

Table of Tax Credits under AS 43.55 - The Alaska Oil and Gas Production Tax and Comparison to Proposed Changes in HB 247

Below is a table relating to credits under AS 43.55, the Oil and Gas Production Tax, for the State of Alaska. This is intended as an informational guide only. The State of Alaska makes no warranty, expressed or implied, of the accuracy of this. To be certain of the current statutes and regulations, refer to the official printed version of the statutes and regulations. This information only relates to credits in effect on January 1, 2016.

| Credits under AS 43.55 | | | | | | | | | | | | | | |
|--|---|---|---|---|--|--|--|---|--|--|--|--|---|---|
| Statute for Credit | Credits that May be Issued as Certificates and Submitted to the State for Cash Purchase | | | | | | | | Credits that may only be used to offset a tax liability | | | | | |
| | AS 43.55.023(b) | AS 43.55.023(a)(1) | AS 43.55.023(a)(2) | AS 43.55.023(l)(1) | AS 43.55.023(l)(2) | AS 43.55.025(a)(1-4) | AS 43.55.025(a)(5) | AS 43.55.025(a)(6) & (7) | AS 43.55.019 | AS 43.55.024(a) | AS 43.55.024(c) | AS 43.55.024(i) | AS 43.55.024(j) | AS 38.05.180(i) / AS 41.09.010 |
| Informal Title | Carried-Forward Annual Loss Credit; NOL Credit | Qualified Capital Expenditures (QCE) Credit | Qualified Capital Expenditures (QCE) Credit for Exploration | Well Lease Expenditure (WLE) Credit | Well Lease Expenditure (WLE) Credit for Exploration | Alternative Credit for Exploration | Exploration - Jack-up Rig | Exploration - Frontier Basins | Education Credit | New Area Development ("Middle Earth") Credit | Small Producer Credit | Credit on GVR Oil | Sliding Scale Credit | (DNR) Exploration Incentive Credits |
| Initial and Most Recent Effective Date(s) | 4/1/2006, amended 7/1/2007 & 1/1/2014 | 4/1/2006, amended 7/1/2007, 1/1/2013 & 1/1/2014 | | 7/1/2010 | | 9/9/2003, amended 7/1/2008 & 1/1/2013 | 5/10/2010 | 1/1/2013 | 1987, amended 1/1/2011 | 4/1/2006 | 4/1/2006 | 1/1/2014 | 1/1/2014 | |
| Expiration Date | No expiration | North Slope QCEs expire on 12/31/2013 | | No expiration | | 7/1/2016 for projects in North Slope and Cook Inlet; 1/1/2022 for "Middle Earth" | 7/1/2016 | 7/1/2016 | Changes 1/1/2021, no expiration | If started before 5/1/16, after 9th calendar year of production | If started before 5/1/16, after 9th calendar year of production | No expiration | No expiration | |
| Credit Percentage / Amount | North Slope 35%; rest of state 25% | 20% | | 40% | | 30% or 40% (pre-7/1/08 20% or 40%) | 80%, 90%, or 100% (up to \$20, \$22.5 or \$25 million) | 80% (up to \$25 million) for wells; 75% (up to \$7.5 million) for seismic | Max of \$5,000,000 | \$6,000,000 | \$12,000,000 | \$5 per bbl | \$0-\$8 per bbl | N/A |
| Description | Calculated for each segment by taking 25% or 35% of excess lease expenditures. | A QCE must be a lease expenditure and treated as a capitalized cost under 26 IRC. . | A QCE must be a lease expenditure and related to exploration. | A WLE must be a lease expenditure, QCE, and an Intangible Drilling and Development Cost (IDC) | A WLE must be a lease expenditure, QCE, and an Intangible Drilling and Development Cost (IDC) related to exploration | Costs directly related to drilling an exploration well or performing a seismic shoot; amount depends on location | For the first 3 unaffiliated wells drilled by the same jack-up rig in Cook Inlet pre-Tertiary zone | The first two qualified exploration wells and the first seismic project in each basin | A part of cash donations to qualified educational institutes or foundations | For production south of 68 degrees North latitude and outside of Cook Inlet | Full credit if the taxpayer produces less than 50,000 BTU equiv. barrels. Prorated between 50,000-100,000 BTU equiv. barrels | \$5 per barrel, based on oil produced that meets one of the criteria for "new oil" | Sliding scale of \$0-\$8, based on average monthly gross value, for oil that does not meet the criteria for "new oil" | DNR administers this credit, two statutes depend on state land vs. non-state land |
| DNR Data Requirements | No | No | Yes | No | Yes | Yes | Yes | Yes | No | No | No | No | No | No |
| Location Requirements | No | Effective 1/1/2014, no QCEs on North Slope | | Must be south of 68 degrees North latitude | | Some have distance requirements from other wells and units | Yes - must be a jack-up rig in Cook Inlet | Yes - six basins defined in AS 43.55.025(o) | No | Outside North Slope and Cook Inlet | No | Must be north of 68 degrees North latitude (North Slope) | | N/A |
| Regulations** | 15 AAC 55.310-320 and 15 AAC 55.250-260 | 15 AAC 55.310-320 and 15 AAC 55.250-260 | | 15 AAC 55.310-320 and 15 AAC 55.250-260 | | 15 AAC 55.350-360 | | | None | 15 AAC 55.335 | | | 15 AAC 55.520(f) | |
| Combinations | May be "stacked" with credits under AS 43.55.023(a), (l), or 025(a) | Same expenditures may also qualify for credit under AS 43.55.023(b) | | | | None of the expenditures included in this credit may receive a credit under any other section of this chapter | | | Credit may be in addition to all other credits | Not for specific expenditures - credit may be in addition to all other credits | | | | N/A |
| Uses of Credit | Applied directly to tax or issued as a certificate. The certificate may be transferred to another company, applied against tax liability, or "cashed" out with the State under AS 43.55.028 | | | | | | | | Applied directly to tax at 1/12 each month and may not be carried forward or transferred | | | Applied to tax at actual amount earned each month. Can't be carried forward or transferred | Applied against royalty, rental payments, or tax liability | |

