

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	SB 49
Fiscal Note Number:	3
(S) Publish Date:	1/27/2023

Identifier: 0567-DOR-TAX-01-26-23
 Title: CARBON STORAGE
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

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)

	FY2024	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2024 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
OPERATING EXPENDITURES	FY 2024	FY 2024					
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

None	***		***	***	***	***	***
Total	***	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes
(Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division:	Commissioner's Office	Date:	01/26/2023 08:30 AM
Approved By:	Adam Crum, Commissioner	Date:	01/26/23
Agency:	Commissioner's Office		

Analysis

The last several years have witnessed a rapid acceleration of interest in Carbon Capture, Utilization, and Sequestration (CCUS) technologies and projects. CCUS projects seek to capture anthropogenic CO₂, chiefly from industrial sources, and inject the CO₂ stream into underground geologic formations in order to permanently sequester the carbon rather than emit it into the atmosphere.

Federal Legislation in 2022 and 2023, primarily the Inflation Reduction Act, has increased the amount of an existing credit known as the "45Q." The 45Q, in short, allows for a credit against both federal and state corporate income taxes on a per ton of CO₂ basis for either sequestration of CO₂ for permanent storage or for enhanced oil recovery (at a lower credit level).

This bill would empower regulatory agencies to apply for class VI primacy from the federal government and establish a framework for application, storage, potential remediation of Carbon Capture, Sequestration, Utilization and Storage. It establishes several funds for the deposit of moneys generated from the program. The Department believes that the funds can be established and invested using existing resources.

Revenue potential is uncertain at this stage. While the 45Q credit will reduce the state's corporate income tax collection because the state tax code adopts by reference the federal code, there are numerous fees, penalties, and other charges that will generate the revenue necessary to administer this new program. Additionally, there is the potential for the state to monetize carbon injection from other jurisdictions for a fee once the program is underway. For these reasons, and because obtaining class VI primacy from the Environmental Protection Agency will take time, the Department of Revenue cannot say within an acceptable margin of error what the ultimate revenue potential will be at this stage.