

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 367
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB367-DOR-TAX-03-14-14
Title: DIESEL FUEL STORAGE TAX CREDIT
Sponsor: ISAACSON
Requester: (H) RES

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
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 (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	***		***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version.

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Approved By: Angela M. Rodell, Commissioner
Agency: Department of Revenue

Phone: (907)269-6628
Date: 03/14/2014 10:15 AM
Date: 03/14/14

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 367

Analysis

Bill Language:

This bill will allow a public utility that is an owner of a diesel fuel storage facility a tax credit of the lesser of \$15 million or 50 percent of the costs incurred to establish or expand the diesel fuel storage facility. The storage facility must have storage volume of at least 100,000 gallons. The credit can be applied against the public utility's corporate income tax liability and, any amount that exceeds the utility's corporate income tax liability, can be refunded to the utility through the oil and gas tax credit fund established in AS 43.55.028. The bill also provides a credit recapture provision whereby a public utility which received a tax credit will be required to pay back a portion of the tax credit if the diesel fuel storage facility ceases operation during any of the nine calendar years immediately following the calendar year the facility was placed into service and a tax credit was received.

Revenues:

This bill could reduce corporate income tax revenue by up to \$15 million each year for each diesel fuel storage facility established or expanded by a public utility. If the amount of the credit exceeds the public utility's corporate income tax liability, the remaining amount of the credit will be refunded from the oil and gas tax credit fund. It is difficult to determine how many public utilities will take advantage of this credit. Most, if not all, public utility companies are nonprofit corporations. Generally speaking, nonprofit corporations are not subject to corporate income tax on net income earned on their business operations. Therefore, it is expected that the majority of the amount of credit claimed by a public utility will be paid to the utility from the oil and gas tax credit fund. Although there are several public utilities located throughout the state, the size of the diesel storage facility required before a credit can be provided is quite large. Therefore, we expect that only a few public utilities will take advantage of this credit and the total tax credit probably will, more than likely, not exceed \$15 to \$30 million in any year. And, unless a public utility establishes a new facility or significantly expands an existing facility, we expect that no more than one tax credit will be claimed by each public utility.

Expenditures:

The department can implement the provisions of this bill using existing resources.

Regulations:

At this time, the department does not believe regulations will be needed to implement this legislation.