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Original sponsors: Hayes and Szymanski

1 IN THE HOUSE

BY THE CONFERENCE COMMITTEE

2

CONFERENCE CS FOR HOUSE BILL NO. 258

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act establishing a special investment tax credit;

7

and providing for an effective date."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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\* Section 1. LEGISLATIVE FINDINGS AND INTENT. The legislature finds  
10 and declares that

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(1) development of gas processing facilities in the state will  
12 promote full and stable employment, promote the creation of export markets  
13 for the natural energy resources of the state, and promote the long-term  
14 development of other natural resources in the state;

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(2) it is in the statewide public interest, and is declared to  
16 be a public purpose, to promote the prosperity and general welfare of all  
17 citizens of the state by stimulating the development of gas processing  
18 facilities in the state;

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(3) it is further in the statewide public interest, and is  
20 declared to be a public purpose, to promote the exploration, drilling of  
21 wells, development, and mining of minerals and other natural deposits  
22 (other than oil and gas) in the state, to assist the state by diversifying  
23 its economy, to make it less dependent on oil and gas, provide increased  
24 employment opportunities and provide an incentive for investment in the  
25 state; and

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(4) the establishment of a special industrial incentive invest-  
27 ment tax credit is necessary in order to promote and accomplish the objec-  
28 tives listed in (1) - (3) of this section.

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\* Sec. 2. AS 43.20.021(d) is amended to read:

1 (d) Where a credit allowed under the Internal Revenue Code is  
2 also allowed in computing Alaska income tax, it is limited to 18  
3 percent for corporations of the amount of credit determined for fed-  
4 eral income tax purposes which is attributable to Alaska. This limi-  
5 tation does not apply to a special industrial incentive tax credit  
6 under AS 43.20.042.

7 \* Sec. 3. AS 43.20.036(b) is amended to read:

8 (b) For purposes of calculating the income tax payable under  
9 this chapter, the taxpayer may apply as a credit against tax liability  
10 the investment credit allowed as to federal taxes under 26 U.S.C. 38  
11 (Internal Revenue Code) upon only the first \$20,000,000 of qualified  
12 investment, other than qualified investment for a special industrial  
13 incentive investment tax credit under AS 43.20.042, put into use in  
14 the state for each taxable year. This limitation does not apply to  
15 the amounts invested in equipment that [WHICH] meets the definition of  
16 a certified pollution control facility as defined in 26 U.S.C. 169  
17 (Internal Revenue Code) as in effect on June 19, 1975, except that the  
18 date specified in 26 U.S.C. 169(d) (Internal Revenue Code) as a condi-  
19 tion of qualifying a certified pollution control facility for a deduc-  
20 tion does not apply.

21 \* Sec. 4. AS 43.20 is amended by adding a new section to read:

22 Sec. 43.20.042. SPECIAL INDUSTRIAL INCENTIVE INVESTMENT TAX  
23 CREDITS. (a) Subject to (c) of this section, for purposes of calcu-  
24 lating eligible taxes the taxpayer may apply as a credit against  
25 eligible taxes the following percentage of the investment credit  
26 allowed as to federal taxes under 26 U.S.C. 38 (Internal Revenue Code)  
27 on only the first \$250,000,000 of qualified investment in the state  
28 for each taxable year after December 31, 1984, for a gas processing  
29 project: (1) 100 percent on the first \$50,000,000 of qualified

1 investment; (2) 80 percent on qualified investment over \$50,000,000  
2 but not exceeding \$100,000,000; (3) 70 percent on qualified investment  
3 over \$100,000,000 but not exceeding \$150,000,000; (4) 60 percent on  
4 qualified investment over \$150,000,000 but not exceeding \$200,000,000;  
5 and (5) 40 percent on qualified investment over \$200,000,000 but not  
6 exceeding \$250,000,000. A credit may not be allowed under this sub-  
7 section for an investment credit that is allowed as to federal taxes  
8 for leased property by reason of 26 U.S.C. 168(f)(8) (Internal Revenue  
9 Code). In this subsection, "gas processing project" means the inte-  
10 grated plant, facilities, and equipment, including pollution control  
11 equipment, used for (1) preparation of consumer or transportation gas,  
12 or (2) conditioning, fractionation, storage, handling or processing of  
13 a product, other than crude oil, of an oil or gas well, into liquefied  
14 natural gas, methanol, ammonia, urea, olefins, propanes, butanes,  
15 polymers and intermediate hydrocarbon products; it does not include a  
16 pipeline from oil and gas wells to or from a plant and facilities.

17 (b) Subject to (c) of this section, for purposes of calculating  
18 eligible taxes the taxpayer may apply as a credit against eligible  
19 taxes the following percentage of the investment credit allowed as to  
20 federal taxes under 26 U.S.C. 38 (Internal Revenue Code) on only the  
21 first \$250,000,000 of qualified investment in the state for each  
22 taxable year after December 31, 1984, for exploration, drilling of  
23 wells, development, or mining of the minerals and other natural depos-  
24 its listed in 26 U.S.C. 613(b) (Internal Revenue Code) other than sand  
25 or gravel unless the mining of sand or gravel is ancillary to a mining  
26 development involving a qualified natural deposit other than sand or  
27 gravel: (1) 100 percent on the first \$50,000,000 of qualified invest-  
28 ment; (2) 80 percent on qualified investment over \$50,000,000 but not  
29 exceeding \$100,000,000; (3) 70 percent on qualified investment over

1 \$100,000,000 but not exceeding \$150,000,000; (4) 60 percent on quali-  
2 fied investment over \$150,000,000 but not exceeding \$200,000,000; and  
3 (5) 40 percent on qualified investment over \$200,000,000 but not  
4 exceeding \$250,000,000. A credit may not be allowed under this sub-  
5 section for any investment credit that is allowed as to federal taxes  
6 for leased property by reason of 26 U.S.C. 168(f)(8) (Internal Revenue  
7 Code). In this subsection, "mining" has the meaning given in 26  
8 U.S.C. 613(c)(2) (Internal Revenue Code).

9 (c) A taxpayer may not claim an investment tax credit under (a)  
10 or (b) of this section unless the gas processing project or mining  
11 project began operation and production after December 31, 1984. A gas  
12 processing or mining project is considered to have begun operation and  
13 production when the first product or mineral is produced that is  
14 ultimately either sold or transferred for further processing or  
15 ultimate use.

16 (d) A taxpayer may not claim an additional investment tax credit  
17 under AS 43.20.036(b) for an investment for which a special industrial  
18 incentive investment tax credit is claimed under (a) or (b) of this  
19 section.

20 (e) If a taxpayer making an investment that qualifies for the  
21 investment tax credit under this section is a member of a group of  
22 affiliated corporations filing a consolidated return under the pro-  
23 visions of this chapter, the amount of the investment tax credit that  
24 may be claimed on the consolidated return is limited to the amount the  
25 taxpayer making the qualified investment would have been eligible to  
26 claim had a consolidated return not been filed.

27 (f) The investment tax credit per taxable year allowed by (a)  
28 and (b) of this section may not exceed 60 percent of the eligible tax  
29 liability. Any unused portion of the investment tax credit shall be

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subject to the carry forward provisions in 26 U.S.C. 46(b)(3) (Internal Revenue Code) except that the unused credit may not be carried forward to tax years beginning after December 31, 1999.

(g) Except as provided in (f) of this section, a tax credit under this section may not be claimed on investments made after December 31, 1994.

(h) In this section "eligible taxes" means the total tax liability of a taxpayer for the annual taxes due under the provisions of this chapter and AS 43.65.

\* Sec. 5. This Act takes effect January 1, 1985.