

SENATE FINANCE COMMITTEE

May 12, 2017

10:06 a.m.

10:06:05 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 10:06 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Shelley Hughes  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Leslie Ridle, Deputy Commissioner, Department of Administration; Juli Lucky, Staff, Senator Anna MacKinnon; Minta Montalbo, Department of Administration, Juneau; Laura Cramer, Staff, Senator Anna MacKinnon; Ed King, Special Assistant, Department of Natural Resources; Senator Cathy Giessel; Ken Alper, Director, Tax Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Michael Stanker, Department of Law, Anchorage; Marla Thompson, Director, Division of Motor Vehicles, Department of Administration.

SUMMARY

SB 34 DRIVER'S LICENSE & ID CARDS & REAL ID ACT

CSSB 34(FIN) was REPORTED out of committee with a "no recommendation" and with one new fiscal

impact note from the Department of Administration, and with two previously published zero fiscal notes: FN2(MVA), FN3(DPS).

CSHB 111(FIN)(EFD FLD)

OIL & GAS PRODUCTION TAX;PAYMENTS;CREDITS

SCS CSHB 111(FIN) was REPORTED out of committee with a "do pass" recommendation and with one forthcoming fiscal impact note from the Department of Revenue.

#sb34

SENATE BILL NO. 34

"An Act relating to the implementation of the federal REAL ID Act of 2005; and relating to issuance of identification cards and driver's licenses; and providing for an effective date."

10:06:32 AM

Co-Chair MacKinnon relayed that there was a letter of explanation from the Department of Administration dated May 11, 2017 (copy on file). The letter was in response to questions from the committee.

10:07:16 AM

LESLIE RIDLE, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, discussed the aforementioned letter from the department. She explicated that the questions concerning the process of obtaining a driver's license or identification. She stated that Alaskans would not need anything new in order to obtain Real I.D. The change involved verification of the proof of identity. The division was a member of AAMVA [American Association of Motor Vehicle Administrators]. The system ensured that the applicant only carried one driver's license. The DMV from other states cannot access documents on the state system. Documents are not shared with other entities, other than to check for pre-existing driver's licenses in other states. For this process, the name, date of birth, and last four digits of the social security number (SSN). Some information was shared via subpoena with Department of Public Safety for the purposes of working on cold cases and I.D. fraud.

10:11:04 AM

Co-Chair MacKinnon asked if all states had "one driver's license in one state" rule, or whether that was a federal law.

Ms. Ridle informed that all states had the rule but that it was a federal law.

10:11:37 AM

AT EASE

10:31:44 AM

RECONVENED

Co-Chair MacKinnon MOVED to ADOPT Amendment 1:

Page 3, line 5, following "15 years"  
Delete "after the expiration of the identification card"  
Insert "after the date of application"

Page 3, line 8, following "retain"  
Insert "only"

Page 6, line 8, following "years"  
Delete "after the expiration of the license"  
Insert "after the date of application"

Page 6, line 10, following "retain"  
Insert "only"

Vice-Chair Bishop OBJECTED for discussion.

JULI LUCKY, STAFF, SENATOR ANNA MACKINNON, explained Amendment 1. She detailed that the amendment should be starting on page 3, line 5 and the last change should be on page 6, line 10. These were technical fixes within the bill. She specified that it was always the intent to have a 15-year retention period; however, currently it contained a retention period ending after the date of the expiration of the I.D. card, which would have been 23 years. Additional changes specified that only minimum documentation was required.

Vice-Chair Bishop WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 1 was ADOPTED.

10:33:30 AM

Co-Chair MacKinnon MOVED to ADOPT Amendment 2.

Vice-Chair Bishop OBJECTED for discussion.

Ms. Lucky explained Amendment 2:

The intent of this amendment is to require the department, should attempts to discontinue use of the social security number as a means of verifying identity in order to comply with federal law requiring that states confirm that an applicant is not licensed to drive in another state, to work to reduce the number of digits of the social security number required and to limit the department to sharing the minimum number of digits required, instead of specifying a number of digits.

