

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version  
 Fiscal Note Number  
 () Publish Date

**HB289**

Identifier (file name)	HB289-DNR-O&G-02-17-12	Dept. Affected	Department of Natural Resources
Title	Natural Gas Storage Tax Credit/Regulation	Appropriation	Oil & Gas
		Allocation	Oil & Gas
Sponsor	Representative Thompson		
Requester	House Resources Committee	OMB Component Number	439

**Expenditures/Revenues** (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY13	FY13	FY14	FY15	FY16
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>FUND SOURCE</b>		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>POSITIONS</b>							
Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>	***	***	***	***	***	***	***	
Estimated SUPPLEMENTAL (FY12) operating costs (discuss reasons and fund source(s) in analysis section)			0.0		<i>(separate supplemental appropriation required)</i>			

<b>Estimated CAPITAL (FY13) costs</b> (discuss reasons and fund source(s) in analysis section)	0.0	<i>(separate capital appropriation required)</i>
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**Why this fiscal note differs from previous version (if initial version, please note as such)**

Not applicable, Initial Version

Prepared by	William C. Barron, Director	Phone 907-269-8800
Division	Division of Oil and Gas	Date/Time 2/17/12 5:00 PM
Approved by	Daniel S. Sullivan, Commissioner	Date 2/18/2012
	Department of Natural Resources	

## FISCAL NOTE

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BILL NO. HB289

### Analysis

HB 289 extends provisions encouraging gas storage in subsurface gas storage to also cover tank storage. Section 2 provides that the lessee of a surface lease for gas storage can receive a 10 year exemption from making lease payments. Sections 4 and 5 extend the Alaska corporate income tax credit for subsurface gas storage facilities to tank storage, requiring that a tank be able to store 1,000,000 gallons of gas to qualify.

There is no anticipated fiscal impact to the Division of Oil and Gas. The application of tax credits will have an indeterminate impact on the revenues acquired by the Division.

HB 289 also allows a business entity not subject to the Alaska Corporate Income tax to receive the credit in the form of a cash payment. In addition, for both surface and subsurface storage, the credit under AS 43.20.046(a) can also now exceed 25% of the storage facility cost as long as the total credit for a single facility does not exceed \$15 million.

To the extent new markets are not accessed, the impact of the credit is indeterminate. The credit might not increase the netback value of the gas for royalty purposes because a gas storage facility is regulated under this section, with the value of the credit likely passed on to the consumer. The State's royalty value also might be more or less for gas removed from a lease and put into storage versus gas removed from the lease and sold.