

CS FOR SENATE BILL NO. 242(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/22/10

Referred: Finance

Sponsor(s): SENATORS MCGUIRE, Ellis, Dyson, Menard, Egan

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 credits.** (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 the effective date of this section and
11 before July 1, 2018, in the amount of 30 percent of the qualified exploration
12 expenditures incurred for exploration for a geothermal resource. An unused
13 geothermal resource exploration credit may not be carried forward for more than 20
14 years immediately following the year in which the exploration expenditure was

1 incurred.

2 (c) A person is eligible for a geothermal resource development credit in the
3 amount of 30 percent of the qualified development expenditures incurred to develop a
4 geothermal resource. An unused geothermal resource credit may not be carried
5 forward for more than 20 years immediately following the year in which the
6 geothermal resource is first used to generate gross income.

7 (d) A credit under (b) or (c) of this section may be transferred to a person who
8 is a successor in interest in the geothermal resource project that resulted from the
9 exploration qualifying for an exploration credit under (b) of this section or qualifying
10 for a development credit under (c) of this section. Subject to appropriation, an unused
11 credit for

12 (1) an exploration expenditure under (b) of this section is refundable
13 on an annual basis;

14 (2) a development expenditure under (c) of this section is refundable
15 after the geothermal resource first generates gross income.

16 (e) A person that receives a credit under (b) or (c) of this section,

17 (1) shall reduce a cost related to the geothermal resource that would
18 otherwise be included in a proceeding for determining a just and reasonable rate under
19 AS 42.05.381 by the amount of the credit; and

20 (2) may not elect to be exempt from the provisions of AS 42.05.

21 (f) In this section,

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

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

25 (A) incurred after two wells capable of commercial production
26 have been drilled, completed, and flow tested;

27 (B) to develop a known geothermal resource; and

28 (C) that is reasonable and necessary

29 (i) to acquire, lease, or rent real property, including an
30 expenditure for engineering services, surveying, title insurance,
31 recording fees, legal services, site improvements, site restoration,

1 access roads, and fencing;

2 (ii) for the construction of the facility to develop and
3 use the geothermal resource, including an expenditure for drilling
4 development wells; materials; labor; travel and transportation related to
5 facility design; and the costs of startup, commissioning, and testing;

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

7 (iv) for safety measures and environmental protection;

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

10 (vi) for capitalized interest during the construction
11 period;

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

13 (A) to explore a geothermal resource; and

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