Indirect expenditures –Updates

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Indirect Expenditure Report

January 2015

Legislative Finance Division

www.legfin.akleg.gov

Introduction

HB 306 (Ch. 61, SLA 14) requires that the Department of Revenue (DOR) and Division of Legislative Finance prepare biennial reports to the legislature on indirect expenditures. AS 43.05.095 defines an indirect expenditure as an express provision of state law that results in foregone revenue for the state by providing:

1. a tax credit or other credit;
2. an exemption, but does not include federal tax exemptions adopted by reference in AS 43.20.021;
3. a discount;
4. a deduction, but does not include costs incurred in the ordinary course of business that are deducted in the calculation of a tax under this title or in the calculation of a royalty or net profit share payment for a lease issued under AS 38; or
5. a differential allowance.

HB 306 required the Department of Revenue to submit a report to the legislature by July 1, 2014 on indirect expenditures in all agencies, covering the period FY09 - FY13. The legislation was signed by the Governor on July 7, 2014, and the report was submitted the following day. The DOR report is available at: http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1083r

This report includes:

1. the name of the indirect expenditure;
2. a brief description of the indirect expenditure;
3. the statutory authority for the indirect expenditure;
4. the date the statute authorizing the indirect expenditure is to be repealed, if applicable;
5. the intent of the legislature in enacting the statute authorizing the indirect expenditure;
6. the public purpose served by the indirect expenditure;
7. the estimated annual effect on revenue of the indirect expenditure for the previous five fiscal years, excluding the fiscal year immediately preceding the date the report is due;
8. the estimated cost to administer the indirect expenditure, if applicable; and
9. the number of beneficiaries of the indirect expenditure.

The Legislative Finance Division's report builds on the DOR report and is due to the legislature on the first day of the 2015 legislative session. While DOR's report covers all agencies each biennium, AS 24.20.235 limits the Legislative Finance report to a few agencies each biennium. For the 2015 report, Legislative Finance covered the following departments:

1. Commerce, Community and Economic Development;
2. Fish and Game;
3. Health and Social Services;
4. Labor and Workforce Development; and
5. Revenue.

Per HB 306, this report includes:

1. an estimate of the revenue foregone by the state because of the indirect expenditure;
2. an estimate of the monetary benefit of the indirect expenditure to the recipients of the benefit of the indirect expenditure;
3. a determination of whether the legislative intent of the indirect expenditure is being met and, if necessary, a determination of why the legislative of the indirect expenditure is not being met;
4. a recommendation as to whether each indirect expenditure should be continued, modified, or terminated, and a basis for the recommendation;
5. the expected effect on the economy of the state if the recommendation is executed; and
6. an explanation of the methodology and assumptions used in preparing the report.

Methodology and Assumptions

The Division of Legislative Finance reviewed the Department of Revenue's report and created a spreadsheet that allows the provisions to be presented in several ways, such as sorted by recommendation or fiscal impact. This report is generated from that spreadsheet and includes the information prepared by both DOR and Legislative Finance.

For the "estimate of revenue foregone by the state," Legislative Finance assumed that the revenue foregone was equal to the estimated revenue impact reported by DOR for the most recent year in the report (FY13). It also assumed in most cases that the estimate of annual revenue to recipients equaled this amount divided by the number of recipients in that year (exceptions are noted). This is not necessarily an accurate depiction of the impact for each recipient, because the impact may be variable. However, it is the best estimate possible with the information available.

To determine whether legislative intent was being met, Legislative Finance based its answers on the legislative intent reported by DOR. Legislative Finance asked agencies for supplemental information when necessary to make a recommendation. In many cases, it is impossible to determine whether legislative intent is being met due to vague intent, inadequate information, or because the provision is too recent.

Legislative Finance did not make recommendations for any provisions authorized, modified, or considered since 2012 because it is too soon to judge the impact of the provisions. In cases where the provisions have not been revisited for many years, Legislative Finance recommended reconsideration of the provision even if it appeared to be meeting legislative intent because the original intent may no longer be valid. Other indirect expenditures were evaluated on a case-by-case basis.

For the expected impact on the economy of repealing or modifying credits, Legislative Finance assumed that it was the same as the amount of foregone revenue. For the most part, the recommendations would not result in a significant economic impact because there are few, if any, recommendations to repeal large tax credits.

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Revenue (cont.)

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Revenue (cont.)

Department of Revenue

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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) Decription 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.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Qualified Capital Expenditure Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A transferable tax credit for qualified oil and gas capital expenditures on the North Slope. It can be taken in lieu of exploration incentive credits under AS 43.55.025 and gas exploration credits under AS 43.20.043. Prior to 2014, this tax credit was applicable to all areas of the state. The credit is 20% of qualified capital expenditures.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.023 (a)

(3) Year Enacted
2006, last amended 2013

(4) Sunset or Repeal Date
12/31/2013 for North Slope, none for others.