Proposed Changes to Credits in HB 247

| | | | | | |
|--|---------------------------|---|-----------|---|-------------------------|
| See below | These credit are repealed | Cannot reduce tax liability below the minimum tax under AS 43.55.011(f), retroactive to 1/1/16. (Sec. 17, 19, and 44) | No change | Credits cannot reduce tax liability below the minimum tax under AS 43.55.011(f), retroactive to 1/1/16. (Sec. 17(b) and 19) | This credit is repealed |
| | | | | The Per-Taxable-Credits are monthly calculations instead of annual. (Sec. 17(c)) | |
| Changes to Carried-Forward Annual Loss (NOL) Credit | | | | | |
| 1) If a company producing at a loss is producing oil that qualifies as "new oil" that is eligible for the Gross Value Reduction (GVR), the GVR is added back into the production tax value calculation for determining the NOL credit. (Sec. 18) | | | | | |
| 2) Any unused portion of this credit can only be used up to the 10th calendar year after the carried-forward annual lost was incurred. (Sec 19) | | | | | |
| 3) Applies the current DNR seismic and well data sharing requirements currently mandated for exploration credits (Sec. 22) | | | | | |
| Proposed Changes (General for All Credits) | | | | | |
| General Changes | | | | | |
| 1) The name of each company claiming credits, the aggregate amount of credits in a calendar year, and the general description of the activities which generated the credit will be public information. (Sec. 8) | | | | | |
| 2) Companies with a non-tardy liability to the state cannot receive a cash refund for a credit from the state; it must be applied towards that liability | | | | | |
| Changes Impacting Repurchase of Certificates | | | | | |
| 1) Companies can only receive \$25 million in cashed out credits annually. | | | | | |
| 2) Only companies whose gross revenues in the previous year were less than \$10 billion can get a cash refund for a credit | | | | | |
| 3) The state will only repurchase a percentage of a credit certificate equal to the percentage of a company's Alaska resident hire in the previous calendar year. (Sec. 9, 10, 11, 26, 27, & 39) | | | | | |