Page 4, line 19, following "steps"

Delete "necessary"

Insert "available"

Page 4, line 29 through page 5, line 8

Delete all material

Insert "(d) If the department has complied with (b) and (c) of this section and been unable to secure a means of compliance with P.L. 109-13, Division B (REAL ID Act of 2005) that does not involve the storage or sharing of social security numbers, in whole or in part, the department shall take all steps necessary to minimize the number of digits of a social security= number required to be stored or shared.

(e) The department may not share more than fewest number of digits of a person's social security number necessary to comply with federal law requiring the department to determine whether a person has been issued a driver's license in another state."

Ms. Lucky elaborated that there had been concern expressed regarding the digits from a SSN for verification of identity. The amendment would limit the use to three digits of the SSN. She continued that the amendment would allow

for use of the fewest digits. Consistent with the language in the bill, the amendment directed the department to try not to use the SSN. The new provision would state that if the department was unsuccessful in not using the SSN, it should take all steps to minimize the number required and use the fewest number of digits required. She added that this would be adopted as a conceptual amendment.

Senator Micciche asked if Ms. Lucky had the opportunity to discuss the amendments with the department to determine whether the amendment compromised its ability to comply with Real I.D.

Ms. Lucky relayed that she had discussed the amendments with the department, and they were available to confirm.

[10:36:27 AM](#)

MICHAEL STANKER, DEPARTMENT OF LAW, ANCHORAGE (via teleconference), testified that he had reviewed the conceptual amendment. He did not see any issue with the amendment.

Ms. Ridle stated that conceptual Amendment 2 would not affect compliance with Real I.D.

Senator Micciche thanked Ms. Ridle for supplying the document to the committee.

Vice-Chair Bishop WITHDREW his OBJECTION. There being NO OBJECTION, conceptual Amendment 2 was ADOPTED.

Vice-Chair Bishop discussed two zero fiscal notes, FN2, Department of Military and Veterans Affairs, OMB component number 2657; and FN3, Department of Public Safety, OMB component number 523. He stated that the department would be providing a new fiscal note.

Ms. Lucky commented that the Department of Administration (DOA) fiscal note no longer applied. The department would be providing a new fiscal note.

[10:39:30 AM](#)

MINTA MONTALBO, DEPARTMENT OF ADMINISTRATION, JUNEAU, explained that the fiscal note would be updated to reflect the reduction in cost because the CS from [Senate] State Affairs required the cards to be produced in-state. The requirement was not in the present version of the bill so would be removed. There would be increase in revenue due to a fee increase in the current version from \$15 to \$20 for compliant driver's licenses.

[10:40:24 AM](#)

Senator Hughes asked if Ms. Montalbo was aware of any discussion across the states to members of Congress regarding federal funding for the initiative.

Ms. Montalbo was not aware of any funds coming forward. The division had been working with the congressional delegation but had not heard of any funds being made available.

Co-Chair MacKinnon asked if there was going to be an unforeseen cost to the state as a result of passing the bill.

Ms. Montalbo explained that the costs were reflected in the current fiscal note and would remain the same in the forthcoming fiscal note. The \$1.5 million implementation cost would remain the same.

Co-Chair MacKinnon referred to the \$1.5 million and verified that was for improvements in technology. Ms. Montalbo replied in the affirmative. She added that it was a one-time cost to update their systems.

Co-Chair MacKinnon asked about additional positions. Ms. Montalbo stated no new positions would be needed.

Co-Chair MacKinnon asked if the committee could expect a fiscal note with zero expenditures for operating costs and a one-time capital appropriation for the upgrade in technology.

Ms. Montalbo stated that there was an ongoing production cost to make the compliant cards of approximately \$5 per card. There would be an increase in receipt authority, and in FY 19 there would be a \$528.7 thousand in the services line of the fiscal note. That was anticipated to increase in out years.

