

CS FOR HOUSE BILL NO. 155(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/13/15

Referred: Rules

Sponsor(s): REPRESENTATIVES THOMPSON, Wilson

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing an exploration incentive credit; amending the calculation of adjusted
2 gross income for purposes of the tax on gambling activities aboard large passenger
3 vessels; repealing the amount that may be deducted from the motor fuel tax to cover the
4 expense of accounting and filing for the monthly tax return; repealing a provision
5 allowing an investigation expense under the Alaska Small Loans Act to be in place of a
6 fee required under the Alaska Business License Act; repealing the amount that may be
7 deducted from the tobacco excise tax to cover the expense of accounting and filing for
8 the monthly tax return; repealing the discount on cigarette tax stamps provided as
9 compensation for affixing the stamps to packages; and providing for an effective date."

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

11 * **Section 1.** AS 41.09.010(a) is amended to read:

12 (a) **The** [UNDER AN INCENTIVE PROGRAM DISTINCT FROM THE

1 EXPLORATION INCENTIVE CREDIT AUTHORIZED BY AS 38.05.180(i), THE]
 2 commissioner may extend to a qualified applicant an exploration incentive credit for
 3 each of the following activities performed on land in the state, regardless of whether
 4 the land is state-owned land:

- 5 (1) geophysical work [ON LAND THAT IS NOT SUBJECT TO A
 6 CREDIT UNDER AS 38.05.180(i)];
 7 (2) drilling a stratigraphic test well; and
 8 (3) drilling an exploratory well.

9 * **Sec. 2.** AS 41.09.010(b) is amended to read:

10 (b) An exploration incentive credit extended under (a) of this section may be
 11 applied against

- 12 (1) [A PAYMENT OR OBLIGATION AGAINST WHICH A
 13 CREDIT AUTHORIZED BY AS 38.05.180(i) MAY BE CLAIMED];
 14 (2)] taxes payable under AS 43.20; and
 15 (2) [(3)] oil and gas bonus payments due the state under
 16 AS 38.05.180(f).

17 * **Sec. 3.** AS 43.20.043(g) is amended to read:

18 (g) A taxpayer that obtains a credit for a qualified capital investment or cost
 19 incurred for qualified services under this section may not also claim a tax credit or
 20 royalty modification for the same qualified capital investment or cost incurred for
 21 qualified services under [AS 38.05.180(i),] AS 41.09.010, AS 43.55.023, or
 22 43.55.025. However, a taxpayer may elect not to obtain a credit under this section in
 23 order to qualify for a credit provided under [AS 38.05.180(i),] AS 41.09.010,
 24 AS 43.55.023, or 43.55.025.

25 * **Sec. 4.** AS 43.35.210 is amended to read:

26 **Sec. 43.35.210. Tax on gambling activities.** There is imposed on the operator
 27 of gaming or gambling activities aboard large passenger vessels in the state a tax of 33
 28 percent of the adjusted gross income from those activities. "Adjusted gross income"
 29 means gross income less prizes awarded and [FEDERAL AND] municipal taxes paid
 30 or owed on the income. The tax shall be collected and is due and payable to the
 31 Department of Revenue in the manner and at the times required by the Department of

1 Revenue.

2 * **Sec. 5.** AS 43.40.010(c) is amended to read:

3 (c) Every dealer who sells or otherwise transfers motor fuel in the state shall
 4 collect the tax at the time of sale, and remit the total tax collected during each calendar
 5 month of each year to the department by the last day of each succeeding month. Every
 6 user shall likewise remit the tax accrued on motor fuel actually used by the user during
 7 each month. [IF THE MONTHLY TAX RETURN IS TIMELY FILED, ONE
 8 PERCENT OF THE TOTAL MONTHLY TAX DUE, LIMITED TO A MAXIMUM
 9 OF \$100, MAY BE DEDUCTED AND RETAINED TO COVER THE EXPENSE OF
 10 ACCOUNTING AND FILING THE MONTHLY TAX RETURN.] At the time the
 11 remittance is made, each dealer or user shall submit a statement to the department
 12 showing all fuel which the dealer or user has distributed or used during the month.

