAR YEAR OR, AS PRORATED UNDER AS 43.55.165(e)(18), DURING THE LAST NINE MONTHS OF 2001 OR THE FIRST THREE MONTHS OF 2006. THE PORTION THAT IS EXCLUDED IS A SINGLE AMOUNT CALCULATED FOR THE TOTAL OF THE PRODUCER'S EXPENDITURES THAT WOULD OTHERWISE BE TRANSITIONAL INVESTMENT EXPENDITURES, IRRESPECTIVE OF THE LEASE OR PROPERTY OR AREA OF THE STATE WITH RESPECT TO WHICH THE EXPENDITURE WAS INCURRED. SUBJECT TO PRORATING AS APPLICABLE, THE EXCLUDED PORTION FOR A CALENDAR YEAR 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 ALL LEASES OR PROPERTIES IN THE STATE DURING THAT CALENDAR YEAR. HOWEVER, THE EXCLUDED PORTION FOR A CALENDAR YEAR MAY NOT EXCEED THE TOTAL AMOUNT OF THE PRODUCER'S EXPENDITURES INCURRED DURING THAT CALENDAR YEAR THAT, BUT FOR THE EXCLUSION PROVIDED UNDER AS 43.55.165(e)(18), WOULD BE QUALIFIED CAPITAL EXPENDITURES IF THEY WERE INCURRED AFTER March 31, 2006. FOR PURPOSES OF APPLYING THE EXCLUSION UNDER THIS SUBSECTION,

(1) OIL AND GAS ARE CONSIDERED TO BE PRODUCED FROM A LEASE OR PROPERTY ACCORDING TO

(A) AS 43.55, AS THAT CHAPTER READ ON MARCH 31, 2006;

AND

(B) THIS CHAPTER, AS IT READ ON MARCH 31, 2006;

(2) "GAS" HAS THE MEANING GIVEN IN AS 43.55.900, AS THAT SECTION READ ON MARCH 31, 2006;

(3) "OIL" HAS THE MEANING GIVEN IN AS 43.55.900, AS THAT SECTION READ ON MARCH 31, 2006; AND

(4) "TAXABLE OIL AND GAS" MEANS ALL OIL AND GAS PRODUCED FROM A LEASE OR PROPERTY IN THE STATE EXCEPT OIL AND GAS THE OWNERSHIP OR RIGHT TO WHICH IS EXEMPT FROM TAXATION.] (Eff. 5/3/2007, REGISTER 182; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.023 AS 43.55.110  
AS 43.55.165

15 AAC 55.335(a) is amended to read:

(a) [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).]

**(a) For any calendar year the maximum tax credit that a producer may take under AS 43.55.024(a) or (c) is equal to the percentage expressed as the number of days in a calendar year during which the producer had commercial production during the calendar divided by the number of days in that calendar year.**

15 AAC 55.335(e) is amended to read:

(e) Subject to (g) of this section, the total amount of a producer's tax credits for a calendar year under AS 43.55.024(j) is determined by

(1) calculating for each month of the calendar year the number of barrels of oil taxable under AS 43.55.011(e) that the producer produces during the month from leases or properties north of 68 degrees North latitude and,

**(A) for oil produced before January 1, 2017,** that does not meet the criteria in any of AS 43.55.160(f)(1), (2), or (3); for purposes of this [PARAGRAPH] **subparagraph,** oil does not meet the criteria in AS 43.55.160(f)(3) if

**(i)** [(A)] the producer has not reduced the gross value at the point of production of the oil under AS 43.55.160(f)(3); and

**(ii)** [(B)] the oil is not included in the volume of oil the producer is required under 15 AAC 55.212(l) to determine qualifies for a reduction in gross value at the point of production under AS 43.55.160(f)(3);

**(B) for oil produced on and after January 1, 2017, that does not receive a reduction in the gross value at the point of production under**

**AS 43.55.160(f) or (g);**

(2) multiplying for each month of the calendar year the number of barrels of oil calculated for the month under (1) of this subsection by the applicable dollar amount per barrel for the month under AS 43.55.024(j)(1) - (9) using the average gross value at the point of production for the month calculated under (f) of this section;

(3) summing over all months of the calendar year the products calculated for each month under (2) of this subsection.

15 AAC 55.335(f) is amended to read:

(f) For purposes of AS 43.55.024(j) and of (e) of this section, the average gross value at the point of production for a month is calculated by

(1) calculating the total gross value at the point of production of the oil taxable under AS 43.55.011(e) that the producer produces during the month from leases or properties north of 68 degrees North latitude and,

**(A) for oil produced before January 1, 2017,** that does not meet the criteria in any of AS 43.55.160(f)(1), (2), or (3); for purposes of this **subparagraph [PARAGRAPH]**, oil does not meet the criteria in AS 43.55.160(f)(3) if

**(i)** [(A)] the producer has not reduced the gross value at the point of production of the oil under AS 43.55.160(f)(3); and

**(ii)** [(B)] the oil is not included in the volume of oil the producer is required under 15 AAC 55.212(l) to determine qualifies for a reduction in gross value at the point of production under AS 43.55.160(f)(3);

**(B) for oil produced on or after January 1, 2017, that does not receive a reduction in the gross value at the point of production under AS 43.55.160(f) or (g);**

(2) dividing the amount calculated under (1) of this subsection by the number of barrels of oil calculated for the month under (e)(1) of this section.

15 AAC 55.335(g) is amended to read:

(g) If a producer's application of tax credits other than a tax credit under AS 43.55.024(j) against a tax levied by AS 43.55.011(e) reduces the producer's tax liability to the amount calculated for a calendar year after 2013 under AS 43.55.011(f) or less, the producer may not apply a tax credit under AS 43.55.024(j) against the tax for that calendar year. If a producer's application of tax credits other than a tax credit under AS 43.55.024(j) against a tax levied by AS 43.55.011(e) does not reduce the producer's tax liability to the amount calculated for a calendar year after 2013 under AS 43.55.011(f) or less, the producer may apply against the tax no more than the portion of a tax credit under AS 43.55.024(j) that is equal to the difference between the amount calculated for the calendar year under AS 43.55.011(f) and the tax liability after reduction by application of tax credits other than a tax credit under AS 43.55.024(j). In calculating that reduction, if the tax credits to be applied include one or more tax credits subject to a percentage limitation under [AS 38.05.180(i) OR] AS 43.55.023(e), calculation of the percentage limitations under 15 AAC 55.375(a) must take account of any tax credit or portion of a tax credit under AS 43.55.024(j) that the producer will apply against the producer's tax, to the

extent allowed under this subsection. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_\_\_)

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

Article 3 of 15 AAC 55 is amended by adding a new section to read:

**15 AAC 55.337. Tax credits for a municipal entity.** (a) For a tax credit based on expenditures incurred during a calendar year, other than a tax credit under AS 43.55.023(b), the amount of the municipal entity's tax credit may not exceed the amount of the tax credit otherwise allowed under this chapter, multiplied by the fraction calculated under (d) of this section for that calendar year.

(b) For a tax credit not based on expenditures, other than tax credits under AS 43.55.024(i) and (j), the amount of the municipal entity's tax credit for a calendar year may not exceed the amount of the tax credit otherwise allowed under this chapter, multiplied by the fraction calculated under (d) of this section for that calendar year.

(c) A municipal entity is eligible for tax credits under AS 43.55.024(i) or (j) only for oil, otherwise qualifying under AS 43.55.024(i) or (j), that it sells to another party.

(d) For each calendar year, the municipal entity shall calculate a fraction, the numerator of which is equal to the amount of oil and gas produced during the calendar year, in BTU equivalent barrels, that it sells to another party, and the denominator of which is equal to the total amount of oil and gas produced during the calendar year, in BTU equivalent barrels, other than oil or gas the ownership or right to which belongs to the federal or state government or constitutes a landowner's royalty interest. The fraction is equal to zero for a calendar year

during which the municipal entity does not produce any oil or gas. (Eff. \_\_/\_\_/\_\_, Register \_\_\_\_)

**Authority:** AS 43.05.080 AS 43.55.019 AS 43.55.023  
AS 43.55.024 AS 43.55.025 AS 43.55.110  
AS 43.55.895

15 AAC 55.340 is repealed:

**15 AAC 55.340. Cook Inlet credit provisions before July 1, 2007.** Repealed \_\_/\_\_/\_\_.

[(a) FOR PURPOSES OF AS 43.55.011(m), AS THE PROVISIONS OF THAT SUBSECTION READ ON June 30, 2007, THE PORTION OF A TAX CREDIT FOR THE CALENDAR YEAR OF PRODUCTION THAT IS ALLOCATED TO GAS PRODUCED BY A PRODUCER DURING A CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN IS, FOR A CREDIT UNDER

(1) AS 43.55.024(c), A FRACTION WHOSE NUMERATOR IS THE AMOUNT OF GAS TAXABLE UNDER AS 43.55.011(e) IN BTU EQUIVALENT BARRELS PRODUCED BY THE PRODUCER DURING THE CALENDAR YEAR FROM ALL LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN AND WHOSE DENOMINATOR IS THE TOTAL AMOUNT OF OIL AND GAS TAXABLE UNDER AS 43.55.011(e) IN BTU EQUIVALENT BARRELS PRODUCED BY THE PRODUCER DURING THE CALENDAR YEAR FROM ALL LEASES OR PROPERTIES IN THE STATE;

(2) AS 38.05.180(i), AS 41.09.010, or AS 43.55.025 FOR AN EXPENDITURE INCURRED FOR EXPLORATION IN THE COOK INLET SEDIMENTARY BASIN AND THAT IS AVAILABLE TO BE APPLIED FOR THE CALENDAR YEAR OF PRODUCTION,

A FRACTION WHOSE NUMERATOR IS THE AMOUNT OF GAS TAXABLE UNDER AS 43.55.011(e) IN BTU EQUIVALENT BARRELS PRODUCED BY THE PRODUCER DURING THE CALENDAR YEAR FROM ALL LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN AND WHOSE DENOMINATOR IS THE AMOUNT OF OIL AND GAS TAXABLE UNDER AS 43.55.011(e) IN BTU EQUIVALENT BARRELS PRODUCED BY THE PRODUCER DURING THE CALENDAR YEAR FROM ALL LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN;

(3) AS 38.05.180(i), AS 41.09.010, OR AS 43.55.025 FOR AN EXPENDITURE INCURRED FOR EXPLORATION OUTSIDE THE COOK INLET SEDIMENTARY BASIN, ZERO;

(4) AS 43.20.043 OR AS 43.55.024(a), ZERO.

(b) EXCEPT FOR EXCESS TAX CREDITS REMAINING AFTER REDUCTION AS DETERMINED UNDER AS 43.55.011(m)(4), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, AND UNDER (c) AND (d) OF THIS SECTION, A TAX CREDIT REQUIRED TO BE ALLOCATED UNDER AS 43.55.011(m) AND (n), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2007, TO GAS PRODUCED BY A PRODUCER DURING A CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN

(1) MAY BE APPLIED, IF AT ALL, ONLY AGAINST THE TAX LEVIED BY AS 43.55.011(e) FOR THAT GAS;

(2) TO THE EXTENT NOT APPLIED AS DESCRIBED IN (1) OF THIS SUBSECTION, IS NOT AVAILABLE TO BE USED AS A TAX CREDIT IN ANY MANNER AND IS CONSIDERED LOST.



