

SENATE BILL NO. 203

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY SENATORS FRENCH AND WIELECHOWSKI, Ellis

Introduced: 1/19/10

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a tax credit for a facility to store Cook Inlet gas for sale and delivery**
2 **in the state; relating to an exemption from the oil and gas exploration, production, and**
3 **pipeline transportation property tax for a facility that stores Cook Inlet gas for sale and**
4 **delivery in the state; and providing for an effective date."**

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

6 * **Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

7 **Sec. 43.20.046. Cook Inlet gas storage facility tax credit.** (a) A taxpayer that
8 is an owner of a Cook Inlet gas storage facility may apply as a credit against the state
9 tax liability that may be imposed on the taxpayer under this chapter, for a tax year
10 beginning after December 31, 2009, 20 percent of the taxpayer's qualified capital
11 investment in a Cook Inlet gas storage facility. The credit is subject to the terms and
12 conditions of this section and is in addition to any other credit authorized to the
13 taxpayer by this chapter.

14 (b) A qualified capital investment for the investment credit under (a) of this

1 section is

2 (1) a cash expenditure or a payment due under a binding payment
3 agreement entered into after December 31, 2009, and before January 1, 2013, made for
4 the purchase, construction, or other acquisition of an ownership interest in the real
5 property or tangible personal property used in this state for a Cook Inlet gas storage
6 facility; in this paragraph, "property" includes

7 (A) property that is placed in use under a capitalized lease or an
8 operating lease; and

9 (B) machinery, appliances, supplies, and equipment directly
10 related to the storage of gas produced from the Cook Inlet sedimentary basin
11 and designated for sale and delivery in the state; and

12 (2) the cost of cushion gas acquired after December 31, 2009, and
13 before January 1, 2013, that is required for a Cook Inlet gas storage facility to
14 function.

15 (c) The credit for each tax year allowed under (a) of this section may not
16 exceed 50 percent of the taxpayer's total tax liability under this chapter, but shall be
17 calculated before the application of any other credits allowed under this chapter. An
18 unused portion of the credit for the tax year

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

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

25 (d) To obtain the credit allowed by this section, the taxpayer has the burden of
26 demonstrating compliance with the requirements of this section to entitle the taxpayer
27 to the claim of and the amount of the credit. To claim the credit, a person shall submit,
28 on a form prescribed by the department, information that demonstrates that the
29 taxpayer is eligible for the credit and evidence of the expenses that are the basis of the
30 claim of the credit. A person

31 (1) required to file a return under this chapter shall submit the form

1 claiming the credit with the taxpayer's return;

2 (2) not required to file a return under this chapter shall submit the form
3 claiming the credit before May 1 of the year following the year in which the
4 expenditure qualifying for the credit under this section is made.

5 (e) A taxpayer entitled to a credit under this section

6 (1) with prior written approval by the department, may convey, assign,
7 or transfer the credit to another taxpayer or business entity;

8 (2) forfeits the credit to which the taxpayer is entitled during the tax
9 year and any carryover of it under (c) of this section, but does not forfeit the portion of
10 the credit that accrued in a previous taxable year that may be carried over under (c) of
11 this section, if the taxpayer

12 (A) disposes of the qualified capital investment;

13 (B) takes the qualified investment out of service; or

14 (C) fails to use the Cook Inlet gas storage facility primarily for
15 the storage of gas for sale and delivery in the state.

16 (f) In this section,

17 (1) "Cook Inlet gas storage facility" means a tank, depleted reservoir,
18 injection well for gas storage permitted under AS 31.05, or other structure in the state
19 for the storage of gas that is produced from the Cook Inlet sedimentary basin and
20 designated for sale and delivery in the state, and includes machinery, supplies, and
21 equipment directly related to and necessary for filling and withdrawing gas from the
22 structures holding the gas for storage in the facility;

23 (2) "Cook Inlet sedimentary basin" has the meaning given in
24 AS 43.55.900;

25 (3) "cushion gas" means gas that is needed to pressurize the storage
26 facility and that allows the storage facility to function.

27 * **Sec. 2.** AS 43.56.210(5) is amended to read:

28 (5) "taxable property"

29 (A) means real and tangible personal property used or
30 committed by contract or other agreement for use within this state primarily in
31 the exploration for, production of, or pipeline transportation of gas or unrefined

1 oil (except for property used solely for the retail distribution or liquefaction of
2 natural gas), or in the operation or maintenance of facilities used in the
3 exploration for, production of, or pipeline transportation of gas or unrefined
4 oil; "taxable property" includes

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

6 (ii) drilling rigs, wells (whether producing or not),
7 gathering lines and transmission lines, pumping stations, compressor
8 stations, power plants, topping plants, and processing units;

9 (iii) roads, tank farms, tanker terminals, docks and other
10 port facilities, and air strips;

11 (iv) aircraft and motor vehicles owned by a person
12 whose principal business in the state is the exploration for, production
13 of, or pipeline transportation of gas or unrefined oil and whose
14 operation of the aircraft or motor vehicle directly relates to the conduct
15 of that business;

16 (v) maintenance equipment and facilities, and
17 maintenance camps and other related facilities; and

18 (vi) communications facilities owned by a person
19 whose principal business in the state is the exploration for, production
20 of, or pipeline transportation of gas or unrefined oil and whose
21 operation of the communications facilities directly relates to the
22 conduct of that business;

23 (B) does not include

24 (i) permanent residences;

25 (ii) office buildings requiring substantial local
26 government services;

27 (iii) oil and gas pipeline systems owned and operated by
28 a public utility that is certificated under AS 42.05.221 and is regulated
29 by the Regulatory Commission of Alaska;

30 (iv) aircraft and motor vehicles, except aircraft and
31 motor vehicles taxable under (A)(iv) of this paragraph; [AND]

1 (v) communications facilities, except communications
2 facilities taxable under (A)(vi) of this paragraph; **and**

3 **(vi) notwithstanding (A) of this paragraph, a Cook**
4 **Inlet gas storage facility, as that term is defined in AS 43.20.046;**

5 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).