(5) Legislative Intent
The credit was intended to encourage taxpayers to invest in capital expenditures. It was implemented as part of the broader Petroleum Profits Tax (PPT) legislation.

(6) Public Purpose
To Increase oil and gas exploration and production.

(7) Estimated Revenue Impact
FY 2009 - $458 million
FY 2010 - $569 million
FY 2011 - $766 million
FY 2012 - $603 million
FY 2013 - $772 million
Note: This revenue impact is approximated and rounded to the nearest million dollars. It includes the total fiscal impact, including reductions in tax liability and the amount that is refunded through the operating budget.

(8) Cost to Administer

(9) Number of Beneficiaries
Approximately 50 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
$772 million

(2) Estimate of Annual Benefit to Recipients
Based on approximately 50 beneficiaries, the average benefit is $15.4 million.

(3) Legislative Intent Met?
The intent was to increase oil and gas production by encouraging investment in oil and gas capital infrastructure. The credit appears to have been used primarily for investment in maintenance for existing infrastructure.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action. SB 21 put a sunset provision on this credit for the North

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Qualified Capital Expenditure Credit

Legislative Finance Analysis per AS 24.20.235

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

Slope. In another attempt to incentivize new production, two new credits were created, the 20% Gross Value Reduction (GVR) credit, and a per barrel sliding scale credit for new production.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Well Lease Expenditure Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A transferable tax credit for qualified oil and gas capital expenditures in areas outside the North Slope. It can be taken in lieu of exploration incentive credits under AS 43.55.025 and gas exploration credits under AS 43.20.043. The credit is 20% of qualified well lease expenditures and can be taken in conjunction with the Qualified Capital Expenditure Credit.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.023 (l)

(3) Year Enacted
2010

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The Legislature intended to stimulate redevelopment and exploration in the Cook Inlet basin, while limiting the incentive only to activities that were viewed to be directly tied to exploration and production.

(6) Public Purpose
To increase oil and gas production outside the North Slope.

(7) Estimated Revenue Impact
FY 2009 - Totals included in Qualified Capital Expenditure Credits.
FY 2010 - Totals included in Qualified Capital Expenditure Credits.
FY 2011 - Totals included in Qualified Capital Expenditure Credits.
FY 2012 - Totals included in Qualified Capital Expenditure Credits.
FY 2013 - Totals included in Qualified Capital Expenditure Credits.

(8) Cost to Administer

(9) Number of Beneficiaries
Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
Unknown

(4) Should it be Continued, Modified or Terminated?
No recommendation due to lack of public information. The revenue impact of the credit is confidential for every year, so the fiscal impact and benefit to the state and industry is unclear. This credit should be reviewed in a legislative executive session to determine its effectiveness.

Revenue

Applicable Program
Oil and Gas Production Tax, State Royalty

Indirect Expenditure Name
Carried-Forward Annual Loss Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A transferable credit for a carried-forward annual loss, defined as a producer or explorer's adjusted lease expenditures that are not deductible in calculating production tax values for the calendar year. From 2008 until 2014, the credit was 25% for all regions of the state. Beginning in 2014, the credit remains 25% for areas outside the North Slope and increases to 45% in the North Slope. In 2016, the credit decreases to 35% for the North Slope.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.023 (b)

(3) Year Enacted
2006, last amended 2013

(4) Sunset or Repeal Date
None, but after 12/31/2015 the credit for the North Slope decreases to 35% of the loss

(5) Legislative Intent
The credit was intended to allow producers that incur a loss but do not have tax liability to carry the loss forward to future years. This credit was originally part of the PPT tax legislation and was changed under the Alaska's Clear and Equitable Share (ACES) legislation and the More Alaska Production Act (MAPA) to match the base tax rate. It was increased above the base tax rate for 2014 and 2015 to hold taxpayers harmless for the expiration of the qualified capital expenditure credit, then decreases to match the base tax rate.

(6) Public Purpose
To Increase oil and gas exploration and production.

(7) Estimated Revenue Impact
FY 2009 - Totals included in Qualified Capital Expenditure Credits.
FY 2010 - Totals included in Qualified Capital Expenditure Credits.
FY 2011 - Totals included in Qualified Capital Expenditure Credits.
FY 2012 - Totals included in Qualified Capital Expenditure Credits.
FY 2013 - Totals included in Qualified Capital Expenditure Credits.

(8) Cost to Administer

(9) Number of Beneficiaries
Approximately 40 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
Unknown at this time.

Revenue

Applicable Program
Oil and Gas Production Tax, State Royalty

Indirect Expenditure Name
Carried-Forward Annual Loss Credit

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?