(c) THE ONLY TYPES OF TAX CREDITS THAT MAY BE INCLUDED IN A DETERMINATION OF EXCESS TAX CREDITS UNDER AS 43.55.011(m), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, ARE TAX CREDITS UNDER AS 38.05.180(i), AS 41.09.010, AND AS 43.55.025. IN CALCULATING EXCESS TAX CREDITS, THE TOTAL AMOUNT OF THE PORTIONS OF THE TAX CREDITS UNDER AS 38.05.180(i), AS 41.09.010, AND AS 43.55.025 THAT ARE ALLOCATED TO GAS PRODUCED FROM LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN DURING THE CALENDAR YEAR IS COMPARED TO THE TOTAL AMOUNT OF TAX LEVIED FOR THAT GAS BY AS 43.55.011(e), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, AFTER APPLICATION OF ANY LIMITATION UNDER AS 43.55.011(j), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007. IF THE FORMER AMOUNT EXCEEDS THE LATTER AMOUNT, THE DIFFERENCE IS THE AMOUNT OF EXCESS TAX CREDITS. AFTER THE AMOUNT OF EXCESS TAX CREDITS, IF ANY, HAS BEEN REDUCED UNDER AS 43.55.011(m)(3), AS THE PROVISIONS OF THAT PARAGRAPH READ ON June 30, 2007, THE REMAINING AMOUNT OF EXCESS TAX CREDITS, IF ANY, IS TREATED AS A CREDIT UNDER AS 43.55.025 TO THE EXTENT, IF ANY, THAT THE PRODUCER CORRECTLY INCLUDED A CREDIT UNDER AS 43.55.025 IN DETERMINING EXCESS TAX CREDITS, AND THE BALANCE OF THE REMAINING AMOUNT OF EXCESS TAX CREDITS IS TREATED AS A CREDIT UNDER AS 38.05.180(i) OR AS 41.09.010.

(d) IF A PRODUCER'S EXCESS ADJUSTED LEASE EXPENDITURES ARE REQUIRED TO BE REALLOCATED UNDER 15 AAC 55.223(b), THEN FOR PURPOSES

OF AS 43.55.011(m)(3), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, THE TOTAL CALCULATED UNDER AS 43.55.011(m)(2), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, IS REPLACED BY

(1) ZERO, IF THE AMOUNT CALCULATED UNDER 15 AAC 55.223(b)(2) IS GREATER THAN OR EQUAL TO THE AMOUNT CALCULATED UNDER 15 AAC 55.223(b)(4);

(2) THE REMAINDER CALCULATED BY SUBTRACTING THE AMOUNT CALCULATED UNDER 15 AAC 55.223(b)(2) FROM THE AMOUNT CALCULATED UNDER 15 AAC 55.223(b)(4), IF THE FORMER AMOUNT IS LESS THAN THE LATTER AMOUNT.

(e) A TAX CREDIT UNDER AS 38.05.180(i), AS 41.09.010, OR AS 43.55.025 IS SUBJECT TO AS 43.55.011(m), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, AND (a) - (c) OF THIS SECTION IF THE PERSON THAT ORIGINALLY QUALIFIED FOR THE TAX CREDIT FAILS TO TRANSFER THE TAX CREDIT TO ANOTHER PERSON BEFORE OR DURING THE CALENDAR YEAR THAT THE CREDIT BECOMES AVAILABLE TO BE APPLIED AGAINST A TAX LEVIED BY AS 43.55.011(e) FOR GAS PRODUCED FROM LEASES OR PROPERTIES IN THE COOK INLET SEDIMENTARY BASIN. IF THE TAX CREDIT IS TRANSFERRED TO ANOTHER PERSON BEFORE OR DURING THAT CALENDAR YEAR, THE TRANSFEREE'S USE OF THE TAX CREDIT IS NOT SUBJECT TO AS 43.55.011(m), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, OR (a) - (c) OF THIS SECTION, IRRESPECTIVE OF WHETHER THE TRANSFEREE PRODUCES GAS FROM A LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN. FOR PURPOSES OF THIS

SUBSECTION, A TAX CREDIT UNDER AS 43.55.025 IS NOT AVAILABLE TO BE APPLIED AGAINST A TAX UNTIL THE DEPARTMENT HAS ISSUED A PRODUCTION TAX CREDIT CERTIFICATE FOR THE CREDIT UNDER AS 43.55.025(f)(5).

(f) AT THE REQUEST OF THE PERSON SEEKING A PRODUCTION TAX CREDIT CERTIFICATE UNDER AS 43.55.025(f), THE DEPARTMENT WILL DEFER ISSUING A CERTIFICATE THAT IS OTHERWISE READY FOR ISSUANCE IN DECEMBER OF A CALENDAR YEAR UNTIL JANUARY OF THE NEXT CALENDAR YEAR.

(g) THIS SECTION APPLIES TO OIL AND GAS PRODUCED AND EXPENDITURES INCURRED BEFORE JULY 1, 2007.] (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080            AS 43.55.011            AS 43.55.024  
                  AS 43.55.025            AS 43.55.110

15 AAC 55.345(b) is amended to read:

(b) In addition to other information required by the department, a claim under this section for a tax credit for a qualified capital expenditure under AS 43.55.023(a), carried-forward annual loss under AS 43.55.023(b), or well lease expenditure under AS 43.55.023(l) must include

(1) a description and accounting of the expenditures for which the credit is claimed, including a summary of the types of expenditures and the month and calendar year each expenditure was incurred;

(2) a description of the lease or property or other land where the exploration, development, or production activities with respect to which the relevant expenditures were incurred took place, and if the producer is not the operator, identification of the operator;

(3) a list of any partners or other entities that shared in costs of which the relevant expenditures incurred by the producer are the producer's share, providing the respective shares of the partners or other entities, including the producer, and identifying the operator of the venture;

(4) identification of the custodians of the accounting records for the relevant expenditures, including the general ledgers, contracts, progress billings and invoices, and joint interest billings;

(5) if applicable, the producer's written

(A) agreement required under AS 43.55.023(a)(2), as the provisions of that paragraph read on June 30, 2007, in the case of an expenditure incurred for exploration work performed before July 1, 2008;

(B) agreements required under AS 43.55.023(a)(2), as amended by sec. 25, ch. 1, SSSLA 2007, or AS 43.55.023(l)(2), and documentation that the producer has submitted to the Department of Natural Resources all data referred to

(i) in AS 43.55.023(a)(2)(B), as amended by sec. 25, ch. 1, SSSLA 2007, in the case of a claim for a tax credit under AS 43.55.023(a) for an expenditure incurred for exploration work performed after June 30, 2008;

(ii) in AS 43.55.023(l)(2)(B), in the case of a claim for a tax credit under AS 43.55.023(l) for a well lease expenditure; and

(6) in the case of a

(A) claim for a tax credit under AS 43.55.023(a) for a qualified capital expenditure, the producer's certification that a tax credit has not been and is not being taken for the expenditure under [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043, AS 43.55.023(l) or 43.55.025, except as provided under (c) of this section;

(B) claim for a tax credit under AS 43.55.023(l) for a well lease expenditure, the producer's certification that a tax credit has not been and is not being taken for the expenditure under [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043, AS 43.55.023(a), or 43.55.025, except as provided under (c) of this section.

15 AAC 55.345(c) is amended to read:

(c) A producer that files an application under [15 AAC 55.355 OR] 15 AAC 55.356 for an alternative oil and gas exploration tax credit under AS 43.55.025 for an expenditure that the producer believes is a qualified capital expenditure may file a contingent claim under this section for a qualified capital expenditure tax credit under AS 43.55.023(a) or (l), if and to the extent that the expenditure later is determined not to qualify for a tax credit under AS 43.55.025 but is determined to qualify for a tax credit under AS 43.55.023(a).

15 AAC 55.345(d) is amended to read:

(d) In addition to other information required by the department, a claim under this section for a tax credit shown on a transferable tax credit certificate under AS 43.55.023(e) must

(1) identify the certificate and the person that transferred the certificate to the producer claiming the tax credit; and

(2) state the percentage, if any, of the tax credit that was subtracted in calculating the amount of an installment payment for each month under [15 AAC 55.380(B) OR] 15 AAC 55.381(b)[, as applicable].

15 AAC 55.345(e) is repealed:

(e) Repealed \_\_/\_\_/\_\_. [IN ADDITION TO OTHER INFORMATION REQUIRED BY THE DEPARTMENT, A CLAIM UNDER THIS SECTION FOR A TAX CREDIT FOR A TRANSITIONAL INVESTMENT EXPENDITURE UNDER AS 43.55.023(i)(2) MUST INCLUDE THE PRODUCER'S CERTIFICATION THAT A TAX CREDIT HAS NOT BEEN AND IS NOT BEING TAKEN UNDER AS 38.05.180(i), AS 41.09.010, AS 43.20.043, OR AS 43.55.025 FOR THE EXPENDITURE.]

15 AAC 55.345(f) is repealed:

(f) Repealed \_\_/\_\_/\_\_. [A PRODUCER CLAIMING A TAX CREDIT UNDER AS 43.55.023(i)(2) FOR CALENDAR YEAR 2006 NEED NOT PROVIDE DOCUMENTATION OF THE PERSON'S TRANSITIONAL INVESTMENT EXPENDITURES OTHER THAN A CERTIFICATION THAT THE PRODUCER INCURRED SUFFICIENT TRANSITIONAL INVESTMENT EXPENDITURES TO QUALIFY FOR THE AMOUNT OF THE TAX CREDIT CLAIMED. NOTHING IN THIS SUBSECTION LIMITS THE DEPARTMENT'S RIGHT TO REQUIRE ADDITIONAL DOCUMENTATION ON LATER AUDIT.]

15 AAC 55.345(g) is repealed:

(g) Repealed \_\_/\_\_/\_\_. [A PRODUCER THAT HAS INCURRED TRANSITIONAL INVESTMENT EXPENDITURES AND THAT WISHES TO TAKE A TAX CREDIT UNDER AS 43.55.023(i)(2) FOR A CALENDAR YEAR AFTER 2006 MUST PROVIDE TO THE DEPARTMENT NO LATER THAN MARCH 31, 2008, IN ADDITION TO OTHER INFORMATION THE DEPARTMENT MAY REQUIRE, A COMPLETE STATEMENT OF THE PRODUCER'S TRANSITIONAL INVESTMENT EXPENDITURES, BY CALENDAR YEAR IN WHICH THE EXPENDITURE WAS INCURRED AND BY LEASE OR PROPERTY TO WHICH THE EXPENDITURE RELATED, AND SHOWING THE PRODUCER'S TOTAL AMOUNT OF TRANSITIONAL INVESTMENT EXPENDITURES.]

15 AAC 55.345 is amended by adding new subsections to read:

(i) In addition to the information and documentation required under (b) of this section for cost data related to the application for a transferable tax credit certificate under AS 43.55.023(d) a producer or explorer will also be required to provide the department with certain information and documentation related to any outstanding liabilities which may be due from the applicant to the department or another department to include

(1) the applicant's certification, under oath, of the amount of any outstanding liabilities with the department or another department of the state regardless of whether or not those outstanding liabilities are the subject of any litigation;

(2) any unresolved notices of assessment or liens filed against the applicant by the department or any other department of the state;

(3) any unresolved notices of violations, or assessment of or liability for tax, interest, penalty, fee, rental, royalty or other charge of any kind issued to the applicant by the department or any other department of the state;

(4) disclosure of any litigation between the applicant and the department or any other department of the state, including administrative appeals or proceedings, and indicate the amount in controversy; and

(5) copies of the applicant's audited financial statements, including the auditor's Opinion, Notes to the audited financial statements, and information related to any contingent liabilities that may be owed by the applicant to another party.