| Statute for Credit | Informal Title | Initial and Most Recent Effective Date(s) | Expiration Date | Credit Percentage / Amount | Description | DNR Data Requirements | Location Requirements | Regulations** | Combinations | Uses to Credit | Filing Requirements | Can be Taken Against Other Tax Types or Royalty |
|---|--|---|--|---|--|-----------------------|--|-------------------------------|---|---|---|--|
| AS 43.55.023(a)(1) | Qualified Capital Expenditures Credit | 4/1/2006, amended 7/1/2007, 1/1/2013 & 1/1/2014 | North Slope QCEs expire on 12/31/2013 | 20% | A Qualified Capital Expenditure (QCE) must be a lease expenditure and treated as a capitalized cost under 26 IRC. Effective 1/1/2013, these credits are issued as one certificate. Effective 1/1/2014, there is no longer a QCE credit for North Slope expenditures. | No | Effective 1/1/2014, no QCEs on North Slope Pre-1/1/2014, QCEs allowed Statewide | 15 AAC 55.310-320 | Same expenditures may also qualify for credit under AS 43.55.023(b) | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.023(a)(2) | Qualified Capital Expenditures Credit in Relation to Exploration | 4/1/2006, amended 7/1/2007, 1/1/2013 & 1/1/2014 | North Slope QCEs expire on 12/31/2013 | 20% | A Qualified Capital Expenditure (QCE) must be a lease expenditure and related to exploration. Effective 1/1/2013, these credits are issued as one certificate. Effective 1/1/2014, there is no longer a QCE credit for North Slope expenditures. | Yes | Effective 1/1/2014, no QCEs on North Slope Pre-1/1/2014, QCEs allowed Statewide | 15 AAC 55.310-320 | Same expenditures may also qualify for credit under AS 43.55.023(b) | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.023(b) | Carried-Forward Annual Loss Credit | 4/1/2006, amended 7/1/2007 & 1/1/2014 | No expiration | | Cook Inlet 25% North Slope 1/1/14-12/31/15 45% North Slope 1/1/16 forward 35% Statewide 7/1/07-12/31/13 25% Statewide pre-7/1/07 20% The carried forward annual loss is calculated for each segment by taking 25% or 45% of excess lease expenditures (lease expenditures not deductible in calculating production tax values). Effective 1/1/2013, these credits are issued as one certificate. Calendar years 2014-2014, North Slope losses have a 45% credit. After 2015, the credit is 35% for North Slope. | No | No | 15 AAC 55.310-320 | Same expenditures may also qualify for credit under AS 43.55.023(a), (i), or 025(a)(1-4) | Applied directly to tax or issued as a certificate. The certificate may be transferred to another company, applied against tax liability, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Effective 6/23/2013, the certificates may also be assigned. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. If applied against tax - must be 1:12 against each month (except credits under .025 and certificates). | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.023(j)(1) | Well Lease Expenditure Credit | 7/1/2010 | No expiration | 40% | A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) south of 68 degrees North latitude. | No | Yes - must be south of 68 degrees North latitude | None | Same expenditures may also qualify for credit under AS 43.55.023(b) | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.023(j)(2) | Well Lease Expenditure Credit in Relation to Exploration | 7/1/2010 | No expiration | 40% | A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) related to exploration south of 68 degrees North latitude. | Yes | Yes - must be south of 68 degrees North latitude | None | Same expenditures may also qualify for credit under AS 43.55.023(b) | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.025(a)(1-4) | Alternative Credit for Exploration | 9/9/2003, amended 7/1/2008 & 1/1/2013 | 7/1/2016 for projects in North Slope and Cook Inlet; 1/1/2022 for "Middle Earth" | 30% or 40% (pre-7/1/08 20% or 40%) | These credits are narrowly defined by both the statute and regulations as costs directly related to drilling an exploration well or performing a seismic shoot. An exploration well may receive either the 30% or 40% depending on location and seismic exploration may receive 40% credit. | Yes | For some of these credits there are distance requirements from other wells and units | 15 AAC 55.350-360 | Same expenditures may also qualify for credit under AS 43.55.023(b) | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.025(a)(5) | Alternative Credit for Exploration - Jack-up Rig | 5/10/2010 | 7/1/2016 | 80%, 90%, or 100% (up to \$20, \$22.5 or \$25 million) | The qualified expenditures related to the first 3 unaffiliated wells drilled by the same jack-up rig in Cook Inlet pre-Tertiary zone qualify for this credit. The first well receives a 100% credit up to \$25 million, the second well receives a 90% credit up to \$22.5 million, and the third well receives a 80% credit up to \$20 million. | Yes | Yes - must be a jack-up rig in Cook Inlet | 15 AAC 55.350-360 | None of the expenditures included in this credit may receive a credit under any other section of this chapter | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.025(a)(6) & (7) | Alternative Credit for Exploration - Frontier Basins | 1/1/2013 | 7/2/2016 | 80% (up to \$25 million) for wells; 75% (up to \$7.5 million) for seismic | The first two exploration wells drilled inside each of six frontier basins receives 80% credit up to \$25 million of qualified expenditures. The first seismic project performed inside each of six frontier basins receives 75% credit up to \$7.5 million of qualified expenditures. | Yes | Yes - projects must be located in one of the six prescribed basins under AS 43.55.025(p) | 15 AAC 55.350-360 | None of the expenditures included in this credit may receive a credit under any other section of this chapter | | Application through ROL must be submitted to receive certificate as well as all backup required under regulation to support the credit claim. Credit against tax is reported on the return. | |