No recommendation based on recent legislative action.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
New Area Development Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A nonrefundable credit of up to $6 million per company annually, for oil or gas produced from leases outside Cook Inlet and the North Slope, providing the producer has a positive tax liability on that production before the application of credits.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.024 (a)

(3) Year Enacted
2006

(4) Sunset or Repeal Date
12/31/2015 or nine years after first production

(5) Legislative Intent
To encourage companies to explore and develop prospects outside the two primary petroleum basins.

(6) Public Purpose
To encourage exploration of areas outside the North Slope and Cook Inlet.

(7) Estimated Revenue Impact
FY 2009 - $0
FY 2010 - $0
FY 2011 - $0
FY 2012 - $0
FY 2013 - $0

(8) Cost to Administer
None

(9) Number of Beneficiaries
0

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?
Unlikely

(4) Should it be Continued, Modified or Terminated?
Recommend no action as the credit will sunset if not utilized by 12/31/2015.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Small Producer Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A non-transferable, nonrefundable credit for oil and gas produced by small producers, defined as having average taxable oil and gas production of less than 100,000 BTU equivalent barrels per day. The small producer credit is capped at $12 million annually for producers with no more than 50,000 BTU equivalent barrels per day. The credit then phases to zero for producers with 100,000 or more BTU equivalent barrels per day.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.024 (c)

(3) Year Enacted
2006

(4) Sunset or Repeal Date
12/31/2015 or nine years after first production

(5) Legislative Intent
To attract new companies to Alaska's oil and gas industry, to explore and develop prospects not being pursued by major producers. This credit was part of the PPT tax legislation.

(6) Public Purpose
To increase oil and gas production by small producers.

(7) Estimated Revenue Impact
FY 2009 - $27 million
FY 2010 - $27 million
FY 2011 - $52 million
FY 2012 - $53 million
FY 2013 - $58 million
Note: This revenue impact is approximated and rounded to the nearest million dollars.

(8) Cost to Administer

(9) Number of Beneficiaries
Approximately 20 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
$58 million

(2) Estimate of Annual Benefit to Recipients
Based on approximately 20 beneficiaries, the average benefit is $2.9 million to maximum of $12 million.

(3) Legislative Intent Met?
Likely

(4) Should it be Continued, Modified or Terminated?
Recommend review of costs and benefits. While the credit appears to have been successful in bringing in "small" producers, the cost may outweigh the benefit to the state. These small producers may in fact be large multi-national

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Small Producer Credit

Legislative Finance Analysis per AS 24.20.235

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

corporations with limited production in Alaska.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Alternative Credit for Exploration

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A transferable credit for expenditures for certain oil and gas exploration activities. The credit is 40% for seismic costs outside an existing unit, 30% for drilling costs greater than 25 miles (10 miles in Cook Inlet) from an existing unit, 30% for pre-approved new targets, and 40% for drilling costs that are greater than 3 miles (10 miles in Cook Inlet) from an existing unit and pre-approved new targets.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.025 (a)(1)-(4)

(3) Year Enacted
2003, last amended 2013

(4) Sunset or Repeal Date
6/30/2016 for North Slope, 12/31/2021 for other areas

(5) Legislative Intent
To encourage exploration of new oil and gas prospects.

(6) Public Purpose
To increase oil and gas exploration, leading to more production.

(7) Estimated Revenue Impact
FY 2009 - $42 million
FY 2010 - $66 million
FY 2011 - $19 million
FY 2012 - $57 million
FY 2013 - $8 million
Note: This revenue impact is approximated and rounded to the nearest million dollars.

(8) Cost to Administer

(9) Number of Beneficiaries
28-30 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
$8 million

(2) Estimate of Annual Benefit to Recipients
Based on approximately 30 beneficiaries, the average benefit is $267,000.

(3) Legislative Intent Met?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Transitional Investment Expenditure Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A non-transferable credit for qualified oil and gas capital expenditures incurred between March 31, 2001 and April 1, 2006. It is available only to companies that did not have production in commercial quantities prior to January 1, 2008. The credit is 20% of qualified oil and gas capital expenditures incurred between March 31, 2001 and April 1, 2006, not to exceed 10% of the capital expenditures incurred between March 31, 2006 and January 1, 2008.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.023 (i)

(3) Year Enacted
2006, amended 2007

(4) Sunset or Repeal Date
12-31-13

(5) Legislative Intent
When the 20% capital credit was introduced in 2006, this credit was intended to provide some benefit for companies that had recently made capital investments that did not receive a credit. This credit was part of the PPT and ACES tax packages.

(6) Public Purpose
To provide a benefit for recent capital expenditures as part of broader 2006 and 2008 tax reform.

