

Revenue Sources Book

Alaska Department of Revenue – Tax Division

FALL 2011

Credits. E-1a

Summary of Alaska Tax Credits in Current Law (\$ millions)

Description of Credit	Credit Rate and Maximum Credit	Amount of Credit Claimed		
		FY 2009	FY 2010	FY 2011
Credits Applicable to the Oil and Gas Production Tax (see Note A)				
Exploration Incentive Credit, AS 38.05.180(i) A non-transferable credit for the cost of drilling or seismic work performed under a limited time period established by the Commissioner of the Department of Natural Resources.	Up to 50% of the cost of drilling or seismic work, not to exceed 50% of the tax liability to which it is being applied. This credit may also be applied against the state royalty.	\$0	\$0	\$0
Qualified Capital Expenditure Credit, AS 43.55.023(a) and (l) A transferable tax credit for qualified oil and gas capital expenditures in the state. Taken in lieu of exploration incentive credits under AS 43.55.025 and gas exploration credits under AS 43.20.043.	Credit is 20% of eligible expenditures, or 40% for well related expenses outside the North Slope. For credits earned for North Slope capital expenditures under AS 43.55.023 (a), no more than half the credit may be applied in a single calendar year.	\$391	\$585	\$640
Carried-Forward Annual Loss Credit, AS 43.55.023(b)				
A transferable credit for a carried-forward annual loss, as defined as a producer or explorer's adjusted lease expenditures that are not deductible in calculating production tax values for the calendar year.	Credit is 25% of the carried-forward annual loss. If a transferable credit certificate is applied for North Slope losses, not more than half may be taken in one year.	Totals included in Qualified Capital Expenditure Credits above		
Small Producer / New Area Development Credit, AS 43.55.024(a) and (c) A non-transferable credit for oil and gas produced by small producers, defined as having average taxable oil and gas production of less than 100,000 BTU equivalent barrels per day, or for oil or gas produced on leases outside Cook Inlet and below 68 degrees North latitude, providing the producer has a positive tax liability on that production before the application of other credits. Credit is available until the later of 2016 or 9 years after first commercial production of oil and gas on the properties for which the credit applies.	Credit is 100% of tax liability for eligible oil and gas production. The credit is capped at \$12,000,000 annually under the small producer credit for producers with no more than 50,000 BTU equivalent barrels per day. The credit then phases out, reaching zero for producers with 100,000 or more BTU equivalent barrels per day. Under the new area development credit, credit is available up to \$6,000,000 per company annually.	\$21	\$34	\$38
Transitional Investment Expenditure Credit, AS 43.55.023(j)				
A non-transferable credit for qualified oil and gas capital expenditures incurred between March 31, 2001 and April 1, 2006. Only available to companies that did not have production in commercial quantities prior to January 1, 2008. Credit may not be used after December 31, 2013.	Credit is 20% of qualified oil and gas capital expenditures incurred between March 31, 2001 and April 1, 2006, not to exceed 10% of the capital expenditures incurred between March 31, 2006 and January 1, 2008.	Cannot be reported due to taxpayer confidentiality		
Alternative Credit for Exploration, AS 43.55.025 A transferable credit for expenditures for certain oil and gas exploration activities. Expires 7/1/2016.	Outside of Cook inlet, credit is 40% for seismic costs outside an existing unit, 30% for drilling costs greater than 25 miles from an existing unit, 30% for pre-approved new targets greater than 3 miles from an existing well, and 40% for pre-approved new targets greater than 3 miles from a well and greater than 25 miles from an existing unit. For Cook Inlet, credit is 40% for seismic costs outside an existing unit, 30% for drilling costs greater than 10 miles from an existing unit, 30% for pre-approved new targets, and 40% for drilling costs that are greater than 10 miles from an existing unit and pre-approved new targets.	\$18	\$41	\$13

Note A: Credits under these programs are calculated and tracked on a calendar year basis. Totals represent CY 2009, 2010, and 2011.

Credits. E-1b

Summary of Alaska Tax Credits in Current Law (\$ millions)

