

**Table of Tax Credits under AS 43.55 - The Alaska Oil and Gas Production Tax and Comparison to Proposed Changes in HB 247**

Below is a table relating to credits under AS 43.55, the Oil and Gas Production Tax, for the State of Alaska. This is intended as an informational guide only. The State of Alaska makes no warranty, expressed or implied, of the accuracy of this. To be certain of the current statutes and regulations, refer to the official printed version of the statutes and regulations. This information only relates to credits in effect on January 1, 2016.

Statute for Credit	Credits that May be Issued as Certificates and Submitted to the State for Cash Purchase								Credits that may only be used to offset a tax liability					
	AS 43.55.023(b)	AS 43.55.023(a)(1)	AS 43.55.023(a)(2)	AS 43.55.023(j)(1)	AS 43.55.023(j)(2)	AS 43.55.025(a)(1-4)	AS 43.55.025(a)(5)	AS 43.55.025(a)(6) & (7)	AS 43.55.019	AS 43.55.024(a)	AS 43.55.024(c)	AS 43.55.024(i)	AS 43.55.024(j)	AS 38.05.180(i) / AS 41.09.010
<b>Informal Title</b>	Carried-Forward Annual Loss Credit; NOL Credit	Qualified Capital Expenditures (QCE) Credit	Qualified Capital Expenditures (QCE) Credit for Exploration	Well Lease Expenditure (WLE) Credit	Well Lease Expenditure (WLE) Credit for Exploration	Alternative Credit for Exploration	Exploration - Jack-up Rig	Exploration - Frontier Basins	Education Credit	New Area Development ("Middle Earth") Credit	Small Producer Credit	Credit on GVR Oil	Sliding Scale Credit	(DNR) Exploration Incentive Credits
<b>Initial and Most Recent Effective Date(s)</b>	4/1/2006, amended 7/1/2007 & 1/1/2014	4/1/2006, amended 7/1/2007, 1/1/2013 & 1/1/2014		7/1/2010		9/9/2003, amended 7/1/2008 & 1/1/2013	5/10/2010	1/1/2013	1987, amended 1/1/2011	4/1/2006	4/1/2006	1/1/2014	1/1/2014	
<b>Expiration Date</b>	No expiration	North Slope QCEs expire on 12/31/2013		No expiration		7/1/2016 for projects in North Slope and Cook Inlet; 1/1/2022 for "Middle Earth"	7/1/2016	7/1/2016	Changes 1/1/2021, no expiration	If started before 5/1/16, after 9th calendar year of production	If started before 5/1/16, after 9th calendar year of production	No expiration	No expiration	
<b>Credit Percentage / Amount</b>	North Slope 35%; rest of state 25%	20%		40%		30% or 40% (pre-7/1/08 20% or 40%)	80%, 90%, or 100% (up to \$20, \$22.5 or \$25 million)	80% (up to \$25 million) for wells; 75% (up to \$7.5 million) for seismic	Max of \$5,000,000	\$6,000,000	\$12,000,000	\$5 per bbl	\$0-\$8 per bbl	N/A
<b>Description</b>	Calculated for each segment by taking 25% or 35% of excess lease expenditures.	A QCE must be a lease expenditure and treated as a capitalized cost under 26 IRC. .	A QCE must be a lease expenditure and related to exploration.	A WLE must be a lease expenditure, QCE, and an Intangible Drilling and Development Cost (IDC)	A WLE must be a lease expenditure, QCE, and an Intangible Drilling and Development Cost (IDC) related to exploration	Costs directly related to drilling an exploration well or performing a seismic shoot; amount depends on location	For the first 3 unaffiliated wells drilled by the same jack-up rig in Cook Inlet pre-Tertiary zone	The first two qualified exploration wells and the first seismic project in each basin	A part of cash donations to qualified educational institutes or foundations	For production south of 68 degrees North latitude and outside of Cook Inlet	Full credit if the taxpayer produces less than 50,000 BTU equiv. barrels. Prorated between 50,000-100,000 BTU equiv. barrels	\$5 per barrel, based on oil produced that meets one of the criteria for "new oil"	Sliding scale of \$0-\$8, based on average monthly gross value, for oil that does not meet the criteria for "new oil"	DNR administers this credit, two statutes depend on state land vs. non-state land
<b>DNR Data Requirements</b>	No	No	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No	No	
<b>Location Requirements</b>	No	Effective 1/1/2014, no QCEs on North Slope		Must be south of 68 degrees North latitude		Some have distance requirements from other wells and units	Yes - must be a jack-up rig in Cook Inlet	Yes - six basins defined in AS 43.55.025(o)	No	Outside North Slope and Cook Inlet	No	Must be north of 68 degrees North latitude (North Slope)		N/A
<b>Regulations**</b>	15 AAC 55.310-320 and 15 AAC 55.250-260	15 AAC 55.310-320 and 15 AAC 55.250-260		15 AAC 55.310-320 and 15 AAC 55.250-260			15 AAC 55.350-360		None		15 AAC 55.335			15 AAC 55.520(f)
<b>Combinations</b>	May be "stacked" with credits under AS 43.55.023(a), (l), or 025(a)	Same expenditures may also qualify for credit under AS 43.55.023(b)					None of the expenditures included in this credit may receive a credit under any other section of this chapter			Credit may be in addition to all other credits	Not for specific expenditures - credit may be in addition to all other credits			N/A
<b>Uses of Credit</b>	Applied directly to tax or issued as a certificate. The certificate may be transferred to another company, applied against tax liability, or "cashed" out with the State under AS 43.55.028								Applied directly to tax at 1/12 each month and may not be carried forward or transferred			Applied to tax at actual amount earned each month. Can't be carried forward or transferred	Applied against royalty, rental payments, or tax liability	

**Proposed Changes to Credits in HB 247**

<b>See below</b>	These credit are repealed	Cannot reduce tax liability below the minimum tax under AS 43.55.011(f), retroactive to 1/1/16. (Sec. 17, 19, and 44)	No change	Credits cannot reduce tax liability below the minimum tax under AS 43.55.011(f), retroactive to 1/1/16. (Sec. 17(b) and 19)	This credit is repealed
				The Per-Taxable-Credits are monthly calculations instead of annual. (Sec. 17(c))	
<b>Changes to Carried-Forward Annual Loss (NOL) Credit</b>					
1) If a company producing at a loss is producing oil that qualifies as "new oil" that is eligible for the Gross Value Reduction (GVR), the GVR is added back into the production tax value calculation for determining the NOL credit. (Sec. 18)					
2) Any unused portion of this credit can only be used up to the 10th calendar year after the carried-forward annual lost was incurred. (Sec 19)					
3) Applies the current DNR seismic and well data sharing requirements currently mandated for exploration credits (Sec. 22)					
<b>Proposed Changes (General for All Credits)</b>					
<b>General Changes</b>					
1) The name of each company claiming credits, the aggregate amount of credits in a calendar year, and the general description of the activities which generated the credit will be public information. (Sec. 8)					
2) Companies with a non-tardy liability to the state cannot receive a cash refund for a credit from the state; it must be applied towards that liability					
<b>Changes Impacting Repurchase of Certificates</b>					
1) Companies can only receive \$25 million in cashed out credits annually.					
2) Only companies whose gross revenues in the previous year were less than \$10 billion can get a cash refund for a credit					
3) The state will only repurchase a percentage of a credit certificate equal to the percentage of a company's Alaska resident hire in the previous calendar year. (Sec. 9, 10, 11, 26, 27, & 39)					