

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, **and before January 1, 2018,** 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) Except as otherwise provided in (e) **and (f)** 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(c) is amended to read:

(c) **Except as otherwise provided in (e) and (f) of this section** [FOR PURPOSES OF THIS SECTION], overpayment of a tax consists only of the balance of tax overpaid on or after December 31, 2013 and does not include any accrued interest owed to the taxpayer 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 **and before January 1, 2018**, 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15 AAC 05.330(e) is repealed and readopted to read:

(e) For the purposes of this subsection a delinquent tax under AS 43.55 consists of the balance of unpaid tax on January 1, 2017, including any accrued and unpaid interest the taxpayer owes on that date. An overpayment of tax under AS 43.55 consists of the balance of the tax overpaid on January 1, 2017, including any accrued interest owed to the taxpayer on that date. The interest on a delinquent tax under AS 43.55 or an overpayment of tax under AS 43.55, on or after January 1, 2017 and before January 1, 2018, shall compound quarterly as of the last day of the quarter. The interest rate for the applicable period shall be

(1) eight and one-quarter percent for January 1, 2017 through March 31, 2017;

(2) eight and one-half percent for April 1, 2017 through June 30, 2017;

(3) eight and three-quarters percent for July 1, 2017 through September 30, 2017;

and

(4) eight and three-quarters percent for October 1, 2017 through December 31, 2017.

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

(f) For the purposes of this subsection a delinquent tax consists of the balance of unpaid tax on January 1, 2018, including any accrued and unpaid interest the taxpayer owes on that date.

An overpayment of tax consists of the balance of the tax overpaid on January 1, 2018, including any accrued interest owed to the taxpayer on that date. Except as otherwise provided in AS 43.55.020(g) and (h), and 15 AAC 55.830, the interest rate applicable to a delinquent tax or overpayment of a tax under this title, on or after January 1, 2018 is the interest rate under AS 43.05.225(1)(C) as of the first day of each calendar quarter in a calendar year calculated on an annualized basis by

(1) adding five and one-quarter percentage points to the annual rate charged by members banks for advances by the 12th Federal Reserve District as of the first day of each calendar quarter, compounded quarterly as of the last day of that 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. (Eff. 2/21/2014, Register 209; am 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority: AS 43.05.080 AS 43.05.280 **Sec. 36, ch. 3 SSSLA 2017**
AS 43.05.225

15 AAC 05.340(2) is amended to read:

(2) 15 AAC 05.330(e), **as the provisions of that subsection read on December 31, 2017.** (Eff. 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority: AS 43.05.080 Sec. 38, ch. 4 4SSLA 2016 **Sec. 36, ch. 3 SSSLA 2017**

15 AAC 55.305(a) is amended to read:

(a) A producer may apply a tax credit as allowed by law only against the specified type of tax liability. A producer may not apply a tax credit against a penalty or interest, **except for as provided in (c) of this subsection for interest associated with an additional amount of tax due when filing an amended return and any self-reported penalty.**

15 AAC 55.305 is amended by adding a new subsection to read:

(c) A producer reporting an additional amount of tax due and associated interest from the tax levied by AS 43.55.011(e) for oil or gas produced in a prior year in an amended return filed with the department before the department has issued an assessment for the tax levied by AS 43.55.011(e) for oil or gas produced in that prior year may carryback a tax credit under AS 43.55.023 or 43.55.025 or a tax credit certificate under AS 43.55.023 or 43.55.025 for application against the additional amount of tax and associated interest. A producer reporting a penalty associated with the tax levied by AS 43.55.011(e) before the department has issued an assessment for the penalty may carryback a tax credit under AS 43.55.023 or 43.55.025 or a tax credit certificate under AS 43.55.023 or 43.55.025 for application against the penalty. If a producer uses a tax credit under AS 43.55.023 or AS 43.55.025 or a tax credit certificate under AS 43.55.023 or AS 43.55.025 to satisfy a self-reported penalty, the producer must specify the amount of the credit being applied to the self-reported penalty. The amount of a tax credit under AS 43.55.023 or 43.55.025 or the amount of a tax credit certificate under AS 43.55.023 or 43.55.025 that the producer may carryback for application against the additional amount due for that prior year is limited to the additional amount of tax and associated interest and any self-

