

Table of Tax Credits under AS 43.55 - The Alaska Oil and Gas Production Tax

Below is a table relating to credits under AS 43.55, the Oil and Gas Production Tax, for the State of Alaska. This is intended as an informational guide only. The State of Alaska makes no warranty, expressed or implied, of the accuracy of this. To be certain of the current statutes and regulations, refer to the official printed version of the statutes and regulations. This information only relates to credits in effect on January 1, 2011.

Credits under AS 43.55

| | Credits that May be Issued as Certificates and Submitted to the State for Cash Purchase | | | | | | | | | | | |
|--|--|--|--|---|---|---|--|---|---|--|--|---|
| | AS 43.55.023(a)(1) | AS 43.55.023(a)(2) | AS 43.55.023(b) | AS 43.55.023(l)(1) | AS 43.55.023(l)(2) | AS 43.55.025(a)(1-4) | AS 43.55.025(a)(5) | AS 43.55.019 | AS 43.55.023(j) | AS 43.55.024(a) | AS 43.55.024(c) | |
| Informal Title | Qualified Capital Expenditures Credit | Qualified Capital Expenditures Credit in Relation to Exploration | Carried-Forward Annual Loss Credit | Well Lease Expenditure Credit | Well Lease Expenditure Credit in Relation to Exploration | Alternative Credit for Exploration | Alternative Credit for Exploration - Jack-up Rig | Education Credit | Transitional Investment ("TIE") Credit | New Area Development ("Middle Earth") Credit | Small Producer Credit | |
| Initial and Most Recent Effective Date(s) | 4/1/2006, amended 7/1/2007 | 4/1/2006, amended 7/1/2007 | 4/1/2006, amended 7/1/2008 | 7/1/2010 | 7/1/2010 | 2003, amended 7/1/2008 | 5/10/2010 | 1987, amended 1/1/2011 | 4/1/2006, amended | 4/1/2006 | 4/1/2006 | |
| Credit Percentage / Amount | 20% | 20% | 25% (pre-7/1/07 20%) | 40% | 40% | 30% or 40% (pre-7/1/08 20% or 40%) | 80%, 90%, or 100% (up to \$20, \$22.5 or \$25 million) | Max of \$5,000,000 | 20% | \$6,000,000 | \$12,000,000 | |
| Description | A Qualified Capital Expenditure (QCE) must be a lease expenditure and treated as a capitalized cost under 26 IRC. For credits south of 68 degrees North latitude these are issued as one certificate. For the North Slope, these credits are issued as two certificates (one available in year issued, the other available the following calendar year). | A Qualified Capital Expenditure (QCE) must be a lease expenditure and related to exploration. For credits south of 68 degrees North latitude these are issued as one certificate. For the North Slope, these credits are issued as two certificates (one available in year issued, the other available the following calendar year). | The carried forward annual loss is calculated for each segment by taking 25% of excess lease expenditures (lease expenditures not deductible in calculating production tax values). For credits south of 68 degrees North latitude these are issued as one certificate. For the North Slope, these credits are issued as two certificates (one available in year issued, the other available the following calendar year). | A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) south of 68 degrees North latitude. | A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) related to exploration south of 68 degrees North latitude. | These credits are narrowly defined by both the statute and regulations as costs directly related to drilling an exploration well or performing a seismic shoot. An exploration well may receive either the 30% or 40% depending on location and seismic exploration may receive 40% credit. | The qualified expenditures related to the first 3 unaffiliated wells drilled by the same jack-up rig in Cook Inlet pre-Tertiary zone qualify for this credit. The first well receives a 100% credit up to \$25 million, the second well received a 90% credit up to \$22.5 million, and the third well receives a 80% credit up to \$20 million. | For cash donations to qualified educational institutes or foundations a portion of the donation may be taken as a credit against tax liability. | For taxpayers that did not have commercial production before January 1, 2008, a 20% credit for QCEs for the period April 1, 2001 to March 31, 2006 is allowed. This credit is limited to 1/10 of the QCEs incurred April 1, 2007 through December 31, 2007. | For production south of 68 degrees North latitude and outside of Cook Inlet (aka "Middle Earth"), a producer may take a credit of \$6,000,000 to offset tax liability. Expires 2016. | If the taxpayer produces less than 50,000 BTU equivalent barrels average daily production, then they may take the full production between 50,000-100,000 BTU equivalent barrels the credit is prorated. Expires 2016 | |
| DNR Data Requirements | No | Yes | No | No | Yes | Yes | Yes | No | No | No | No | |
| Location Requirements | No | No | No | Yes - must be south of 68 degrees North latitude | Yes - must be south of 68 degrees North latitude | For some of these credits there are distance requirements from other wells and units | Yes - must be a jack-up rig in Cook Inlet | No | No | Yes - must be outside of Cook Inlet and south of the North Slope aka "middle earth" | No | |
| Regulations* | 15 AAC 55.310-320 | 15 AAC 55.310-320 | 15 AAC 55.310-320 | None Yet | None Yet | 15 AAC 55.350-360 | 15 AAC 55.350-360 | None Yet | 15 AAC 55.330 | 15 AAC 55.335 | 15 AAC 55.335 | |
| Combinations | Same expenditures may also qualify for credit under AS 43.55.023(b) | Same expenditures may also qualify for credit under AS 43.55.023(b) | Same expenditures may also qualify for credit under AS 43.55.023(a), (l), or 025(a)(1-4) | Same expenditures may also qualify for credit under AS 43.55.023(b) | Same expenditures may also qualify for credit under AS 43.55.023(b) | Same expenditures may also qualify for credit under AS 43.55.023(b) | None of the expenditures included in this credit may receive a credit under any other section of this chapter | Credit may be in addition to all other credits | May not have received an AS 43.55.025 credit for the same expenditures | Not for specific expenditures - credit may be in addition to all other credits | Not for specific expenditures - credit may be in addition to all other credits | |
| Uses to Credit | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State. | Applied directly to tax and may not be carried forward or transferred | Applied directly to tax and may not be transferred or used after 2013. | Applied directly to tax and may not be carried forward or transferred | Applied directly to tax and may not be carried forward or transferred |
| Filing Requirements | Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-310 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-310 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-308 | Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim. | Form 0405-332 | Form 0405-332 | |

*Other regulations under 15 AAC 55 may apply to these credits, this section only lists the regulations directly related. Please read all of 15 AAC 55 for complete information and treatments of the tax credits.