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House Resources Committee

Sectional Analysis for CS HB 247 (RES) Version P

Short Title: Tax; Credits; Interest; Refunds; Oil and Gas

Sections 1-5 Conforming language related to the repeal in section 28 of a DNR exploration credit program that applied pre-2007, AS 41.09.

Section 6 Interest rate on delinquent taxes. Retains current interest rate of three points above the Federal Reserve rate. Changes from simple interest to interest compounding quarterly.

Section 7 Conforming language related to the 'outstanding liability of the state' provisions in Section 17. Section 7 ensures that for purposes of the natural gas storage facility credit, the new Section 17 rules related to 'outstanding liability' apply.

Section 8 Conforming language related to the 'outstanding liability of the state' provisions in Section 17. Section 8 ensures that for purposes of the liquefied natural gas storage facility credit, the new Section 17 rules related to 'outstanding liability' apply.

Section 9 Conforming language related to the 'outstanding liability of the state' provisions in Section 17. Section 9 ensures that for purposes of the qualified in-state oil refinery infrastructure expenditures credit, the new Section 17 rules related to 'outstanding liability' apply.

Secs. 10-11	Conforming language to the repeal in Section 28 of the DNR exploration credit programs in AS 38.05.180(i) and 41.09.
Section 12	Reduces the amount of the carried-forward annual loss tax credit south of 68 degrees North latitude, from 25% to 10%. Requires that, for purposes of calculating a carried-forward annual loss, any reduction due to the Gross Value Reduction for new oil on the North Slope is added back to the tax calculation. This prevents the use of a GVR credit from increasing the size of a loss.
Section 13	Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 14	Conforming to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 15	Reduces the 40% well lease expenditure credit for areas south of 68 degrees North latitude from 40% to 30% on Jan. 1, 2017; and from 30% to 20% on Jan. 1, 2018. Also, conforming changes to the Sec. 28 repeal of AS 38.05.180(i) and AS 41.09.
Section 16	Limits the maximum state repurchase of tax credits to $200 million per company, per year. Requires the Department of Revenue to, before purchasing a certificate, find that the applicant is the result of the division of a single entity into multiple entities that would reasonably have been expected to apply as a single entity.
Section 17	Ensures an outstanding liability to the state related to oil and gas activity is withheld from the amount of a tax credit certificate purchased by the Department of Revenue using the Oil and Gas Tax Credit Fund. The Department may use the withheld amount to satisfy an outstanding liability, with the applicant's consent; this action would not affect the applicant's ability to contest a liability.
Section 18	Conforming to the Section 29 repeal of the QCE, AS 43.55.023(a), and WLE, AS 43.55.023(l), credits on Jan. 1, 2022.
Section 19	Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 20	Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.

Section 21	Conforming to the repeal of 43.55.165(j) and (k) in Section 29.
Section 22	Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 23	Conforming to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 24	Conforming to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 25	Conforming to the change in placement of the qualified capital expenditure definition in Section 27 related to the Section 29 repeal of the QCE credit on Jan. 1, 2022.
Section 26	Requires allocations of lease expenditures and tax credits between taxable and exempt production for a municipal entity.
Section 27	Provides a new definition for 'qualified capital expenditure' that will apply after the QCE credit is repealed on Jan. 1, 2022, per Section 29.
Section 28	Repeals two DNR oil and gas exploration credit programs, AS 38.05.180(i) and AS 41.09. The 38.05.180(i) program is not used. The AS 41.09 program ended in 2007.
Section 29	Repeals the QCE credit and the WLE credit on Jan. 1, 2022. Repeals 43.55.165(j) and (k), which applied before 2010.
Section 30	Creates a legislative working group to review the fiscal regime for Cook Inlet and Middle Earth during the interim, and present recommended changes to the legislature during the 2017 regular session.
Section 31	Applicability language related to the new requirements for purchasing transferable tax credit certificates through the Oil and Gas Tax Credit Fund.
Section 32	Transition language for the Jan. 1, 2022 repeal in Section 29 of the QCE credit and the WLE credit; the effect is to ensure that expenditures incurred before the repeal date are eligible for the credits.
Section 33	Transition language related to the Section 29 repeal of 43.55.165(j) and (k).
Section 34	Transition language empowering the Department of Revenue and the Department of Natural Resources to adopt regulations related to this bill.
Section 35	Transition language related to retroactive regulations.

Section 36	Immediate effective date for the legislative working group and for the authority for DNR and DOR to write regulations for this bill.
Section 37	Delayed effective date of Jan. 1, 2022, for the repeal of the QCE credit and the WLE credit; applies to sections 13, 14, 18-25, 27, 29, 32 and 33.
Section 36	Effective date of Jan. 1, 2017, for all other bill sections.