Official Business

ALASKA STATE LEGISLATURE

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Sectional Analysis
TAX CREDIT FOR NEW OIL & GAS DEVELOPMENT

TITLE: Adds new Oil and Gas Competitiveness Review Board.

Section 1: Existing law prohibits multiple tax credits claimed against corporate income, this adds the new credits established in this bill, **43.55.026**.

Section 3: sets out new **43.55.026** for the new tax credit.

(a) Directs that the new credit applies to qualified development expenditures that were incurred before 2018 and before sustained production occurs. Excludes the credit from the Cook Inlet Basin and the Point Thomson unit. Restricts the credit to:
(1) A lease or property not within a unit or previously been within a unit, or
(2) A pool that is not or previously had not been involved with sustained production.

NOTE: effect is that a pool within a unit is eligible if it is not now or previously had been under sustained production. Exclusion specifically of Point Thomson unit compared to subsection (1) is duplicative and should be deleted.

(b) Establishes that the credit amount is 100% of the qualified development expenditures incurred after completing the drilling of the first well that discovers a pool (capable of commercial production) and before production (in paying quantities) commences. The Department of Revenue (DOR), in consultation with the Alaska Oil and Gas Commission (AOGCC) establishes the date of the credit from the first well drilled to the start of sustained production from that pool, lease or property.

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(c) Establishes that the credit may be applied against the production tax levied until the credits for the expenditures are fully applied, whichever occurs first.

Essentially, the production tax liability is used to offset the development costs and the production tax liability is the determining factor for the amount of credit.

(d) Restricts the use of the new credit so there are not multiple credits.

(e) Establishes that the credit or any portion of the credit is not transferable and may not reduce the tax liability below zero for AS 43.55.011(e) (the production tax) for any calendar year.

Essentially, the tax credit stays with the drilling site and the new credit may not allow the tax payer to obtain a refund from the state in any calendar year.

(f) Allows the DOR to adopt regulations needed to administer the new credit.

(g) Establishes procedures so that when a lease or property that utilizes this new credit becomes part of a unit under AS 38.05.180(p)[1], the credit is applied only to the production tax due for the lease or property that qualified for the credit.

(h) Defines:

1. "pool" by referencing existing statute AS 31.05.170.
2. "qualified development expenditure".
3. "sustained production" by referencing existing statute AS 43.55.025(*l*).

Section 4: Establishes a new Oil and Gas Competitiveness Review Board.

Section 5: This is the repeal section for the new Oil and Gas Competitiveness Review Board.

Note that it references "sec. 5" which is incorrect – should read "sec. 4".

Amends existing law to include new section for this tax credit in **43.55.026**.

Section 6: Establishes an immediate effective date for the legislation.

[1] AS 38.05.180(p) (oil and gas and gas only leasing statutes regarding unitization)