(j) If an applicant for a transferable tax credit certificate under AS 43.55.023(d) has an outstanding liability to the department or another department the department may reduce the amount of the transferable tax credit certificate by the amount of the outstanding liability. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080                      AS 43.55.023                      AS 43.55.024  
                   AS 43.55.025                      AS 43.55.030                      AS 43.55.040  
                   AS 43.55.110

15 AAC 55.350 is repealed:

**15 AAC 55.350. Alternative tax credit for exploration expenditures for work performed after June 30, 2003, and before July 1, 2008.** Repealed \_\_/\_\_/\_\_. [(a) AN EXPLORER MAY REQUEST AN ALTERNATIVE OIL AND GAS EXPLORATION TAX CREDIT UNDER AS 43.55.025, AS THE PROVISIONS OF THAT SECTION READ ON



JUNE 30, 2008, BY FILING AN APPLICATION WITH THE DEPARTMENT NO LATER THAN SIX MONTHS AFTER THE COMPLETION DATE OF THE EXPLORATION ACTIVITY FOR WHICH THE TAX CREDIT IS CLAIMED. FOR A TAX CREDIT THAT THE APPLICANT WISHES TO USE FOR A PREVIOUS CALENDAR YEAR, AS PROVIDED UNDER 15 AAC 55.370(c), AN APPLICATION MAY BE FILED WITH THE STATEMENT FILED UNDER AS 43.55.030(a) FOR THAT CALENDAR YEAR.

(b) FOR A PARTICULAR EXPLORATION WELL, AN EXPLORER MAY CLAIM A TAX CREDIT OF

(1) 20 PERCENT OF EXPLORATION EXPENDITURES,

(A) IF THOSE EXPENDITURES QUALIFY UNDER AS 43.55.025(b) AND (c), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2008; AND

(B) REGARDLESS OF WHETHER THE WELL IS LESS THAN 25 MILES FROM AN EXISTING UNIT THAT IS UNDER A PLAN OF DEVELOPMENT;

(2) 20 PERCENT OF EXPLORATION EXPENDITURES,

(A) IF THOSE EXPENDITURES QUALIFY UNDER AS 43.55.025(b) AND (d), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2008; AND

(B) REGARDLESS OF WHETHER THE BOTTOM HOLE OF THE EXPLORATION WELL IS LESS THAN THREE MILES AWAY FROM THE BOTTOM HOLE OF A PREEXISTING SUSPENDED, COMPLETED, OR

ABANDONED OIL OR GAS WELL, AS THE TERM "PREEXISTING" WAS  
DEFINED IN AS 43.55.025(c)(2)(A) ON JUNE 30, 2008; OR

(3) 40 PERCENT OF EXPLORATION EXPENDITURES, IF THOSE  
EXPENDITURES QUALIFY UNDER AS 43.55.025(b), (c), AND (d), AS THE PROVISIONS  
OF THOSE SUBSECTIONS READ ON JUNE 30, 2008.

(c) FOR A PARTICULAR SEISMIC OR GEOPHYSICAL EXPLORATION  
ACTIVITY, AN EXPLORER MAY CLAIM A TAX CREDIT OF 40 PERCENT OF  
EXPLORATION EXPENDITURES, IF THOSE EXPENDITURES QUALIFY UNDER  
AS 43.55.025(b) AND (e), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON  
JUNE 30, 2008.

(d) THIS SECTION APPLIES TO EXPLORATION EXPENDITURES FOR WORK  
PERFORMED AFTER JUNE 30, 2003, AND BEFORE JULY 1, 2008.] (Eff. 5/3/2007,  
Register 182; am 12/25/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.025 AS 43.55.110

**Editor's note:** The subject matter of 15 AAC 55.350 was formerly located at  
15 AAC 55.220. The history note for 15 AAC 55.350 does not reflect the history of the earlier  
section.

15 AAC 55.351(d) is amended to read:

(d) This section applies to exploration expenditures for work performed after June  
30, 2008 and before July 1, 2016, and to seismic exploration expenditures for work performed

before July 1, 2003, except that exploration expenditures for work conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North Latitude

(1) must be incurred for work performed after June 30, 2008 and before January 1, 2022;

(2) a well spud before July 1, 2017 is eligible for an alternative oil and gas exploration tax credit under AS 43.55.025(m) for expenditures incurred within 18 months of the date the well was spud-. (Eff. 12/25/2009, Register 192; am \_\_/\_\_/\_\_, Register \_\_)

**Authority:** AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.355 is repealed:

**15 AAC 55.355. Alternative oil and gas exploration tax credit claim for expenditures for work performed after June 30, 2003, and before July 1, 2008.**

Repealed \_\_/\_\_/\_\_. [(a) AN APPLICATION FOR AN ALTERNATIVE OIL AND GAS EXPLORATION TAX CREDIT UNDER AS 43.55.025, AS THE PROVISIONS OF THAT SECTION READ ON JUNE 30, 2008, FOR A PARTICULAR EXPLORATION ACTIVITY MAY, ON A FORM PROVIDED BY THE DEPARTMENT, BE FILED BY

(1) A SINGLE EXPLORER THAT

(A) HOLDS THE ENTIRE INTEREST IN THE PARTICULAR WELL OR SEISMIC OR GEOPHYSICAL EXPLORATION ACTIVITY; AND

(B) INCURRED 100 PERCENT OF THE EXPENDITURES FOR WHICH THE CREDIT IS CLAIMED; OR

(2) A DESIGNATED JOINT APPLICANT THAT IS AUTHORIZED IN A WRITING, SIGNED BY EACH EXPLORER THAT INCURRED EXPENDITURES, TO FILE A JOINT TAX CREDIT APPLICATION ON BEHALF OF ALL THOSE EXPLORERS; A JOINT APPLICATION MUST BE FOR THE TOTAL QUALIFIED EXPENDITURES INCURRED BY ALL THE EXPLORERS FOR THE EXPLORATION ACTIVITY FOR WHICH THE CREDIT IS CLAIMED AND MUST INCLUDE A COPY OF THE WRITTEN AUTHORIZATION SIGNED BY EACH EXPLORER.

(b) A TAX CREDIT APPLICATION FOR AN EXPLORATION WELL MUST INCLUDE THE FOLLOWING INFORMATION:

(1) THE APPLICANT'S NAME, PERMANENT CONTACT ADDRESS, AND TELEPHONE NUMBER;

(2) IF THE APPLICANT IS A DESIGNATED JOINT APPLICANT, UNDER (a)(2) OF THIS SECTION, THE NAME AND ADDRESS OF EACH EXPLORER REPRESENTED IN THE APPLICATION AND THE PERCENTAGE OF THE TOTAL QUALIFIED EXPLORATION EXPENDITURES INCURRED BY EACH EXPLORER;

(3) A DESCRIPTION OF THE EXPLORATION ACTIVITIES FOR WHICH THE CREDIT IS CLAIMED;

(4) AN ACCOUNTING OF THE QUALIFIED EXPLORATION EXPENDITURES FOR WHICH CREDIT IS CLAIMED;

(5) THE DATE THE EXPLORATION WELL WAS SPUDDED, THE DATE IT WAS DRILLED, AND THE COMPLETION DATE;

(6) THE BOTTOM HOLE LOCATION AND THE SURFACE LOCATION OF THE EXPLORATION WELL;

(7) FOR AN APPLICATION UNDER AS 43.55.025(b) AND (c), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2008, THE

(A) BOTTOM HOLE LOCATION OF THE NEAREST PREEXISTING WELL, AS THE TERM "PREEXISTING" WAS DEFINED IN AS 43.55.025(c)(2)(A) ON JUNE 30, 2008, OR FOR A WELL THAT EXPLORES A COOK INLET PROSPECT, A SHOWING THAT THE WELL CONSTITUTES A DISTINCT SEPARATE EXPLORATION TARGET;

(B) DATE THE NEAREST PREEXISTING WELL WAS DRILLED, AS THE TERM "PREEXISTING" WAS DEFINED IN AS 43.55.025(c)(2)(A) ON JUNE 30, 2008;

(C) COMPLETION DATE OF THE NEAREST PREEXISTING WELL, AS THE TERM "PREEXISTING" WAS DEFINED IN AS 43.55.025(c)(2)(A) ON JUNE 30, 2008; AND

(D) THE DISTANCE BETWEEN THE BOTTOM HOLE LOCATION OF THE EXPLORATION WELL AND THE BOTTOM HOLE LOCATION OF THE NEAREST PREEXISTING WELL, AS THE TERM "PREEXISTING" WAS DEFINED IN AS 43.55.025(c)(2)(A) ON JUNE 30, 2008, MEASURED AS A HORIZONTAL DISTANCE BETWEEN THE SURFACE LOCATION DIRECTLY ABOVE THE BOTTOM HOLE LOCATION OF EACH WELL;

(8) IF THE EXPLORATION WELL IS WITHIN A UNIT BOUNDARY,

(A) IDENTIFICATION OF THE UNIT; AND

(B) A COPY OF THE PLAN OF EXPLORATION OR PLAN OF DEVELOPMENT THAT WAS IN EFFECT FOR THE UNIT ON MAY 13, 2003;

(9) FOR AN APPLICATION UNDER AS 43.55.025(b) AND (d), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2008,

(A) IDENTIFICATION OF THE NEAREST UNIT THAT IS UNDER A PLAN OF DEVELOPMENT; AND

(B) THE DISTANCE BETWEEN THE BOTTOM HOLE LOCATION OF THE EXPLORATION WELL AND THE OUTER BOUNDARY OF THE NEAREST UNIT THAT IS UNDER A PLAN OF DEVELOPMENT,

(i) AS THE BOUNDARY WAS DELINEATED ON JULY 1, 2003; AND

(ii) MEASURED AS A HORIZONTAL DISTANCE BETWEEN THE SURFACE LOCATION DIRECTLY ABOVE THE BOTTOM HOLE LOCATION OF THE WELL AND THE NEAREST POINT ON THE OUTER BOUNDARY OF THE UNIT;

(10) A SURVEY PLAT THAT GRAPHICALLY IDENTIFIES ALL THE LOCATIONS, DISTANCES, AND DATES REQUIRED UNDER THIS SUBSECTION;

(11) A COPY OF THE WELL COMPLETION OR RECOMPLETION REPORT AND LOG (FORM 10-407) FOR THE EXPLORATION WELL FILED WITH THE ALASKA OIL AND GAS CONSERVATION COMMISSION UNDER 20 AAC 25.070, OR A COPY OF A WELL COMPLETION REPORT THAT IS SUBSTANTIALLY SIMILAR TO THAT FILING AND THAT IS FILED WITH A FEDERAL AGENCY; IN ADDITION, IF THE APPLICATION IS FOR EXPENDITURES THAT QUALIFY UNDER AS 43.55.025(c)(2), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2008, THE APPLICATION MUST INCLUDE A COPY OF THE WELL COMPLETION OR

RECOMPLETION REPORT AND LOG (FORM 10-407) FOR THE NEAREST PREEXISTING WELL, AS THE TERM "PREEXISTING" WAS DEFINED IN AS 43.55.025(c)(2)(A) ON JUNE 30, 2008, OR THE SUBSTANTIALLY SIMILAR FEDERAL FILING;

(12) THE WRITTEN AGREEMENTS REQUIRED UNDER AS 43.55.025(f)(2), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2008;

(13) OTHER INFORMATION REQUESTED BY THE DEPARTMENT, AS THE DEPARTMENT CONSIDERS NECESSARY FOR REVIEWING THE APPLICATION.