(7) Estimated Revenue Impact
FY 2009 - $0
FY 2010 - Confidential due to small number of recipients
FY 2011 - Confidential due to small number of recipients
FY 2012 - Confidential due to small number of recipients
FY 2013 - Confidential due to small number of recipients

(8) Cost to Administer

(9) Number of Beneficiaries
Fewer than 4, currently 0

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Indeterminate

(2) Estimate of Annual Benefit to Recipients
Confidential due to small number of recipients.

(3) Legislative Intent Met?
Indeterminate

(4) Should it be Continued, Modified or Terminated?
Recommend no action as the credit sunset on 12/31/13.

Revenue

Applicable Program	**Indirect Expenditure Name**
Oil and Gas Production Tax	Cook Inlet Jack-Up Rig Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision

A credit for exploration expenses for the first three wells drilled by the first jack-up rig brought in to Cook Inlet. It is only for expenses incurred in drilling wells that test pre-Tertiary; all three wells must be drilled by unaffiliated parties using the same rig. The credit is 100% of costs for the first well up to $25 million, 90% of costs for the second well up to $22.5 million, and 80% of costs for the third well up to $20 million. If the exploration well is brought into production, the operator repays 50% of the credit over ten years following production start-up.

(2) Authorizing Statute Regulation or Other Authority

AS 43.55.025 (a)(5)

(3) Year Enacted

2010

(4) Sunset or Repeal Date

06-30-16

(5) Legislative Intent

The intent of the credit is to encourage the use of jack-up rigs in Cook Inlet.

(6) Public Purpose

To Increase oil and gas exploration and production in Cook Inlet.

(7) Estimated Revenue Impact

FY 2009 - Credit not in effect
FY 2010 - $0
FY 2011 - $0
FY 2012 - $0
FY 2013 - $0

(8) Cost to Administer

(9) Number of Beneficiaries

0

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 utilized.

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

Recommend the credit be allowed to sunset as scheduled in 2016.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Frontier Basin Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision

A credit for expenses for the first four persons to drill exploration wells and the first four persons to conduct seismic projects within an area designated in AS 43.55.025(p), also called the "Frontier Basins." The credit is for lesser of 80% of qualified exploration drilling expenses or $25 million per well; or for seismic projects, credit is for lesser of 75% of qualified seismic exploration expenditures or $7.5 million per seismic project. It includes expenditures incurred for work performed after June 1, 2012 and before July 1, 2016.

(2) Authorizing Statute Regulation or Other Authority

AS 43.55.025 (a)(6)-(7)

(3) Year Enacted

2012

(4) Sunset or Repeal Date

06-30-16

(5) Legislative Intent

The Legislature intended to provide a tax credit to encourage hydrocarbon exploration in certain remote areas of the state.

(6) Public Purpose

To Increase oil and gas exploration and production outside the North Slope and Cook Inlet

(7) Estimated Revenue Impact

FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - $0

(8) Cost to Administer

(9) Number of Beneficiaries

0

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?

Unknown at this time.

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

No recommendation based on recent legislative action. Credit set to sunset ending FY16.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Per-Taxable-Barrel Credit for non-GVR-eligible production

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A sliding scale credit for areas of the North Slope that are not eligible for a gross value reduction (GVR), as defined by AS 43.55.160(f). It is a dollar-per-taxable-barrel credit ranging from zero dollars per taxable barrel at per-barrel gross value at point of production (GVPP) values greater than or equal to $150 to $8 per taxable barrel at per-barrel GVPP values less than $80. The credit may not reduce the producer's tax liability to less than the minimum tax established under AS 43.55.011(f) and may not be transferred or carried forward.

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.024 (j)

(3) Year Enacted
2013

(4) Sunset or Repeal Date
None

(5) Legislative Intent
To provide a direct incentive for oil production; the sliding scale is intended to introduce a progressive element that reduces government take when oil prices are low and increases government take when oil prices are high. This credit was part of the MAPA tax package and is not a stand-alone credit.

(6) Public Purpose
Rewards companies for producing oil from the North Slope.

(7) Estimated Revenue Impact
FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - Credit not in effect

(8) Cost to Administer

(9) Number of Beneficiaries
0

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
$0

(3) Legislative Intent Met?
Unknown at this time.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Per-Taxable-Barrel Credit for non-GVR-eligible production

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?
No recommendation based on recent legislative action.

Revenue

Applicable Program
Oil and Gas Production Tax

Indirect Expenditure Name
Per-Taxable-Barrel Credit for GVR-eligible production

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A per-taxable-barrel credit for oil production on the North Slope that qualifies for a GVR, as defined in AS 43.55.160(f). The credit is $5 per taxable barrel and cannot be transferred, carried forward, or used to reduce the producer's tax liability to less than zero (however, it can be used to reduce the producer's tax liability to less than the minimum tax established under AS 43.55.011(f)).