Co-Chair MacKinnon expected that the revenues collected for the program would exceed the costs. Ms. Montalbo answered in the affirmative.

Co-Chair MacKinnon asked if there was a need to rewrite regulation. Ms. Montalbo answered in the affirmative.

[10:43:31 AM](#)

Co-Chair MacKinnon asked if DMV would absorb that cost. Ms. Montalbo replied in the affirmative.

Co-Chair MacKinnon asked whether there would be additional fiscal notes. Ms. Montalbo replied there should be no additional fiscal notes.

MARLA THOMPSON, DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), stated that everything mentioned would be in the forthcoming fiscal note.

Co-Chair MacKinnon asked if DMV would issue a zero fiscal note on the operational cost side and on the capital cost side. Ms. Thompson stated that those would be on the same fiscal note.

Co-Chair clarified there would be no additional note to the one submitted by DOA.

Vice-Chair Bishop MOVED to report CSSB 34(FIN) out of Committee with individual recommendations and the accompanying and forthcoming fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 34(FIN) was REPORTED out of committee with a "no recommendation" and with one new fiscal impact note from the Department of Administration, and with two previously published zero fiscal notes: FN2(MVA), FN3(DPS).

[10:45:16 AM](#)

AT EASE

[10:47:17 AM](#)

RECONVENED

Co-Chair MacKinnon stated that the committee would be recessed to a call of the chair and would take up HB 111 in the afternoon.

[10:48:06 AM](#)

RECESSED

[3:07:34 PM](#)

RECONVENED

#hb111

CS FOR HOUSE BILL NO. 111(FIN)(efd fld)

"An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; relating to carried-forward lease expenditures based on losses and limiting those lease expenditures to an amount equal to the gross value at the point of production of oil and gas produced from the lease or property where the lease expenditure was incurred; relating to information concerning tax credits, lease expenditures, and oil and gas taxes; relating to the disclosure of that information to the public; relating to an adjustment in the gross value at the point of production; and relating to a legislative working group."

[3:08:21 PM](#)

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 111(FIN), Work Draft 30-LS0450\V (Nauman, 5/12/17).

Co-Chair MacKinnon OBJECTED for discussion.

LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, reviewed the document "Summary of changes from Version B to Version V," (copy on file):

Substantive change:

- Section 27: Subsection (n) of Version B was removed in Version V. This is reflected on page 18, where the former subsection (o) is now subsection (n).

The former subsection (n) allowed half of a carry-forward loss from a new development to be applied immediately against the taxpayer's liability, with the remaining half carried forward until the development entered production. This change aligns the CS with current statute.

The change in Section 27 necessitated a conforming change which removed section 1 from the previous version, on page 1. Removing subsection (n) also removes the need for the Alaska Oil and Gas Conservation Commission to determine the start of regular production for the purposes of (n).

Technical changes:

- Section 5, Page 4, lines 4-5 of Version V: changes "for a credit for work performed" to "for a credit for a lease expenditure incurred." This language is consistent with existing statute.
- Section 6, Page 4, lines 22-23 of Version V: makes the same change from Section 5, which repeals that language in the future to conform to the future repeal of the Oil and Gas Tax Credit Fund.
- Section 20, Page 14, line 29 and lines 30-31 of Version V: Changes "for work performed before Jan. 1, 2018," to "for an expenditure incurred before Jan. 1, 2018." This language is consistent with existing statute.
- Section 23, Page 16, line 24: Changed "the" to "that" before "calendar year."
- Section 27, Page 18, line 26: Changes "or carry it forward" to "or carry any unused portion forward."
- Section 27, Page 19, lines 2-3: adds "before the application of any credits under this chapter" to further clarify the intent of the provision. The intent is that, when applying carry-forward annual losses, they need only be applied, at the taxpayer's discretion, to the point at which the

tax due is the equivalent of the minimum tax before the application of any other credits to the minimum tax.

