



ALASKA STATE LEGISLATURE

SENATE RESOURCES COMMITTEE

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Summary of Senate CS for CS for HB 111 \P

Eliminates the state's cash exposure by ending the program of refundable oil and gas tax credits to small or new companies. Transitions to a system of carrying forward operating losses for use against future tax liability, while protecting the basic tax components in statute today.

Eliminating refundable tax credits

- Ends refundable credits statewide and repeals the tax credit fund; credits issued for work done through 2017 are refundable by appropriation instead. (Sec. 15-17, 25, 32)
- Concludes the multi-year effort to eliminate tax credits used against liability, except for the local energy source work developing in Middle Earth. (Sec. 25)
- Preserves Middle Earth credits as non-refundable, and allows the company earning the credits to apply them against the corporate income tax as well as against production tax; also, applies timelines to encourage prompt issuance of Middle Earth credits. (Sec. 2, 11, 12, 14, 26, 27)
- Ensures the expiring in-state refinery and LNG storage facility credits remain refundable through appropriation. (Sec. 3-6)

- Expands opportunities for companies holding credits to realize value of those credits by enabling credits – a company’s own or purchased from another – to be used against prior liabilities once those liabilities come due. (Sec. 7, 9, 13, 28)

Transition to carry-forward loss system while protecting SB 21 tax

- Repeals the net operating loss credit statewide. On the North Slope, shifts to a system of carrying forward lease expenditures unable to be deducted in the current year as a mechanism to recover costs, and provides non-cash support for new developments through an uplift. (Sections 10, 21, 23, 25, 29)
- Protects the tax structure in place, including a flexible floor for new oil and small producers, and affirming a hard floor against losses. (Sections 10, 23)

Miscellaneous

- Reduces the interest rate on delinquent taxes and extends the time during which interest accrues. (Section 1)