Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 287
Fiscal Note Number:
() Publish Date:

Identifier: HB287CS(FIN)-DOR-TAX-04-14-14
Title: APPROVE TESORO ROYALTY OIL SALE
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: HFIN

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							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**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? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial note, reflects changes adopted by the HFIN committee on 4-14-14.

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Division: Tax
Date: 04/14/2014 12:30 PM
Approved By: Angela M. Rodell, Commissioner
Date: 04/14/14
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA **BILL NO.** CSHB287(FIN)
2014 LEGISLATIVE SESSION

Analysis

Bill Language:
This bill involves the approval of the royalty sale oil contract with Tesoro Corporation, determinations of royalty oil received by the state, and adds a section to DOR's corporate income tax statutes, creating a new corporate income tax credit for certain in-state oil refineries. This analysis is limited to the tax credit created in this bill.

-The tax credit created by this bill is a new corporate income tax credit for a taxpayer that owns an in-state refinery and incurs "qualified infrastructure expenditures" (attributable to the in-state purchase, installation, modification, adjustment, or other alteration of tangible personal property for the manufacture or transport of refined petroleum products or petroleum-based feed-stocks) during a tax year. The credit may not exceed the lesser of 40% of total qualifying expenditures or $10 million per tax year. The credit sunsets in 5 years. The taxpayer is required to apply the credit against any corporate income taxes owed to the state, and any unused portion can be carried forward to future tax years, or it can also be refunded by the state.

Revenues:
It is difficult to determine the amount of credits which may be claimed by taxpayers with these new credits. There are a limited number of in-state refineries, and the maximum credit would be $10 million each tax year (for up to 5 tax years) per qualifying refinery. If a refinery was able to "max-out" these combined credits, it would be entitled to a credit of $50 million over 5 years, but the taxpayer would have had to expend $125 million in "qualified infrastructure expenditures" to obtain the maximum amount of credits. Because these credits are refundable, if a taxpayer is able to "max-out" these combined credits for 5 years, the state would realize reduced revenues of $50 million over 5 years.

It is unlikely that in-state refineries would have a corporate income tax liability of $10 million in any given tax year, so the bulk of these credits would likely be carried forward to future tax years, or be refunded.

Expenditures:
The department can implement the provisions of this bill with existing resources.

Regulations:
The department does not anticipate that it will need to adopt regulations to implement this bill.