- Section 31, Page 19, line 19: Changed "regardless of when the credit was earned or issued" to "for work performed on or after July 1, 2016" to accurately reflect the bill sections the applicability addresses.

3:12:22 PM

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO OBJECTION, the Senate CS for CSHB 111(FIN) Version V was ADOPTED.

3:13:07 PM

Co-Chair MacKinnon mentioned testimony from taxpayers and asked whether there was an issue regarding a backlog in Department of Natural Resources (DNR).

ED KING, SPECIAL ASSISTANT, DEPARTMENT OF NATURAL RESOURCES, acknowledged that there was a backlog in processing seismic data in the department. He recounted that following the passage of SB 21, there had been a drastic increase in seismic activity to recover credits being offered. This was largely due to the change in the bill language regarding net operating loss credits moving to 45 percent and stacked to the 40 percent in AS 43.55.025(a)(4), allowing a total of 85 percent of expenses to be turned into credits. That led to a lot of new seismic data sets since the passage of HB 185 in 2003.

Co-Chair MacKinnon asked if Mr. King could provide an estimate of the magnitude of the change.

Mr. King provided that half a terabyte or less for the last ten years, or until 2013, when the increase was seen. He informed that the department had gone from 1 terabyte per year to 250 terabytes in the previous year, and in 2017 the department had received 277 terabytes. This equated to a backlog of 450 terabytes of data, or the equivalent of processing 400 applications.

Co-Chair MacKinnon stated that it had been suggested that the committee consider a timeline in statute for DNR to

certify the data. She asked how that would impact the process.

Mr. King stated that it was not physically possible to process the data sets in the recommended timeline of 120 days. He estimated that it would take two to three years to process the data. He thought the most recent version of the bill repealed the credit, and they did not expect to receive similar amounts of data in the future.

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Vice-Chair Bishop asked whether it was a question of updating the technology.

Mr. King answered in the affirmative. He continued that the IT department had worked to the limits of the technology available. He also indicated updating further would be an expensive change for a temporary problem.

Vice-Chair Bishop wondered if the department could reach out to the University of Alaska Fairbanks, to aid them with their computer systems.

Co-Chair Mackinnon recognized that Senator Olson had joined the committee and recognized Senator Cathy Giessel in the audience.

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Senator Hughes wondered what happened after the process was finished. She understood that there was also a time-lag after the data returned to DOR. She asked for an explanation of what was sent to DOR.

Mr. King pointed out that part of the DNR process was to certify data that was submitted. The credit required that the relevant data be sent to the state. The department held that data confidential for ten years and then it was released to the public. When the original bill creating the credit was introduced, the department had not anticipated the problem. He stated that some of the data files were corrupted files and the department began in 2012 to take a closer look at the data provided to them. He deferred to the Department of Revenue for its process.

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Co-Chair MacKinnon asked about the timeframe on the backlog of seismic data. She asked whether it would take 10 years to catch up and inform the taxpayers of what they could expect.

Mr. King stated that the department would work as expeditiously as possible with the given resources. He thought the three to five-year time window was more realistic.

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Co-Chair MacKinnon referred to a new fiscal note from DOR (OMB component 2476), and mentioned that the CS adopted was what was needed to remove cash credits and no more. She stated a belief in the current tax system and remarked the 50/50 change in the status quo was unrelated to the cash credits and was removed to maintain focus on eliminating cash credits.