(c) A TAX CREDIT APPLICATION FOR A PARTICULAR SEISMIC OR GEOPHYSICAL EXPLORATION ACTIVITY MUST INCLUDE THE FOLLOWING INFORMATION:

(1) THE NAME, PERMANENT CONTACT ADDRESS, AND TELEPHONE NUMBER OF THE APPLICANT;

(2) IF THE APPLICANT IS A DESIGNATED JOINT APPLICANT, UNDER (a)(2) OF THIS SECTION, THE NAME AND ADDRESS OF EACH EXPLORER REPRESENTED IN THE APPLICATION AND THE PERCENTAGE OF THE TOTAL QUALIFIED EXPLORATION EXPENDITURES INCURRED BY EACH EXPLORER;

(3) A DESCRIPTION OF THE SEISMIC OR GEOPHYSICAL EXPLORATION ACTIVITIES FOR WHICH THE CREDIT IS CLAIMED;

(4) AN ACCOUNTING OF THE QUALIFIED EXPLORATION EXPENDITURES FOR WHICH CREDIT IS CLAIMED;

(5) THE DATE OF AND LOCATION WHERE THE SEISMIC OR GEOPHYSICAL ACTIVITY OCCURRED;

(6) A STATEMENT VERIFYING

(A) THAT THE SEISMIC OR GEOPHYSICAL EXPLORATION ACTIVITIES OCCURRED OUTSIDE OF THE BOUNDARIES OF A UNIT THAT IS UNDER A PLAN OF EXPLORATION OR A PLAN OF DEVELOPMENT; OR

(B) THE PERCENTAGE OF THE SEISMIC OR GEOPHYSICAL EXPLORATION ACTIVITIES THAT OCCURRED INSIDE THE UNIT BOUNDARY, IF A PORTION OF THOSE ACTIVITIES CROSSED INTO THE BOUNDARY OF A UNIT;

(7) THE WRITTEN AGREEMENTS REQUIRED UNDER AS 43.55.025(f)(2), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2008;

(8) OTHER INFORMATION REQUESTED BY THE DEPARTMENT, AS THE DEPARTMENT CONSIDERS NECESSARY FOR REVIEWING THE APPLICATION.

(d) AN APPLICANT UNDER THIS SECTION SHALL RETAIN, AND MAKE AVAILABLE TO THE DEPARTMENT UPON REQUEST, ALL FINANCIAL AND TECHNICAL SOURCE DOCUMENTS AND RECORDS SUPPORTING THE CREDIT CLAIMED FOR AN EXPLORATION WELL OR SEISMIC OR GEOPHYSICAL EXPLORATION ACTIVITIES, INCLUDING THE RIG LOGS, DAILY DRILLING LOGS, AND ACTIVITY LOGS.

(e) AFTER THE SIX-MONTH APPLICATION PERIOD IN AS 43.55.025(f) HAS EXPIRED, THE DEPARTMENT WILL ISSUE ONE OR MORE PRODUCTION TAX CREDIT CERTIFICATES FOR THE QUALIFIED EXPENDITURES ALLOWED UNDER AS 43.55.025.



(f) THE DEPARTMENT MAY ALLOCATE CLAIMED EXPENDITURES BETWEEN EXPLORATION AND NON-EXPLORATION ACTIVITIES, AND WILL DENY A CLAIMED EXPLORATION EXPENDITURE THAT IT DETERMINES NOT TO BE REASONABLY REQUIRED OR NOT INCURRED FOR QUALIFIED EXPLORATION ACTIVITIES.

(g) THIS SECTION APPLIES TO EXPLORATION EXPENDITURES FOR WORK PERFORMED AFTER JUNE 30, 2003, AND BEFORE JULY 1, 2008.] (Eff. 5/3/2007, Register 182; am 12/25/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.025 AS 43.55.110

**Editor's note:** The subject matter of 15 AAC 55.355 was formerly located at 15 AAC 55.225. The history note for 15 AAC 55.355 does not reflect the history of the earlier section.

15 AAC 55.356(g) is amended to read:

(g) This section applies to exploration expenditures for work performed after June 30, 2008 and before July 1, 2016, and to seismic exploration expenditures under AS 43.55.025(k) for work performed before July 1, 2003, **except that exploration expenditures for work conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North**

**Latitude**

**(1) must be incurred for work performed after June 30, 2008 and before January 1, 2022;**

**(2) a well spud before July 1, 2017 is eligible for an alternative oil and gas exploration tax credit under AS 43.55.025(m) for expenditures incurred within 18 months of the date the well was spud.** (Eff. 12/25/2009, Register 192; am \_\_\_/\_\_\_/\_\_\_, Register\_\_\_)

**Authority:** AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.360(a) is amended to read:

(a) For purposes of the alternative oil and gas exploration tax credit under

(1) AS 43.55.025, as the provisions of that section read on June 30, 2008, qualified exploration expenditures are the reasonably required direct costs for work performed on a particular exploration well or seismic or geophysical exploration project on or after July 1, 2003 and before July 1, 2008;

(2) AS 43.55.025, in effect on July 1, 2008, qualified exploration expenditures are the reasonably required direct costs for work performed on a particular exploration well or seismic or other geophysical exploration project after June 30, 2008, and before July 1, 2016, or on a particular seismic exploration project before July 1, 2003, **except that exploration expenditures for work conducted outside of the Cook Inlet sedimentary basin and south of 68 degrees North Latitude**

**(1) must be incurred for work performed after June 30, 2008 and before January 1, 2022;**

**(2) a well spud before July 1, 2017 is eligible for an alternative oil and gas exploration tax credit under AS 43.55.025(m) for expenditures incurred within 18 months of the date the well was spud.**

(Eff. 5/3/2007, Register 182; am 12/25/2009, Register 192; am \_\_/\_\_/\_\_\_\_, Register \_\_\_\_\_)

**Authority:** AS 43.05.080      **AS 43.55.025**      AS 43.55.110  
[AS 43.55.025]

15 AAC 55.370(a) is amended to read:

(a) To apply a production tax credit certificate issued under AS 43.55.025 against a production tax liability under AS 43.55.011(e) or, for oil and gas produced before July 1, 2007, AS 43.55.011(f), a producer must submit to the department, with the statement described in AS 43.55.030(a), a written designation, on a form prescribed by the department, stating the

(1) amount of tax credit to be applied against the tax liability;

(2) calendar year for which the tax credit is to be applied; and

(3) percentage, if any, of the tax credit that was subtracted in calculating the amount of an installment payment for each month under [15 AAC 55.380(b) OR] 15 AAC 55.381(b)[, AS APPLICABLE].

15 AAC 55.370(b) is amended to read:

(b) On receipt of a written designation under (a) of this section, subject to the provisions of [15 AAC 55.340 OR] 15 AAC 55.341, [AS APPLICABLE,] the department will apply the

designated tax credit against the producer's production tax liability under AS 43.55.011(e) or, for oil and gas produced before July 1, 2007, AS 43.55.011(f), as applicable, for the designated calendar year in the order listed under 15 AAC 55.375 or, if the producer submits a schedule under 15 AAC 55.375(c), in the order listed in that schedule. Subject to the provisions of [15 AAC 55.340 OR] 15 AAC 55.341[, AS APPLICABLE,] an unused amount of a tax credit designated for a calendar year under (a) of this section will be applied as a credit for the next calendar year for which the producer has a tax liability under AS 43.55.011(e) or, for oil and gas produced before July 1, 2007, AS 43.55.011(f), in the order listed under 15 AAC 55.375 or listed in the producer's then-current schedule.

(Eff. 5/3/2007, Register 182; am 12/25/2009, Register 192; am \_\_/\_\_/\_\_, Register \_\_\_\_)

**Authority:** AS 43.05.080                      **AS 43.55.025**                      AS 43.55.110

[AS 43.55.025]

15 AAC 55.375(a) is amended to read:

(a) For purposes of applying a percentage limitation under AS 43.55.023(e) [OR 38.05.180(i)] on the use of tax credits against a tax levied by AS 43.55.011(e), a producer shall, subject to 15 AAC 55.335(g),

(1) first, apply all tax credits allowable against the tax levied by AS 43.55.011(e) other than credits subject to a percentage limitation under AS 43.55.023(e) [OR 38.05.180(i)];

(2) second, [APPLY A CREDIT SUBJECT TO THE PERCENTAGE LIMITATION UNDER AS 38.05.180(I) AGAINST NOT MORE THAN 50 PERCENT OF THE REMAINING TAX LIABILITY UNDER AS 43.55.011(E), IF ANY;

(3) THIRD,] apply a credit subject to a percentage limitation under AS 43.55.023(e) against not more than 20 percent of the balance of the remaining tax liability under AS 43.55.011(e), if any.

15 AAC 55.375(b) is repealed:

(b) Repealed \_\_/\_\_/\_\_. [FOR PURPOSES OF APPLYING A PERCENTAGE LIMITATION UNDER AS 38.05.180(i) ON THE USE OF TAX CREDITS AGAINST THE MINIMUM TAX FOR OIL AND GAS PRODUCED BEFORE JULY 1, 2007, FROM LEASES OR PROPERTIES IN THE STATE NORTH OF 68 DEGREES NORTH LATITUDE DETERMINED UNDER AS 43.55.011(f), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, A PRODUCER SHALL

(1) FIRST, APPLY ALL TAX CREDITS ALLOWABLE UNDER AS 43.55.024(c) AND 43.55.025 AGAINST THAT MINIMUM TAX LIABILITY;

(2) SECOND, APPLY A CREDIT SUBJECT TO THE PERCENTAGE LIMITATION UNDER AS 38.05.180(i) AGAINST NOT MORE THAN 50 PERCENT OF THE REMAINING MINIMUM TAX LIABILITY, IF ANY.]

