

**SENATE BILL NO. 242**

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

**BY SENATOR MCGUIRE**

**Introduced: 1/27/10**

**Referred: Resources, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act providing income tax credits for geothermal resource exploration and**  
2 **development."**

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

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

5 **Sec. 43.20.046. Geothermal resource tax credit.** (a) In addition to any other  
6 credit authorized to the person by this chapter, a person may take a credit against the  
7 tax due under this chapter for geothermal resource exploration and development as  
8 provided by this section.

9 (b) A person is eligible for a geothermal resource exploration credit for  
10 qualified exploration expenditures incurred after June 30, 2008, and before July 1,  
11 2018, in the amount of 50 percent of the qualified exploration expenditures incurred  
12 for exploration for a geothermal resource owned by the state and 25 percent of the  
13 eligible exploration expenditures for a geothermal resource not owned by the state,  
14 except that the total amount of the geothermal resource exploration credit for a single

1 exploration project may not exceed \$20,000,000. An unused geothermal resource  
2 exploration credit may not be carried forward for more than the greater of

3 (1) five years immediately following the year in which the qualified  
4 exploration expenditure was incurred; or

5 (2) if the geothermal resource first generates gross income in the five-  
6 year period in (1) of this subsection, seven years immediately following the year in  
7 which the geothermal resource first generates gross income.

8 (c) A person is eligible for a geothermal resource development credit in the  
9 amount of 10 percent of the qualified development expenditures incurred to develop a  
10 geothermal resource. An unused geothermal resource credit may not be carried  
11 forward for more than seven years immediately following the year in which the  
12 geothermal resource is first used to generate gross income.

13 (d) A credit under (b) or (c) of this section

14 (1) may not be applied against more than 50 percent of the person's tax  
15 liability under this chapter for a tax year;

16 (2) may be transferred to a person who is a successor in interest in the  
17 geothermal resource project that resulted from the exploration qualifying for an  
18 exploration credit under (b) of this section or qualifying for a development credit  
19 under (c) of this section.

20 (e) In this section,

21 (1) "geothermal resource" has the meaning given to "geothermal  
22 resources" in AS 38.05.965;

23 (2) "qualified development expenditure" means an expenditure

24 (A) to develop a known geothermal resource; and

25 (B) that is reasonable and necessary

26 (i) to acquire, lease, or rent real property, including an  
27 expenditure for engineering services, surveying, title insurance,  
28 recording fees, legal services, site improvements, site restoration,  
29 access roads, and fencing;

30 (ii) for the construction of the facility to develop and  
31 use the geothermal resource, including an expenditure for drilling

1 development wells; materials; labor; travel and transportation related to  
2 facility design; and the costs of startup, commissioning, and testing;

3 (iii) for equipment used in the operation of the facility;

4 (iv) for safety measures and environmental protection;

5 (v) for financial and legal services related to obtaining  
6 licenses and permits and preparing an environmental impact statement;

7 (vi) for capitalized interest during the construction  
8 period;

9 (3) "qualified exploration expenditure" means an expenditure

10 (A) to explore a previously unknown geothermal resource; and

11 (B) that is reasonable and necessary for goods, services, or  
12 rental of personal property required for the surface preparation, drilling, and  
13 assessment of the commercial potential of a geothermal resource.