(2) Authorizing Statute Regulation or Other Authority
AS 43.55.024 (i)

(3) Year Enacted
2013

(4) Sunset or Repeal Date
None

(5) Legislative Intent
To provide a direct incentive for oil production. This credit was part of the MAPA tax legislation and is not a stand-alone credit.

(6) Public Purpose
Rewards companies for producing oil from the North Slope.

(7) Estimated Revenue Impact
FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - Credit not in effect

(8) Cost to Administer

(9) Number of Beneficiaries
0

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
$0

(3) Legislative Intent Met?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action.

Revenue

Applicable Program
Property Tax

Indirect Expenditure Name
Excluded from taxation is the value of intangible drilling expenses and exploration expenses

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
The value of intangible drilling expenses and exploration expenses are not subject to property tax.

(2) Authorizing Statute Regulation or Other Authority
AS 43.56.060 (f)

(3) Year Enacted
1973

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The Legislature intended the exclusion to support the efficient administration of tax as intangible drilling expenses and exploration expenses would be difficult to assess. Additionally, the Legislature intended to promote drilling for the continued development of state resources.

(6) Public Purpose
To encourage drilling for oil and gas.

(7) Estimated Revenue Impact
FY 2009 - Unknown
FY 2010 - Unknown
FY 2011 - Unknown
FY 2012 - Unknown
FY 2013 - Unknown

(8) Cost to Administer

(9) Number of Beneficiaries
Approximately 12 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Indeterminate

(2) Estimate of Annual Benefit to Recipients
Indeterminate

(3) Legislative Intent Met?
Yes

(4) Should it be Continued, Modified or Terminated?
Recommend continuation. Intangible drilling costs (IDCs) represent all expenses an operator may incur at the wellsite that don't by themselves produce a physical asset for the producer. They are costs that have no salvage value. Applying a property tax to an intangible cost inherently conflicts with the concept of a physical property tax.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Oil and Gas Service Industry Expenditures Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision

A credit of 10% of qualified oil and gas industry service expenditures that are for in-state manufacture or in-state modification of oil and gas tangible personal property with a service life of three years or more. The credit may be applied to corporate income tax liabilities in amounts up to $10 million per taxpayer per year. The credit is not transferable but any amount of the credit that exceeds the taxpayer's liability may be carried forward up to five years.

(2) Authorizing Statute Regulation or Other Authority

AS 43.20.049

(3) Year Enacted

2013

(4) Sunset or Repeal Date

None

(5) Legislative Intent

To encourage expansion of in-state service industry activity, in particular manufacturing of modules and equipment in Alaska.

(6) Public Purpose

Increased economic activity and service industry jobs

(7) Estimated Revenue Impact

FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - Credit not in effect

(8) Cost to Administer

(9) Number of Beneficiaries

0

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?

Unknown at this time.

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

No recommendation based on recent legislative action.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Gas Exploration and Development Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A non-transferable credit for qualified expenditures for the exploration and development of non-North Slope natural gas reserves. The credit is 25% of qualified expenditures; investments in existing units qualify. The credit is capped at 75% of tax liability as calculated before applying other credits.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.043

(3) Year Enacted
2003, amended 2010

(4) Sunset or Repeal Date
None

(5) Legislative Intent
To encourage development of gas resources outside the North Slope, in particular in Cook Inlet.

(6) Public Purpose
To increase gas exploration and development outside the North Slope, leading to more production and gas supplies, in particular for Southcentral Alaska.

(7) Estimated Revenue Impact
FY 2009 - Confidential due to small number of recipients
FY 2010 - Confidential due to small number of recipients
FY 2011 - Confidential due to small number of recipients
FY 2012 - Confidential due to small number of recipients
FY 2013 - Confidential due to small number of recipients

(8) Cost to Administer

(9) Number of Beneficiaries
Fewer than 4

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Indeterminate

(2) Estimate of Annual Benefit to Recipients
Indeterminate

(3) Legislative Intent Met?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
No recommendation due to lack of public information. The revenue impact of the credit is confidential for every year, so the fiscal impact and benefit to the state and industry is unclear. This credit should be reviewed in a legislative executive session to determine its effectiveness.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
In-State Refinery Tax Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A credit for qualified infrastructure expenditures for in-state oil refineries. The credit may not exceed the lesser of 40% of total qualifying expenditures or $10 million per tax year. The credit can be applied against corporate income tax liability and carried forward, or refunded by the state.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.053

(3) Year Enacted
2013

(4) Sunset or Repeal Date
12-31-19

(5) Legislative Intent
To encourage investment in infrastructure improvements and help maintain economic viability of the in-state refining industry.

(6) Public Purpose
Maintain or expand in-state refining industry jobs and related economic activity; to maintain in-state sources of refined products.

