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GUEST COMMENTARY: Bill to pay off credits fulfills state side of bargain

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Guest commentary

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Alaska Revenue Commissioner Sheldon Fisher hopes that oil and gas companies owed tax credit payments by the state will be open to a proposal to take a discount on what they're due in exchange for being repaid quicker. Gov. Bill Walker is proposing selling bonds to pay off some \$900 million in such credits, with the discount taken by companies enough to offset the state's borrowing costs on the bonds. (Photo/Becky Bohrer/AP)

This week, the Walker Administration introduced a bill to pay off up to \$1 billion of outstanding oil and gas tax credits by issuing bonds to pay for them at a fair discount. By purchasing these tax credits held by small oil and gas exploration companies, the bill will free up frozen credit markets to allow new exploration and development to continue.

This bill is part of Gov. Bill Walker's economic stimulus plan calculated to put Alaskans back to work, and will ultimately result in increased production, leading to increased revenue for the benefit of all Alaskans.

Some Alaskans are asking hard but good questions about why we are doing this.

First some background. Last year, we worked with the Legislature to end the cashable oil and gas tax credits program. In many cases the program had worked — it brought small oil and gas exploration companies to Alaska to look for new fields.

In Cook Inlet, the tax credit program largely solved the serious problem of disappearing gas supplies — gas that Alaskans need for electricity to light and heat their homes. And there have been new large oil discoveries on the North Slope, like the Pikka field, that have promise to put substantial volumes into the pipeline and bring new revenues to the State.

With the passage of House Bill 111 last year, we have ended the program of cashable oil and gas tax credits. The tax credits had quickly added up to a huge sum, and given the collapse in oil prices, the state was simply unable to continue paying them immediately.

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The point of this bill is to be able to "clear the decks" and put the saga of cashable oil and gas tax credits behind us.

Alaskans are asking, why provide a bail-out to large oil and gas companies? We aren't. The point of the tax credits was to encourage small oil and gas companies to explore for new oil and gas reserves. We promised cash and they came. Not only that, they employed Alaskans.

They borrowed hundreds of millions from banks and attracted capital from investors. They spent this money and hired Alaskans. In many cases they found new oil and gas. The production from these new finds will create new revenues for all Alaskans. We need to fulfill our side of the bargain.

Alaskans should know that the bill is cost neutral to the state. We are asking for a fair discount from face value when we buy the tax credits under this bill. The small oil and gas companies get paid immediately, but they will take a discount that will cover our cost of paying the bonds.

The companies have the option to take a smaller discount, but in that case, they have to commit to further in-state capital expenditures or give the state an additional royalty. This is a win-win for Alaskans.

We are proposing this program to achieve a fair resolution and conclusion to the cashable oil and gas tax credit system. Fair to the State, fair to Alaskans, and fair to the small oil and gas exploration companies that came and did what we asked them to do: look for new oil and gas resources.

We look forward to successful outcomes: fully and quickly extinguishing these tax credits, completion of the exploration and development of prospects funded by the tax credits, new production, and new oil and gas revenues for the state.

More investment means more jobs for Alaskans. More production equals more revenue to benefit all Alaskans.

Sheldon Fisher is the commissioner of the Department of Revenue.

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