reported penalty. The percentage limitation in AS 43.55.023(e) for a tax credit certificate is inapplicable when a producer carries back a tax credit certificate under AS 43.55.023(e) against the additional amount of tax due for a prior year. For a producer that elected to apply the tax credit in AS 43.55.024(j) in the prior year, the amount of a tax credit under AS 43.55.023 or 43.55.025 or the amount of a tax credit certificate under AS 43.55.023 or 43.55.025 that the producer may carryback for application against the additional amount of tax due for that prior year is limited to the amount of the tax credit under AS 43.55.023 or 43.55.025 or tax credit certificate under AS 43.55.023 or 43.55.025 that would reduce the tax liability under AS 43.55.011(e) for that prior year to the amount in AS 43.55.011(f) as provided in 15 AAC 55.335(g). A producer that elected to apply the tax credit in AS 43.55.024(j) in that prior year may, in its amended return reporting the additional amount of tax, withdraw the producer's application of all or a portion of tax credit in AS 43.55.024(j) in order to carryback a tax credit under AS 43.55.023 or 43.55.025 or a tax credit certificate under AS 43.55.023 or 43.55.025 for application against the additional amount of tax provided no claim for refund would result and no assessment has been issued by the department for the prior year and the carryback is consistent with 15 AAC 55.335(g) if only a portion of the tax credit in AS 43.55.024(j) is withdrawn. No claim for refund may be requested by a producer carrying back a tax credit under AS ^{43.}55.023 or 43.55.025 or a tax credit certificate under AS 43.55.023 or 43.55.025 for application against the additional amount of tax, associated interest for that prior year, or a self-reported penalty. The department may issue a notice and demand for payment, including interest, not later than six years after the date the producer files an amended return that carries back a tax credit under AS 43.55.023 or 43.55.025 or a tax credit certificate under AS 43.55.023 or 43.55.025 if the department reduces the amount of the tax credit under

AS 43.55.023 or 43.55.025 or tax credit certificate under AS 43.55.023 or 43.55.025 following an audit of the tax credit claim to which the tax credit or tax credit certificate relates. A producer may carryforward any excess amount of a tax credit or tax credit certificate if the producer overstated the additional amount of a tax, associated interest, or self-reported penalty, due in its amended return that carried back a tax credit under AS 43.55.023 or 43.55.025 or tax credit certificate under AS 43.55.023 or 43.55.025.

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

Example 1. Producer A has a tax credit under AS 43.55.023(b) in Year 6 due to an annual loss in Year 5. In Year 7, Producer A is required under AS 43.55.075(b) to file amended returns for Year 2 and Year 3 reporting additional tax and associated interest due to a decision of a regulatory agency that results in a retroactive change to costs of transportation that has a corresponding increase on the production tax value of oil produced in Year 2 and Year 3. The department has not issued a notice^{of assessment} and demand for payment for oil and gas produced by Producer A in Year 2 and Year 3 when Producer A files the amended return in Year 7. Producer A in its amended return filed in Year 7 for oil and gas produced in Year 2 and Year 3 may carryback the tax credit under AS 43.55.023 from Year 6 against the additional amount of tax and associated interest due in Year 2 and Year 3.

Example 2. The facts are the same as in Example 1 except the department has determined in Year 10 after an audit that the annual loss in Year 5 for Producer A was a lower amount than claimed in Producer's original return for Year 5. The amount of the tax credit under AS 43.55.023(b) in Year 6 is correspondingly reduced. Producer A overstated its tax credit under AS 43.55.023(b) that it carried back in its amended return for Year 2 and Year 3. The department

issues a notice and demand for payment for Year 3 to account for the reduction in the tax credit after the audit in Year 10.