(7) Estimated Revenue Impact
FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - Credit not in effect

(8) Cost to Administer

(9) Number of Beneficiaries
None

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?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Foreign Royalty Exclusion

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Excludes 80% of foreign royalties from taxable income.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.145(b)

(3) Year Enacted
1991

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The sponsor of the legislation stated in committee that the purpose was to encourage foreign investment in Alaska.

(6) Public Purpose
To encourage investments in Alaska from multinational corporations.

(7) Estimated Revenue Impact
FY 2009 - Unknown
FY 2010 - Unknown
FY 2011 - Unknown
FY 2012 - Unknown
FY 2013 - Unknown

(8) Cost to Administer
None

(9) Number of Beneficiaries
250 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
No

(4) Should it be Continued, Modified or Terminated?
Recommend termination. The provision does not appear to be closely related to the legislative intent, and could be seen as a loophole because it allows taxpayers to reduce liability by shifting assets to offshore subsidiaries. Minnesota recently repealed a similar provision and significantly increased corporate income tax revenue.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Utilities Exempted from Water's Edge Combination Reporting

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Income from public utilities including telephone service is exempt from water's edge combination reporting requirements. These companies can instead pay tax only on Alaska net income.

(2) Authorizing Statute Regulation or Other Authority
AS 43.19.010, Article IV, Sect. 2

(3) Year Enacted
1970

(4) Sunset or Repeal Date
None

(5) Legislative Intent
This provision was adopted as part of the state's adoption of the multistate tax compact. The Legislature adopted the compact to promote the efficient collection of taxes.

(6) Public Purpose
To promote the efficient collection of taxes.

(7) Estimated Revenue Impact
FY 2009 - Unknown
FY 2010 - Unknown
FY 2011 - Unknown
FY 2012 - Unknown
FY 2013 - Unknown

(8) Cost to Administer
None

(9) Number of Beneficiaries
Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
It is unclear whether the legislature intended to exempt utilities from water's edge combination reporting. It appears to have been an inadvertent result of adopting the Multistate Tax Compact.

(4) Should it be Continued, Modified or Terminated?
Recommend termination. The provision does not appear to be closely related to the legislative intent, and could be seen as a loophole because it allows taxpayers to reduce liability by shifting costs between subsidiaries.

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Small Business Exemption

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Exempts businesses from tax that are C-corporations in Alaska that are in certain industries identified in section 1202 of the Internal Revenue Code, that have assets of under $50 million, and that meet other requirements of AS 43.20.012.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.012

(3) Year Enacted
2012

(4) Sunset or Repeal Date
06-30-22

(5) Legislative Intent
The purpose of the exemption is to encourage the development of high-growth technology and research companies in Alaska.

(6) Public Purpose
To encourage small business development.

(7) Estimated Revenue Impact
FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - Unknown. Companies will not file 2013 returns until late 2014.

(8) Cost to Administer

(9) Number of Beneficiaries
Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Exclude Income from Certain Vessels from Tax

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Foreign-flagged vessels other than cruise ships operating in Alaska waters are excluded from tax.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.021 (h)

(3) Year Enacted
1998, amended 2006

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The intent of the exclusion adopted in 1998 was to exclude foreign-flagged vessels from tax. A 2006 ballot measure removed the exclusion for cruise ships.

(6) Public Purpose
To only tax cruise ships and not other foreign-flagged vessels.

(7) Estimated Revenue Impact
FY 2009 - Unknown. There is limited reporting requirement for foreign-flagged vessels.
FY 2010 - Unknown. There is limited reporting requirement for foreign-flagged vessels.
FY 2011 - Unknown. There is limited reporting requirement for foreign-flagged vessels.
FY 2012 - Unknown. There is limited reporting requirement for foreign-flagged vessels.
FY 2013 - Unknown. There is limited reporting requirement for foreign-flagged vessels.

(8) Cost to Administer
None

(9) Number of Beneficiaries
Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
Yes

(4) Should it be Continued, Modified or Terminated?
Recommend continuation. This exclusion appears to conform with the federal tax code and the multistate tax compact.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Exempt corporations from tax that are participants in contract under Stranded Gas Development Act

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Corporations that are a party to a contract under the Stranded Gas Development Act are exempt from corporate income tax filing requirements, if the agreement provides for a payment in lieu of income tax.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.145 (g)

(3) Year Enacted
1998

(4) Sunset or Repeal Date
None

(5) Legislative Intent
This provision is intended to allow the state to take payment in lieu of tax under the Stranded Gas Development Act.

(6) Public Purpose
To promote the construction of a gas pipeline from the North Slope to export markets.

