

**HB**

**299**

FISCAL NOTE

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Alaska Net Income Tax Disallowing  
Certain Oil Discharge Expenditures  
Sponsor: Brown et al.  
Requestor: Resources and Finance

Agency Affected: Revenue  
BRU: Income & Excise Audit  
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	10.0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>10.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: See Attached:

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Division: Income and Excise Audit Date: April 27, 1989

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: April 27, 1989  
Agency: Department of Revenue

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Prepared by:  
Steven E. Kettel  
Income and Excise Audit Division  
Department of Revenue  
April 27, 1989

### Bill Analysis

Section 1 would disallow, for Alaska Corporate Net Income Tax purposes a deduction for expenses incurred in containment, clean-up and the mitigating effects of a catastrophic oil spill.

This bill in effect would ensure that the general fund is not negatively impacted by a taxpayer deducting otherwise deductible oil spill clean-up expenses. Departmental concerns are expressed below:

- 1) line 14 should probably delete [162] and add secs. 1 -1399. This broadens the expense exclusion so that other expenses, such as interest, taxes, and penalties which are not covered in section 162 of the Internal Revenue Code cannot be deducted under the authority of another Code section.
- 2) The term taxpayer, as used on line 14 may be broadly interpreted to mean that any corporation engaged in the clean-up effort cannot deduct their expenses even though they shared no responsibility for the spill occurrence. We do not have language to recommend which would fix this defect.
- 3) Line 16 and 17 limit the entire provision to expenses incurred in cleaning up an Alaskan oil spill. This presents geographic inconsistencies into the statute and may cause the proposal to be unconstitutional.

(As a side note, we have had direct communication with EXXON tax personnel and understand that EXXON may have insurance coverage up to \$400 million. For tax purposes EXXON would only be able to deduct expenses not covered by insurance reimbursement.)

A rough estimate of the fiscal impact of the Bill (the amount of revenue protected) can be made using the following rule of thumb. Each \$100 million in additional deductions EXXON takes as a result of unreimbursed oil spill costs reduces State revenue by an amount greater than \$0 and less than \$1 million.

### Fiscal Cost

The Department would have to conduct an extensive audit of all taxpayer expenditures to ensure that those costs directly related to oil clean-up were not deducted. To do so will take extensive per diem and travel resources.