Example 3. The facts are the same as in Example 1 except Producer A in Year 6 purchased a tax credit certificate under AS 43.55.023 from Explorer B. The department has determined in Year 10 after an audit that the annual loss in Year 5 from Explorer B for a tax credit issued as a carried-forward annual loss under AS 43.55.023(b) was a lower amount than claimed in Explorer B's application for the tax credit certificate. The department issues a notice of assessment and demand for payment pursuant to AS 43.55.023(g) to Explorer B. The department does not issue a demand for payment to Producer A despite the reduction in the tax credit certificate.

Example 4. The facts are the same as in Example 1 except Producer A in Year 8 realizes that it overstated the additional tax and associated interest due in its amended return for Year 3 filed in Year 7. Producer A files an amended return for Year 3 to correct its error. Producer A carried back an excess amount of its tax credit under AS 43 55.023(b) in Year 6 against its amended return in Year 7 for Year 3. Producer A may not request a refund of the excess tax credit in its amended return filed in Year 8. The department will adjust the tax credit to reflect the additional amount of tax credit available due to the decrease in tax.

Example 5. The facts are the same as in Example 1 except Producer A filed its original return late for Year 3. Producer A realizes its failure before the department issues a notice of assessment and demand for payment for the failure to file penalty under AS 43.05.220. Producer A in its amended return for Year 7 includes a self-report of the penalty. Producer A may carryback the tax credit under AS 43.55.023 to apply against its self-reported penalty. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 1 / 1 /2018, Register 224)

Authority:	AS 43.05.080	AS 43.55.024	<u>AS 43.55.075</u>
	AS 43.55.011	AS 43.55.025	AS 43.55.110
	AS 43.55.023	<u>AS 43.55.030</u>	

15 AAC 55.315(a) is amended to read:

(a) **Except as provided in 15 AAC 55.305, a** [A] carried-forward annual loss tax credit under AS 43.55.023(b), **as the provisions of that subsection read before January 1, 2018,** 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.

(Eff. 5/3/2007, Register 182; am 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority:	AS 43.05.080	AS 43.55.110	<u>Sec. 39, ch. 3 SSSLA 2017</u>
	AS 43.05.023	AS 43.55.160	

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 must be incurred for work performed

(1) after June 30, 2008 and before January 1, 2022 **for a tax credit under**
AS 43.55.025(a)(1), (2), or (3);

(2) after June 30, 2008 and before January 1, 2018 for a tax credit under

AS 43.55.025(a)(4); [,] or

(3) as provided in (e) of this section.

(Eff. 12/25/2009, Register 192; am 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority: AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.356(e) is amended to read:

(e) If the department determines that all data required to be submitted to the Department of Natural Resources under AS 43.55.025 have been submitted, and, except for a credit under AS 43.55.025(k), 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. **A conditional tax credit certificate issued under AS 43.55.025(q) expires on the date the department denies the application for a production tax credit certificate under AS 43.55.025(f) or the date the department issues the production tax credit certificate under AS 43.55.025(f). The department will issue a conditional tax credit certificate under AS 43.55.025(q) on and after July 1, 2017 for an application for a tax credit certificate under AS 43.55.025(f) for exploration expenditures incurred before July 1, 2017 if**

(1) the application is submitted to the department on or after July 1, 2017;

or

(2) the applicant requests a conditional tax credit certificate for an application submitted before July 1, 2017 and the department has not

(A) denied the application; or

(B) issued a production tax credit certificate under AS 43.55.025(f).

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 must be incurred for work performed

(1) after June 30, 2008 and before January 1, 2022 **for a tax credit under AS 43.55.025(a)(1), (2), or (3);**

(2) after June 30, 2008 and before January 1, 2018 for a tax credit under AS 43.55.025(a)(4); [,] or

(3) as provided in (h) of this section.

