FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number	**2**
Bill Version	**HB 110**
(H) Publish Date	**1/18/11**

	LL0007-DNR-DOG-1-13-2011	Dept. Affected	Natural Resources
Title	Oil and Gas Production Tax	Appropriation	Resource Development
		Allocation	Oil & Gas
Sponsor	Rules Committee		
Requester	Governor	OMB Component Number	439

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Not applicable, initial version

Prepared by	Kevin Banks	Phone	269-8800
Division	Oil and Gas	Date/Time	1-13-2011; 2:15 PM
Approved by	Daniel S. Sullivan	Date	1/13/2011
	Natural Resources		

(Revised 12/29/2010 OMB)

STATE OF ALASKA **BILL NO. HB 110**
2011 LEGISLATIVE SESSION

Analysis

This bill may encourage producers to invest more by allowing them to receive the benefits of credits for that investment more quickly. First, currently under AS 43.55.023(b), only half the 20% qualified capital expenditure (QCE) credit can be taken in any one year. Section 11 of this bill would amend AS 43.55.23(b) to allow the full QCE credit to be taken in one year. Second, under AS 43.55.23(d), a producer that applies to obtain a transferable certificate for expenditures on the North Slope giving rise to a QCE credit or the loss carry-forward credit (AS 43.55.023(a)) will be issued two certificates, each for half the credit amounts, with one of the certificates only good for the next calendar year.

This limitation dilutes the incentive the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. Section 12 of this bill would amend AS 43.55.023(d) to allow the certificates received be for immediate use for North Slope expenditures, just as they are currently for expenditures in Alaska outside the North Slope. Third, Section 17 of the bill makes it easier for a small producer receiving a credit for North Slope expenditures to sell that credit to the State by eliminating the requirement that the producer spend additional money before receiving the credit monies.

In addition to allowing a quicker monetization of a given amount of credits, the bill extends the current 40% credit provided under 43.55.023(l) for well expenditures in Alaska off the North Slope to well expenditures on the North Slope. Currently, the North Slope producers receive a 20% qualified capital expenditure credit for well expenditure capital. Under the amendments provided in Sections 15 and 16 of the bill, producers would receive a 40% credit for those expenditures. This increased credit amount may encourage investment in wells on the North Slope.

This bill has a higher minimum tax rate apply to lower ANS West Coast prices. To the extent investors perceive the possibility that ANS West Coast prices will fall this low, these changes to the minimum tax may discourage investment. Also, by having separate production tax value calculations for “new production” units , the investors in these new units will have less ability to lower tax liability on “old production” units.

This bill lowers the marginal tax rates for existing and new fields by having progressively higher tax rates only apply to incremental production tax value. To the extent that investments are made as a consequence of these changes to the tax regime, royalty revenue may rise. The fiscal impact on royalty revenue is an indeterminate positive.