FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 145 (RES)**
Fiscal Note Number	2
() Publish Date	

Identifier (file name)	SB145CS(RES)-DOR-TAX-03-29-12	Dept. Affected	Revenue
Title	Oil/Gas Production Tax Credits: Nenana	Appropriation	Taxation and Treasury
		Allocation	Tax
Sponsor	Senators Wagoner, Coghill, and Thomas		
Requester	SEN RES	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)

Updated for CS version D.

Prepared by	Lennie Dees / Audit Master	Phone	907-269-1019
Division	Tax	Date/Time	3/29/12 8:15 AM
Approved by	Alicia Egan, Legislative Liaison	Date	3/29/2012
	Department of Revenue		

(Revised 1/17/2012 OMB)

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BILL NO. CSSB 145 (RES)

Analysis

The revenue impact of this bill is indeterminate.

This bill adds new subsections (a)(6), (a)(7), (n), (o), and (p) to AS 43.55.025. Subsections (n) and (o) authorize production tax credits for drilling 4 exploration wells and conducting 4 seismic exploration projects in the 6 areas, or basins, indentified in new subsection (p) of the bill. The new credit amounts are defined in subsections (a)(6) and (a)(7). Subsection (a)(6) authorizes a credit which is the lesser of $22.5 million or 80% of the exploration drilling expenditures for each well described in subsection (n) that qualify under subsections (b), (c) and (p) of AS 43.55.025. Subsection (a)(7) authorizes a credit which is the lesser of $7.5 million or 75% of each seismic exploration project described in (o) that qualify under subsections (b) and (p) of AS 43.55.025. Only expenditures occurring after June 1, 2012 and before July 1, 2016 qualify under the bill.

The bill also adds a new subsection (p) to AS 43.55.011. This new subsection states that, for a period of seven years following the commencement of commercial production from a lease or property or unit south of 68 degrees North latitude (but not including Cook Inlet) that did not have oil or gas production prior to January 1, 2013, the tax rate for any new production in these areas would be 4% of the gross value at the point of production.

The fiscal impact of this bill is indeterminate. If four qualifying wells are drilled for the maximum allowed credit for each well of $22.5 million, the financial impact to the state would be $90 million. If four qualifying seismic exploration projects are conducted at the maximum allowed credit of $7.5 million, the financial impact to the state would be $30 million for a total of impact of $120 million if all credits proposed in the bill are earned.

The Department of Revenue could administer the provisions of this bill with existing resources.