

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SCS CSHB 287(FIN)  
Fiscal Note Number: 5  
(S) Publish Date: 4/20/14

Identifier: HB287SCSCS(FIN)-DOR-TAX-04-20-14  
Title: OIL ROYALTIES; TAX CREDIT  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: S FIN

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
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>0.0</b>

## Fund Source (Operating Only)

None								
<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>	<b>0.0</b>

## Positions

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>	***		***	***	***	***	***	***
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2015) cost:** 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

## Why this fiscal note differs from previous version:

Reflects changes adopted by the SFIN committee on 4-20-14.

Prepared By: Matt Fonder, Director Phone: (907)269-1033  
Division: Tax Date: 04/20/2014 09:00 PM  
Approved By: Angela M. Rodell, Commissioner Date: 04/20/14  
Agency: Department of Revenue

FISCAL NOTE ANALYSIS #5

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. SCS CSHB 287(FIN)

**Analysis**

**Bill Language:**

This bill involves the approval of the royalty sale oil contract with Tesoro Corporation, determinations of royalty oil received by the state, and also adds a section to DOR's corporate income tax statutes creating a new corporate income tax credit for certain in-state oil refineries. This analysis is limited to the tax credit created in this bill.

-The tax credit created by this bill is a new corporate income tax credit for a taxpayer that owns an in-state refinery and incurs "qualified infrastructure expenditures" (attributable to the in-state purchase, installation, or modification of tangible personal property for the in-state manufacture or in-state transport of refined petroleum products or petroleum-based feed-stocks) during a tax year. The credit may not exceed the lesser of 40% of total qualifying expenditures or \$10 million per tax year. The credit sunsets in 5 years. The taxpayer is required to apply the credit against any corporate income taxes owed to the state, and any unused portion can be carried forward to future tax years, or it can also be refunded by the state.

**Revenues:**

It is difficult to determine the amount of credits which may be claimed by taxpayers with these new credits. There are a limited number of in-state refineries, and the maximum credit would be \$10 million each tax year (for up to 5 tax years) per qualifying refinery. If a refinery was able to "max-out" these combined credits, it would be entitled to a credit of \$50 million over 5 years, but the taxpayer would have had to expend \$125 million in "qualified infrastructure expenditures" to obtain the maximum amount of credits. Because these credits are refundable, if a taxpayer is able to "max-out" these combined credits for 5 years, the state would realize reduced revenues of \$50 million over 5 years.

It is unlikely that in-state refineries would have a corporate income tax liability of \$10 million in any given tax year, so the bulk of these credits would likely be carried forward to future tax years, or be refunded.

**Expenditures:**

The department can implement the provisions of this bill with existing resources.

**Regulations:**

The department does not anticipate that it will need to adopt regulations to implement this bill.