

**ALASKA STATE LEGISLATURE
SENATE RULES STANDING COMMITTEE**

April 15, 2012

6:00 p.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Kevin Meyer
Senator Lyman Hoffman
Senator Bert Stedman
Senator Gary Stevens

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Wielechowski
Senator Thomas
Senator Menard
Senator Egan
Senator Coghill
Senator Paskvan

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 252(FIN)

"An Act exempting certain small businesses from the corporate income tax; and providing for an effective date."

- MOVED SCS CSHB 252(RLS) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 252

SHORT TITLE: TAXES: FILM; SMALL CORP; OIL & GAS

SPONSOR(s): REPRESENTATIVE(s) COSTELLO

01/17/12	(H)	PREFILE RELEASED 1/6/12
01/17/12	(H)	READ THE FIRST TIME - REFERRALS
01/17/12	(H)	L&C, FIN
02/22/12	(H)	L&C AT 3:15 PM BARNES 124
02/22/12	(H)	Moved CSHB 252(L&C) Out of Committee
02/22/12	(H)	MINUTE(L&C)
02/24/12	(H)	L&C RPT CS(L&C) 6DP 1NR

02/24/12 (H) DP: THOMPSON, JOHNSON, SADDLER, HOLMES,
MILLER, OLSON

02/24/12 (H) NR: CHENAULT

02/29/12 (H) FIN AT 1:30 PM HOUSE FINANCE 519

02/29/12 (H) Heard & Held

02/29/12 (H) MINUTE(FIN)

03/13/12 (H) FIN AT 8:30 AM HOUSE FINANCE 519

03/13/12 (H) Moved CSHB 252(FIN) Out of Committee

03/13/12 (H) MINUTE(FIN)

03/14/12 (H) FIN RPT CS(FIN) 8DP 3NR

03/14/12 (H) DP: GARA, GUTTENBERG, JOULE, COSTELLO,
EDGMON, DOOGAN, STOLTZE, THOMAS

03/14/12 (H) NR: FAIRCLOUGH, T.WILSON, NEUMAN

03/23/12 (H) TRANSMITTED TO (S)

03/23/12 (H) VERSION: CSHB 252(FIN)

03/26/12 (S) READ THE FIRST TIME - REFERRALS

03/26/12 (S) L&C, FIN

04/03/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

04/03/12 (S) Heard & Held

04/03/12 (S) MINUTE(L&C)

04/05/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

04/05/12 (S) Scheduled But Not Heard

04/10/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

04/10/12 (S) Moved SCS CSHB 252(L&C) Out of
Committee

04/10/12 (S) MINUTE(L&C)

04/11/12 (S) L&C RPT SCS 3DP 1NR SAME TITLE

04/11/12 (S) DP: EGAN, DAVIS, MENARD

04/11/12 (S) NR: GIESSEL

04/13/12 (S) FIN AT 9:00 AM SENATE FINANCE 532

04/13/12 (S) Heard & Held

04/13/12 (S) MINUTE(FIN)

04/13/12 (S) FIN AT 1:00 PM SENATE FINANCE 532

04/13/12 (S) Moved SCS CSHB 252(L&C) Out of
Committee

04/13/12 (S) MINUTE(FIN)

04/14/12 (S) FIN RPT SCS (L&C) 3DP 2NR

04/14/12 (S) DP: THOMAS, EGAN, ELLIS

04/14/12 (S) NR: STEDMAN, OLSON

04/15/12 (S) RLS AT 5:45 PM BUTROVICH 205

WITNESS REGISTER

JEFF ROGERS
Staff to Senator Ellis
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Explained the new Senate Rules CS to CSHB 252.

ACTION NARRATIVE

[6:00:37 PM](#)

CHAIR JOHNNY ELLIS called the Senate Rules Standing Committee meeting to order at 6:00 p.m. Present at the call to order were Senators Stevens, Meyer, Stedman, Hoffman and Stevens.

HB 252-SMALL BUSINESS INCOME TAX EXEMPTION

CHAIR ELLIS announced consideration of HB 252 [CSHB 252(FIN) was before the committee] and he asked for a motion to adopt a new committee substitute.

SENATOR STEVENS moved to adopt SCS CSHB 252(RLS), version 27-LS1095\T.