(7) Estimated Revenue Impact
FY 2009 - $0
FY 2010 - $0
FY 2011 - $0
FY 2012 - $0
FY 2013 - $0

(8) Cost to Administer
None

(9) Number of Beneficiaries
0

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
None

(2) Estimate of Annual Benefit to Recipients
None

(3) Legislative Intent Met?
No

(4) Should it be Continued, Modified or Terminated?
Recommended termination because the Stranded Gas Development Act is unlikely to be used in the future, rendering the exemption obsolete.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
"S" Corporations exclusion

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Under Alaska's adoption of the Internal Revenue Code, corporations that are designated as flow-through entities ("S" corporations) are not subject to tax on ordinary income. Prior to 1980, this income was subject to Alaska's personal income tax. Since the 1980 repeal of the state's personal income tax, S-corporations no longer pay tax on ordinary income in Alaska. S corporations pay tax on built-in gains if they were a C corporation prior to electing S status.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.021

(3) Year Enacted
1980

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The exclusion is intended to support the efficient administration of the corporate income tax through uniformity with the federal income reporting.

(6) Public Purpose
To generate state revenue by efficient administration of tax.

(7) Estimated Revenue Impact
FY 2009 - Unknown
FY 2010 - Unknown
FY 2011 - Unknown
FY 2012 - Unknown
FY 2013 - Unknown

(8) Cost to Administer
None

(9) Number of Beneficiaries
Approximately 7,500

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
It is unclear whether the legislature intended to exclude S Corporations from tax.

(4) Should it be Continued, Modified or Terminated?
Recommend termination. "S" corporations are exempt from the federal corporate income tax because income from these corporations is taxed under the personal income tax. Without a state personal income tax, these corporations

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
"S" Corporations exclusion

Legislative Finance Analysis per AS 24.20.235

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

receive the legal benefits of incorporation without any state tax liability. The only other state with a corporate income tax and no personal income tax, Florida, does tax S corporations.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Reduced Tax Rate on Capital Gains

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Long term capital gains are taxed at a maximum rate of 4.5%, while other income is taxed at a maximum rate of 9.4%.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.021 (c)

(3) Year Enacted
1975

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The rate differential reflects preferential treatment of capital gains in the federal tax code when Alaska's rate structure was adopted. The intent was to allow for efficient administration of taxes by basing Alaska's taxes on the federal code.

(6) Public Purpose
To generate state revenue by efficient administration of tax.

(7) Estimated Revenue Impact
FY 2009 - Unknown
FY 2010 - Unknown
FY 2011 - Unknown
FY 2012 - Unknown
FY 2013 - Unknown

(8) Cost to Administer
None

(9) Number of Beneficiaries
Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
No

(4) Should it be Continued, Modified or Terminated?
Recommend termination. This provision was adopted for conformity with the federal corporate income tax, which at the time had a lower rate for capital gains than other income. The federal tax code no longer treats capital gains differently from other income, so this provision is no longer necessary for conformity (it actually puts Alaska out of

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Reduced Tax Rate on Capital Gains

Legislative Finance Analysis per AS 24.20.235

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

conformity).

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Federal Tax Credits

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
Under Alaska's adoption of the Internal Revenue Code, taxpayers can claim most federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multi-state taxpayers apportion their total federal incentive credits. For most credits, the credit is limited to 18% of the amount of the credit determined for federal tax purposes which is attributable to Alaska.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.021

(3) Year Enacted
1975

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The adoption by reference of federal credits to support the efficient administration of the corporate income tax through uniformity with the federal incentive credits.

(6) Public Purpose
To generate state revenue by efficient administration of tax.

(7) Estimated Revenue Impact
FY 2009 - Unknown, not tracked
FY 2010 - Unknown, not tracked
FY 2011 - Unknown, not tracked
FY 2012 - Unknown, not tracked
FY 2013 - Unknown, not tracked

(8) Cost to Administer
None

(9) Number of Beneficiaries
Unknown

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
No

(4) Should it be Continued, Modified or Terminated?
Recommend termination. This rationale for this provision is conformity with the federal tax code, but this conformity is not necessary for efficient administration of the corporate income tax. No other state has adopted all federal tax

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Federal Tax Credits

Legislative Finance Analysis per AS 24.20.235

(4) Should it be Continued, Modified or Terminated? (cont.)
credits by reference into its own tax code. Doing so results in the state of Alaska giving tax credits for activity both within and outside of the state of Alaska, for purposes determined by the federal government rather than the state.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Gas Storage Facility Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A non-transferable credit for the costs incurred to establish a natural gas storage facility. The credit is $1.50 per thousand cubic feet of "working gas" storage capacity as determined by the Alaska Oil and Gas Conservation Commission and is only available to facilities used by public utilities. It does not apply to gas storage related to a gas sales pipeline on the North Slope. The maximum credit is the lesser of $15 million or 25% of costs incurred to establish the facility.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.046

(3) Year Enacted
2010

(4) Sunset or Repeal Date
12-31-15

(5) Legislative Intent
To provide an incentive to encourage the construction of natural gas storage facilities for the use of public utilities.