15 AAC 55.375(c) is amended to read:

(c) Except as provided under (a) [AND (b)] of this section, and subject to 15 AAC 55.335(g), a producer may apply tax credits in any order, if the producer submits with the statement required under AS 43.55.030(a) a separate schedule setting out the order in which the tax credits are applied. In the absence of that schedule, tax credits must be applied in the following order:

- (1) first, any credit under AS 43.55.024(a);
- (2) second, any credit under AS 43.55.024(c);
- (3) third, for a calendar year after 2013, any credit under AS 43.55.024(i);
- (4) fourth, any credit under AS 43.55.019;
- (5) fifth, for a calendar year after 2013, any credit under AS 43.55.024(j);
- (6) sixth, any credit under AS 43.55.025;
- (7) seventh, for a calendar year before 2014, any credit under AS 43.55.023(i);
- (8) eighth, any credit under AS 43.55.023(a);
- (9) ninth, any credit under AS 43.55.023(l);
- (10) tenth, any credit under AS 43.55.023(b);
- (11) eleventh, [ANY CREDIT UNDER AS 41.09.010;
- (12) TWELFTH, ANY CREDIT UNDER AS 38.05.180(I);
- (13) THIRTEENTH,] any credit under AS 43.55.023(e). (Eff. 5/3/2007, Register

182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am 12/25/2013, Register 208;  
 am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.023 AS 43.55.024  
 AS 43.55.025 AS 43.55.110

15 AAC 55.380 is repealed:

**15 AAC 55.380. Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced before July 1, 2007.** Repealed \_\_/\_\_/\_\_. [(a) FOR PURPOSES ONLY OF THE

(1) CALCULATION REQUIRED UNDER AS 43.55.020(a)(2)(A), AS THE PROVISIONS OF THAT SUBPARAGRAPH READ ON JUNE 30, 2007, THE AMOUNT OF THE TAX CREDITS THAT ARE ALLOWED BY LAW TO BE APPLIED AGAINST THE TAX LEVIED BY AS 43.55.011(e), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, FOR A CALENDAR YEAR

(A) IS CALCULATED WITHOUT REGARD TO A MINIMUM TAX UNDER AS 43.55.011(f); AND

(B) DOES NOT INCLUDE ANY AMOUNT OF A TAX CREDIT THAT THE PRODUCER TRANSFERS TO ANOTHER PERSON;

(2) CALCULATIONS REQUIRED UNDER AS 43.55.020(a)(1) - (3), AS THE PROVISIONS OF THOSE PARAGRAPHS READ ON JUNE 30, 2007, THE AMOUNT CALCULATED UNDER AS 43.55.020(a)(2), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, MAY BE LESS THAN ZERO, BUT THE SUM OF THE AMOUNTS CALCULATED UNDER AS 43.55.020(a)(2) AND (3), AS THE PROVISIONS OF THOSE PARAGRAPHS READ ON JUNE 30, 2007, MAY NOT BE LESS THAN ZERO;

(3) INSTALLMENT PAYMENT REQUIRED UNDER AS 43.55.020(a)(4), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, A TAX CREDIT IS NOT DEDUCTIBLE IN CALCULATING THE AMOUNT OF THE PAYMENT.

(b) THE PROVISION OF AS 43.55.020(a)(2)(A), AS THAT SUBPARAGRAPH READ ON JUNE 30, 2007, PRESCRIBING A LIMIT OF 1/12 OF CERTAIN TAX CREDITS DOES 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 PROVISION OF AS 43.55.020(a)(1), AS THAT PARAGRAPH READ ON JUNE 30, 2007, 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 DESCRIBED IN AS 43.55.020(a)(2) FOR A MONTH, AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, 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.

(c) IF IN CALCULATING THE AMOUNT OF AN INSTALLMENT PAYMENT FOR A MONTH REQUIRED UNDER AS 43.55.020(a)(1), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, A PRODUCER IS UNABLE TO SUBTRACT THE FULL AMOUNT OF TAX CREDITS DESCRIBED IN AS 43.55.020(a)(2)(A), AS THE PROVISION OF THAT SUBPARAGRAPH READ ON JUNE 30, 2007, 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)(5), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007.

(d) THIS SECTION APPLIES TO OIL AND GAS PRODUCED BEFORE JULY 1, 2007.] (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.110

15 AAC 55.410(b) is repealed:

(b) Repealed \_\_/\_\_/\_\_. [THE COMPARISON PROVIDED UNDER AS 43.55.011(e), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, BETWEEN 22.5 PERCENT OF THE PRODUCTION TAX VALUE OF A PRODUCER'S TAXABLE OIL AND GAS AND THE MINIMUM TAX DETERMINED UNDER AS 43.55.011(f), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, APPLIES ONLY TO OIL AND GAS PRODUCED BEFORE JULY 1, 2007, FROM LEASES OR PROPERTIES IN THE STATE NORTH OF 68 DEGREES NORTH LATITUDE. EXCEPT AS OTHERWISE PROVIDED UNDER AS 43.55.011(j) AND (k), THE TAX LEVIED BY AS 43.55.011(e), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, FOR THE REST OF THE PRODUCER'S TAXABLE OIL AND GAS PRODUCED BEFORE JULY 1, 2007, IS EQUAL TO 22.5 PERCENT OF THE PRODUCTION TAX VALUE OF THAT OIL AND GAS AS CALCULATED UNDER AS 43.55.160, AS THE PROVISIONS OF THAT SECTION READ ON JUNE 30, 2007, IRRESPECTIVE OF WHETHER THE MINIMUM TAX

DETERMINED UNDER AS 43.55.011(f), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, IS GREATER THAN 22.5 PERCENT OF THE PRODUCTION TAX VALUE OF THE PRODUCER'S TAXABLE OIL AND GAS PRODUCED FROM LEASES OR PROPERTIES IN THE STATE NORTH OF 68 DEGREES NORTH LATITUDE.]

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.** (Eff. Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am

12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.011 AS 43.55.110

15 AAC 55.420 is repealed:

**15 AAC 55.420. Minimum tax for oil and gas produced before July 1, 2007.**

Repealed \_\_/\_\_/\_\_. [(a) FOR PURPOSES OF AS 43.55.011(e), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, A PRODUCER'S MINIMUM TAX FOR A CALENDAR YEAR DETERMINED UNDER AS 43.55.011(f), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, ON OIL AND GAS PRODUCED BEFORE JULY 1, 2007, FROM LEASES OR PROPERTIES IN THE STATE NORTH OF 68 DEGREES NORTH LATITUDE IS THE AMOUNT CALCULATED BY

(1) CALCULATING THE APPLICABLE PERCENTAGE UNDER

AS 43.55.011(f), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007,

OF 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 ONLY OIL AND GAS THE OWNERSHIP OR RIGHT TO WHICH IS EXEMPT FROM TAXATION; AND

(2) SUBTRACTING, FROM THE AMOUNT CALCULATED UNDER (1) OF THIS SUBSECTION, THE SUM OF

(A) THE TAX, IF ANY, LEVIED BY AS 43.55.011(g), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, FOR OIL AND GAS PRODUCED BY THE PRODUCER DURING THE CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE STATE NORTH OF 68 DEGREES NORTH LATITUDE AND TAXABLE UNDER AS 43.55.011(g), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007; AND

(B) THE TAX, IF ANY, LEVIED BY AS 43.55.011(i) FOR OIL AND GAS PRODUCED BY THE PRODUCER DURING THE CALENDAR YEAR FROM LEASES OR PROPERTIES IN THE STATE NORTH OF 68 DEGREES NORTH LATITUDE AND TAXABLE UNDER AS 43.55.011(i).

(b) A PRODUCER'S MINIMUM TAX CALCULATED UNDER AS 43.55.011(f) AND (a) OF THIS SECTION MAY NOT BE LESS THAN ZERO.

(c) FOR PURPOSES OF AS 43.55.011(f), THE AVERAGE PRICE PER BARREL FOR ANS FOR SALE ON THE UNITED STATES WEST COAST DURING A CALENDAR YEAR IS EQUAL TO THE SIMPLE AVERAGE OF THE AVERAGE SPOT PRICES FOR

ANS AT THE UNITED STATES WEST COAST DURING ALL MONTHS OF THE CALENDAR YEAR AS CALCULATED UNDER 15 AAC 55.171(m).

(d) THIS SECTION APPLIES TO OIL AND GAS PRODUCED BEFORE JULY 1, 2007.] (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_\_\_)

**Authority:** AS 43.05.080 AS 43.55.011 AS 43.55.110

15 AAC 55.430 is repealed:

**15 AAC 55.430. Tax based on price index for oil and gas produced before July 1, 2007.** Repealed \_\_/\_\_/\_\_. [(a) THE AMOUNT OF TAX LEVIED BY AS 43.55.011(g), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, FOR OIL AND GAS PRODUCED BEFORE JULY 1, 2007, IS CALCULATED SEPARATELY FOR EACH SEGMENT UNDER 15 AAC 55.205(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), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, AND 15 AAC 55.205, MULTIPLIED BY A TAX RATE THAT IS EQUAL TO THE PRODUCT OF .25 PERCENT MULTIPLIED BY THE PRICE INDEX FOR THE MONTH DETERMINED UNDER AS 43.55.011(h), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007. FOR PURPOSES OF THE SUM, OVER ALL MONTHS IN A CALENDAR YEAR, OF THE AMOUNTS OF TAX CALCULATED FOR EACH MONTH UNDER AS 43.55.011(g), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, IF THE PRICE INDEX FOR A MONTH DETERMINED UNDER AS 43.55.011(h), AS THE PROVISIONS

OF THAT SUBSECTION READ ON JUNE 30, 2007, IS ZERO, THE AMOUNT OF TAX CALCULATED FOR ALL SEGMENTS FOR THAT MONTH IS ZERO.

(b) THE PRICE INDEX DETERMINED UNDER AS 43.55.011(h), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, IS CALCULATED SEPARATELY FOR EACH MONTH IN A CALENDAR YEAR. FOR PURPOSES ONLY OF AS 43.55.011(h), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, THE TOTAL

(1) MONTHLY PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS PRODUCED BY A PRODUCER DURING A MONTH IS THE TOTAL GROSS VALUE AT THE POINT OF PRODUCTION OF THAT TAXABLE OIL AND GAS PRODUCED FROM ALL LEASES OR PROPERTIES IN THE STATE, LESS 1/12 OF THE TOTAL ADJUSTED LEASE EXPENDITURES INCURRED BY THE PRODUCER DURING THE CALENDAR YEAR IRRESPECTIVE OF THE LEASE OR PROPERTY IN THE STATE FROM WHICH THE OIL AND GAS, IF ANY, TO WHICH THE LEASE EXPENDITURES ARE APPLICABLE UNDER 15 AAC 55.215 WERE PRODUCED;

(2) AMOUNT OF THE TAXABLE OIL AND GAS PRODUCED BY A PRODUCER DURING A MONTH IS THE TOTAL AMOUNT OF OIL AND GAS TAXABLE UNDER AS 43.55.011(g), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, AND PRODUCED BY THE PRODUCER DURING THE MONTH FROM ALL LEASES OR PROPERTIES IN THE STATE.

(c) FOR PURPOSES OF DETERMINING A PRICE INDEX UNDER AS 43.55.011(h), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007, AND A TAX RATE UNDER (a) OF THIS SECTION, THE AUTOMATIC CONVENTION IN THE

ROUNDING COMMAND OR FUNCTION IN COMMERCIALY AVAILABLE

SOFTWARE MUST BE FOLLOWED TO ROUND

(1) THE PRICE INDEX 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 BEFORE JULY 1, 2007. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.011 AS 43.55.110  
AS 43.55.160

15 AAC 55.440(b) is amended to read:

(b) For purposes of **former** AS 43.55.011(k)(2) **as that provision applied to oil produced before January 1, 2017**, the average rate of tax that was imposed under AS 43.55 on taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin for the 12-month period ending on March 31, 2006, was zero percent.

