Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version:	CSSB 138(FIN)
Fiscal Note Number:	13
(S) Publish Date:	3/17/14

Identifier: SB138CS(FIN)-DOR-TAX-03-16-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2015**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Personal Services							
Travel							
Services	750.0						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**750.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

1004 Gen Fund	750.0						
Total	**750.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							

Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/15

Why this fiscal note differs from previous version:

Updated for Sen Finance addition of amendment to expand qualifying expenditures for the purpose of the education tax credit against the production tax.

Prepared By:	Michael R. Pawlowski, Deputy Commissioner	Phone:	(907)269-1033
Division:	Revenue	Date:	03/16/2014 07:21 PM
Approved By:	Angela M. Rodell, Commissioner	Date:	03/16/14
Agency:	Department of Revenue		

STATE OF ALASKA **BILL NO.** CSSB 138(FIN)
2014 LEGISLATIVE SESSION

Analysis

Bill Language:
This bill would help the state to move forward as a partner in a large natural gas project, including liquefaction facilities. It gives the Commissioner of DNR, in consultation with the Commissioner of Revenue, the ability to take custody of gas delivered to the state and manage the disposition and sale of that gas. The main tax provision of the bill would allow gas producers to make an election to pay their production tax liabilities with gas (tax as gas "TAG") instead of with money.

This bill also expands the education tax credit allowed against the oil and gas production tax to include contributions made to vocational education for equipment and for contributions made to a nonprofit regional training center recognized by the Department of Labor and any apprenticeship program in the state that is registered with the U.S. Department of Labor. This bill does not increase or decrease the aggregate amount of total education tax credits allowed against the oil and gas production tax. It merely identifies additional types of contributions that can qualify for the credit. It is possible that taxpayers who have not made qualifying contributions and not claimed an education tax credit in the past, may make contributions to these entities for these purposes. However, it is difficult to determine how this language will affect taxpayer behavior and, therefore, it is difficult to determine if this bill will affect revenue from the oil and gas production tax. This bill does not increase the maximum education tax credit amount which is currently limited to $5 million per taxpayer.

Currently, there are 8 tax types for which an education tax credit can be claimed. The total amount a taxpayer can claim across all eight tax types is $5 million. The language in this amendment will only affect the oil and gas production tax. Therefore, contributions made to these new entities can only be claimed as a credit against the oil and gas production tax.

The effect on revenue for this language is indeterminate.

While the bill itself has numerous sections that affect other departments or corporations in the state, the analysis done for this fiscal note is limited to the tax provisions contained in the bill.

Revenues:
The department is unable to determine the amount of revenue that will be created by this bill in the future. Taxable gas production is not expected until after 2024, so no new revenues from a large gas project would be expected during the timeframe (through FY-20) of this fiscal note.

Expenditures:
The department is currently in the process of implementing its new Tax Revenue Management System (TRMS), for which the legislature appropriated approximately $35 million for during the 2011 session. If this bill passes, we will need to amend the current contract with FAST Enterprises to allow for them to reconfigure TRMS to reflect these tax law changes. DOR estimates that it will incur an additional expense of approximately $500,000 to reconfigure the system.

Regulations:
The department expects it will need to enter into expanded RSA's with the Department of Law to assist in drafting regulations to help the department implement the new law. DOR estimates that it will incur an additional expense of approximately $250,000 to retain the necessary resources to assist with a regulations project of this magnitude.