13 * **Sec. 6.** AS 43.50.590(a) is amended to read:

14 (a) The department shall adopt procedures for a refund or credit to a licensee
 15 in the amount of the denominated value [, LESS THE DISCOUNT GIVEN UNDER
 16 AS 43.50.540,] for

17 (1) unused or damaged stamps;

18 (2) stamps affixed to cigarette packages that have become unfit for use
 19 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if
 20 the licensee provides proof acceptable to the department that the cigarettes have not
 21 been and will not be consumed in this state; or

22 (3) stamps affixed to cigarette packages that are sold or distributed
 23 outside the state if the licensee provides proof acceptable to the department that the
 24 cigarettes have not been and will not be consumed in this state and the licensee is
 25 properly licensed in the jurisdictions outside the state where the sales or distributions
 26 are made.

27 * **Sec. 7.** AS 43.55.011(m) is amended to read:

28 (m) Notwithstanding any contrary provision of [AS 38.05.180(i),]
 29 AS 41.09.010, AS 43.55.024, or 43.55.025, the department shall provide by regulation
 30 a method to ensure that, for a calendar year for which a producer's tax liability is
 31 limited by (j), (k), or (o) of this section, tax credits based on a lease expenditure

1 incurred before January 1, 2011, that are otherwise available under [AS 38.05.180(i),]
2 AS 41.09.010, AS 43.55.024, or 43.55.025 and allocated to gas subject to the
3 limitations in (j), (k), and (o) of this section are accounted for as though the credits had
4 been applied first against a tax liability calculated without regard to the limitations
5 under (j), (k), and (o) of this section so as to reduce the tax liability to the maximum
6 amount provided for under (j) or (o) of this section for the production of gas or (k) of
7 this section for the production of oil. The regulation must provide for a reasonable
8 method to allocate tax credits to gas subject to (j) and (o) of this section. Only the
9 amount of a tax credit remaining after the accounting provided for under this
10 subsection may be used for a later calendar year, transferred to another person, or
11 applied against a tax levied on the production of oil or gas not subject to (j), (k), or (o)
12 of this section to the extent otherwise allowed.

13 * **Sec. 8.** AS 43.55.023(a) is amended to read:

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

16 (1) notwithstanding that a qualified capital expenditure may be a
17 deductible lease expenditure for purposes of calculating the production tax value of oil
18 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
19 [AS 38.05.180(i),] AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
20 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
21 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
22 expenditure;

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

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

28 (B) submits to the Department of Natural Resources all data
29 that would be required to be submitted under AS 43.55.025(f)(2);

30 (3) a credit for a qualified capital expenditure incurred to explore for,
31 develop, or produce oil or gas deposits located north of 68 degrees North latitude may

1 be taken only if the expenditure is incurred before January 1, 2014.

2 * **Sec. 9.** AS 43.55.023(l) is amended to read:

3 (l) A producer or explorer may apply for a tax credit for a well lease
4 expenditure incurred in the state south of 68 degrees North latitude after June 30,
5 2010, as follows:

6 (1) notwithstanding that a well lease expenditure incurred in the state
7 south of 68 degrees North latitude may be a deductible lease expenditure for purposes
8 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a
9 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),]
10 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
11 well lease expenditure in the state south of 68 degrees North latitude may elect to
12 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent
13 of that expenditure; a tax credit under this paragraph may be applied for a single
14 calendar year;

15 (2) a producer or explorer may take a credit for a well lease
16 expenditure incurred in the state south of 68 degrees North latitude in connection with
17 geological or geophysical exploration or in connection with an exploration well only if
18 the producer or explorer

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

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

23 * **Sec. 10.** AS 06.20.030(c); AS 38.05.180(i); AS 41.09.030; AS 43.50.330(b), 43.50.540(c),
24 and 43.50.540(h) are repealed.

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

27 TRANSITION. The repeal of AS 38.05.180(i) by sec. 10 of this Act does not prohibit
28 the Department of Natural Resources from issuing a credit for an expenditure incurred before
29 the effective date of sec. 10 of this Act. A credit issued under former AS 38.05.180(i) before
30 the effective date of sec. 10 of this Act may, during the period established by the
31 commissioner under former AS 38.05.180(i), be assigned or used to offset taxes imposed

- 1 under the provisions identified in former AS 38.05.180(i).
- 2 * **Sec. 12.** Section 4 of this Act takes effect January 1, 2016.
- 3 * **Sec. 13.** Except as provided in sec. 12 of this Act, this Act takes effect July 1, 2015.