

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **HB 276**
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB276-DOR-TAX-01-27-12
 Title Oil/Gas Production Tax Credits: Nenana
 Sponsor Representatives Thompson, Dick, Millett, Tuck, Miller
 Requester (H) RES
 Dept. Affected Revenue
 Appropriation Taxation and Treasury
 Allocation Tax
 OMB Component Number 2476

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				
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***
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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial version of the bill.

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 Approved by Alicia Egan, Oil & Gas Legislative Liaison
Department of Revenue

Phone 907-269-1019
 Date/Time 1/27/12, 1:00pm
 Date 1/28/2012

FISCAL NOTE

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BILL NO. HB 276

Analysis

***The revenue impact of this bill is indeterminate.

This bill expands the production tax credit authorized at AS 43.55.025 to a maximum credit of 100 percent of the total exploration expenditures for drilling to a depth greater than 8,000 feet (unless otherwise authorized by the commissioner of the Department of Natural Resources) for drilling an exploration well for the purpose of discovering oil or gas in the Nenana Basin. The bill proposes to grant the full 100 percent of exploration expenditures to a person who drills a qualifying well under this credit, 90 percent to a person who drills the second qualifying well under this credit, and 80 percent to a person who drills the third qualifying well under this credit. A maximum of \$25 million in exploration well expenditures per well will qualify under this credit, resulting in maximum credit limits of \$25 million, \$22.5 million, and \$20 million for the first three wells. Only expenditures occurring after December 31, 2011 and before July 1, 2016 would qualify under the bill. If the exploration well for which credit is received results in paying quantities of production, the person(s) who received the credit will pay back to the state 50 percent of the credit received in monthly installments over 10 years. The monthly installment shall be the greater of 1/240th of the total amount of the credit received or 10 percent of the gross value at the point of production for the month preceding the month the payment is due.

The fiscal impact of this bill is indeterminate. If three qualifying wells are drilled at \$25 million apiece, the immediate revenue impact to the state would be \$67.5 million. Under this scenario, if paying quantities of production are found, the state could be reimbursed up to \$33.75 million of the credits over the 10 years following the start of sustained production.

The Department of Revenue could administer the provisions of this bill with existing resources.