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Department of Revenue
Commissioner's Office



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**ALASKA DEPARTMENT OF REVENUE
TAX DIVISION**

**REPORT ON THE GAS EXPLORATION AND DEVELOPMENT TAX CREDIT
UNDER AS 43.20.043**

August 7, 2009

The uncodified law of Alaska requires the Department of Revenue to prepare and publish a report, not later than November 30, 2008, on the effect of the gas exploration credit under AS 43.20.043 Gas Exploration and Development Tax Credit.

The scope of the study is defined by

- legislation enacted in 2003
- tax year beginning after December 31, 2002
- NOT located in the area of Alaska lying north of 68 degrees north latitude

The metrics established to measure the effect are

- number of successful gas discoveries
- volume of new gas reserves
- credits allowed that are applied to the tax liability
- credits applied for that are not yet approved
- royalties obtained and production taxes paid

This report addresses each item in Sec. 4 according to the above metrics and scope.

(1) the number of successful gas discoveries for which a tax credit is provided under AS 43.20.043.

The Department has received claims for three operating units.

(2) the volume or amount of new gas reserves brought into production for which a tax credit is provided under AS 43.20.043.

None. The three operating units for which the Department received claims had already announced the discoveries prior to enactment of the legislation. The natural gas reserves associated with those discoveries are not considered new in the sense of being attributable to the legislation.

(3) the total credits allowed under AS 43.20.043 that are applied to the tax liability through the date of preparation of the report.

Confidentiality precludes disclosing the amount of credits claimed due to the number of credit claimants.

(4) the total credits applied for under AS 43.20.043 that are not yet approved as of the date of preparation of the report.

AS 43.20.043 does not contain any requirement for pre-approval. Pre-approval is not a customary provision for business tax credits in either the federal or state corporate income tax codes.

(5) royalties obtained and oil and gas property (and) production taxes paid from new gas production and anticipated from gas production for which credits are allowed under AS 43.20.043.

None. Companies applying for credits have not announced any new gas discoveries since enactment of the legislation. Without discoveries after the enactment of the legislation, there are no "new" reserves from which to produce "new" gas and thereby collect the associated royalties and taxes.

(6) any other information that, in the judgment of the commissioner of revenue, would evaluate the effectiveness of the gas exploration and development tax credit authorized under AS 43.20.043.

The Commissioner offers no additional information at this time.