[6:01:00 PM](#)

JEFF ROGERS, staff to Senator Ellis, said he would describe the individual pieces of the tax incentives as they were stitched together in the new CS. Section 1 on page 2 is the film and production television incentive, the LB&A audit portion. Section 2 on page 3 is the 10-year small business tax exemption on qualified small businesses. Section 3 is the small business tax credit definitions and ancillary information. Section 4 is the small business tax credit sunset repeal provision and an effective date.

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Section 5 is the middle earth tax credits, a section that conforms to section 7. Section 6 is also conforming. Section 7 is one of the sections that is the meat of the middle earth tax credit providing that for the first seven years wells south of 68 degrees latitude and outside of Cook Inlet will pay a 4 percent gross value tax rate or not be greater than until 2022.

[6:02:35 PM](#)

Section 8 is a middle earth provision that conforms to section 7. On page 8, section 9 relates to the middle earth credit for exploration and drilling that relates to a later section. Section 10 is a conforming section. Section 11 is the middle earth credit with three subsections: subsection (n) describes the provision for the first four exploration wells in the allowable areas that are available for credit.

[6:03:14 PM](#)

Subsection (o) on page 11 describes the first four seismic exploration projects that are available for credit. Subsection (p) describes the areas for which the middle earth credit will be applied (six individual highly prospective basins around the state on and off the Railbelt).

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Sections 12 and 13 are conforming sections to the middle earth tax credit.

Section 14 relates to the film and television production incentives; this is the exclusion of the tax credit for the fisheries license tax. Section 15 is an exclusion to the fisheries business tax for the film credit.

Sections 16-19 describe the mechanisms by which film tax credits are issued. Section 20 is the amounts in the aggregate and the dates to which they apply for the film and television production incentive.

Section 21 relates to film and television production incentives and is about how certificates can be combined and refunded by the state.

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Section 22 is the meat of the film and television production incentive program. It is similar to the program in existence, but that program vis-a-vis the tax credit has been moved to the Department of Revenue.

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Section 23 on page 28 describes a promotional program for film and television production in the state established within the Department of Commerce, Community and Economic Development (DCCED).

Section 24 starts a series of repealers repealing the old film program upon the instatement of the new one. Section 25 is a sunset repeal of the proposed program.

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Section 26 is an alternate repeal for a recovery portion that comes later. Section 27 repeals the LB&A audit portion. Section 28 repeals another section of the current program. Section 29 describes an incentive for the first episodic scripted television production in the state. Section 30 is a transitional

statement that relates to employees and employee operations moving from the DCCED to the Department of Revenue. Section 31 deals with notification in terms of aggregate credits.

Section 32 is a non-severability portion that links the portions of the bill that relate to film and television production incentives and sections 33-35 are related effective dates.

Section 37 is a sunset repeal date for the new film and television production incentive on a date or by a time a certain number of credits are used. Section 38 is the second portion of that for the second tranche of funding.

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Sections 39 and 40 are additional effective dates.

CHAIR ELLIS thanked him for his presentation and finding no questions summed up by saying the intent of this version of the bill is to bring together three important tax credits that have had a lot of bi-partisan and strong support in both bodies. HB 252 exempts certain qualified small businesses from corporate income tax during their start up years and is excellent work by Representative Mia Costello.

He applauded Representative Costello on her work on another provision for tax incentives for film and television projects in the state saying she made a good program even better and it was a major effort to diversify the economy along with another provision offering generous tax incentives for oil and gas exploration and drilling in the Nenana Basin and other prospective basins around the state (middle earth).

CHAIR ELLIS said in an effort to respect the work of their colleagues, both the film and television and middle earth tax incentives were incorporated into this bill exactly as passed out of committees in the other body. This holistic bill is designed to take Alaska forward by incenting different kinds of economic development all around the state.

MR. ROGERS noted that they have published a Rules Committee indeterminate fiscal note from FY13 to FY18.

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SENATOR MEYER said this only pertains to oil and gas exploration and production in middle earth and exempts everything north of 68 degrees, which is the North Slope.

MR. ROGERS agreed that was correct.

6:09:12 PM

SENATOR STEVENS moved to report SCS CSHB 252, 27-LS1085\ T, with new indeterminate fiscal note from the Rules Committee. There were no objections or further comments and SCS CSHB 252 (RLS) moved from committee.

6:09:43 PM

CHAIR ELLIS adjourned the Senate Rules Committee meeting at 6:09 p.m.