

CS FOR HOUSE BILL NO. 230()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES SEATON, Gara, Thompson

A BILL

FOR AN ACT ENTITLED

1 **"An Act allowing the Alaska Industrial Development and Export Authority to issue**
2 **bonds for an oil or gas processing facility; providing a tax credit for the construction or**
3 **improvement of an oil or gas processing facility; and creating the oil and gas**
4 **infrastructure fund to finance construction or improvement of an oil or gas processing**
5 **facility."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 FINDINGS. The legislature finds that

10 (1) it is in the long-term best interest of the state to increase oil production;

11 (2) small producers find it difficult to access existing oil and gas processing
12 facilities, which could be detrimental to the goal of increasing production;

13 (3) one small oil company has reached the point of oil production but, because

1 of the lack of available oil and gas facilities, is unable to process oil and ship the oil through
2 the pipeline;

3 (4) near-term investment of \$200,000,000 in oil and gas processing facilities
4 would for allow new production from new fields to enter the pipeline;

5 (5) the prohibition on the issuance of bonds of the Alaska Industrial
6 Development and Export Authority in an amount exceeding \$400,000,000 does not provide
7 flexibility for participation in project financing;

8 (6) removing that limit on bonding authority for processing facilities and other
9 infrastructure would allow small companies that do not have capital to finance oil and gas
10 processing facilities to move more oil from new fields;

11 (7) the Alaska Industrial Development and Export Authority has sufficient
12 expertise to control risk in the state's participation in oil and gas processing facilities; and

13 (8) participation by the Alaska Industrial Development and Export Authority
14 in a large oil or gas processing facility project over a 10-year period would bring more income
15 to the state than the typical short-term investment in the low-interest-rate environment.

16 * **Sec. 2.** AS 43.20 is amended by adding a new section to article 1 to read:

17 **Sec. 43.20.052. Oil or gas processing facility tax credit.** (a) A taxpayer may
18 apply a credit against the tax due under this chapter for an expenditure for the
19 construction or improvement of an oil or gas processing facility on the North Slope or
20 flow lines and other surface infrastructure for the facility.

21 (b) A taxpayer may not apply a combined total of more than \$10,000,000 in
22 tax credits under this section and AS 43.20.049 in a tax year. A tax credit or portion of
23 a tax credit under this section may not be used to reduce the taxpayer's tax liability
24 under this chapter below zero. Any unused tax credit or portion of a tax credit under
25 this section may be applied in later tax years, except that any unused tax credit or
26 portion of a tax credit may not be carried forward for more than five tax years
27 immediately following the tax year in which the expenditures for the construction or
28 improvement of an oil processing facility were incurred.

29 (c) An expenditure that is the basis of the credit under this section may not be
30 the basis for

31 (1) a deduction against the tax levied under this chapter;

1 (2) a credit or deduction under another provision of this title; or

2 (3) any federal credit claimed under this title.

3 (d) Notwithstanding any contrary provision of AS 40.25.100(a) or
4 AS 43.05.230(e), for a year that three or more taxpayers claim a tax credit under this
5 section, the department may publish the aggregated amount of tax credits claimed
6 under this section and a description of the qualified oil and gas service industry
7 expenditures that were the basis for a tax credit under this section.

8 (e) In this section,

9 (1) "North Slope" means that area of the state lying north of 68 degrees
10 North latitude;

11 (2) "oil or gas processing facility" has the meaning given in
12 AS 44.88.168.

13 * **Sec. 3.** AS 44.88.095(g) is amended to read:

14 (g) The authority may issue bonds in an amount greater than \$10,000,000 to
15 assist in the financing of **an oil or gas processing facility under AS 44.88.168** or a
16 development project under AS 44.88.172 - 44.88.177 only if approved by law,
17 excluding refunding bonds. Refunding bonds may be issued without further approval
18 by law in a principal amount sufficient to provide funds for the payment of all bonds
19 to be refunded by them and, in addition, for the payment of all other amounts that the
20 authority considers appropriate in connection with the refunding, including expenses
21 incident to the redeeming, calling, retiring, or paying of the outstanding bonds, the
22 funding of reserves, and the issuance of the refunding bonds.