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080 AS 43.55.011 AS 43.55.110  
AS 43.55.160

15 AAC 55.510 is repealed:

**15 AAC 55.510. Installment payments of estimated tax for oil and gas produced before July 1, 2007.** Repealed \_\_/\_\_/\_\_. [(a) IF A LIMITATION UNDER AS 43.55.011(j) OR

(k) ON THE TAX LEVIED BY AS 43.55.011(e) AND (g), AS THE PROVISIONS OF THOSE SUBSECTIONS READ ON JUNE 30, 2007, HAS THE EFFECT OF REDUCING A PRODUCER'S TAX FOR A CALENDAR YEAR FOR OIL OR GAS PRODUCED BEFORE JULY 1, 2007, FROM A LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN BELOW THE AMOUNT OF TAX THAT WOULD BE LEVIED IN THE ABSENCE OF THAT LIMITATION, THE CALCULATION OF THE AMOUNT OF THE PRODUCER'S INSTALLMENT PAYMENT REQUIRED BY AS 43.55.020(a)(1) - (3), AS THE PROVISIONS OF THOSE PARAGRAPHS READ ON JUNE 30, 2007, FOR EACH MONTH OF THE CALENDAR YEAR IS MODIFIED IN THE MANNER SET OUT IN (b) - (d) OF THIS SECTION.

(b) THE PRODUCTION TAX VALUE OF OIL AND GAS FOR WHICH THE PRODUCER'S TAX IS REDUCED AS DESCRIBED IN (a) OF THIS SECTION IS EXCLUDED FROM THE CALCULATIONS DESCRIBED IN AS 43.55.020(a)(2)(B) AND (3), AS THE PROVISIONS OF THAT SUBPARAGRAPH AND PARAGRAPH READ ON JUNE 30, 2007.

(c) FOR EACH LEASE OR PROPERTY FOR WHICH THE PRODUCER'S TAX FOR GAS IS REDUCED AS DESCRIBED IN (a) OF THIS SECTION, THE FOLLOWING AMOUNT IS ADDED TO THE AMOUNT CALCULATED FOR EACH MONTH UNDER AS 43.55.020(a)(2)(B), AS THE PROVISIONS OF THAT SUBPARAGRAPH READ ON JUNE 30, 2007: THE PRODUCT OBTAINED BY CARRYING OUT THE CALCULATION SET OUT IN AS 43.55.011(j)(1) OR (2), AS APPLICABLE, BUT SUBSTITUTING IN AS 43.55.011(j)(1)(A) or (2)(A), AS APPLICABLE, THE AMOUNT OF TAXABLE GAS

PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE GAS  
PRODUCED DURING THE CALENDAR YEAR.

(d) FOR EACH LEASE OR PROPERTY FOR WHICH THE PRODUCER'S TAX FOR OIL IS REDUCED AS DESCRIBED IN (a) OF THIS SECTION, THE FOLLOWING AMOUNT IS ADDED TO THE AMOUNT CALCULATED FOR EACH MONTH UNDER AS 43.55.020(a)(2)(B), AS THE PROVISIONS OF THAT SUBPARAGRAPH READ ON JUNE 30, 2007: THE PRODUCT OBTAINED BY CARRYING OUT THE CALCULATION SET OUT IN AS 43.55.011(k)(1) OR (2), AS APPLICABLE, BUT SUBSTITUTING IN AS 43.55.011(k)(1)(A) OR (2)(A), AS APPLICABLE, THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE MONTH FOR THE AMOUNT OF TAXABLE OIL PRODUCED DURING THE CALENDAR YEAR.

(e) THIS SECTION APPLIES TO OIL AND GAS PRODUCED BEFORE JULY 1, 2007. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080            AS 43.55.011            AS 43.55.020  
AS 43.55.110

15 AAC 55.511(a) is amended to read:

(a) For purposes of the calculations described in AS 43.55.020(a)(1)(A)(ii) and (5)(A)(ii) [FOR OIL AND GAS PRODUCED AFTER JUNE 30, 2007], the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e) and not subject to AS 43.55.011(f), (o), or (p).



15 AAC 55.511(b) is amended to read:

(b) For purposes of the calculations described in AS 43.55.020(a)(1)(B)(ii) and (5)(B)(ii) [FOR OIL AND GAS PRODUCED AFTER JUNE 30, 2007],

(1) the gross value at the point of production of the oil and gas produced is calculated only for oil and gas taxable under AS 43.55.011(e), subject to AS 43.55.011(f), and not subject to AS 43.55.011(o);

(2) the applicable percentage of the gross value at the point of production is determined under **AS 43.55.011(f)** [AS 43.55.011(f)(1) - (4)] 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";

(3) the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during a month is equal to the average spot price for ANS at the United States West Coast during the month as calculated under 15 AAC 55.171(m).

15 AAC 55.511(c) is amended to read:

(c) For purposes of the calculations described in AS 43.55.020(a)(1)(B)(iii) and (5)(B)(ii) [FOR OIL AND GAS PRODUCED AFTER JUNE 30, 2007],

**(1)** the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e), subject to AS 43.55.011(f), and not subject to AS 43.55.011(o);

**(2) for oil and gas produced during the month for which the installment payment is calculated and for which oil and gas the gross value at the point of production 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), the gross value at the point of production is also reduced in the calculation of the installment payment.**

15 AAC 55.511(d) is amended to read:

(d) For purposes of the calculations described in AS 43.55.020(a)(1)(C)(ii) and (5)(C)(ii) [FOR OIL AND GAS PRODUCED AFTER JUNE 30, 2007], the gross value at the point of production of the oil or gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e) and subject to AS 43.55.011(j), (k), or (o).

15 AAC 55.511(f) is amended to read:

(f) For purposes of the calculations described in AS 43.55.020(a)(1)(D)(i) and (ii) and (5)(D)(i) and (ii) [FOR OIL AND GAS PRODUCED AFTER JUNE 30, 2007], the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e) and subject to AS 43.55.011(p).

15 AAC 55.511 is amended by adding a new subsection to read:

(h) 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. 10/21/2009, Register 192; am 4/30/2010, Register 194; am 12/25/2013, Register 208; am \_\_/\_\_/\_\_, Register\_\_)

**Authority:** AS 43.05.080                      AS 43.55.011                      AS 43.55.020

AS 43.55.110                      AS 43.55.160                      AS 43.55.895

15 AAC 55.520(f) is amended to read:

(f) A producer or explorer that produces oil or gas during a month, incurs a lease expenditure during a month, incurs an expenditure during a month for which a tax credit may be claimed under AS 43.55.025, or receives during a month a payment or credit that constitutes an adjustment to lease expenditures under AS 43.55.170 shall submit to the department no later than the last day of the following month a report of

(1) amounts and dispositions of oil and gas produced;

(2) destination values, calculated in accordance with 15 AAC 55.151(b)(1), of oil and gas produced;

(3) transportation costs and adjustments for oil and gas produced;

(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) APPLICABLE LEASE EXPENDITURES UNDER AS 43.55.165(J)

AND (K);]

(5) payments or credits received that constitute adjustments to lease expenditures under AS 43.55.170;

(6) tax credits subtracted in calculating the monthly installment payment of estimated tax;

(7) potential tax credits generated during the month but of which no portion is subtracted in calculating the monthly installment payment of estimated tax;

(8) tax credit certificates issued under AS 43.55.023 or 43.55.025 and transferred to another person;

(9) tax payments, including conservation surcharges under AS 43.55.201 or 43.55.300, due for the month; and

(10) the volumes of oil and gas that the producer has determined qualify for a reduction in gross value at the point of production under AS 43.55.160(f), or under AS 43.55.160(f)(1) and (g), and the amounts of the reductions the producer has calculated under 15 AAC 55.211(g).

(Eff. 5/3/2007, Register 182; am 5/17/2008, Register 186; am 12/25/2013, Register 208; am \_\_\_/\_\_\_/\_\_\_, Register \_\_\_)

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

Article 500 of 15 AAC 55 is amended by adding a new section to read:

**15 AAC 55.525. Cash purchases of tax credit certificates.** (a) For applications to purchase tax credit certificates received by the department prior to January 1, 2017 the department will first determine if there is enough money in the oil and gas tax credit fund to purchase the outstanding certificates. If the total amount of applications for purchases of tax credit certificates received by the department prior to January 1, 2017 for which applicants qualify at any time under AS 43.55.028(e) exceeds the amount of available money in the oil and gas tax credit fund, the department will allocate funds proportionally between those applicants based on the balance of tax credits certificates requested for purchase on applications outstanding as of December 31, 2016.

(1) If the applicant or claimant has an outstanding liability to the State for unpaid delinquent taxes for which the department has issued an assessment that has not been paid and, if contested, has not been finally resolved in the taxpayer's favor, the department may reduce the amount of the certificate purchase by the amount determined by the department for the unpaid delinquent tax for which the department has issued an assessment.

(b) For applications to purchase tax credit certificates received by the department on and after January 1, 2017 the department will determine the amount of the credit repurchase limit under AS 43.55.028(g)(3) by

(1) first, determining an amount which is equal to 100 percent of the lesser of the first 35 million dollars or the amount of the tax credit certificate or portion of the certificate requested to be purchased;

(2) second, subtracting the amount determined in (1) from the amount of the certificate's original value to determine the amount, if any, of the remaining certificate value;

(3) third, determine an amount which equal to 75 percent of the lesser of the next 35 million dollars or the amount, if any, of the remaining certificate value;

(4) fourth, add the amounts obtained in steps (1) and (3) of this paragraph to determine the amount of the tax credit certificate that is eligible for purchase in the current year;

(5) fifth, subtract the amount determined in step 4 of this paragraph from the lesser of the amount of the original certificate value, the amount calculated in step 4, or 70 million dollars. The difference, if any, represents the amount of the tax credit certificate to be relinquished by the applicant, may not be carried-forward into a future period, and will not be eligible for purchase by the department in the current or any future period;

(6) sixth, determine the amount, if any, that may be carried forward into future periods by subtracting 70 million dollars from the amount of the original certificate value or portion of certificate applied for purchase in the current year. If the amount is less than or equal to zero then no amount may be carried forward;

(7) the calculations to be performed in steps (1) – (6) of this paragraph are illustrated in the following example:

Example of Application of Credit Repurchase Limit Under AS 43.55.028(g)						
Step	Certificate Value	\$0 - \$35,000,000	\$50,000,000	\$70,000,000	\$100,000,000	\$200,000,000
1	1st \$35MM @ lesser of 100% of \$35MM or Original Certificate Value	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000
2	Remaining Certificate Value	\$0	\$15,000,000	\$35,000,000	\$65,000,000	\$165,000,000
3	2nd \$35MM @ lesser of 75% of \$35MM or Remaining Certificate Value	\$0	\$11,250,000	\$26,250,000	\$26,250,000	\$26,250,000
4	Amount of Tax Credit Certificate Eligible for Purchase	\$35,000,000	\$46,250,000	\$61,250,000	\$61,250,000	\$61,250,000
5	Lesser of Certificate or Amount Calculated	\$35,000,000	\$46,250,000	\$61,250,000	\$61,250,000	\$61,250,000
5	Credit Repurchase Limit	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000
5	Amount of Tax Credit Certificate Relinquished and Not Eligible for Purchase	\$0	(\$3,750,000)	(\$8,750,000)	(\$8,750,000)	(\$8,750,000)
6	Amount Carried-Forward to Subsequent Period	\$0	\$0	\$0	\$30,000,000	\$130,000,000

(c) Subject to the limitations of AS 43.55.028(e) and (g), and this section

(1) an applicant may request the purchase of the full amount of a tax credit certificate, or a portion of a certificate;

(2) portions of a tax credit certificate for which an application for purchase has not been made may be carried-forward into future periods and available for purchase in a subsequent year.