KEN ALPER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, stated that there was no change to the fiscal note. He stated there were three components to the fiscal note: one looked at the impact on state revenues, the second on the state's obligation to pay for tax credits, and the third component was tracking of the carry forward volumes, where the expenditures turned into value that could be used to offset future taxes. The ring-fence provision was removed and did not affect the assumptions in the fiscal note. There were some concerns with the change, but those were outside the scope of the current discussion. The fiscal note in the previous committee contained a version in which specific credits could be used below the minimum tax that lead to a negative revenue item of roughly \$20 million to \$40 million per year. The "V" version of the bill had a much smaller number, typically a negative \$5 million to a negative \$10 million. It was not the kind of number he would consider material because the value was the mirror image of savings that would otherwise be given out in a cash credit. In the status quo, a certain amount of Middle Earth credits (approximately \$10 million per year) would be cashed out and now could be transferred to some other producer or would be used to offset a company's own corporate income tax.

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Mr. Alper continued that the second half had to do with the budget side, or the reduction to the state's expectation of buying credits. That is almost fully zeroed out once the existing backlog of credits works its way through the system. There would be reductions in expenditures of roughly \$150 million per year after a few years. The sum total of the reduced expenditures was \$1.3 billion to \$1.4 billion, seen migrating to below the line. That was the future tax offset value that companies would have in hand as they would now be carrying expenditures forward. He underlined that this was a universe of \$3.7 billion to \$3.8 billion of forecast spending that would be turned into carry forwards. Those carry forwards would be used to offset at statutory rate of 35 percent. The prior version of the bill had a line for 2027 of \$1.785 billion but that number contained a \$460 million uplift, or interest provision, component that had since been removed. The current bill was \$1.445 billion, or \$120 million higher. One part had to do with clarifying language saying that a company carrying forward their lease expenditures could only use them to reduce the value to the number that led to the floor after using other credits. Whereas the [Senate] Resources Committee version would have led to some loss of per barrel credits, that adds about \$60 million in credits being carried forward. The additional 60 million was due to the scope of carry forwards to include Middle Earth. There were estimated to be \$60 million in carry forwards over the ten year fiscal note period.

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Senator von Imhof wanted to fully understand Mr. Alper's remarks. She paraphrased a portion of Section 27 of the bill [language taken from version Q on BASIS]:

A taxpayer may apply in that year equal to that amount combined with lease expenditures before the application of any credits under this chapter to the equivalent of the tax due.

""

Senator von Imhof asked Mr. Alper to repeat his comments about interaction between carry forward NOLs and per barrel

credits, in particular the sliding scale per barrel credits.

Mr. Alper stated that under current law, companies' expenditures were used to their taxable value. The 35 percent tax calculation was applied to that, then the per barrel credit was subtracted. By introducing carry forward lease expenditures into the mix, the value that is subject to the 35 percent tax is reduced. The Senate Resources bill said that the carry forwards were applied to lead to a calculation where the 35 percent of net was equivalent to 4 percent of gross. It was the amount that lead to the minimum tax. However, it did not account for the possibility that, without the addition of carry forwards, a company could use some amount of per barrel credits to get to the minimum tax calculation. By wording it this way, the CS allowed the company to choose the amount it wanted to carry forward, and thereby minimize the amount of the carry forward to preserve the ability to use the carry forwards in a non-carry forward scenario. In a lifecycle analysis, it meant the company was able to preserve some amount of them to use in a subsequent year and be used to offset another year's taxes. The bottom line was that it added up to about \$60 million in tax equivalent value over the course of the present fiscal note.

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Senator Hughes referred to the chart on the fourth page of the fiscal note and remarked that due to inflation, that \$1.445 billion would be worth less. She confirmed that there was nothing to account for inflation.

Mr. Alper concurred, and stated that the sum total value of the tax benefit to companies would be the same before and after the passage of the bill, but the state would be benefitting from the time value of money.

Senator Micciche asked if the difference in the time value of money was reflected in the total revenue impact.

Mr. Alper replied in the negative. He stated that the revenue impact was relatively minor. He used the example of a company that was carrying forward a lease expenditure, and the related project coming into production. It would show as a slight tax reduction in the fiscal note as the company was applying the carry forwards against their

taxes. That would not have been seen in the status quo as those would have been paid out in credits.

