FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**HB 289**
Fiscal Note Number	
() Publish Date	

Identifier (file name)	HB289-DOR-TAX-02-20-12	Dept. Affected	Revenue
Title	Natural Gas Storage Tax Credit/Regulation	Appropriation	Taxation and Treasury
		Allocation	Tax Division
Sponsor	Representative Thompson		
Requester	House Resources	OMB Component Number	2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs ______ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs ______ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial version of the bill.

Prepared by	Cherie Nienhuis, Commercial Analyst	Phone	907-269-1019
Division	Tax	Date/Time	2/20/12; 3pm
Approved by	Alicia Egan, Legislative Liaison	Date	2/20/2012
	Department of Revenue		

(Revised 1/17/2012 OMB)

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Analysis

The revenue impact of this bill is indeterminate.

This bill makes several amendments to the corporate income tax credit authorized at AS 43.20.046 and exempts certain gas storage facilities from lease rental payments. Significant amendments include the following:

1. A new section is added that exempts from lease rental payments the gas storage facilities identified in this bill. Therefore, the revenue impact should include only the additional natural gas storage facilities that may be added under this bill. The revenue impact of this provision is indeterminate at this time.

2. The definition of "natural gas storage facility" has been changed to differentiate tanks and depleted or nearly depleted pools, and distinctions have been made in the volumes that qualify for each type of storage facility. Nontank storage must have a working capacity of at least 500 million cubic feet of gas and tank storage must have a capacity of at least 1 million gallons. One cubic foot of gas equals about 7.4805 gallons; therefore 1 million gallons equals 133,681 cubic feet (or 133.681 thousand cubic feet) of gas.

3. The basis for the maximum tax credit has been changed from the lesser of $15 million or 25% of the costs incurred to establish a gas facility, to a maximum of $15 million, earned at a rate of $1.50 per 1,000 cubic feet of working gas storage capacity. With this change, a 10 million gallon storage facility would earn a tax credit of approximately $2,000, regardless of how much it cost to establish the facility (10 million gallons divided by 7.4805 gallons per cubic foot, divided by 1,000, times $1.50.

4. In the case of a gas storage facility ceasing commercial operation during the nine calendar years following the year that the facility commences commercial operation, the liability to the state must be assessed as of December 31 of the year that the facility ceases operation. For practical purposes, this means that audits must be completed on the facility operations in the year that the operation is ceased. As written, a change of this nature would place a greater burden on the auditors to initiate and conclude an audit in a much shorter timeframe for these operations.

The bill has an immediate effective date.

The Department of Revenue anticipates that it would be able to administer the provisions of this bill with existing resources.