Provisions in SCS CSHB 111 (RES) \C and their Estimated Fiscal Impact based on Spring 2017 Forecast ($millions) - FC PRICE

Revised 5-2-17 by Dept. of Revenue

Description of Provision	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
1. Effective 1/1/18, Operating loss credit eliminated for North Slope and replaced with carry-forward lease expenditures provision. A company may carry forward 100% of North Slope lease expenditures not deducted against tax, and can use to reduce future tax down to minimum tax. Carry-forwards earned by non-producing companies earn uplift of 10% annually for up to 7 years.	$0	$0	$0	$0	-$10	-$5	-$5	$0	$0	$0
2. Effective 1/1/18, Operating loss credit and state repurchase of credits eliminated for Middle Earth. Retain capital expenditure, well lease expenditure, and exploration credits which can be carried forward or transferred. Also, allow exploration credits to be applied against corporate tax liability.	$0	-$10	-$10	-$10	-$10	-$10	-$5	-$5	-$5	-$5
3. Companies utilizing per-taxable-barrel credits for non-GVR production may also use small producer credits or per-taxable-barrel credits for GVR production to reduce liability below minimum tax effective 1/1/18.	-$10	-$10	-$10	-$20	-$30	-$30	-$15	$0	$0	$0
4. Refinery and LNG storage facility credits may be purchased by appropriation, after repeal of Oil and Gas Tax Credit Fund.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5. Tax credit certificates (including transferred certificates) may be used to offset a liability or assessment for prior-year taxes, effective immediately.	Indeterminate - Net neutral when combined with budget impact									
6. Interest on all delinquent taxes changed to 3 percent over Federal Reserve rate, effective 1/1/18.	Indeterminate									
Additional impact of implementing above provisions together vs standalone.	$0	$0	$0	$0	$5	$10	$5	$0	$0	$0
Total Revenue Impact	**-$10**	**-$20**	**-$20**	**-$30**	**-$45**	**-$35**	**-$20**	**-$5**	**-$5**	**-$5**
A. Budget impact of North Slope operating loss credit elimination and carry-forward lease expenditures provisions effective 1/1/18.	$0	$45	$135	$175	$150	$140	$140	$145	$145	$145
B. Budget impact of Middle Earth credit changes effective 1/1/18.	$0	$10	$10	$10	$10	$10	$10	$5	$5	$5
C. Budget impact of companies utilizing per-taxable-barrel credits for non-GVR production may also use certain other credits to reduce liability below minimum tax effective 1/1/18.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
D. Budget impact of refinery and LNG storage credits may be purchased by appropriation.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
E. Budget impact allowing tax credit certificates to offset liability or assessment for prior-year taxes.	Indeterminate - Net neutral when combined with revenue impact									
F. Budget impact of interest changes, effective 1/1/18.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Additional impact of implementing above provisions together vs standalone	$0	$5	$5	$5	$5	$0	$0	$0	$0	$0
Total Budget Impact	**$0**	**$60**	**$150**	**$190**	**$165**	**$150**	**$150**	**$150**	**$150**	**$150**
Total Fiscal Impact - (does not include potential changes in investment)	**-$10**	**$40**	**$130**	**$160**	**$120**	**$115**	**$130**	**$145**	**$145**	**$145**

Tax impact of carry-forward lease expenditure balances or credits - current law	$63	$55	$55	$55	$55	$55	$55	$49	$26	$0
Tax impact of carry-forward lease expenditure balances - proposed - base value	*$155*	*$330*	*$500*	*$630*	*$740*	*$855*	*$980*	*$1,095*	*$1,215*	*$1,325*
Tax impact of carry-forward lease expenditure balances - proposed - earned uplift	*$0*	*$5*	*$20*	*$50*	*$85*	*$135*	*$195*	*$270*	*$360*	*$460*
Tax impact of carry-forward lease expenditure balances or credits - proposed - total	$155	$335	$520	$680	$825	$990	$1,175	$1,365	$1,575	$1,785
Change in year-end balance due to proposal	**$92**	**$280**	**$465**	**$625**	**$770**	**$935**	**$1,120**	**$1,316**	**$1,549**	**$1,785**

NOTE: This bill eliminates the Oil and Gas Tax Credit Fund under AS 43.55.028. This fiscal note, and the spring forecast, assume that all outstanding credits earned before 1/1/18 by companies with <50,000 barrels per day production are funded through appropriation and purchased by the state.

NOTE: The fiscal impact of this proposal is an estimate based on the Spring 2017 revenue forecast. **Estimates shown here are draft / preliminary based on our interpretation of possible changes, and do not include any changes in company behavior as a result of this proposal. We reserve the right to make modifications to estimates for any forthcoming fiscal notes.**

Fiscal Impact of SCS CSHB111(RES) \C at Various Prices