

# Fiscal Note

State of Alaska  
2019 Legislative Session

Bill Version:	CSHB 87(FIN)
Fiscal Note Number:	2
(H) Publish Date:	5/11/2019

Identifier: HB087-DOR-TAX-5-09-2019  
 Title: LIQUEFIED NATURAL GAS STORAGE TAX  
       CREDIT  
 Sponsor: THOMPSON  
 Requester: (H) Energy

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)

	FY2020	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2020 Request	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>OPERATING EXPENDITURES</b>	<b>FY 2020</b>	<b>FY 2020</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>

**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>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None	***		***				
<b>Total</b>	***	<b>0.0</b>	***	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2019) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2020) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed?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/comments:**

This is for the CS (31-LS0619U). The main changes for the fiscal note are the timing of the credit expiration and the maximum allowable credit for the extension. Version U based on the 2-13-19 Governor's FY2020 request.

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 Agency: Office of Management and Budget

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 Date: 05/09/2019 12:00 PM  
 Date: 05/09/19

REPORTED OUT OF  
HFC 05/11/2019

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2019 LEGISLATIVE SESSION

## Analysis

**Background**

The existing liquefied natural gas (LNG) storage facility tax credit under AS 43.20.047 applies to a facility that commences commercial operation before January 1, 2020. This bill extends the credit to a facility that commences commercial operation before January 1, 2021. The bill reduces the maximum amount of the credit to \$5 million of the costs incurred to establish or expand the facility if the facility commences commercial operation on or after January 1, 2020 and before January 1, 2021. The bill does not include a lesser of provision for a facility that commences commercial operation on or after January 1, 2020 and before January 1, 2021 (i.e. lesser of 50% of costs incurred).

The affected entities are owner(s) of LNG storage facilities. They can include corporations and partnerships. The current maximum amount of the credit an entity may claim is the lesser of \$15 million or 50% of the costs incurred to establish or expand the facility. This credit maximum stays in place for any facility that commences operations before January 1, 2020. The facility must have a liquefied natural gas storage volume of not less than 25,000 gallons of liquefied natural gas, or if the credit is claimed for expansion of the facility, the expansion must increase capacity by not less than 25,000 gallons of liquefied natural gas. It must also be regulated under AS 42.05 as a utility.

If the LNG storage facility for which a credit was claimed and received ceases commercial operation during the nine calendar years immediately following the year that the facility commences commercial operation, the credit is considered to be earned ratably over ten years and the amount not yet earned becomes a liability to the state.

**Revenue Impact**

\*\*\*The revenue impact of this bill is indeterminate.

This tax credit may be applied against tax liability under the Alaska Net Income Tax Act, AS 43.20. Alternatively, AS 43.20.047(e) provides that the tax credit may be purchased by the Department of Revenue from money available in the oil and gas tax credit fund in AS 43.55.028. This could include any money disbursed to the Commissioner of Revenue for payments under AS 43.55.028 from the Alaska Tax Credit Certificate Bond Corporation reserve fund.

**Implementation Cost**

As this credit is already in place and used by a limited number of entities, its extension will not result in additional costs of administration.

The bill has an immediate effective date.