

HOUSE BILL NO. 294

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE CHENAULT

Introduced: 4/30/05

Referred: House Special Committee on Oil and Gas, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act amending and extending the exploration and development incentive tax credit**
2 **under the Alaska Net Income Tax Act for operators and working interest owners**
3 **directly engaged in the exploration for and development of gas for delivery and sale**
4 **from a lease or property in the state; providing for an effective date by amending the**
5 **effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 *** Section 1.** AS 43.20.043(a) is amended to read:

8 (a) Subject to the terms and conditions of this section, and in addition to any
9 other credit authorized to the taxpayer by this chapter, a taxpayer that is an operator or
10 working interest owner directly engaging in the exploration for and development of
11 gas may apply as a credit against the state tax liability that may be imposed on the
12 taxpayer under this chapter,

13 **(1)** for a tax year beginning after December 31, 2002, **and before**

January 1, 2005,

(A) [(1)] 10 percent of the taxpayer's qualified capital investment; and

(B) [(2)] 10 percent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment under **(A) of this paragraph; and (2) for a tax year beginning after December 31, 2004,**

(A) 25 percent of the taxpayer's qualified capital investment; and

(B) 25 percent of the annual cost incurred by the taxpayer for qualified services in the state during each tax year for which a credit is allowable for a qualified capital investment under (A) of this paragraph [(1) OF THIS SUBSECTION].

* **Sec. 2.** AS 43.20.043(b) is amended to read:

(b) Expenditures qualifying for the taxpayer's qualified investment credit under **(a)(1)(A) or (a)(2)(A)** [(a)(1)] of this section must be

(1) cash expenditures or binding payment agreements entered into after

(A) June 30, 2003, and before July 1, 2005, if the claim of the credit is made under (a)(1)(A) of this section; or

(B) June 30, 2005, if the claim of the credit is made under (a)(2)(A) of this section; and

(2) made for assets first placed in service in the state in or before the tax year in which the credit is claimed through the date the reserves produce gas for sale and delivery; for purposes of this paragraph, "placed in service in the state" means that the first use of the qualified investment is in this state; if the property on which the claim of the credit is based has been used elsewhere in the tax year of acquisition and is brought to this state during that year or a subsequent year, the property does not qualify for the investment credit.

* **Sec. 3.** AS 43.20.043(c) is amended to read:

(c) The credit **each** [PER] tax year allowed by (a) of this section may not exceed [50 PERCENT OF] the taxpayer's total tax liability under this chapter, but

1 shall be calculated before the application of any other credits allowed under this
2 chapter. An unused portion of the credit for the tax year

3 (1) may be carried forward into one or more of the following tax years,
4 except that the unused credit from one tax year may not be carried forward for more
5 than five following tax years;

6 (2) shall be applied to the taxpayer's tax liability under this chapter
7 during the following tax year before allowance of a credit allowed by (a) of this
8 section for that following tax year.

9 * **Sec. 4.** AS 43.20.043(i)(1) is amended to read:

10 (1) "qualified capital investment" means a cash expenditure or binding
11 payment agreement, as described in (b)(1) of this section, for real property or tangible
12 personal property used in this state in the exploration and development of gas reserves
13 in a gas reservoir for which there has not been commercial production [IF THE
14 RESERVES PRODUCE GAS FOR SALE AND DELIVERY]; in this paragraph,
15 "property" includes

16 (A) property used in the operation or maintenance of facilities
17 for exploration or development of gas;

18 (B) property that is placed in use under a capitalized lease or an
19 operating lease; and

20 (C) the following property used for the exploration and
21 development of gas:

22 (i) machinery, appliances, supplies, and equipment;

23 (ii) drilling rigs, wells, gathering lines and transmission
24 lines, pumping stations, compressor stations, power plants, topping
25 plants, and processing units;

26 (iii) roads, docks and other port facilities, and helicopter
27 pads;

28 (iv) maintenance equipment and facilities, and
29 maintenance camps and other related facilities; and

30 (v) communications facilities owned by a person whose
31 principal business in the state is the exploration for or development of

1 gas and whose operation of the communications facilities directly
 2 relates to the conduct of that business;

3 * **Sec. 5.** The uncodified law of the State of Alaska enacted by sec. 3, ch. 61, SLA 2003, is
 4 amended to read:

5 Sec. 3. CLAIM OF GAS EXPLORATION AND DEVELOPMENT TAX
 6 CREDIT CONTINUED. A taxpayer who, on the effective date of repeal of
 7 AS 43.20.043 by sec. 2, **ch. 61, SLA 2003, as amended by sec. 6** of this Act, claims
 8 the balance of any unused portion of the gas exploration and development tax credit as
 9 a carry-forward under AS 43.20.043(c), may, notwithstanding the repeal of that
 10 subsection, continue to claim the balance of the credit until the claim of the credit is
 11 exhausted or until the tax year ending December 31, **2024** [2017], whichever occurs
 12 earlier. The provisions of AS 43.20.043 as they read on the day immediately
 13 preceding the effective date of the repeal of that section apply to the claim of the credit
 14 if carried forward under this section.

15 * **Sec. 6.** The uncodified law of the State of Alaska enacted by sec. 5, ch. 61, SLA 2003, is
 16 amended to read:

17 Sec. 5. Section 2, **ch. 61, SLA 2003,** [OF THIS ACT] takes effect January 1,
 18 **2020** [2013].

19 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).