

# Fiscal Note

State of Alaska  
2024 Legislative Session

Bill Version:	CSHB 387(RES)
Fiscal Note Number:	1
(H) Publish Date:	3/25/2024

Identifier: HB387-DOR-TAX-03-01-24  
 Title: OIL & GAS TAX CREDIT: JACK-UP RIG  
 Sponsor: RESOURCES  
 Requester: (H) RESOURCES

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 2026	FY 2027	FY 2028	FY 2029	FY 2030
<b>OPERATING EXPENDITURES</b>	<b>FY 2025</b>	<b>FY 2025</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>	***	***	***	***	***

**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?** 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? **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 If yes, by what date are the regulations to be adopted, amended or repealed?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:**

Not applicable, initial version.
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Division:	Tax Division	Date:	03/01/2024
Approved By:	Adam Bryan, Division Operations Manager	Date:	03/01/24
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
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## Analysis

**Bill Analysis**

This bill would create a tax credit certificate for an entity that installs a jack-up rig in Cook Inlet between the effective date of the bill and July 1, 2026. The credit has no cap and would be equal to the total cost of purchasing and transporting a jack-up rig to Cook Inlet. Potentially, more than one jack-up rig installation could generate multiple credits under this bill.

A credit could be used against any of the 20-plus tax types in Title 43. However, the tax types that could apply to an entity installing a jack-up rig in Cook Inlet would likely be limited to the Oil and Gas Property Tax, Oil and Gas Production Tax (including the Hazardous Release Surcharge), and the Corporate Income Tax—if the entity is a C-corporation. It is possible that the only tax that would apply to such an entity would be the Oil and Gas Property Tax, in the case that the entity is not a producer and not a C-corporation.

A credit earned under this bill could be used to reduce an entity's tax obligations to as low as zero. Any portion not used in a tax period could be used in a later tax period. The credit does not expire, it could be used to reduce future taxes into perpetuity. The credit is non-transferable and must be used by the entity that earned the credit certificate.

**Revenue Impact**

The revenue impacts of this bill cannot be determined at this time. If a jack-up rig is not installed during the prescribed time, the revenue impact would be zero. If one or more jack-up rigs are installed during the prescribed time, the revenue impact would likely be an indeterminate reduction to revenue. Revenue impacts could apply to both unrestricted revenue as well as potentially restricted revenues such as the Hazardous Release Surcharge, deposits to the CBRF, etc.

It is difficult to estimate what the total cost of purchasing and transporting a jack-up rig to Cook Inlet would be, and that is complicated because costs can vary significantly based on the age and condition of a jack-up-rig. It is also impossible to know which types of taxes a credit recipient would be subject to, and, therefore, which taxes would be reduced by the credit, and by how much. For example, because the state share of property taxes levied under AS 43.56 is taxed at approximately 1 percent in the Cook Inlet, no matter what amount the taxpayer spent to purchase and transport a jack-up rig, if that taxpayer was subject only to the AS 43.56 Oil and Gas Property Tax, it could take 100 years to fully utilize the credit. However, if the entity were also subject to the Oil and Gas Production and Corporate Income taxes, the credit could potentially be fully utilized in one or several years.

**Implementation Cost**

This legislation would require the Department to make changes to its Tax Revenue Management System (TRMS) and draft regulations. Resources required to implement this bill would include staff time to update tax forms, TRMS, and Revenue Online, staff time to draft regulations, and other miscellaneous costs when applicable. These costs will be absorbed by the Tax Division using existing resources.