

Detail of FY 2017 refunded credits estimate in preliminary Spring 2016 forecast

Prepared 3/22/16 by Dan Stickel

Detail of FY 2017 refunded credits estimate (\$ millions)	
Refundable credits already in queue (based primarily on CY 2015 spending)	
Credit certificates / cases in progress as of March 8, 2016	\$ 900
Credit applications expected March 31 based on 2015 monthly reporting	\$ 160
Total credits already earned for activity through 2015	\$ 1,060
FY 2016 refunded credits appropriation	\$ 500
FY 2017 refundable credits already in queue	\$ 560
Additional credits expected to be available for refund in FY 2017 (based primarily on CY 2016 spending)	
Credits under AS 43.55.023 (NOL, capital, well lease)	\$ 186
Credits under AS 43.55.025 (exploration credits)	\$ 57
Credits under AS 43.20 (LNG storage, refinery investment)	\$ 18
Sum of additional FY 2017 refundable credits expected	\$ 261
Total forecast of credits eligible for refund in FY 2017	\$ 821
<i>(note, this number is rounded up to the nearest \$5 million)</i>	

Discussion

For FY 2017, expected credits for refund increased by \$200 million to \$825 million. This is largely due to two factors:

1. Lower oil prices more than offset reductions in overall spending, resulting in an increase to net operating losses subject to NOL credits.
2. Claimed exploration credits and spending that qualifies for exploration credits has exceeded expectations, as companies complete projects ahead of the July 1, 2016 sunset for North Slope and Cook Inlet.

The increase in refunded credits would be expected given the reduced price assumption. Note that applying the revised price assumption to the Fall 2015 forecast would also yield an estimate of \$825 million for FY 2017 refunded credits.

Reduced price expectations also impacted credits for companies not eligible for refunds (those with greater than 50,000 BOE of production). Expected carryforward NOL credit balance for such companies is now forecast at approximately \$600 million at end of FY 2017, compared to only \$1 million under Fall 2015 forecast.

Estimates are preliminary and may be revised for final spring forecast which will be released in early April. That forecast will incorporate information received in annual tax returns due March 31.