(6) Public Purpose
To encourage construction of gas storage facilities, thereby reducing the potential for gas shortages during peak demand.

(7) Estimated Revenue Impact
FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - $0
FY 2012 - $0
FY 2013 - Confidential due to small number of recipients

(8) Cost to Administer

(9) Number of Beneficiaries
Fewer than 4

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
Unknown

(2) Estimate of Annual Benefit to Recipients
Unknown

(3) Legislative Intent Met?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
This credit is scheduled to sunset 12/31/2015 and should be reviewed during the 2015 session.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
LNG Storage Facility Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision

A non-transferable credit for the costs incurred to establish a storage facility for liquefied natural gas. The credit is lesser of $15 million or 50% of costs incurred to establish the facility. It applies to facilities with a minimum storage capacity of 25,000 gallons of LNG and that are public utilities regulated by the Regulatory Commission of Alaska.

(2) Authorizing Statute Regulation or Other Authority

AS 43.20.047

(3) Year Enacted

2012

(4) Sunset or Repeal Date

None

(5) Legislative Intent

To provide an incentive to encourage the construction of an LNG storage facility.

(6) Public Purpose

To encourage construction of LNG storage facilities, thereby reducing the potential for gas shortages during peak demand

(7) Estimated Revenue Impact

FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - $0
FY 2012 - $0
FY 2013 - $0

(8) Cost to Administer

(9) Number of Beneficiaries

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

None

(2) Estimate of Annual Benefit to Recipients

None

(3) Legislative Intent Met?

Unknown at this time.

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

No recommendation based on recent legislative action.

Revenue

Applicable Program
Corporate Income Tax

Indirect Expenditure Name
Veteran Employment Tax Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A non-transferable credit for corporate income taxpayers that employ qualified veterans in the state. The credit is $3,000 for a disabled veteran or $2,000 for a veteran who is not disabled for employment for a minimum of 1,560 hours during 12 consecutive months following the veteran's employment date. For seasonal employment, the credit is $1,000 for a veteran employed for a minimum of 500 hours during three consecutive months following the employment date.

(2) Authorizing Statute Regulation or Other Authority
AS 43.20.048

(3) Year Enacted
2012

(4) Sunset or Repeal Date
None

(5) Legislative Intent
The Legislature intended to provide an incentive for businesses to hire veterans.

(6) Public Purpose
To encourage hiring of veterans.

(7) Estimated Revenue Impact
FY 2009 - Credit not in effect
FY 2010 - Credit not in effect
FY 2011 - Credit not in effect
FY 2012 - Credit not in effect
FY 2013 - $0

(8) Cost to Administer

(9) Number of Beneficiaries
0

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
None

(2) Estimate of Annual Benefit to Recipients
None

(3) Legislative Intent Met?
Unknown at this time.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action.

Revenue

Applicable Program
Multiple Tax Programs

Indirect Expenditure Name
Film Production Credit

Department of Revenue Submission per AS 43.05.095

(1) Decription of Provision
A transferable credit for expenditures on eligible film production activities in Alaska. The credit percentage is between 30% and 58% depending on the activity. The credits must be used within six years. The program is capped at $200 million of credits for all projects. Prior to FY2013, the credit was only applicable to the corporate income tax. Beginning in FY 2013, the credit is also applicable to the insurance premium tax, title insurance tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax.

(2) Authorizing Statute Regulation or Other Authority
AS 43.98.030, AS 44.25.100-190

(3) Year Enacted
2008, last amended 2014

(4) Sunset or Repeal Date
12-31-18

(5) Legislative Intent
The Legislature intended to encourage the production of film and television in Alaska.

(6) Public Purpose
To encourage production of film and television in Alaska.

(7) Estimated Revenue Impact
FY 2009 - $0
FY 2010 - $0
FY 2011 - $193,765
FY 2012 - $2,702,514
FY 2013 - $6,011,541

(8) Cost to Administer
$304,800 (Note: this figure comes from a fiscal note for HB 112 in the 28th Legislature)

(9) Number of Beneficiaries
17-24 credits issued per year.

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State
$6,011,541

(2) Estimate of Annual Benefit to Recipients
Indeterminate

(3) Legislative Intent Met?
A Legislative Audit in 2014 found that overall the credit program was well-run. However, a comparison of cost versus benefits would be required to conclude that the tax benefits the state.

(4) Should it be Continued, Modified or Terminated?
No recommendation based on recent legislative action. The program is scheduled to sunset in 2018, and will need to

Revenue

Applicable Program
Multiple Tax Programs

Indirect Expenditure Name
Film Production Credit

Legislative Finance Analysis per AS 24.20.235

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

be reconsidered no later than the 2017 session.