

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 386(O&G)  
 (H) Publish Date: 3/17/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Extending North Slope Severance Tax Credits RDU Revenue Operations  
 Component Tax Division  
 Sponsor Rep. Kohring  
 Requester House Committee on Oil and Gas Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>See Analysis</b> -----
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill extends the existing credit for hydrocarbon exploration, including seismic and exploratory wells, north of 68 degrees, 15 minutes North latitude. The only change made to existing law is to extend the credit cutoff date from July 1, 2007 until July 1, 2010. All other portions of existing law remained unchanged under this bill including:

1. Credit up to 40 percent of total qualifying exploration expenditures with the possibility of an additional 20 percent credit for distance exploratory well drilling.
2. The credit may be used against production taxes.
3. The credits are transferable and saleable.

Prepared by: Dick Tremaine Phone 269-1021  
 Division Tax Division Date/Time 2/22/06 11 a.m.  
 Approved by: Jerry Burnett Date \_\_\_\_\_  
 Agency Department of Revenue

**FISCAL NOTE #2**

**STATE OF ALASKA  
2006 LEGISLATIVE SESSION**

**BILL NO. CSHB 386(O&G)**

**ANALYSIS CONTINUATION**

The effect of this provision is that the State pays up to 40 percent of eligible exploration expenses with no maximum limit on such cumulative credits. This occurs whether or not the State owns the surface or mineral rights to the area explored. This credit is likely to induce additional exploration in marginal fields. Exploration encouraged by this legislation will result in economic activity within the State and should increase the probabilities of hydrocarbon discovery and, ultimately, production. Such production may result in increased corporate income tax and property tax to the State. Royalties and severance taxes to the State might also increase.

To date, 95.5 million dollars in expenditures have been claimed representing 11 exploration projects on both the north slope and within Cook Inlet. Credits totaling 14.8 million dollars have been issued and an additional 15.1 million dollars in credits are under consideration.