Description of Credit	Credit Rate and Maximum Credit	Amount of Credit Claimed		
		FY 2009	FY 2010	FY 2011
Cook Inlet Jack-Up Rig Credit, AS 43.55.025(a)(5) and (l) A credit for exploration expenses for the first three wells drilled by the first jack-up rig brought in to Cook Inlet. Expenses only for drilling of wells from a jack-up rig for wells that test pre-Tertiary; all three wells must be drilled by unaffiliated parties.	Credit is 100% of costs for the first well up to \$25 million, 90% of costs for the second well up to \$22.5 million, and 80% of costs for the third well up to \$20 million. If exploration well is brought into production, operator shall repay 50% of the credit over ten years following production start-up.			Credit program began in 2011
Credits Applicable to the Corporate Income Tax				
Internal Revenue Code Credits Adopted by Reference, AS 43.20.021 Under Alaska's blanket adoption of the IRC, taxpayers can claim all federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multistate taxpayers apportion their total federal incentive credits.	For most credits, credit is limited to 18% of the amount of the credit determined for federal income tax purposes which is attributable to Alaska.			Not tracked
Gas Exploration and Development Credit, AS 43.20.043 A non-transferable credit for qualified expenditures for exploration and development of non-North Slope natural gas reserves.	Credit is 25% of qualified expenditures for investment after January 1, 2010; investments in existing units qualify. Credit is capped at 75% of tax liability as calculated before applying other credits.			Cannot be reported due to taxpayer confidentiality
Gas Storage Facility Credit, AS 43.20.046 A credit for the costs incurred to establish a gas storage facility. Does not apply to gas storage related to a gas sales pipeline on the North Slope. Facility shall operate as a public utility regulated by the Alaska RCA with open access for 3rd parties. Effective for facilities placed into service between January 1, 2011 and December 31, 2015.	Credit is \$1.50 per thousand cubic feet of "working gas" storage capacity as determined by AOGCC. Maximum credit is the lesser of \$15 million or 25% of costs incurred to establish the facility.			Credit program began in 2011
Film Production Credit, AS 43.98.030 A transferable credit for expenditures on eligible film production activities in Alaska. Producer must spend at least \$100,000 in a consecutive 24-month period to qualify. Expires the earlier of 7/1/2013 or once \$100 million of credits have been approved.	Credit is 30% of eligible film production expenditures, plus an additional 10% credit for wages paid to Alaska residents, plus an additional 2% credit for filming in a rural area, plus an additional 2% credit for filming between October 1 and March 30. Program is capped at \$100 million for all projects.	\$0	<\$1	<\$1
Credits Applicable to Multiple Tax Programs				
Education Credit, AS 21.89.070 and .075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, AS 43.77.045 - Applicable to Corporate Income Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Insurance Premium Tax, Mining License Tax, Oil and Gas Production Tax, Oil and Gas Property Tax				
A non-transferable credit for contributions to vocational educational programs, accredited Alaska universities or colleges for educational purposes or facilities, annual intercollegiate sports tournaments, AK Native educational programs, facilities that qualify under the Coastal American Partnership; under AS 21.89.075 contributions to the Alaska Fire Standards Council also qualify.	Credit is 50% of annual contributions up to \$100,000, 100% of the next \$200,000 and 50% of annual contributions beyond \$300,000. The credit cannot exceed \$5,000,000 annually across all eligible tax types. The credit at these rates is effective from January 1, 2011 until December 31, 2020, at which point the maximum credit for any taxpayer is \$150,000 per year.	\$2	\$2	\$3

Credits. E-1c

Summary of Alaska Tax Credits in Current Law (\$ millions)

Description of Credit	Credit Rate and Maximum Credit	Amount of Credit Claimed		
		FY 2009	FY 2010	FY 2011
<u>Minerals Exploration Incentive Credit, AS 27.30.030, AS 43.20.044 - Applicable to Corporate Income Tax, Mining License Tax and Mineral Production Royalty</u>				
A non-transferable credit for eligible costs of mineral or coal exploration activities. Credit must be used within 15 years.	Credit is 100% of allowable exploration costs with a maximum of \$20 million. Credit is limited to: (1) for mining license tax, the lesser of 50% of the MLT liability at the mining operation at which the exploration occurred or 50% of total MLT liability; (2) for corporate income tax, the lesser of 50% of the MLT liability at the mining operation at which the exploration occurred or 50% or total CIT liability, and (3) for mineral royalty, 50% of royalty liability from the mining operation at which the exploration activity occurred.	\$0	<\$1	<\$1
<u>Credits Applicable to Fisheries Taxes</u>				
<u>Scholarship Contributions Credit, AS 43.75.032, AS 43.77.035 - Applicable to the Fisheries Business Tax and Fishery Resource Landing Tax</u>				
A non-transferable credit for contributions to the A.W. "Winn" Brindle memorial education loan account established under AS 14.43.250.	Credit is 100% of contribution amount up to a maximum of 5% of tax liability.	<\$1	<\$1	<\$1
<u>Salmon Product Development Credit, AS 43.75.035</u>				
A non-transferable credit for eligible capital expenditures to expand value-added processing of Alaska salmon including ice-making machines. Credit expires December 31, 2015 and may be carried forward for three years.	Credit is 50% of qualified investment up to 50% of tax liability incurred for processing of salmon during the tax year.	\$3	\$4	\$2
<u>Community Development Quota Credit, AS 43.77.040</u>				
A non-transferable credit for contributions to an Alaska nonprofit corporation that are dedicated to fisheries industry-related expenditures. Credit is available only for fishery resources harvested under a community development quota (CDQ).	Credit is 100% of contribution amount up to a maximum of 45.45% of tax liability on fishery resources harvested under a CDQ.	\$0	<\$1	<\$1
<u>Other Taxes Credit, AS 43.77.030</u>				
A non-transferable credit for taxes paid to another jurisdiction on fishery resources landed in Alaska.	Credit is 100% of taxes paid with a maximum of 100% of the Alaska tax liability on the fishery resources.	Not tracked		
Total All Credits		\$436	\$670	\$700