

# Alaska State Legislature

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## REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

### CHANGES IN CSHB 100 ( ), VERSION N FROM CSHB 100 (RES)

CSHB 100( ), Work Order No. 29-LS0423\N (Nauman) makes changes to CSHB 100(RES) to address the possibility than an in-state processing facility that manufactures urea or ammonia may have more than one owner. A person is an owner if the person is the sole owner or if the person is a member of a partnership or limited liability company that owns the processing facility. The new version also clarifies that the credit is based on natural gas delivered *for use at* the processing facility and not merely delivered *to* the processing facility.

#### Description of changes in CSHB 100( ) from CSHB 100(RES):

(No change in Title.)

**Section 1.** AS 38.05.180(1)(2), on page 2 of the bill, relates to the acceptance of a contract between a lessee and in-state processing facility that may be used as the basis for determining the amount of royalty for natural gas production due to the State from the lessee. In CSHB 100( ), language is added to clarify that a lessee delivering natural gas for use at the in-state processing facility may not be affiliated with either an owner of the processing facility or with a purchaser of more than 10 percent of the urea or ammonia produced by the processing facility.

AS 38.05.180(1)(2) is on page 2, lines 9 – 17 of CSHB 100( ).

**Sec. 2.** AS 43.20.052 provides a credit for the in-state manufacture of urea or ammonia based on the royalty due to the State on natural gas delivered for use at the in-state processing facility.

In AS 43.20.052(a), language is added to address the situation in which there may be more than one owner/taxpayer of the processing facility; multiple owners may have an ownership interest through a partnership or limited liability company. Where there is more than one owner, the percentage of the available credit for each owner is equal to the percentage ownership the person has in the processing facility.

Also, language is added to clarify that the delivery of natural gas "*for use at* the in-state processing facility" rather than "*to* the in-state processing facility" is the basis for the tax credit. The phrase "for use at" ensures that only the natural gas that is actually delivered for use at the facility is eligible for the credit; natural gas delivered to but not used at the facility may not be used as a basis for the credit.

AS 43.20.052(a) is on page 2, lines 20 – 27 of CSHB 100( ).

In AS 43.52.052(b), the phrase "reduce *the* taxpayer's tax liability" was changed to "reduce *a* taxpayer's tax liability" for consistency with a multiple-owner/taxpayer structure for a processing facility.

AS 43.20.052(b) is on page 2, lines 28 – 31 of CSHB 100( ).

In AS 43.20.052(c), language is amended to require a report on natural gas that is delivered "for use at the in-state processing facility" rather than "to the in-state processing facility" to match the language change in AS 43.52.052(a). Additional language is added to require a report of the percentage ownership held by each owner of the processing facility.

AS 43.20.052(c) is on page 3, lines 1 – 6 of CSHB 100( ).

(No change in sec. 3.)

**Sec. 4.** The applicability section is amended to clarify that gas delivered *for use* at the processing facility (rather than *to* the facility) during the period of applicability is eligible for the credit. Also, language is added to more fully describe the in-state processing facility so that it is consistent with the description of the facility in AS 43.20.052, that would be enacted by sec. 2 of the bill.

Sec. 4 of the bill is on page 3, lines 9 – 13 of CSHB 100( ).

(No changes in secs. 5 and 6.)