

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 276(FIN)
 Fiscal Note Number 3
 (H) Publish Date 4/9/12

Identifier (file name) HB276CS(FIN)-DOR-TAX-04-05-12 Dept. Affected Revenue
 Title Oil/Gas Production Tax Credits: Nenana Appropriation Taxation and Treasury
 Allocation Tax
 Sponsor Representatives Thompson, Dick, Millett, Tuck, Miller
 Requester HFIN OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	0.0	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required,
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required,
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for CS.

Prepared by Lennie Dees / Audit Master
 Division Tax
 Approved by Alicia Egan, Legislative Liaison
Department of Revenue

Phone 907-269-1019
 Date/Time 04/05/12 2:00 p.m.
 Date 4/6/2012

FISCAL NOTE #3

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BILL NO. CSHB 276(FIN)

Analysis

The revenue impact of this bill is indeterminate.

This bill adds new subsections (a)(6), (a)(7), (n), (o), and (p) to AS 43.55.025. Subsections (n) and (o) authorize production tax credits for drilling 4 exploration wells and conducting 4 seismic exploration projects in the 6 areas, or basins, identified in new subsection (p) of the bill. The new credit amounts are defined in subsections (a)(6) and (a)(7). Subsection (a)(6) authorizes a credit which is the lesser of \$22.5 million or 80% of the exploration drilling expenditures for each well described in subsection (n) that qualify under subsections (b), (c) and (p) of AS 43.55.025. Subsection (a)(7) authorizes a credit which is the lesser of \$7.5 million or 75% of each seismic exploration project described in (o) that qualify under subsections (b) and (p) of AS 43.55.025. Only expenditures occurring after June 1, 2012 and before July 1, 2016 qualify under the bill.

The bill also adds a new subsection (p) to AS 43.55.011. This new subsection states that, for a period of seven years following the commencement of commercial production, which commences after December 31, 2012, but before January 1, 2022, from a lease or property or unit south of 68 degrees North latitude (but not including Cook Inlet), the tax rate for any new production in these areas would be taxed as oil and gas under AS 43.55.011(e), but the tax may not exceed 4% of the gross value at the point of production (so it is placing a tax ceiling on any new production from these areas for a period of seven years).

Under current law, producers or explorers conducting exploration activities described in the bill could qualify for tax credits under AS 43.55.025(a)(1)-(a)(4) and AS 43.55.023, which could total 65% of qualified exploration expenditures. The credits proposed in sections (a)(6) and (a)(7) of the bill respectively represent 15% and 10% increases above the maximum stackable credits currently available to any explorer or producer conducting exploration activities in the areas identified in the bill.

The bill also amends AS 43.55.020 and AS 43.55.160 to make necessary conforming amendments.

The fiscal impact of this bill is indeterminate. If four qualifying wells are drilled for the maximum allowed credit for each well of \$22.5 million, the immediate revenue impact to the state would be \$90 million. If four qualifying seismic exploration projects are conducted at the maximum allowed credit of \$7.5 million, the financial impact to the state would be \$30 million for a total of impact of \$120 million if all credits proposed in the bill are earned.

The Department of Revenue could administer the provisions of this bill with existing resources.