Senator Micciche asked if the difference was worth attempting to capture in the budget section of the fiscal note.

Mr. Alper stated that the budget impact was far larger than the revenue impact. Some small portion of the impact was migrating to the revenue side.

Senator Micciche was attempting to understand the time value shift from cash payment to carry forwards.

Mr. Alper stated that had those been paid out in cash credits over 10 years, the credits would have been in the hundreds of millions of dollars. Looking at all of the carry forwards, the state's expense in 2028 was significantly lower than what would have been paid out in the intervening years. It was a material savings for the state.

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Co-Chair MacKinnon asked if the administration was in favor of the CS.

Mr. Alper could not speak to the matter. He relayed that he would be briefing the administration on the components of the bill. There was not currently an official position.

Senator Hughes asked about the timeframe and delays involved in the issuing of certificates. She asked whether, once DNR has completed its work, the considerable delays were justified.

Mr. Alper relayed that the delays from DOR were not necessarily related to DNR data analysis delays. The 43.55.025 credits were sometimes pushed behind something with a tighter deadline. The credits had at times fallen behind by a few months or a year. The credits were issued, but were subject to future review. When auditing the underlying tax year, any missing piece could be reviewed. The exploration credits do not carry that same authority. The credits were considered a final determination. So long as the data was received, the department was able to issue the certificate. He specified that, when issuing an

exploration credit, the tax division had considered it a final determination and had therefore a higher standard to ensure that everything had been paid and was as it should be. That led to the creation of the certificate, which acted as a placeholder in the line to receive credits. House Bill 111 said that companies would receive a certificate from day 1, which did not have a cash value, but gave them a position in line to receive credits.

[3:38:34 PM](#)

Senator Hughes appreciated the fact that the division was more deliberative with exploration credits due to the final audit question. She understood that there was only about a four-page application and should be easy to review.

Mr. Alper stated that the application document was relatively brief, and the time-consuming portion of the process was examination of receipts.

Co-Chair Hoffman referred to the chart on page 5 of the fiscal note. He remarked on a big swing in 2027 of over \$150 million from \$60 to \$80 per barrel.

Mr. Alper specified that the \$40 per barrel oil price was where the major producers were losing money. In the status quo, if a major producer had an operating loss and was able to carry it forward into the next year, they could use the loss credits to reduce their payments to below the minimum tax to zero. Due to the change in the bill, there was no more loss credit, only a carry forward. The floor hardening provision does not have much impact at higher or lower price points. There was an unusual circumstance in the \$60 set, with positive numbers in later years and negative numbers in earlier years. The modelling contained the presumption that there would be reduced production and increasing costs so that operating costs increase at \$60 oil in 2025 and 2026, assuming 350,000 barrels per day. The same impacts at \$60 per barrel oil were seen as at \$40 per barrel oil in later years. It was something of an oddity in the forecast.

[3:42:53 PM](#)

Senator von Imhof referred to page 4 of the fiscal note. She pointed to line A in the middle of the page and asked what the line referred to.

Mr. Alper replied that the line reflected the expectation that under the status quo companies were earning NOL credits. The line referred to companies who were not major producers. He stated that the losses would be cashable under current law, and the cash credit was eliminated in the present bill. The main change from the bill was getting the state out of the business of buying cash credits. That primary change was reflected in Line A. It showed the sum total of the credits the state would not be purchasing.

Senator von Imhof referred to the "NOTE" box on the bottom of page 4 of the fiscal note. "...assume that all outstanding credits earned before 1/1/18 ... are funded through appropriation and purchased by the state." She asked for clarification.

