

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version:	SCS CSHB 50(FIN)
Fiscal Note Number:	18
(S) Publish Date:	5/12/2024

Identifier: HB050CS(SFIN)-DOR-TAX-5-12-24
 Title: CARBON STORAGE
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: (S) Finance

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)

	FY2025	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2025 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
OPERATING EXPENDITURES	FY 2025	FY 2025	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
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 (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None	***	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes
(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? Yes
 If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/25

Why this fiscal note differs from previous version/comments:

Updated for Senate Finance CS which removed the income tax on passthrough entities producing or transporting oil or gas in the state and clarified allowable lease expenditures.

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Division:	Commissioner's Office	Date:	05/12/2024
Approved By:	Janelle Earls, Administrative Services Director	Date:	05/12/24
Agency:	Department of Revenue		

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SFC 05/12/2024

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2024 LEGISLATIVE SESSION

Analysis

Background - CCUS

The last several years have witnessed a rapid acceleration of interest in Carbon Capture, Utilization, and Sequestration (CCUS) technologies and projects. CCUS projects seek to capture anthropogenic CO₂, chiefly from industrial sources, and inject the CO₂ stream into underground geologic formations in order to permanently sequester the carbon rather than emit it into the atmosphere.

Federal Legislation in 2022 and 2023, primarily the Inflation Reduction Act, has increased the amount of an existing credit known as the "45Q." The 45Q, in short, allows for a credit against federal corporate income taxes on a per ton of CO₂ basis for either sequestration of CO₂ for permanent storage or for enhanced oil recovery (at a lower credit level). Under current law, C-Corporations doing business in the state are subject to corporate income tax (CIT) under AS 43.20.

This bill would empower regulatory agencies to apply for class VI primacy from the federal government and establish a framework for application, storage, potential remediation of Carbon Capture, Sequestration, Utilization and Storage. It establishes several funds for the deposit of moneys generated from the program. The department believes that the funds can be established and invested using existing resources.

Revenue Impact - CCUS

The tax revenue potential of the bill is uncertain at this stage. The current version of the bill disallows the federal pass-through of the 45Q Tax Credit against the State's Corporate Income Tax, as well as excludes any carbon capture or storage costs as lease expenditures for Oil & Gas Production Tax, which in combination prevent a negative revenue impact. However, CCUS projects could potentially impact revenues from Oil & Gas Property Tax depending on new infrastructure placed into service.

Implementation Cost – All Tax Changes

The department would need to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The programming will not be substantial, given that both tax types are already programmed and will require only minor changes. The department will need to adopt regulations to clarify allowable lease costs when an enhanced oil recovery facility transitions to a carbon storage facility. These implementation costs will be absorbed by the department using existing resources.