



# ALASKA STATE LEGISLATURE

## SENATE RESOURCES COMMITTEE

SEN. CATHY GIESSEL

Chair  
State Capitol, Room 427  
Juneau, AK 99801-1182  
(907) 465-4843 Fax 465-3871

Sen. John Coghill, Vice-Chair  
Sen. Kevin Meyer  
Sen. Shelley Hughes

Sen. Bert Stedman  
Sen. Natasha Von Imhof  
Sen. Bill Wielechowski

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### **Summary of Senate CS for CS for HB 111 \P**

Eliminates the state's cash exposure by ending the program of refundable oil and gas tax credits to small or new companies. Transitions to a system of carrying forward operating losses for use against future tax liability, while protecting the basic tax components in statute today.

#### **Eliminating refundable tax credits**

- Ends refundable credits statewide and repeals the tax credit fund; credits issued for work done through 2017 are refundable by appropriation instead. (Sec. 15-17, 25, 32)
- Concludes the multi-year effort to eliminate tax credits used against liability, except for the local energy source work developing in Middle Earth. (Sec. 25)
- Preserves Middle Earth credits as non-refundable, and allows the company earning the credits to apply them against the corporate income tax as well as against production tax; also, applies timelines to encourage prompt issuance of Middle Earth credits. (Sec. 2, 11, 12, 14, 26, 27)
- Ensures the expiring in-state refinery and LNG storage facility credits remain refundable through appropriation. (Sec. 3-6)

- Expands opportunities for companies holding credits to realize value of those credits by enabling credits – a company’s own or purchased from another – to be used against prior liabilities once those liabilities come due. (Sec. 7, 9, 13, 28)

### **Transition to carry-forward loss system while protecting SB 21 tax**

- Repeals the net operating loss credit statewide. On the North Slope, shifts to a system of carrying forward lease expenditures unable to be deducted in the current year as a mechanism to recover costs, and provides non-cash support for new developments through an uplift. (Sections 10, 21, 23, 25, 29)
- Protects the tax structure in place, including a flexible floor for new oil and small producers, and affirming a hard floor against losses. (Sections 10, 23)

### **Miscellaneous**

- Reduces the interest rate on delinquent taxes and extends the time during which interest accrues. (Section 1)