| AS 43.55.019 | Education Credit | 1987, amended 1/1/2011 | Changes 1/1/2021, no expiration | Max of \$5,000,000 | For cash donations to qualified educational institutes or foundations a portion of the donation may be taken as a credit against tax liability. | No | No | None | Credit may be in addition to all other credits | Applied directly to tax at 1/12 each month and may not be carried forward or transferred | Reported on the return - no form needed | |
| AS 43.55.023(i) | Transitional Investment ("TIE") Credit | 4/1/2006, amended 1/1/2008 | 12/31/2013 | 20% | For taxpayers that did not have commercial production before January 1, 2008, a 20% credit for QCEs for the period April 1, 2001 to March 31, 2006 is allowed. This credit is limited to 1/10 of the QCEs incurred April 1, 2007 through December 31, 2007. | No | No | 15 AAC 55.330 | May not have received an AS 43.55.025 credit for the same expenditures | Applied directly to tax at 1/12 each month and may not be transferred or used after 2013. | Reported on the return - no form needed | |
| AS 43.55.024(a) | New Area Development ("Middle Earth") Credit | 4/1/2006 | Later of 12/31/2016 or the 9th calendar year after production started in Middle Earth (if started before 5/1/2016) | \$6,000,000 | For production south of 68 degrees North latitude and outside of Cook Inlet (aka "Middle Earth"), a producer may take a credit of \$6,000,000 to offset tax liability. Expires 2016. | No | Yes - must be outside of Cook Inlet and south of the North Slope aka "middle earth" | 15 AAC 55.335 | Not for specific expenditures - credit may be in addition to all other credits | Applied directly to tax at 1/12 each month and may not be carried forward or transferred | Reported on the return - no form needed | |
| AS 43.55.024(c) | Small Producer Credit | 4/1/2006 | Later of 12/31/2016 or the 9th calendar year after production started (if started before 5/1/2016) | \$12,000,000 | If the taxpayer produces less than 50,000 BTU equivalent barrels average daily production, then they may take the full \$12,000,000 credit. For production between 50,000-100,000 BTU equivalent barrels the credit is prorated. Expires 2016. | No | No | 15 AAC 55.335 | Not for specific expenditures - credit may be in addition to all other credits | Applied directly to tax at 1/12 each month and may not be carried forward or transferred | Reported on the return - no form needed | |
| AS 43.55.024(f) | Credit on GVR Oil | 1/1/2014 | No expiration | \$5 per bbl | A credit of \$5 per barrel is allowed based on oil produced that meets one of the criteria under AS 43.55.160(i) or (g). | No | Yes - must be north of 68 degrees North latitude (North Slope) | 15 AAC 55.335 | Not for specific expenditures - credit may be in addition to all other credits | Applied directly to tax at 1/12 each month and may not be carried forward or transferred | Reported on the return - no form needed | |
| AS 43.55.024(j) | Sliding Scale Credit | 1/1/2014 | No expiration | \$1-\$8 per bbl | A sliding scale credit of \$1-\$8 per barrel is allowed based on oil that does not meet the criteria under AS 43.55.160(i) or (g) when the monthly average Gross Value at the Point of Production is less than \$150. | No | Yes - must be north of 68 degrees North latitude (North Slope) | 15 AAC 55.335 | Not for specific expenditures - credit may be in addition to all other credits | Applied directly to tax at 1/12 each month OR actual amount earned each month and may not be carried forward or transferred | Reported on the return - no form needed | |
| AS 43.55.023(d) Certificate Against Tax | Credit Certificate from AS 43.55.023(a), (i), or (b) credits | | No expiration | | | | | | | Applied directly against tax liability may be taking all in one month & may be carried forward, transferred, split | Reported on the return - no form needed | |
| AS 43.55.025 Certificate Against Tax | Credit Certificate from AS 43.55.025 credits | | No expiration | | | | | | | Applied directly against tax liability may be taking all in one month & may be carried forward, transferred, split | Reported on the return - no form needed | |
| AS 43.98 | Film Tax Credits | 7/1/2013 Effective for AS 43.55 Tax Liability | 7/1/2023 | N/A | A tax credit certificate is issued and may be applied against tax - Film Division issues the certificates | N/A | N/A | 43.98.030 | N/A | Applied directly against tax liability | Reported on the return - no form needed | offset taxes imposed under AS 21.09.210, AS 21.06.110, AS 43.20, AS 43.88, AS 43.56, AS 43.69, AS 43.76, and AS 43.77 |
| AS 41.09.010 | (DNR) Exploration Incentive Credits | | | N/A | DNR administers this credit (does not need to be on State leased land). | N/A | N/A | 41.09.010 15 AAC 55.520(f) | N/A | Applied directly against tax liability | Reported on the return - no form needed | a payment or obligation against which a credit authorized by AS 38.05.180(i) may be claimed; taxes payable under AS 43.20; and oil and gas bonus payments due the state under AS 38.05.180(f). |
| AS 38.05.180(i) | (DNR) Exploration Incentive Credits | | | N/A | DNR administers this credit in leasing section (must be on State leased land). A credit may not exceed 50 percent of the payment toward which it is being applied. | N/A | N/A | 38.05.180 15 AAC 55.520(f) | N/A | Applied directly against tax liability | Reported on the return - no form needed | Credits may be applied against (1) royalty and rental payments for oil and gas or for gas only payable to the state or (2) taxes payable under AS 43.55. |

