

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 271  
 (S) Publish Date: 2/10/10

Identifier (file name): LL1057-DNR-OG-02-08-2010 Dept. Affected: Natural Resources  
 Title: Oil and Gas Tax Amendments RDU: Resource Development  
 Sponsor: Rules Committee Component: Oil and Gas Development  
 Requester: Governor Component Number: 439

**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
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>								
<b>CHANGE IN REVENUES ( )</b>								

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

The bill will, first, change the current provision under AS 43.55.023(b) that only half the various tax credits could be taken in any one year. This limitation spreads the benefits of the credit out over a couple of years, thereby diluting the incentive that the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. This bill would also accelerate most investor's receipt of the full value of the credit. Second, the bill would extend the current 30% credit provided under 43.55.025 to include development drilling (this credit is available now only for exploration wells drilled beyond three-miles of another well. This credit will reduce the taxpayer's tax liability and, other things being equal, contribute to improved economics for development drilling. Finally, the bill allows a small producer to monetize the credit more easily by eliminating the requirement that the producer spend additional money before receiving the credit monies.

The effect on royalty revenue is an indeterminant positive.

Prepared by: Kevin Banks, Director Phone 269-8800  
 Division: Oil and Gas Date/Time 2/8/10 3:00 PM  
 Approved by: Tom Irwin, Commissioner Date 2/8/2010  
Natural Resources

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**ANALYSIS CONTINUATION**

In these three ways, the bill will encourage additional investment in oil and gas development in Alaska, leading to an expected increase in the amount of oil and gas produced from State lands. This should increase the amount of royalty revenue collected, the exact amount of this increase is indeterminate. This bill also requires that the producer submit to the DNR within 30 days of the request for a credit under AS 43.55.025 data on development well activity under Section 9. While the DNR currently reviews seismic and exploration well information, the requirement to look at development wells as well may take additional staff time. However, we think we will be able to undertake this review with current staff.