ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Pete Kelly, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 3709
Senator.Pete.Kelly@akleg.gov

Senator Anna MacKinnon, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
Phone - (907) 465- 3777
Senator.Anna.MacKinnon@akleg.gov

Official Business

Sectional Analysis
House Bill 247 TAX;CREDITS;INTEREST;REFUNDS;O & G
Version Z

*Section 1: Relates to the Alaska Oil and Gas Conservation Commission's determination of the commencement of regular production of oil eligible for a Gross Value Reduction. Conforms to Section 31

*Section 2: Removes reference to the explorer incentive credit from the provisions of the Department of Natural Resources audit statutes

*Section 3: Removes reference to the explorer incentive credit from the provisions of the Department of Revenue royalty and net profits payments

*Section 4: Removes reference to the explorer incentive credit from information the Department of Natural Resources would obtain to carry out their responsibilities and functions

*Section 5: Removes reference to the explorer incentive credit from information that is kept confidential as the result of an audit

*Section 6: Removes reference to the explorer incentive credit from the publishing of statistics

*Section 7: Changes the interest rate of delinquent taxes effective January 1, 2017 to 7% above the Federal Reserve rate, compounded quarterly for three years. For the following years of the statute of limitations, no interest would be accrued

*Section 8: Conforms to the new definition of outstanding liability found in Section 26

*Section 9: Conforms to the new definition of outstanding liability found in Section 26

*Section 10: Reduces, then eliminates, the in state refinery tax credit. Reduces by 50% January 1, 2017 and eliminates the credit January 1, 2018

*Section 11: Conforms to the new definition of outstanding liability found in Section 26

*Section 12: Removes the sunset on the Cook Inlet gas tax cap

*Section 13: Removes the sunset on the Cook Inlet oil calculation, and imposes a tax not to exceed $1 per barrel of oil

*Section 14: Removes the sunset on the cap for gas produced in state for use in state

*Section 15: Calculation for Cook Inlet oil and gas taxes

*Section 16: Reduces the qualified capital expenditure in Cook Inlet sedimentary basin from 20% to 10%

*Section 17: Reduces the net operating loss in the Cook Inlet sedimentary basin from 25% to 15%, prevents the Gross Value Reduction on the North Slope from increase the size of the net operating loss when calculating the net operating loss

*Section 18: Eliminates the net operating loss for the Cook Inlet

*Section 19: Conforms to the elimination of the qualified expenditure found in Section 16

*Section 20: Conforms to the elimination of the qualified expenditure found in Section 16

*Section 21: Reduces the well lease expenditure in the Cook Inlet from 40% to 20%

*Section 22: Conforms to subsequent changes related to the tax credit fund (43.55.028)

*Section 23: Establishes a per company limit of $70 million annually for eligible purchases from the Department of Revenue; prevents an applicant from dividing into multiple entities; and reestablished the 50,000 barrel per day limit on accessibility to the fund

*Section 24: Restricts repurchasing for tax credits to a preference of at least 75% of the applicants workforce being Alaska residents. Divides the annual repurchase limit per company into two categories: first 50% of the annual eligible appropriation can be repurchased at 100% of the certificate value; and the second 50% can be repurchased at 75% of the certificate value

*Section 25: Conforms to Section 24

*Section 26: Creates a definition of outstanding liability to the state. Allows the Department of Revenue to restrict repurchase of credits after notifying the applicant for any liability related directly to the applicant's oil or gas exploration development or production

*Section 27: Conforms to the elimination of the well expenditure credit and the qualified capital expenditure credit found in Section 41 effective January 1, 2018

*Section 28: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 29: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 30: Imposes a lifespan on the Gross Value Reduction for a term of seven years, or three years, consecutive or nonconsecutive, in which the annual price on Alaska North Slope crude oil sales averages more than $70 per barrel

*Section 31: Conforms to the Gross Value Reduction lifespan found in Section 30, and directs the Alaska Oil and Gas Conservation Commission to determine the commencement of regular production of eligible oil

*Section 32: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 33: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 34: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 35: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 36: Conforms to the elimination of the qualified capital expenditure found in Section 41

*Section 37: Limits a municipality from receiving a credit to only an amount that is proportionate to its taxable gas

*Section 38: Creates a new definition of the qualified capital expenditure to conform with the elimination of the qualified capital expenditure found in Section 41

*Section 39: Requires an applicant engaged in oil or gas exploration, development, or production to file a surety bond in the amount of $250,000 to the state; creates new Alaska Statute 43.70.028, stating that the surety bond is meant to satisfy claims for labor, employee benefits, taxes and contributions due to the state, city, and borough, material and equipment claims for negligent or improper work or breach of contract, repair of public facilities

*Section 40: Repeals listed statutes effective January 1, 2017

*Section 41: Repeals listed statutes effective January 1, 2018

*Section 42: Applicability language

*Section 43: Transition language for oil refinery credits

*Section 44: Transition for the qualified capital expenditure and well lease expenditure credits

*Section 45: Transition language for the net operating loss credit

*Section 46: Transition language for lease expenditure language removed

*Section 47: Regulations language for Department of Revenue, Department of Natural Resources, Department of Commerce, Community, and Economic Development, and the Alaska Oil and Gas Conservation Commission

*Section 48: Retroactivity clause

*Section 49: Effective dates for authorization of regulations effective immediately

*Section 50: Effective date of January 1, 2018 for Sections 18 -20, 22, 25, 27 – 29, 32 – 36, 41, 43 – 46, and for the new definition of qualified capital expenditure

*Section 51: Effective date of all previously unlisted sections of January 1, 2017