Prepared 4-25-16 by Department of Revenue

## HB247\A (ORIGINAL BILL AS INTRODUCED)

### Provisions in HB 247 and their Estimated Fiscal Impact as compared to Spring 2016 Forecast ($millions) - FORECAST PRICE[1]

Note: this table attempts to value the impact of each of the items independently, except where noted. In some cases, the total value of several impacts will not equal the sum of the individual impact values.

| Brief Description of Provision - Includes only provisions anticipated to have a direct fiscal impact | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|---|---|
| 1. Minimum tax cannot be reduced by **net operating loss credit, small producer credit, per-taxable-barrel credits applicable to GVR-eligible production, or alternative credit for exploration.** | $120-$140 | $175-$200 | $175-$200 | $150-$175 | $175-$200 | $125-$150 |
| 2. Minimum tax change from multiple percentages to a flat 5% of GVPP (assuming #1 above) | $40-$50 | $40-$50 | $50-$60 | $70-$90 | $30-$40 | $30-$40 |
| 3. Qualified capital expenditure credits and well lease expenditure credits are repealed | $10-$15 | $10-$15 | $10-$15 | $10-$15 | $10-$15 | $30-$40 |
| 4. No true-up of sliding scale per-taxable-barrel credits on annual return | No impact at forecast price - could benefit State under volatile prices | | | | | |
| 5. The GVR cannot be used to create or increase a net operating loss | $0 | $0 | $0 | $0 | $0 | $5-$15 |
| 6. Credits expire 10 years after they are earned | $0 | $0 | $0 | $0 | $0 | $0 |
| 7. A tax exempt entity may earn credits applicable to only those lease expenditures subject to tax | Indeterminate | | | | | |
| 8. The gross value at the point of production cannot be less than zero | $0 | $0 | $0 | $0 | $0 | $0 |
| 9. The interest rate on delinquent taxes is changed to 7% above the Fed Res Discount rate, compounded quarterly | Indeterminate | | | | | |
| **Total Revenue Impact** | **$170 to $205** | **$225 to $265** | **$235 to $275** | **$230 to $280** | **$215 to $255** | **$190 to $245** |
| A. The GVR cannot be used to create or increase a net operating loss (provision 5 above) | $0 | $10-$20 | $20-$30 | $15-$25 | $0-$10 | $0-$10 |
| B. Budget impact of repeal of qualified capital and well lease expenditure credits (provision 3 above) | $30-$40 | $50-$75 | $40-$50 | $30-$40 | $75-$100 | $75-$100 |
| C. Budget impact of limiting refunds to $25 million per company per year. This provision applies only for credits earned from activity after 7/1/16. | $10-$20 | $50-$75 | $75-100 | $10-$20 | $10-$20 | $20-$40 |
| D. Budget impact of limiting refunds by the percentage of a company's Alaska resident hire | Indeterminate | | | | | |
| E. Budget impact of limiting refunds to companies with no outstanding liability to the State | Indeterminate | | | | | |
| F. Budget impact of limiting refunds to companies with annual gross revenues of <$10 billion[2] | $20-$40 | $40-$60 | $40-$60 | $40-$60 | $20-$40 | $20-$40 |
| **Total Budget Impact** | **$60 to $100** | **$150 to $230** | **$175 to $240** | **$95 to $145** | **$105 to $170** | **$115 to $190** |
| **Total Fiscal Impact - does not include revenue impacts from potential changes in investment[3]** | **$230 to $305** | **$375 to $495** | **$410 to $515** | **$325 to $425** | **$320 to $425** | **$305 to $435** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Non-refundable carry-forward credits balance at fiscal year end - current law[4] | 618 | 751 | 732 | 585 | 265 | 136 |
| Non-refundable carry-forward credits balance at fiscal year end - proposed[4] | 773 | 1128 | 1226 | 1223 | 1230 | 1240 |
| **change due to bill** | **155** | **377** | **494** | **638** | **965** | **1104** |

[1]The impacts listed are based on production and prices as forecasted in DOR's Spring 2016 revenue forecast. The forecasted oil prices are between $38.89 and $61.64.

[2]Estimates shown for this provision are incremental to the budget impact of limiting refunds to $25 million per company per year. As a standalone provision, these estimates would be higher.

[3]NOTE: "Total Fiscal Impact" includes best estimates of both revenue and operating budget impacts.

[4]These rows include estimates of carried-forward credits for previous calendar years, plus estimates of credits that will be earned on activity through June 30 of the fiscal year.

**NOTE: The fiscal impact of this bill is an estimate based on the final Spring 2016 revenue forecast. Estimates shown here are draft / preliminary based on our interpretation of possible changes. We reserve the right to make modifications to estimates for any forthcoming fiscal notes.**