

AMENDMENT #4

OFFERED IN THE HOUSE
TO: CSHB 9(FIN)

BY REPRESENTATIVE GARA

Kurtula
Garda

1 Page 1, line 1, through page 2, line 8: *(title amendment)*

2 Delete all material and insert:

3 **""An Act providing a credit against the corporation income tax or the oil and gas**
4 **production tax for losses incurred in the sale of natural gas shipped through a natural**
5 **gas pipeline; and relating to the delivery of natural gas to communities not directly**
6 **served by a natural gas pipeline; and providing for an effective date.""**

7

8 Page 2, line 10, through page 32, line 14:

9 Delete all material and insert:

10 **** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
11 to read:

12 **SHORT TITLE.** This Act may be known as the Alaska Low-Cost Natural Gas
13 Incentive Act.

14 *** Sec. 2.** AS 43.20 is amended by adding a new section to article 1 to read:

15 **Sec. 43.20.047. Tax credit for certain losses on the sale of natural gas.** (a) A
16 taxpayer that produces natural gas in the state north of 68 degrees North latitude and
17 delivers that natural gas to a pipeline described in (b) of this section may apply to the
18 department for a credit against the tax due under this chapter for a loss on the sale of
19 natural gas as provided in this section, except that a taxpayer applying for a credit
20 under AS 43.55.026 may not apply for the credit in this section.

21 (b) The natural gas pipeline to which a producer delivers natural gas eligible
22 for the credit in this section must transport natural gas from the North Slope to market
23 and have an average throughput of 3,000,000,000 cubic feet or more of natural gas a

1 day during the year for which the loss is claimed. The natural gas pipeline must
2 terminate at the Port of Valdez consistent with the provisions of AS 43.90 (Alaska
3 Gasline Inducement Act) unless the commissioner of natural resources finds that a
4 natural gas pipeline from the North Slope to the Port of Valdez is not economically
5 viable, in which case the natural gas pipeline must be the natural gas pipeline project
6 licensed under AS 43.90 (Alaska Gasline Inducement Act).

7 (c) The loss eligible for the credit under this section is equal to the amount by
8 which the total production tax value of natural gas produced by the taxpayer during
9 the calendar year is less than zero.

10 (d) The department may not authorize a total of more than \$400,000,000 in
11 credits under this section and AS 43.55.026 in a calendar year. If the total amount of
12 credits for all persons under this section and AS 43.55.026 is more than \$400,000,000
13 for a calendar year, the department shall prorate the amount of the credit authorized
14 for each applicant based on the production tax value of the natural gas delivered to the
15 pipeline.

16 (e) An unused credit received under this section may be used for a later
17 calendar year.

18 (f) The department shall adopt regulations necessary to implement and
19 administer the credit authorized by this section.

20 (g) In this section, "production tax value" means the value, as determined
21 under AS 43.55.160, of the natural gas delivered to a pipeline described in (b) of this
22 section.

23 * **Sec. 3.** AS 43.20 is amended by adding a new section to read:

24 **Sec. 43.55.026. Tax credit for certain losses on the sale of natural gas.** (a) A
25 producer that produces natural gas in the state north of 68 degrees North latitude and
26 delivers that natural gas to a pipeline described in (b) of this section may apply to the
27 department for a credit against the tax due under AS 43.55.011(e) for a loss on the sale
28 of natural gas as provided in this section, except that a taxpayer that applies for a
29 credit under AS 43.20.047 may not apply for the credit in this section.

30 (b) The natural gas pipeline to which a producer delivers natural gas eligible
31 for the credit in this section must transport natural gas from the North Slope to market

1 and have an average throughput of 3,000,000,000 cubic feet or more of natural gas a
2 day during the year for which the loss is claimed. The natural gas pipeline must
3 terminate at the Port of Valdez consistent with the provisions of AS 43.90 (Alaska
4 Gasline Inducement Act) unless the commissioner of natural resources finds that a
5 natural gas pipeline from the North Slope to the Port of Valdez is not economically
6 viable, in which case the natural gas pipeline must be the natural gas pipeline project
7 licensed under AS 43.90 (Alaska Gasline Inducement Act).

8 (c) The loss eligible for the credit under this section is equal to the amount by
9 which the total production tax value of natural gas produced by the taxpayer during
10 the calendar year is less than zero.

11 (d) The department may not authorize a total of more than \$400,000,000 in
12 credits under this section and AS 43.20.047 in a calendar year. If the total amount of
13 credits for all persons under this section and AS 43.20.047 is more than \$400,000,000
14 for a calendar year, the department shall prorate the amount of the credit authorized
15 for each applicant based on the production tax value of the natural gas delivered to the
16 pipeline.

17 (e) An unused credit received under this section may be used for a later
18 calendar year.

19 (f) The department shall adopt regulations necessary to implement and
20 administer the credit authorized by this section.

21 (g) In this section, "production tax value" means the value, as determined
22 under AS 43.55.160, of the natural gas delivered to a pipeline described in (b) of this
23 section.

24 * **Sec. 4.** AS 44.37.020 is amended by adding a new subsection to read:

25 (c) The Department of Natural Resources shall work with communities not
26 directly served by a natural gas pipeline to deliver natural gas to those communities to
27 the extent that delivery of the gas is economically feasible.

28 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 CONTINGENT EFFECT; NOTIFICATION. (a) Sections 1 - 3 of this Act take effect
31 only if the commissioner of natural resources makes a written finding that

1 (1) a natural gas pipeline described in AS 43.20.047(b), enacted by sec. 2 of
2 this Act, and AS 43.55.026(b), enacted by sec. 3 of this Act, is capable of delivering natural
3 gas to consumers in Fairbanks and Anchorage at a savings of 40 percent or more compared to
4 the cost of natural gas without the construction of the natural gas pipeline; and

5 (2) without the credits authorized by AS 43.20.047, enacted by sec. 2 of this
6 Act, and AS 43.55.026, enacted by sec. 3 of this Act, a natural gas pipeline with a throughput
7 of 3,000,000,000 cubic feet or more will not be built.

8 (b) If the commissioner of natural resources makes the written determination
9 described in (a) of this section, the commissioner of natural resources shall notify the revisor
10 of statutes, the commissioner of revenue, and the lieutenant governor of the date the written
11 determination was issued.

12 * **Sec. 6.** If secs. 1 - 3 of this Act take effect, they take effect the day after the commissioner
13 of natural resources makes the written determination described in sec. 5(a) of this Act."