

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSSB 145(RES)
 Fiscal Note Number 2
 (S) Publish Date 4/4/12

Identifier (file name) SB145CS(RES)-DOR-TAX-03-29-12 Dept. Affected Revenue
 Title Oil/Gas Production Tax Credits: Nenana Appropriation Taxation and Treasury
 Allocation Tax
 Sponsor Senators Wagoner, Coghill, and Thomas
 Requester SEN RES 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					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
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	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	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

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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)

Updated for CS version D.

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 Approved by Alicia Egan, Legislative Liaison
Department of Revenue

Phone 907-269-1019
 Date/Time 3/29/12 8:15 AM
 Date 3/29/2012

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BILL NO. CSSB 145(RES)

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, indentified 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 from a lease or property or unit south of 68 degrees North latitude (but not including Cook Inlet) that did not have oil or gas production prior to January 1, 2013, the tax rate for any new production in these areas would be 4% of the gross value at the point of production.

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 financial 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.