

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 242(RES)
 (S) Publish Date: 3/22/10

Identifier (file name): SB242-REV-TAX-2-10-10
 Title: Geothermal Tax Credits
 Sponsor: Senator McGuire
 Requester: (S) Resources
 Dept. Affected: Revenue
 RDU: Taxation and Treasury
 Component: Tax Division
 Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services	59.0	59.0	59.0	59.0	59.0	59.0	59.0	59.0
Travel								
Contractual	50.0							
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	109.0	59.0	59.0	59.0	59.0	59.0	59.0	59.0
CAPITAL EXPENDITURES								
CHANGE IN REVENUES ()								

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	109.0	59.0	59.0	59.0	59.0	59.0	59.0	59.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	109.0	59.0	59.0	59.0	59.0	59.0	59.0	59.0

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Senate bill 242 provides credits against state corporate income tax for exploration and development expenses incurred by geothermal projects.

The credit for exploration expenses is capped at \$20M; there is no similar cap for development expenses. The credit applies to exploration expenditures made after 6/30/08 and before 7/1/2018. There are no similar date restrictions for the credit for development expenditures. The credit may be carried forward 5 years for the exploration credit, and 7 years for the development credit.

Prepared by: Cody Rice, Petroleum Economist
 Division: Tax Division
 Approved by: Ginger Blaisdell, Director
Administrative Services Division

Phone 907-269-1024
 Date/Time 2-9-10; 11:46am
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BILL NO. CSSB 242(RES)

ANALYSIS CONTINUATION

However, work that may qualify for credits under SB 242 is occurring, or is expected to occur in the near future, at sites near Naknek, Akutan, Chena and Mt. Spurr.

Research by the Department of Revenue suggests that hypothetical geothermal projects ranging from 5 Megawatts to 50 Megawatts in size would not generate taxable income until approximately the third year of commercial operations.

Because there are no commercial geothermal operations currently operating in the state the fiscal impact of this legislation cannot be determined at this time. The value of the credits is estimated to range from approximately \$1.4 million to \$20 million per facility. It is possible that the value of the credits could be higher depending on the specific category of expenses (exploration or development).

This bill would require the Department of Revenue to administer a new tax credit program, which will necessitate a half-position Corporate Income Tax Auditor III position (Range 22) to audit. There will also be \$50,000 in one-time startup expenses, including programming, form changes, and writing regulations.