(d) For applications to purchase tax credit certificates received by the department on and after January 1, 2017 the department will first determine if there is enough money in the oil and gas tax credit fund to purchase the outstanding certificates. If the total amount of applications for purchases of tax credit certificates received by the department on and after January 1, 2017 for which applicants qualify at any time under AS 43.55.028(e) exceeds the amount of available money in the oil and gas tax credit fund, the department will allocate funds by granting a preference between two or more applicants to the applicant with the higher percentage of resident workers in the applicant's workforce and resident workers of direct contractors during the previous calendar year. When allocating funds between applicants the department shall

(1) first, purchase any amounts of tax credit certificates determined to be eligible under paragraph (b) of this section from the applicant with the highest percentage of resident workers prior to purchasing any amount of tax credit certificates from an applicant with a lower percentage of resident workers. If two or more applicants have the same percentage, rounded to the nearest whole percent, of resident workers the department shall pay available funds on a pro-rata basis;

(2) second, subject to the availability of funds in the oil and gas tax credit fund under AS 43.55.028 and the limitations of this section, applications for the purchase of tax credit



certificates will be processed and eligibility for purchase will be determined on a semiannual basis. After the department has made a final determination of funds to be allocated for the purchase of tax credits the director of the tax division will send a notice to the applicants and make the information available to the public in accordance with AS 43.05.230(l) and 15 AAC 05.250;

(3) third, if an applicant submits more than a single application for purchase of tax credit certificates under AS 43.55.028(e) during a calendar year, than those applications, even if purchased or determined to be eligible for purchase during that calendar year, shall be summed, for the purposes of this subsection, and considered to be submitted as a single application.

(e) For the purposes of AS 43.55.028(g)(2) an applicant shall report the percentage of resident workers, including direct contractors, to the department and shall retain the necessary documentation to support those percentages for a period of three years following the purchase of the tax credit certificate. The department may use all available data, including information from the Department of Labor, to verify an applicant's claimed percentage of resident workers, including direct contractors.

(f) Subject to the provisions and limitations of AS 43.55.028 and this section

(1) applications for purchase of tax credit certificates received prior to January 1, 2017 will be paid prior to considering applications for purchase received on and after January 1, 2017;

(2) For each subsequent calendar year, all applications from a prior year will be paid prior to considering applications in that subsequent calendar year and will be prioritized based upon

- (A) the date upon which the application for purchase of the tax credit certificate or portion of the certificate was submitted, and
- (B) the percentage of resident workers in the applicant's workforce.

(g) If an applicant has an outstanding liability to the State of Alaska the amount of the outstanding liability shall be deducted from the value of the tax credit certificate or portion of the tax credit certificate requested for purchase, regardless of when that liability may have been incurred, prior to the department purchasing the tax credit certificate or portion of the certificate requested for purchase. If the purchase of a tax credit certificate or portion of a certificate has been reduced under AS 43.55.028(j) by the department making payment to another department to which the outstanding liability is owed and an applicant is successful in their appeal with that other department, then the applicant shall seek reimbursement from that other department.

(h) Except as provide in (i) of this section, an applicant may withdraw an application for purchase of a tax credit certificate at any time up to the point at which an application for purchase has been approved by the director of the tax division. An applicant may reapply for the purchase of a tax credit certificate and, subject to the terms of this section, the new application will be ranked based on the filing date of the new application.

(i) If a producer or explorer has made an assignment of all or a portion of a tax credit certificate and either party to the assignment desires to withdraw the application for a cash purchase of the certificate, the portion of such certificate assigned cannot be withdrawn absent consent of both the assignor and the assignee. The assignor and assignee must also revoke their assignment for such portion of the cash purchase application.

(j) Interest does not accrue with respect to any purchase of a tax credit certificate under AS 43.55.028(e). (Eff. \_\_/\_\_/\_\_\_\_, Register \_\_)

**Authority:** AS 43.05.080 AS 43.55.028 AS 43.55.110

**Editor's note:** The subject matter of 15 AAC 55.525 was formerly located at 15 AAC 55.325.

The history note for 15 AAC 55.525 does not reflect the history of the earlier section.

15 AAC 55.800(a) is amended to read:

(a) The following provisions apply retroactively to April 1, 2006, to oil and gas produced after March 31, 2006:

(1) 15 AAC 55.192;

(2) [15 AAC 55.205;] **repealed** (Eff. \_\_/\_\_/\_\_\_\_, Register);

(3) 15 AAC 55.215;

(4) [15 AAC 55.223;] **repealed** (Eff. \_\_/\_\_/\_\_\_\_, Register);

(5) 15 AAC 55.245, as amended effective December 4, 2010;

(6) 15 AAC 55.270, as amended effective December 4, 2010, except 15 AAC

55.270(a)(2)(C) and (e), which apply retroactively to July 1, 2007;

(7) 15 AAC 55.275;

(8) 15 AAC 55.280, as repealed and readopted effective December 4, 2010;

(9) 15 AAC 55.290 - 15 AAC 55.315(a);

(10) [15 AAC 55.330 - 15 AAC 55.340;] **15 AAC 55.335;**

(11) 15 AAC 55.345 – [15 AAC 55.355;] **15 AAC 55.351;**

(12) 15 AAC 55.370 – [15 AAC 55.380;] **15 AAC 55.375;**

(13) 15 AAC 55.410;

(14) [15 AAC 55.420;] **repealed** (Eff. \_\_/\_\_/\_\_\_\_, Register);

(15) [15 AAC 55.430;] **repealed** (Eff. \_\_/\_\_/\_\_\_\_, Register);

(16) 15 AAC 55.440;

(17) [15 AAC 55.510;] **repealed** (Eff. \_\_/\_\_/\_\_\_\_, Register);

(18) 15 AAC 55.810;

(19) 15 AAC 55.850;

(20) 15 AAC 55.900(a)(21) - (26) and (b)(21) - (25).

15 AAC 55.800(c) is amended to read:

(c) Except for purposes of calculating, under sec. 36(c)(1), ch. 2, TSSLA 2006 (Transitional Provisions), the amount of taxes that would have been levied on a producer by AS 43.55, as the provisions of that chapter read on March 31, 2006, the repeal of the following provisions applies retroactively to April 1, 2006, to oil and gas produced after March 31, 2006:

(1) 15 AAC 55.010;

(2) 15 AAC 55.011;

(3) 15 AAC 55.021(b), (d), (e), (g), and (h);

(4) 15 AAC 55.027;

(5) 15 AAC 55.050;

(6) 15 AAC 55.052;

(7) 15 AAC 55.071;

(8) 15 AAC 55.090;

(9) 15 AAC 55.100;

(10) 15 AAC 55.115;

(11) 15 AAC 55.173(e) and (f);

(12) 15 AAC 55.175;

(13) 15 AAC 55.191(b)(6) and (7);

(14) [15 AAC 55.191(t);] **repealed** (Eff. \_\_/\_\_/\_\_\_\_, Register);

(15) 15 AAC 55.200;

(16) 15 AAC 55.220;

(17) 15 AAC 55.225;

(18) 15 AAC 55.240;

(19) 15 AAC 55.900(a)(6);

(20) 15 AAC 55.900(a)(14);

(21) 15 AAC 55.900(a)(16);

(22) 15 AAC 55.900(b)(4) - (7).

15 AAC 55.800(e) is amended to read:

(e) Except for purposes of calculating, under sec. 36(c)(1), ch. 2, TSSLA 2006 (Transitional Provisions), the amount of taxes that would have been levied on a producer by AS 43.55, as the provisions of that chapter read on March 31, 2006, the changes to the following provisions, effective May 3, 2007, apply retroactively to April 1, 2006, to oil and gas produced after March 31, 2006:

(1) 15 AAC 55.151;

(2) 15 AAC 55.171(a), (g), (h), and (k);

(3) 15 AAC 55.173(a) - (d);

(4) [15 AAC 55.191(b)(8);] **repealed** (Eff. \_\_\_/\_\_\_/\_\_\_\_\_, Register);

(5) 15 AAC 55.195(g) and (i);

(6) 15 AAC 55.900(a)(7)(B) - (C), (9), and (11).

15 AAC 55.800(f) is amended to read:

(f) The following provisions apply retroactively to July 1, 2007:

- (1) 15 AAC 55.181;
- (2) 15 AAC 55.193;
- (3) 15 AAC 55.197;
- (4) 15 AAC 55.206;
- (5) 15 AAC 55.224;
- (6) 15 AAC 55.341;
- (7) 15 AAC 55.381;
- (8) 15 AAC 55.421;
- (9) 15 AAC 55.431;
- (10) 15 AAC 55.511(a) - (d);
- (11) 15 AAC 55.900(b)(26) and (27).

15 AAC 55.800 is amended to add a new subsection:

(k) The provisions of 15 AAC 55.206(b) and 15 AAC 55.211(c), as amended effective \_\_\_\_\_, 201\_\_, apply as of January 1, 2017, and otherwise apply retroactively to July 1, 2007.

15 AAC 55.800 is amended to add a new subsection:

(l) The provisions of 15 AAC 55.335(e) and (f), 15 AAC 55.410(c), and 15 AAC 55.440(b), as amended effective \_\_\_\_\_, 201\_\_, apply as of January 1, 2017, and otherwise apply retroactively to April 1, 2006, for oil and gas produced after March 31, 2006. (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 \_\_/\_\_/\_\_\_\_, Register \_\_\_\_\_.

<b>Authority:</b>	AS 43.05.080	Sec. 37, ch.2,	Sec. 72, ch. 1
	AS 43.55.110	TSSLA 2006	SSSLA 2007
	Sec. 41, ch.1		
	SSLA 2016		

15 AAC 55.805 is repealed:

**15 AAC 55.805. Rules for 2007 mid-year statutory changes.** Repealed \_\_/\_\_/\_\_\_\_, Register \_\_\_\_\_.

[(a) EXCEPT AS PROVIDED BY AS 43.55.011(f), (j), (k), AND (o) AND BY (e) OF THIS SECTION, THE TAX LEVIED ON A PRODUCER FOR CALENDAR YEAR 2007 BY AS 43.55.011, OTHER THAN THE TAX LEVIED BY AS 43.55.011(i), IS THE SUM OF THE TAX CALCULATED UNDER (b) OF THIS SECTION FOR THE PERIOD AFTER DECEMBER 31, 2006, AND BEFORE JULY 1, 2007, AND THE TAX CALCULATED



UNDER (c) OF THIS SECTION FOR THE PERIOD AFTER JUNE 30, 2007, AND BEFORE JANUARY 1, 2008.

