

# Revenue

**Applicable Program**

Oil and Gas Production Tax, State Royalty

**Indirect Expenditure Name**

Exploration Incentive Credit

**Department of Revenue Submission per AS 43.05.095****(1) Description of Provision**

A non-transferrable credit for the cost of drilling or seismic work performed under a limited time period established by the Commissioner of the Department of Natural Resources. Credit may be granted for up to 50% of the cost of drilling or seismic work, not to exceed 50% of the tax liability to which it is being applied. See also p. 58.

**(2) Authorizing Statute Regulation or Other Authority**

AS 38.05.180 (i)

**(3) Year Enacted**

1978

**(4) Sunset or Repeal Date**

None

**(5) Legislative Intent**

The Legislature intended the credit to encourage geophysical work on state lands, so the state can manage their lands more effectively.

**(6) Public Purpose**

To increase oil and gas exploration.

**(7) Estimated Revenue Impact**

FY 2009 - \$0

FY 2010 - \$0

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

**(8) Cost to Administer****(9) Number of Beneficiaries**

0. This credit has not been used in over a decade.

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**Legislative Finance Analysis per AS 24.20.235****(1) Estimate of Annual Revenue Foregone by the State**

\$0

**(2) Estimate of Annual Benefit to Recipients**

\$0

**(3) Legislative Intent Met?**

No--the credit has not been used in over a decade.

**(4) Should it be Continued, Modified or Terminated?**

Recommend termination. The credit appears obsolete and ineffective given that it hasn't been used in over a decade. The Alternative Credit for Exploration (AS 43.55.025 (a)(1-4)) appears to be a more attractive incentive.