Revised 4-12-16 by Department of Revenue

## Provisions in CSSB 130(RES) 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. The rate for net operating loss credits for Cook Inlet is changed to 15% effective 1/1/17, then to 0% on 1/1/18 *(modeled separately from items 2 and 3).* | $0 | $0 | $0 | $0 | $0 | $0 |
| 2. The rates for QCE credits and WLE credits for Cook Inlet are changed to 10% and 20%, respectively, on 1/1/17; then to 0% for both on 1/1/18 *(modeled separately from items 1 and 3).* | $0-$5 | $0-$5 | $10-$15 | $10-$15 | $10-$15 | $30-$40 |
| 3. Cook Inlet tax caps are repealed and a tax rate of 0% for Cook Inlet oil and gas is implemented effective 1/1/18 *(modeled separately from items 1 and 2).* | ($5)-$0 | ($5)-$0 | ($5)-$0 | ($5)-$0 | ($5)-$0 | ($50)-($25) |
| 4. The interest rate on delinquent taxes is changed to 7% above the Fed Res Discount rate, compounded quarterly for the first three years, then to zero interest thereafter. | Indeterminate | | | | | |
| 5. The GVR cannot be used to create or increase a net operating loss. | $0 | $0 | $0 | $0 | $0 | $5-$15 |
| 6. GVR-eligible production qualifies for the GVR for a period of 5 years or until 1/1/21. | $0 | $0 | $0 | $0 | $0-$10 | $30-$50 |
| 7. A tax exempt entity may earn credits applicable to only those lease expenditures subject to tax | Indeterminate | | | | | |
| 8. Special tax treatment for qualifying "gas used in state" outside of Cook Inlet eliminated on 1/1/18 (currently tied to Cook Inlet gas ceiling) | Indeterminate | | | | | |
| **Total Revenue Impact *(does not include provisions 1-2)*** | **($5)-$0** | **($5)-$0** | **($5)-$0** | **($5)-$0** | **($5)-$10** | **($15)-$40** |
| | | | | | | |
| A. Budget impact of change in net operating loss credits for Cook Inlet (provision 1 above) | $0 | $5-$10 | $10-$20 | $10-$20 | $10-$20 | $10-$20 |
| B. Budget impact of change in QCE/WLE credits for Cook Inlet (provision 2 above) | $5-$10 | $30-$40 | $30-$40 | $30-$40 | $75-$100 | $75-$100 |
| C. Budget impact of change in net operating loss, QCE, and WLE credits for Middle Earth effective 1/1/17. | $0-$5 | $0-$5 | $0-$5 | $0-$5 | $0-$5 | $0-$5 |
| D. Budget impact of limiting refunds to $85 million per company per year (only shifts timing of refunds - impact is after all other provisions of bill) | Limited impact under forecast - net neutral between FY18-19-20 | | | | | |
| E. The GVR cannot be used to create or increase a net operating loss (provision 5 above) | $0 | $10-$20 | $20-$30 | $15-$25 | $5-$15 | $0-$10 |
| F. Budget impact of exploration credit extension for well spudded by 7/1/16 | ($5)-$0 | ($5)-$0 | $0 | $0 | $0 | $0 |
| G. Budget impact of GVR applying to fields for a period of 5 years (provision 6 above) | $0 | $0 | $0 | $0 | $0 | $0 |
| **Total Budget Impact** | **$0-$15** | **$40-$75** | **$60-$95** | **$55-$90** | **$90-$140** | **$85-$135** |
| **Total Fiscal Impact - does not include revenue impacts from potential changes in investment[2]** | **($5) - $15** | **$35- $75** | **$55-$95** | **$50-$90** | **$85-$150** | **$70-$175** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Non-refundable carry-forward credits balance at fiscal year end - current law[3] | $618 | $751 | $732 | $585 | $265 | $136 |
| Non-refundable carry-forward credits balance at fiscal year end - proposed[3] | $605 | $718 | $677 | $508 | $242 | $128 |
| **Change in year-end balance due to bill** | **-$13** | **-$33** | **-$55** | **-$77** | **-$23** | **-$8** |

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

[3]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 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.**