(Eff. 12/25/2009, Register 192; am 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority: AS 43.05.080 AS 43.55.025 AS 43.55.110

15 AAC 55.360(a)(2) is amended to read:

(2) AS 43.55.025(a)(1) - (4), 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 must be incurred for work performed after June 30, 2008 and before

(A) January 1, 2022 for a tax credit under AS 43.55.025(a)(1), (2), or

(3); or

(B) January 1, 2018 for a tax credit under AS 43.55.025(a)(4);

15 AAC 55.360(f)(2)(B) is amended to read:

(B) do not include expenditures to abandon or suspend a well; this subparagraph does not affect the treatment as qualified exploration expenditures of expenses required for abandonment of a dry hole within 18 months after the date the well was spudded as provided in AS 43.55.025(b)(3)(D) [AS 43.55.025(B)(2)(D)]. (Eff. 5/3/2007, Register 182; am 12/25/2009, Register 192; am 3/1/2017, Register 221; am 1/1/2018, Register 224)

Authority: AS 43.05.080

AS 43.55.025

AS 43.55.110

CCC Publisher: No change to editor's notes for 15 AAC 55.360, 15 AAC 55.365, 15 AAC 55.370 or Editor's note: The subject matter of 15 AAC 55.360 was formerly located at 15 AAC 55.230. 15 AAC 55.525.)

~~The history note for 15 AAC 55.360 does not reflect the history of the earlier section.~~

15 AAC 55.365 is amended by adding a new subsection to read:

(e) On or after January 1, 2018, a tax credit certificate for a tax credit under AS 43.55.023(b), as the provisions of that subsection read before January 1, 2018, may be assigned in the same manner as provided under AS 43.55.029 for a tax credit certificate for a tax

credit under AS 43.55.023(a) or (l), or 43.55.025(a). (Eff. 5/3/2007, Register 182; am
1/1/2018, Register 224)

Authority: AS 43.05.080 AS 43.55.025 Sec. 39, ch. 3 SSSLA 2017
AS 43.55.023 AS 43.55.110

Editor's note: The subject matter of 15 AAC 55.365 was formerly located at 15 AAC 55.235.

The history note for 15 AAC 55.365 does not reflect the history of the earlier section.

15 AAC 55.370(c) is amended to read:

(c) Except for a tax credit based on an expenditure for seismic exploration under
AS 43.55.025(k) or except as provided in 15 AAC 55.305,

(1) the earliest calendar year for which a production tax credit under
AS 43.55.025 may be applied against the tax liability of the producer that incurred the
exploration expenditure on which the tax credit is based is the calendar year in which the
exploration expenditure was incurred;

(2) subject to the department's later issuance of a production tax credit certificate
covering the amount of the tax credit, the producer may apply the tax credit before the certificate
is issued.

15 AAC 55.370(d) is amended to read:

(d) Except as provided in 15 AAC 55.305, the [THE] earliest calendar year for which a
production tax credit under AS43.55.025

(1) that is based on an expenditure for seismic exploration under AS 43.55.025(k) may be applied against the tax liability of the producer that incurred the expenditure is the calendar year in which the production tax credit certificate is issued;

(2) may be applied against the tax liability of a transferee of the production tax certificate is the calendar year in which the effective date of the transfer of the certificate occurs.

15 AAC 55.370(e) is amended to read:

(e) A production tax credit certificate does not accrue interest, and except for application against a [PRODUCTION] tax liability as provided in this section or as provided in 15 AAC 55.305 for an additional amount of tax, associated interest, or a self-reported penalty, may not be used in payment of any tax or other amount owed. A production tax credit certificate for exploration expenditures incurred for work performed on or after July 1, 2016 may be applied against the tax levied by AS 43.20.011(e) by the producer or explorer that incurred the expenditures for the production tax credit certificate. (Eff. 5/3/2007, Register 182; am 12/25/2009, Register 192; am 1 / 1 / 2018, Register 224)

Authority: AS 43.05.080 AS 43.55.025 AS 43.55.110

AS 43.20.044

Editor's note: The subject matter of 15 AAC 55.370 was formerly located at 15 AAC 55.240. The history note for 15 AAC 55.370 does not reflect the history of the earlier section.