23 * **Sec. 4.** AS 44.88.140(a) is amended to read:

24 (a) Except as provided in AS 29.45.030(a)(1) **and AS 44.88.168**, the real and
25 personal property of the authority and its assets, income, and receipts are declared to
26 be the property of a political subdivision of the state and, together with any project or
27 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -
28 44.88.177, and a leasehold interest created in a project or development project
29 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an
30 essential public and governmental function and purpose, and the property, assets,
31 income, receipts, project, development project, and leasehold interests shall be exempt

1 from all taxes and special assessments of the state or a political subdivision of the
2 state, including, without limitation, all boroughs, cities, municipalities, school
3 districts, public utility districts, and other taxing units. All bonds of the authority are
4 declared to be issued by a political subdivision of the state and for an essential public
5 and governmental purpose and to be a public instrumentality, and the bonds, and the
6 interest on them, the income from them and the transfer of the bonds, and all assets,
7 income, and receipts pledged to pay or secure the payments of the bonds, or interest on
8 them, shall at all times be exempt from taxation by or under the authority of the state,
9 except for inheritance and estate taxes and taxes on transfers by or in contemplation of
10 death. Nothing in this section affects or limits an exemption from license fees,
11 property taxes, or excise, income, or any other taxes, provided under any other law,
12 nor does it create a tax exemption with respect to the interest of any business
13 enterprise or other person, other than the authority, in any property, assets, income,
14 receipts, project, development project, or lease whether or not financed under this
15 chapter. By January 10 of each year, the authority shall submit to the governor a report
16 describing the nature and extent of the tax exemption of the property, assets, income,
17 receipts, project, development project, and leasehold interests of the authority under
18 this section. The authority shall notify the legislature that the report is available.

19 * **Sec. 5.** AS 44.88 is amended by adding a new section to read:

20 **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas
21 infrastructure fund is established in the authority. The oil and gas infrastructure fund
22 consists of money appropriated to the authority for deposit in the fund, and money
23 deposited in the fund by the authority. The fund is not an account in the revolving loan
24 fund established in AS 44.88.060, and the authority shall account for the fund
25 separately from the revolving fund. Money in the fund may be used to finance the
26 construction and improvement of an oil or gas processing facility on the North Slope
27 and flow lines and other surface infrastructure for the facility.

28 (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the
29 state may levy a tax or special assessment on an oil or gas processing facility, flow
30 lines, and other surface infrastructure for the facility financed by the oil and gas
31 infrastructure fund.

1 (c) In this section,

2 (1) "North Slope" means that area of the state lying north of 68 degrees
3 North latitude;

4 (2) "oil or gas processing facility" means a project that is a facility that
5 separates and cleans crude oil or natural gas by separating impurities to make the
6 product suitable for transport through a pipeline or a facility that chemically converts
7 natural gas to a liquid form; "oil or gas processing facility" does not include a facility
8 that uses phase conversion of natural gas to liquid form.

9 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING**
12 **FACILITY.** (a) The Alaska Industrial Development and Export Authority may issue bonds to
13 finance the construction and improvement of an oil or gas processing facility on the Alaska
14 North Slope and flow lines and other surface infrastructure for the facility. The processing
15 facility, flow lines, and other surface infrastructure for the facility shall be used to secure
16 bonds issued under this section. The principal amount of the bonds provided by the authority
17 for the facility, flow lines, and other surface infrastructure may not exceed \$200,000,000 and
18 may include the costs of funding reserves and other costs of issuing the bonds that the
19 authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas
20 processing facility, flow lines, and other surface infrastructure for the facility constructed or
21 financed by the oil and gas infrastructure fund (AS 44.88.168) are subject to taxes and special
22 assessments of the state or a political subdivision of the state.

23 (b) This section constitutes the legislative approval required by AS 44.88.095(g).

24 (c) The prohibition on the issuance of bonds in an amount exceeding \$400,000,000
25 under AS 44.88.095 does not apply to bonds issued under this section, and the principal
26 amount of bonds issued under this section may not be considered in determining whether the
27 limit in AS 44.88.095 has been reached.