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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS COMMITTEE SUBSTITUTE FOR HOUSE BILL 229 (RES)

“An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; providing for an effective date by amending the effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date.”

Section 1: Amends 43.20.043(a), Gas exploration and development tax credit. Adds before January 1, 2010, to the time in a tax year for which a credit against state tax liability may be applied. Also further adds language that for a tax year beginning after December 31, 2009, 25 per cent of the taxpayer’s qualified investment and 25 per cent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment for any gas reserve of the taxpayer or for each year that qualified costs are incurred for a gas reserve for which the taxpayer previously elected to claim a credit.

Section 2: Amends AS 43.20.043(b), Gas exploration and development tax credit. Adds before July 1, 2010, if a claim is made under (a)(1)(A) found in Section 1 or December 31, 2009, if the claim of credit is made under (a)(2)(A) also found in Section 1. Replaces the word “reserves” with wells and “paragraph” with “subparagraph”. It adds language that includes expenditures for a gas well that is determined not to be capable of production in commercial quantities as qualifying for the taxpayer’s qualified investment credit.

Section 3: Amends AS 43.20.043(c), Gas exploration and development tax credit. States the credit allowed will be made for each tax year rather than per year and eliminates the 50 per cent provision of the taxpayer’s total tax liability.

Section 4: Amends AS 43.20.043(e), Gas exploration and development tax credit. Adds language that disallows a taxpayer from including in any rate base for a regulated facility the cost of any qualified capital investment or qualified services that have been offset by the receipt of a credit under this chapter.

Section 5: Amends AS 43.20.043(i)(1), Qualified capital investment. Deletes “reserves in a gas reservoir for which there has not been commercial production if the reserves produce gas for sale and delivery”. It adds language that includes any gas reserve

regardless of whether there has been commercial production in the area or whether the exploration and development activity results in the production of gas or a well not capable of production in commercial quantities.

Amends AS 43.20.043(i)(1)(C)(ii), Amends the language regarding what can be included as “property”. Topping plants and processing units are deleted. Power plants are constrained to only those designed for field operations. Gas processing plants and gas treatment plants are added with the exclusion of liquefied natural gas or manufacturing plants.

Section 6: Amends AS 43.20.043, Adds a new subsection that reads: A taxpayer shall claim the credit authorized in (a) of this section on a timely filed tax return for the year in which the qualified capital investment is made, on a timely filed amended tax return, or on a timely filed tax return for the year immediately following the year in which the qualified capital investment is made. The election to apply the credit authorized in (a) of this section may not be an irrevocable election.

Section 7: Amends uncodified law enacted by Section 3, Chapter 61, SLA 2003. Adds secs. 2 and 5, ch. 61, SLA 2003 as amended by Section 8 of this bill. Also amends the carry forward of the tax xcredit from 2017 to 2024.

Section 8: Amends uncodified law enacted by Section 5, Chapter 61, SLA 2003. Adds ch. 61, SLA 2003 to take effect on January 1, 2020 instead of 2013.

Section 9: Immediate effective date.