15 AAC 55.525(h)(2) is amended to read:

(2) for each subsequent calendar year, all applications for purchase received from a prior year will be paid in accordance with the applicable statutes and provisions of this section prior to considering applications in that subsequent calendar year; applications will be prioritized based upon

(A) first, the year in which the application for purchase of the tax credit certificate, the conditional tax credit certificate, or portion of a [THE] certificate was received; and

(B) second, the percentage of resident workers in the applicant's workforce;

15 AAC 55.525(h)(3) is amended to read:

(3) an application must include a certification that the explorer's or producer's operation in the state or its ownership of an interest in a lease or property in the state is not for the purpose of dividing a single entity into multiple explorer or producer entities for the purpose of increasing the amount of tax credits that might be eligible for purchase in any calendar year and that no entity, including affiliates may receive more than \$70 million in cash purchases;

15 AAC 55.525 is amended by adding new subsections to read:

(l) Except as provided in (m) of this section, the department may purchase tax credit certificates issued under AS 43.55.023 or 43.55.025 only if the tax credit underlying the certificate was

(1) earned for activity occurring before July 1, 2017; and

(2) the expenditures for that activity were expenditures incurred before July 1, 2017.

(m) Notwithstanding the provisions of (l) of this section, in addition to the limitations in AS 43.55.028, as the provisions of that section read before July 28, 2017, and the regulations in this chapter implementing that statute, the department may purchase no more than one half of the amount of a tax credit certificate under AS 43.55.023(d) issued for a tax credit under AS 43.55.023(b), as the provisions of that subsection read before January 1, 2018, for lease expenditures incurred in 2017. (Eff. 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority:	AS 43.05.080	<u>AS 43.55.025</u>	AS 43.55.110
	<u>AS 43.55.023</u>	AS 43.55.028	<u>Sec. 38, ch 3 SSSLA 2017</u>

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)(9) is amended to read:

(9) 15 AAC 55.290 - 15 AAC 55.315(a), except 15 AAC 55.305(a) and (c) and 15 AAC 55.315(a), as amended effective January 1, 2018, which apply retroactively to July 28, 2017;

15 AAC 55.800(a)(11) is amended to read:

(11) 15 AAC 55.345 - 15 AAC 55.355, except 15 AAC 55.351(d) [AND (E),] as amended effective March 1, 2017 and as amended effective January 1, 2018, and 15 AAC 55.351(e) as adopted effective March 1, 2017;

15 AAC 55.800(a)(12) is amended to read:

(12) 15 AAC 55.370 - 15 AAC 55.380, except 15 AAC 55.370(c), (d), and (e) as amended effective January 1, 2018 which apply retroactively to July 28, 2017, and

15 AAC 55.375(a) and (c), as amended effective March 1, 2017;

15 AAC 55.800(m)(11) is amended to read:

(11) 15 AAC 55.525, except 15 AAC 55.525(h)(2), (l), and (m) as amended effective January 1, 2018 which apply retroactively to July 1, 2017;

15 AAC 55.800 is amended by adding new subsection to read:

(o) 15 AAC 55.356(e) as amended effective January 1, 2018 applies retroactively to July 1, 2017; (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2/27/2010, Register 193; am 4/30/2010, Register 194; am 12/4/2010, Register 196; am 3/1/2017, Register 221; am 1 / 1 / 2018, Register 224)

Authority:	AS 43.05.080	Sec. 72, ch. 1 SSSLA 2007	<u>Sec. 41, ch. 3 SSSLA 2017</u>
	AS 43.55.110	Sec. 38, ch. 4 4SSLA 2016	<u>Sec. 42, ch. 3 SSSLA 2017</u>
	Sec. 37, ch. 2 TSSLA 2006		