(b) FOR PURPOSES OF (a) OF THIS SECTION, THE TAX FOR THE PERIOD AFTER DECEMBER 31, 2006, AND BEFORE JULY 1, 2007, IS THE SUM OF

(1) 22.5 PERCENT OF THE PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS AS CALCULATED UNDER AS 43.55.160(a)(1), AS THE PROVISIONS OF THAT PARAGRAPH READ ON JUNE 30, 2007, BUT SUBSTITUTING IN THAT CALCULATION THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS, AS APPLICABLE, PRODUCED DURING THE FIRST SIX MONTHS OF THE CALENDAR YEAR IN PLACE OF THE ENTIRE CALENDAR YEAR AND THE LEASE EXPENDITURES, AS ADJUSTED, FOR THE FIRST SIX MONTHS OF THE CALENDAR YEAR IN PLACE OF THE ENTIRE CALENDAR YEAR; AND

(2) THE SUM, OVER THE FIRST SIX MONTHS OF THE CALENDAR YEAR, OF THE AMOUNTS CALCULATED FOR EACH MONTH UNDER AS 43.55.011(g), AS THE PROVISIONS OF THAT SUBSECTION READ ON JUNE 30, 2007.

(c) FOR PURPOSES OF (a) OF THIS SECTION, THE TAX FOR THE PERIOD AFTER JUNE 30, 2007, AND BEFORE JANUARY 1, 2008, IS THE SUM OF

(1) 25 PERCENT OF THE PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS AS CALCULATED UNDER AS 43.55.160(a)(1) AS AMENDED BY SEC. 54, CH. 1, SSSLA 2007, BUT SUBSTITUTING IN THAT CALCULATION THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS, AS APPLICABLE, PRODUCED DURING THE LAST SIX MONTHS OF THE CALENDAR YEAR IN PLACE OF THE ENTIRE CALENDAR YEAR AND THE LEASE EXPENDITURES, AS ADJUSTED, FOR

THE LAST SIX MONTHS OF THE CALENDAR YEAR IN PLACE OF THE ENTIRE CALENDAR YEAR; AND

(2) THE SUM, OVER THE LAST SIX MONTHS OF THE CALENDAR YEAR, OF THE TAX AMOUNTS DETERMINED FOR EACH MONTH UNDER AS 43.55.011(g) AS REPEALED AND REENACTED BY SEC. 17, CH. 1, SSSLA 2007.

(d) FOR PURPOSES OF

(1) PARAGRAPHS (b)(1) AND (c)(1) OF THIS SECTION, IN THE CASE OF A UNIT SUBJECT TO AS 43.55.165(j) AND (k), THE LEASE EXPENDITURES, OTHER THAN QUALIFIED CAPITAL EXPENDITURES, FOR EACH SIX-MONTH PERIOD OF 2007 ARE EQUAL TO ONE-HALF OF THE LEASE EXPENDITURES, OTHER THAN QUALIFIED CAPITAL EXPENDITURES, DETERMINED UNDER AS 43.55.165(j) AND (k) FOR CALENDAR YEAR 2007;

(2) PARAGRAPHS (b)(2) AND (c)(2) OF THIS SECTION, MONTHLY PRODUCTION TAX VALUES ARE CALCULATED USING  $1/6$  OF THE LEASE EXPENDITURES FOR THE RESPECTIVE SIX-MONTH PERIOD OF 2007 AND AN APPROPRIATE MONTHLY SHARE, AS DETERMINED USING AN ACCEPTABLE METHOD UNDER 15 AAC 55.192, OF THE PRODUCER'S COSTS OF TRANSPORTATION FOR THE RESPECTIVE SIX-MONTH PERIOD OR, AT THE PRODUCER'S OPTION, OF THE PRODUCER'S COSTS OF TRANSPORTATION FOR THE ENTIRE CALENDAR YEAR; HOWEVER, THE PRODUCER HAS THE OPTION OF USING A MONTHLY SHARE OF THE PRODUCER'S COSTS OF TRANSPORTATION FOR THE ENTIRE CALENDAR YEAR ONLY IF ACTUAL COSTS, RATHER THAN REASONABLE COSTS,

OF TRANSPORTATION ARE DEDUCTIBLE FOR THE LAST SIX MONTHS OF 2007 UNDER AS 43.55.150(a) AND (b).

(e) THE MAXIMUM AMOUNT OF TAX PROVIDED BY AS 43.55.011(j) AND (k) IS DETERMINED SEPARATELY FOR THE FIRST SIX MONTHS AND THE LAST SIX MONTHS OF 2007, BASED ON THE AMOUNT OF TAXABLE GAS OR OIL, RESPECTIVELY, PRODUCED FROM THE LEASE OR PROPERTY DURING THE APPLICABLE SIX-MONTH PERIOD RATHER THAN DURING THE ENTIRE CALENDAR YEAR. THE MAXIMUM AMOUNT OF TAX PROVIDED BY AS 43.55.011(o) IS DETERMINED ONLY FOR THE LAST SIX MONTHS OF 2007, BASED ON THE AMOUNT OF TAXABLE GAS PRODUCED FROM THE LEASE OR PROPERTY DURING THE LAST SIX MONTHS OF 2007. THE MINIMUM AMOUNT OF TAX PROVIDED BY AS 43.55.011(f) IS DETERMINED SEPARATELY FOR THE FIRST SIX MONTHS AND THE LAST SIX MONTHS OF 2007, BUT WITH REFERENCE TO THE AVERAGE PRICE PER BARREL FOR ANS FOR SALE ON THE UNITED STATES WEST COAST FOR THE ENTIRE CALENDAR YEAR.

(f) THE LIMITATION IN AS 43.55.023(a)(1) THAT NOT MORE THAN HALF OF A TAX CREDIT UNDER AS 43.55.023(a) MAY BE APPLIED FOR A SINGLE CALENDAR YEAR APPLIES ONLY TO TAX CREDITS FOR QUALIFIED CAPITAL EXPENDITURES THAT ARE INCURRED AFTER JUNE 30, 2007.

(g) A TAX CREDIT UNDER AS 43.55.023(b) THAT IS APPLIED AGAINST A TAX LEVIED FOR CALENDAR YEAR 2007 IS 20 PERCENT OF THE AMOUNT OF THE CARRIED-FORWARD ANNUAL LOSS.

(h) FOR PURPOSES OF DETERMINING TAX CREDITS UNDER AS 43.55.023(b) BASED ON LEASE EXPENDITURES INCURRED DURING 2007, A CARRIED-FORWARD ANNUAL LOSS FOR THE

(1) FIRST SIX MONTHS OF 2007 IS THE AMOUNT OF ADJUSTED LEASE EXPENDITURES THAT WAS NOT DEDUCTIBLE IN CALCULATING PRODUCTION TAX VALUES UNDER (b)(1) OF THIS SECTION, AND THE TAX CREDIT RATE APPLICABLE TO THE CARRIED-FORWARD ANNUAL LOSS IS 20 PERCENT;

(2) LAST SIX MONTHS OF 2007 IS THE AMOUNT OF ADJUSTED LEASE EXPENDITURES THAT WAS NOT DEDUCTIBLE IN CALCULATING PRODUCTION TAX VALUES UNDER (c)(1) OF THIS SECTION, AND THE TAX CREDIT RATE APPLICABLE TO THE CARRIED-FORWARD ANNUAL LOSS IS 25 PERCENT.

(i) THE PROVISION OF AS 43.55.023(d) FOR ISSUANCE OF TWO TRANSFERABLE TAX CREDIT CERTIFICATES AND POSTPONEMENT OF USE OF THE CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES APPLIES ONLY TO TAX CREDITS BASED ON EXPENDITURES INCURRED AFTER JUNE 30, 2007, AND FOR WHICH A TRANSFERABLE TAX CREDIT CERTIFICATE HAD NOT BEEN ISSUED BEFORE DECEMBER 20, 2007.

(j) FOR PURPOSES OF CALCULATING THE GROSS VALUE AT THE POINT OF PRODUCTION OF OIL OR GAS PRODUCED DURING THE LAST SIX MONTHS OF 2007, THE LOWER OF ACTUAL COSTS OF TRANSPORTATION OR REASONABLE COSTS OF TRANSPORTATION IS DETERMINED UNDER AS 43.55.150(b) FOR THE SIX-MONTH PERIOD AFTER JUNE 30, 2007, AND BEFORE JANUARY 1, 2008.

(k) THE PROVISIONS OF 15 AAC 55.223 AND 15 AAC 55.224 ARE APPLIED RESPECTIVELY FOR THE FIRST SIX MONTHS AND THE LAST SIX MONTHS OF 2007, USING PRODUCTION TAX VALUES, ADJUSTED LEASE EXPENDITURES, AND DETERMINATIONS OF THE MAXIMUM AMOUNT OF TAX PROVIDED BY AS 43.55.011(j), (k), AND (o) FOR THE APPLICABLE SIX-MONTH PERIOD INSTEAD OF FOR THE CALENDAR YEAR.

(l) FOR CALENDAR YEAR 2007, THE EXCLUSION FROM LEASE EXPENDITURES PROVIDED BY AS 43.55.165(e)(18) IS DETERMINED SEPARATELY FOR THE FIRST SIX MONTHS AND THE LAST SIX MONTHS OF THE CALENDAR YEAR, BASED ON THE EXPENDITURES INCURRED DURING THE RESPECTIVE SIX-MONTH PERIOD AND THE TOTAL TAXABLE PRODUCTION DURING THE RESPECTIVE SIX-MONTH PERIOD.] (Eff. 10/21/2009, Register 192; am \_\_/\_\_/\_\_, Register \_\_).

**Authority:** AS 43.05.080            AS 43.55.011            AS 43.55.023  
AS 43.55.110            AS 43.55.150            AS 43.55.160  
AS 43.55.165            Sec. 73, ch. 1, SSSLA 2007  
Sec. 74, ch. 1, SSSLA 2007

15 AAC 55.900(a)(43) is amended to read:

(43) "oil and gas lease" has the meaning given in AS 43.55.900[.];

15 AAC 55.900(a) is amended to add the following new subsections:

(44) "municipal entity" has the meaning given in AS 43.55.895(c);

(45) “direct contractor” means a person, other than an employee of the applicant whose salaries and wages are considered a direct cost under AS 43.55.165, with whom an applicant under AS 43.55.028(g)(2) maintains a contractual relationship for work performed in connection with the applicant’s claims for refunds and payments from the oil and gas tax credit fund under AS 43.55.028(e), AS 43.20.046, 43.20.047, or 43.20.053 or adjusted lease expenditures under AS 43.55.165 or qualified exploration expenses allowed under AS 43.55.025.

(46) “workforce” means employees who are resident workers and workers who do not meet the definition of a resident worker.

15 AAC 55.900(b)(22) is amended to read:

(22) "taxable under AS 43.55.011(e)," when used in reference to oil or gas or both, means produced from a lease or property in the state but excluding any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest; **this paragraph does not apply to the determination of a municipal entity's eligibility for tax credits under AS 43.55.895(b)(1) or to the allocation of a municipal entity's lease expenditures under AS 43.55.895(b)(2);**

15 AAC 55.900(b) is amended by adding a new paragraph to read:

(28) “sells to another party,” when used in reference to oil or gas of a producer that is a municipal entity under AS 43.55.895, means sells to a person other than the producer.

History: 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 \_\_\_\_\_, Register \_\_\_\_\_

Authority: AS 43.05.080      AS 43.55.025      AS 43.55.165

AS 43.55.011      AS 43.55.110      AS 43.55.170

AS 43.55.020      AS 43.55.150      AS 43.55.895

AS 43.55.023      AS 43.55.160      AS 43.55.900

AS 43.55.024