

SENATE BILL NO. 228

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

BY SENATORS MCGUIRE, Wielechowski, Ellis

Introduced: 1/19/10

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for an industrial incentive investment tax credit and including a gas-**
2 **to-liquids facility as an eligible investment; and providing for a production tax limit on**
3 **gas used as a raw material for producing liquids or petrochemicals from gas in the**
4 **state."**

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

6 * **Section 1.** AS 43.20.042(a) is amended to read:

7 (a) Subject to (c) of this section, for purposes of calculating eligible taxes the
8 taxpayer may apply as a credit against eligible taxes the following percentage of the
9 investment credit allowed as to federal taxes under 26 U.S.C. 38 (Internal Revenue
10 Code) on only the first **\$1,000,000,000** [\$250,000,000] of qualified investment in the
11 state for each taxable year after **December 31, 2010** [DECEMBER 31, 1984], for a
12 [GAS PROCESSING PROJECT] **gas-to-liquids facility**: (1) 100 percent on the first
13 \$50,000,000 of qualified investment; (2) 80 percent on qualified investment over
14 \$50,000,000 but not exceeding \$100,000,000; (3) 70 percent on qualified investment

1 over \$100,000,000 but not exceeding \$150,000,000; (4) 60 percent on qualified
 2 investment over \$150,000,000 but not exceeding \$200,000,000; and (5) 40 percent on
 3 qualified investment over \$200,000,000 but not exceeding \$1,000,000,000
 4 [\$250,000,000]. A credit may not be allowed under this subsection for [AN
 5 INVESTMENT CREDIT THAT IS ALLOWED AS TO FEDERAL TAXES FOR]
 6 leased property [BY REASON OF 26 U.S.C. 168(f)(8) (INTERNAL REVENUE
 7 CODE). IN THIS SUBSECTION, "GAS PROCESSING PROJECT" MEANS THE
 8 INTEGRATED PLANT, FACILITIES, AND EQUIPMENT, INCLUDING
 9 POLLUTION CONTROL EQUIPMENT, USED FOR PREPARATION OF
 10 CONSUMER OR TRANSPORTATION GAS, OR FOR CONDITIONING,
 11 FRACTIONATION, STORAGE, HANDLING OR PROCESSING OF A PRODUCT,
 12 OTHER THAN CRUDE OIL, OF AN OIL OR GAS WELL, INTO LIQUEFIED
 13 NATURAL GAS, METHANOL, AMMONIA, UREA, OLEFINS, PROPANES,
 14 BUTANES, POLYMERS AND INTERMEDIATE HYDROCARBON PRODUCTS;
 15 IT DOES NOT INCLUDE A PIPELINE FROM OIL AND GAS WELLS TO OR
 16 FROM A PLANT AND FACILITIES].

17 * **Sec. 2.** AS 43.20.042(b) is amended to read:

18 (b) Subject to (c) of this section, for purposes of calculating eligible taxes the
 19 taxpayer may apply as a credit against eligible taxes the following percentage of the
 20 investment credit allowed as to federal taxes under 26 U.S.C. 38 (Internal Revenue
 21 Code) on only the first \$1,000,000,000 [\$250,000,000] of qualified investment in the
 22 state for each taxable year after December 31, 2010 [DECEMBER 31, 1984], for
 23 exploration, drilling of wells, development, or mining of the minerals and other natural
 24 deposits listed in 26 U.S.C. 613(b) (Internal Revenue Code) other than sand or gravel
 25 unless the mining of sand or gravel is ancillary to a mining development involving a
 26 qualified natural deposit other than sand or gravel: (1) 100 percent on the first
 27 \$50,000,000 of qualified investment; (2) 80 percent on qualified investment over
 28 \$50,000,000 but not exceeding \$100,000,000; (3) 70 percent on qualified investment
 29 over \$100,000,000 but not exceeding \$150,000,000; (4) 60 percent on qualified
 30 investment over \$150,000,000 but not exceeding \$200,000,000; and (5) 40 percent on
 31 qualified investment over \$200,000,000 but not exceeding \$1,000,000,000

1 [\$250,000,000]. A credit may not be allowed under this subsection for [ANY
2 INVESTMENT CREDIT THAT IS ALLOWED AS TO FEDERAL TAXES FOR]
3 leased property [BY REASON OF 26 U.S.C. 168(f)(8) (INTERNAL REVENUE
4 CODE)]. [IN THIS SUBSECTION, "MINING" HAS THE MEANING GIVEN IN 26
5 U.S.C. 613(C)(2) (INTERNAL REVENUE CODE).]

6 * **Sec. 3.** AS 43.20.042(c) is amended to read:

7 (c) A taxpayer may not claim an investment tax credit under (a) or (b) of this
8 section unless the [GAS PROCESSING PROJECT] **gas-to-liquids facility** or mining
9 project began operation and production after **December 31, 2010** [DECEMBER 31,
10 1984]. A [GAS PROCESSING] **gas-to-liquids** or mining project is considered to have
11 began operation and production when the first [PRODUCT] **liquids from gas** or **the**
12 **first minerals are** [MINERAL IS] produced that **are** [IS] ultimately either sold or
13 transferred for further processing or ultimate use.

14 * **Sec. 4.** AS 43.20.042(f) is amended to read:

15 (f) The investment tax credit per taxable year allowed by (a) and (b) of this
16 section may not exceed 60 percent of the eligible tax liability. Any unused portion of
17 the investment tax credit shall be subject to the carry forward provisions **applicable to**
18 **a business credit** in **26 U.S.C. 39,** [26 U.S.C. 46(b)(3)] (Internal Revenue Code)
19 except that the unused credit may not be carried forward to tax years beginning after
20 **December 31, 2025** [DECEMBER 31, 1999].

21 * **Sec. 5.** AS 43.20.042(g) is amended to read:

22 (g) Except as provided in (f) of this section, a tax credit under this section may
23 not be claimed on investments made after **December 31, 2020** [DECEMBER 31,
24 1994].

25 * **Sec. 6.** AS 43.20.042(h) is repealed and reenacted to read:

26 (h) In this section,

27 (1) "eligible taxes" means the total tax liability of a taxpayer for the
28 annual taxes due under the provisions of this chapter and AS 43.65;

29 (2) "gas-to-liquids facility" means the integrated plant, facilities, and
30 equipment used for producing liquids from natural gas;

31 (3) "mining" has the meaning given in 26 U.S.C. 613(c)(2) (Internal

1 Revenue Code).

2 * **Sec. 7.** AS 43.55.900(24) is amended to read:

3 (24) "used in the state" means delivered for consumption as fuel in the
4 state, including as fuel consumed to generate electricity **or used by a person as raw**
5 **material for producing liquids or petrochemicals from gas in the state.**