

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.

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.