Mr. Alper referred to the [DOR] Revenue Sources book and the spring forecast. There was a very large number in expected demand for credits in FY 18. The line stated current demand, plus the demand carried over following the governor's veto, and was over \$1 billion. The expectation was that those would be paid so that by getting those off the book in 2018, the demand for credits in FY 19 was limited to the credits coming onto the books in FY 19, primarily loss credits for work done in 2017 due to natural delays in processing. The sentence meant that the legislation was not changing the underlying forecasts in the Revenue Source book, it was simply stating how it was changed with the passage of the bill.

[3:45:41 PM](#)

Co-Chair MacKinnon wanted to clarify for the record the interaction of the sliding scale per barrel adjustment with other 43.55.024 credits. Senator von Imhof had referred to this and Mr. Alper had restated his perspective. She made clarifying remarks:

There was some questions following my remarks at the beginning of yesterday's hearing as to the intent of the CS in handling the sliding scale per barrel with other .024 adjustments. The Majority in the Senate supports and stands by SB 21 and the increased

production that has resulted from this legislation. At this time, we are choosing to not take a position on the advisory opinion that was issued in December 2016 and in March 2017 by the Department of Revenue. Therefore, the CS does not change that if a sliding scale per barrel adjustment is used, the small producer tax credit and the new oil per barrel credit cannot reduce taxes below the minimum tax or it applies to zero. This is not to be construed as an endorsement of the advisory bulletin, should a taxpayer elect to challenge that in court in the future, but instead as a desire to end refundable tax credits and make only the changes necessary in our tax code to accomplish that purpose.

Co-Chair MacKinnon asked Mr. Alper whether that was clear.

Mr. Alper remarked that Co-Chair MacKinnon and other members had made clear on the record their concerns with the advisory bulletin.

[3:47:37 PM](#)

Co-Chair MacKinnon went on to clarify for the record the use of credits against prior year's liabilities:

In Sections 4, 7, and 14 in Version V, the intent is that credits earned in any year may be used against prior year's outstanding liabilities with Department of Revenue related to oil and gas production tax. That was a singular "prior year." The intent is not to allow a company to refile prior year taxes that were previously paid for the purposes of applying for credits and then ask the state for a refund on the original tax payment. However, if a company amends a return and owes additional tax, we intend the company is able to pay that additional liability with credits. Companies should not be able to use credits to use to pay something that has already been paid.

Co-Chair MacKinnon again asked Mr. Alper whether what she had read was clear.

Mr. Alper stated that the clarifying statement was clear. He referred to Sections 4, 7, and 14 of the current bill. He stated that although it seemed counter-intuitive, they wanted to close the door on any possibility for a company

to be able to use credits to pay a tax that had already been paid, then use credits to receive a refund.

[3:49:21 PM](#)

AT EASE

[4:05:36 PM](#)

RECONVENED

Vice-Chair Bishop MOVED to ADOPT conceptual Amendment 1.

Co-Chair MacKinnon OBJECTED for discussion.

Ms. Cramer discussed Amendment 1:

Page 19, line 1, following "year"  
Insert "and any credits under this chapter,"

Page 19, line 2, following "(e)"  
Delete "before the application of any credits under this chapter"

Page 19, line 3, following "(f)"  
Insert "before the application of any credits under this chapter"

Ms. Cramer informed that there had been a drafting error and the intent was the same.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

Co-Chair MacKinnon informed that the committee had checked with Mr. Alper on the conceptual amendment and had confirmed that there was no issue. She stated for the record that he was nodding his head.

Vice-Chair Bishop MOVED to report SCS CSHB 111(FIN) as amended out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCS CSHB 111(FIN) was REPORTED out of committee with a "do pass" recommendation and with one forthcoming fiscal impact note from the Department of Revenue.

[4:08:28 PM](#)

AT EASE

4:10:40 PM

RECONVENED

Co-Chair MacKinnon and Vice-Chair Bishop extended thanks to staff and agencies for their assistance.

Senator Hughes thanked Senator Cathy Giessel and her staff.

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ADJOURNMENT

4:11:59 PM

The meeting was adjourned at 4:12 p.m.