

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
Bill Version **SB 85**
() Publish Date _____

Identifier (file name) SB85-DOR-TAX-02-24-11 Dept. Affected Revenue
Title Tax Credit for New Oil and Gas Development Appropriation Taxation and Treasury
Allocation Tax Division
Sponsor Senator Wagoner
Requester Senate Resources Committee OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES		***	***	***	***	***	***	***
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the first version of the bill.

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Approved by Ginger Blaisdell, Director Administrative Services Division
Department of Revenue

Phone 269-1019
Date/Time 2/24/11; 10:00am
Date 2/24/11; 10:49am

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BILL NO. SB 85

Analysis

***The revenue impact of this bill is indeterminate.

This bill establishes a tax credit for costs related to oil and gas development in areas that contain land that, (1) as of December 31, 2010, were not or had not previously been within a unit; or (2) had not produced oil or gas in paying quantities. The credit is equal to 100 percent of the "qualified development expenditures" that are incurred after the completion of the first well drilled that discovers a pool capable of commercial production. "Qualified development expenditures" include lease expenditures under AS 43.55.165 applicable to the development of the land for which the credit is sought. A producer or explorer who elects to claim this tax credit cannot claim tax credits for the same expenditures under any other tax credit in current state law. The credit is not transferable and cannot be used to reduce the taxpayer's tax liability to less than zero. The credit must be applied within the first five years of the commencement of production in paying quantities.

The bill has an immediate effective date.

The Department of Revenue cannot quantify the fiscal impact of this bill for the timeframe included in the fiscal note for several reasons, including the following:

- (1) The Department cannot precisely identify the investment in known developments that will qualify for this credit;
- (2) The Department cannot estimate the amount of new development that will be encouraged by this credit;
- (3) The Department cannot identify with any degree of certainty which companies will choose to take this credit over other credits currently in state law. The decision on which credit to take will depend on specific project conditions, economic conditions, company priorities, and other factors.

The Department will not require additional agency resources to administer the provisions of this bill.