| | |
|---|--|
| Small Producer Credit | A credit of up to \$12 million for producers with less than 100,000 btu equivalent barrels per day. |
| Oil and Gas Producer Education Credit | A credit for qualified contributions to vocational education programs or accredited Alaska universities or colleges. |
| Exploration Incentive Credits under AS 41.09.010 | Exploration Incentive Credits granted under AS 41.09.010 |
| Film Tax Credits under AS 43.98 | Film Tax Credits granted under AS 43.98 |
| Exploration Incentive Credits under AS 38.05.180 | Exploration Incentive Credits granted under AS 38.05.180 |
| New Area Development Credit | Non Transferable Tax Credit that is not from the North Slope nor Cook Inlet, A.K.A. "Middle Earth." |
| Alternative Tax Credit for Exploration | Alternative Tax Credit for Oil and Gas Exploration used (applied against tax) in the tax year. |
| Transferred alternative tax credit certificates | Alternative Tax Credit for Oil and Gas Exploration that were not earned, rather transferred. |
| Transitional Investment Expenditure Credits | Credit for transition of investment expenditure. |
| Carry-forward Qualified Capital Expenditure Credits from a prior year | Carry-forward of a Qualified Capital Expenditure Credit from a prior period earned for expenditures |
| Qualified Capital Expenditure Credits earned during this period - Election to Apply a Tax Credit Against Oil and Gas Production Tax | Qualified capital expenditure credits earned during the reported month for expenditures. |
| Qualified Capital Expenditure Credits earned during this period - Geological or Geophysical Exploration | Qualified capital expenditure credits earned during the reported month for expenditures |
| Carry-forward Well Lease Expenditure Credit from a prior year | Carry-forward of a Well Lease Expenditure Credit from a prior year. |
| Well Lease Expenditure Credit- Election to Apply a Tax Credit Against Oil and Gas Production Tax | Well Lease Expenditure Credits earned this period. |
| Well Lease Expenditure Credit- Geological or Geophysical Exploration | Well Lease Expenditure Credits earned this period. |
| Carry-forward Annual Loss Credit from a previous year | Carry-forward Annual Loss Credit from a previous year |
| Credits from Transferable Tax Credit Certificates | Credits from Transferable Tax Credit Certificates under AS 43.55.023(d) as limited by AS 43.55.23(e) |
| Per Barrel Credit for Oil subject to the Gross Value Reduction | For North Slope Oil subject to the Gross Value Reduction |
| Sliding Scale Production Credit | For North Slope Oil not subject to the Gross Value Reduction. |

43.55.024(c)
15 AAC 55.520(f)

43.55.019
15 AAC 55.520(f)
41.09.010
15 AAC 55.520(f)
43.98.030
38.05.180
15 AAC 55.520(f)

43.55.024(a)
15 AAC 55.520(f)

AS 43.55.025
15 AAC 55.520(f)

43.55.025
15 AAC 55.520(f)
43.55.023(i)
15 AAC 55.520(f)

43.55.023(a)
15 AAC 55.520(f)

43.55.023(a)(1)
15 AAC 55.520(f)

43.55.023(a)(2)
15 AAC 55.520(f)
43.55.023(l)
15 AAC 55.520(f)

43.55.023(l)(1)
15 AAC 55.520(f)
43.55.023(l)(2)
15 AAC 55.520(f)
43.55.023(b)
15 AAC 55.520(f)

43.55.023(d)
15 AAC 55.520(f)

43.55.024(i)

43.55.024(j)